



ACA Learning Series

Massachusetts Health Care Training Forum (MTF)

Marketplace and MassHealth Coverage at Tax Time

The Individual Mandate: State and Federal Comparison

December 18, 2014

Agenda

- Overview
- State mandate policies
 - Tax penalties
 - Affordability standards
 - Coverage standards
 - Coverage reporting
 - Exemptions
- How state policies work with federal policies
- Finding help with tax preparation in your community

Chapter 58 of the Acts of 2006 established an individual mandate, which requires adults in Massachusetts to purchase health insurance if it is affordable to them. The mandate has three primary components:

- Tax Penalties
- Affordability Standards
- Coverage Standards

The Health Connector is responsible for setting the affordability and coverage standards and managing the appeals process. The Department of Revenue (DOR) enforces the mandate via tax filings, using Schedule HC and the 1099-HC form

The Affordable Care Act (ACA) also includes an individual mandate for adults and children, effective in 2014, but includes different standards around affordability and coverage, and will be enforced by the IRS using a different exemption and penalty structure

MA Individual Mandate



Massachusetts is keeping its individual mandate in order to maintain the coverage standards that have worked well under state health care reform

- Minimum Creditable Coverage (“MCC”) standards ensure that residents have quality coverage
- Almost all MA residents already have insurance that meets MCC standards
- To avoid double penalties on the remaining uninsured, individuals will be able to subtract any federal penalty owed from their state penalty (if applicable)

Tax Penalties



State Penalties: By law, state penalties are set at one half of the premium for the lowest cost plan the penalized individual could purchase through the Massachusetts Health Connector

- The penalty schedule is published by DOR in a Technical Information Release (TIR) and reprinted in the state income tax form

Federal Penalties: In 2014, payments are the greater of:

- 1 percent of your household income that is above the tax return filing threshold for your filing status, or
- Your family's flat dollar amount, which is \$95 per adult and \$47.50 per child, limited to a family maximum of \$285

These penalties are capped at the cost of the national average premium for a bronze level health plan available through Marketplaces in 2014.

See [Rev. Proc. 2014-46](#) for the 2014 national average premium for a bronze level health plan available through the Marketplaces

State Tax Penalties



- For 2014, monthly state penalties range from \$20 to \$92, depending on income and age
- The Schedule HC on MA Form 1 will help individuals calculate any penalty amount
- Individuals who earn less than 150% of the Federal Poverty Level (FPL) have historically not paid a penalty because they have not been required to pay a premium for coverage through the Health Connector
 - Statutory formula is 50% of lowest cost plan, and 50% of \$0 is \$0
- While taxpayers may pay a federal penalty for their uninsured children, the MA penalty only applies to uninsured adult tax filers

State Tax Penalties (*cont'd*)

To avoid “penalty stacking” with two mandates, any federal penalty paid by a tax filer will be subtracted from the state penalty owed

34 Health Care penalty. **Not less than “0”** (from worksheet; be sure to **enclose** Schedule HC):

a. ▶ + b. ▶ - c. ▶ ... a + b - c = 34

You Spouse Federal healthcare penalty

35 **INCOME TAX AFTER CREDITS, CONTRIBUTIONS, USE TAX and HC PENALTY.** Add lines 31–34 35

Example: John determines that he must pay a federal penalty of \$600 for 2014. John’s Massachusetts penalty is \$400. He will pay \$600 to the federal government and pay nothing to Massachusetts

Example: Jane determines that she must pay a federal penalty of \$300. Her Massachusetts penalty is \$700. She will pay \$300 to the federal government and pay \$400 to Massachusetts, capping her total liability at the \$700 she would have owed under the Massachusetts mandate

Affordability Standards

State Affordability Standard: The historic state affordability standards defined specific dollar amounts for various income buckets (bucketed at different percentages of the Federal Poverty Level (FPL)) that are considered to be affordable premiums for an individual or a family. For 2014, the state adopted an approach that mixes state and Federal methodology by setting fixed dollar amounts for lower income households and capping affordability at 8% of household income for higher earners

