AFT Center for Collective Bargaining

UPDATE ON AFFORDABLE HEALTHCARE

Healthcare Exchanges, Subsidies & Employer Penalties

Healthcare Exchanges: A New Place to Shop for Insurance in 2014 and Beyond

- An exchange is a marketplace where individuals and small employers can shop for health insurance.
- Each state is responsible for setting up its own healthcare exchange. You can track your state's progress at http://www.statehealthfacts.org/ and www.ncsl.org.
- The exchanges will make shopping for insurance easier by offering standard comprehensive benefits, with at least four tiers of coverage:
    - Platinum plans pay for 90% of your covered costs; Gold: 80%; Silver: 70%; Bronze: 60%
    - States may also offer a catastrophic plan to people under 30 years of age, and/or a basic plan for the uninsured with incomes 133%-200% of the Federal Poverty Level (FPL).

Premium Subsidies for Plans Purchased through the Exchanges (starting 2014)

- People with household income between 100- 400% FPL who are not eligible for other "acceptable" coverage, such as an employer-sponsored plan, Medicare, or Medicaid, will be eligible for premium subsidies for insurance purchased in the exchange.
    - If your employer-sponsored plan is inadequate (covers less than 60% of expenses) or unaffordable (employee premium contribution for self-only coverage for the employer's lowest-cost plan exceeds 9.5% of household income), then you may be eligible for subsidized coverage in the exchange.
- There will be a maximum dollar amount that people will have to pay for premiums based on their household income. The subsidy will cover the amount of the premium that exceeds that maximum.
- The table below shows the maximum amount to be paid for the second-lowest-cost silver plan offered in their area. If people choose more expensive plans, their maximum payments will be higher.

Maximum Out-of-Pocket Premium Payments under PPACA, if Currently Implemented
(for the 48 conterminous states and the District of Columbia)

		Maximum Annual Premium (current), by Family Size			
Federal Poverty Line (FPL, 2013)	Maximum Premium as a % of Income (2014)	1	2	3	4
100%	2.0 %	$230	$310	$391	$471
133.01%*	3.0 %	$458	$619	$779	$940
150%	4.0 %	$689	$931	$1,172	$1,413
200%	6.3 %	$1,448	$1,954	$2,461	$2,967
250%	8.05%	$2,312	$3,121	$3,930	$4,739
300%	9.5 %	$3,275	$4,420	$5,566	$6,712
350%	9.5 %	$3,820	$5,157	$6,494	$7,830
400%	9.5 %	$4,366	$5,894	$7,421	$8,949

*individuals and families with income up to 133% FPL will be eligible for Medicaid in 2014 in states that expand Medicaid.

Note: If individuals choose plans more expensive than the second-lowest-cost silver plan, they would have to pay additional premiums.

Source: AFT computation based on "2013 Poverty Guidelines for the 48 Contiguous Sates and the District of Columbia," 78 Federal Register 5182, January 24, 2013. Chart format from Peterson, Chris L. and Thomas Gabe, Congressional Research Service, "Health Insurance Premium Credits in the Patient Protection and Affordable Care Act (PPACA)," April 28, 2010.

Employer Penalties

- Employers are not required to offer insurance, but may be subject to "fair share" penalties if they do not. Employer penalties take effect in 2015.
- Penalties may apply to large employers who:
  - Do not offer coverage, or who
  - Offer coverage that is
    - Unaffordable (employee premium contribution for self-only coverage for the employer's lowest-cost plan exceeds 9.5% of household income), or
    - Inadequate (does not cover at least 60% of medical costs)
- The penalties apply to large employers who have at least one full-time employee receiving a subsidy (premium tax credit) in the exchange.
- A "large employer" is defined as one with more than 50 full-time equivalent employees.
- The Act defines "full time" as working an average of 30 or more hours per week.

If Large Employer[1] Offers Insurance

Situation	Employer Pays Annually	Worker Receives
Employee's household income is 100%-400% of the federal poverty level (FPL). Employee pays more than 9.5% of household income for self-only premium for lowest-cost plan, or the plan pays for less than 60% of covered expenses.	The lesser of: $3,000 x number of FT employees who receive an exchange subsidy, <u>OR</u> $2000 x FT employees -30.	A subsidy to buy insurance in the exchange.
Employee stays in employer's plan.	No penalty.	Insurance under employer's plan.

If Large Employer[1] Does Not Offer Insurance

Situation	Employer Pays Annually	Worker Receives
At least one employee has household income of 100%-400% FPL and receives a subsidy in the exchange.	$2,000 x FT employees -30.	A subsidy to buy insurance in the exchange.
No employee receives a subsidy in the exchange.	No penalty.	No subsidy, if household income is greater than 400% FPL. Employee will have to have insurance (from exchange or elsewhere) or pay the individual mandate penalty.

Sources: Congressional Research Service (2010): *Private Health Provisions in the PPACA* (P.L. 111-148); *Health Insurance Premium Credits in the Patient Protection and Affordable Care Act* (Peterson and Gabe); and *Summary of Potential Employer Penalties under the PPACA* (P.L. 111-148, Chaikind and Peterson).

[1] "Large" employers for the purpose of the employer penalties are those who have at least 50 full-time equivalent employees.