- The affordability schedule is not set by statute, but rather is set by the Health Connector Board of Directors

Federal Affordability Standard: The Federal affordability standard defines affordability according to a percentage of income approach; a contribution of 8% of household income or less is considered affordable for an individual or a family in 2014

- The affordability standard is defined in statute and is indexed annually for inflation

MA 2014 Affordability Standards



**CY 2014 Affordability Schedule
INDIVIDUALS**

Annual Adjusted Gross Income			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,676	\$0		
100.1 - 150%	\$11,677	\$17,508	\$0		
150.1 - 200%	\$17,509	\$23,340	\$40	2.7%	2.0%
200.1 - 250%	\$23,341	\$29,184	\$78	4.0%	3.2%
250.1 - 300%	\$29,185	\$35,016	\$118	4.8%	4.0%
300.1 - 350%	\$35,017	\$40,848	\$215	7.4%	6.3%
350.1 - 400%	\$40,849	\$46,680	\$266	7.8%	6.8%
Above 400%	\$46,681		8% of income/12		

**CY 2014 Affordability Schedule
COUPLES**

Annual Adjusted Gross Income			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$15,732	\$0		
100.1 - 150%	\$15,733	\$23,604	\$0	0.0%	0.0%
150.1 - 200%	\$23,605	\$31,464	\$80	4.0%	3.0%
200.1 - 250%	\$31,465	\$39,336	\$156	5.9%	4.7%
250.1 - 300%	\$39,337	\$47,196	\$236	7.1%	5.9%
300.1 - 350%	\$47,197	\$55,056	\$315	8.0%	6.9%
350.1 - 400%	\$55,057	\$62,928	\$367	8.0%	7.0%
Above 400%	\$62,929		8% of income/12		

**CY 2014 Affordability Schedule
FAMILIES**

Annual Adjusted Gross Income			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$19,800	\$0		
100.1 - 150%	\$19,801	\$29,688	\$0	0.0%	0.0%
150.1 - 200%	\$29,689	\$39,588	\$80	3.2%	2.4%
200.1 - 250%	\$39,589	\$49,476	\$156	4.7%	3.7%
250.1 - 300%	\$49,477	\$59,376	\$236	5.7%	4.7%
300.1 - 350%	\$59,377	\$69,276	\$396	8.0%	6.9%
350.1 - 400%	\$69,277	\$79,164	\$437	7.6%	6.6%
Above 400%	\$79,165		8% of income/12		

Coverage Standards

State Coverage Standards: Minimum Creditable Coverage (MCC) is the minimum level of benefits for satisfying the Massachusetts individual mandate

- MCC has a number of different components, including designating certain types of coverage, per statute, as *per se* compliant (e.g. Student Health Insurance)
- For other forms of coverage, the Health Connector adopts regulations specifying services that are required to be covered (e.g., Rx), imposing some limits on out-of-pocket costs (e.g., deductibles), and prohibiting certain forms of limitations on benefits (e.g., annual limitations)
- MCC standards specify the standards of coverage that an individual must obtain in order to satisfy the mandate requirement. MCC does not directly impose any benefit standards on carriers or employers

Coverage Standards (cont'd)

Federal Coverage Standards: Minimum Essential Coverage (MEC) is the minimum standard of coverage to comply with the ACA's individual mandate

- MEC includes a few broad categories of coverage which, per ACA statute, are automatically compliant (e.g., employer plans) for the purpose of satisfying the individual mandate
- MEC does not directly impose any benefit standards on carriers or employers, *but (unlike with chapter 58 in Massachusetts) there are several new insurance market reforms in the ACA that do directly regulate health plans. Many of these, however, are only applicable to the fully insured small/non-group market*

Coverage Standards (*cont'd*)

Certain types of coverage automatically meet coverage standards

MCC (MA)

- Medicare
- Medicaid (MassHealth)
- Qualified Health Plans, as certified for sale by the Health Connector
- Military and veterans' coverage
- Federal employee health plans
- Peace Corps, VISTA, AmeriCorps, and National Civilian Community Corps coverage
- Federally qualified high deductible health plans (HDHPs)
- Student health plans
- Tribal or Indian Health Service plans

MEC (Federal)

- Medicare
- Medicaid/CHIP
- Military and veterans' coverage
- Peace Corps plans
- Nonappropriated Fund Health Benefits Program of Dept. of Defense
- Employer-sponsored plans
- Plans in the individual market
- Grandfathered health plans

Coverage Reporting



State Coverage Reporting: Plan sponsors, often employers, must send enrollees evidence of each month during the calendar year in which they were enrolled in MCC for at least **15** days. This report is known as the 1099-HC and is often sent by the health plan rather than the employer. Individuals will receive 1099-HCs for 2014 as they have in the past

Federal Coverage Reporting: Any entity that provides coverage must send enrollees evidence of each month during the calendar year in which they were enrolled in MEC for at least **1** day. This report is known as the 1095. Most 1095 reporting is optional for 2014, but anyone enrolled in a Health Connector plan (or plan from another ACA Marketplace) will receive a 1095

Because of the differences in reporting requirements, individuals will receive separate 1099-HC and 1095 reports

Coverage Reporting



Temporary MassHealth Enrollees and CommCare Enrollees

- Will receive Form 1099-HC to complete their state taxes
- Will not receive Form 1095
 - Follow instructions on IRS Form 1040 (Individual Income Tax Return) and Form 8965 (Health Coverage Exemptions) as needed to report coverage, calculate penalties, or request exemptions

Qualified Health Plan and ConnectorCare Enrollees

- Will receive Form 1099-HC to complete their state taxes
- Will receive Form 1095-A from the Health Connector to complete their federal taxes

Exemptions



State Exemptions: Taxpayers may request exemption from penalties based on financial hardship or sincerely held religious beliefs

- The Health Connector regulations outline specific financial hardships, such as eviction/foreclosure and utility shut off, as well as offer consideration for other special circumstances
- Taxpayers may claim a hardship on the Schedule HC when they file their taxes. They will be sent a follow-up form asking for proof of their claim, which the Health Connector will review and adjudicate
- The Department of Revenue regulates religious exemptions, which individuals claim on their tax return

Exemptions (*cont'd*)

Federal Exemptions: In addition to financial hardship and religious beliefs, American Indians, incarcerated individuals, and individuals not lawfully present in the U.S. may be exempt

- Exemptions may be requested through the Federal Health Insurance Marketplace, the IRS, or both, depending on the reason
- Note: Individuals seeking a hardship exemption must apply to the Federal Marketplace before filing their taxes. If they file taxes without having an exemption number, they will have to pay any penalty at the time of filing. They may amend their return to request an adjustment if they receive an exemption after they file

Key Takeaways for Assisters



Please keep this information in mind as you work with consumers to help them apply for health insurance coverage:

- Massachusetts has had an insurance mandate in place since 2006 (Chapter 58). We also have certain standards for the types of benefits that these insurance plans must have
- The Affordable Care Act brings with it a new federal mandate (requirement to have health insurance) and coverage standards
- Filing taxes has implications on a consumer's eligibility for the ConnectorCare program, which is made up of federal and state subsidies
- An applicant's tax filing status also impacts their ability to receive tax credits
- Keeping the state informed about any changes a member has, such as income, job loss or change, marriage or pregnancy, will help minimize any unanticipated responsibilities when their taxes are reconciled

Finding help with tax preparation in your community

VITA and TCE

- The **Volunteer Income Tax Assistance (VITA)** program offers free tax help to people who generally make \$53,000 or less, persons with disabilities, the elderly and limited English speaking taxpayers who need assistance in preparing their own tax returns. The IRS-certified volunteers are able to provide free basic income tax return preparation with electronic filing to qualified individuals
- In addition to VITA, the **Tax Counseling for the Elderly (TCE)** program offers free tax help for all taxpayers, particularly those who are 60 years of age and older, specializing in questions about pensions and retirement-related issues unique to seniors. The IRS-certified volunteers who provide tax counseling are often retired individuals associated with non-profit organizations that receive grants from the IRS
- Before going to a **VITA or TCE** site, see [Publication 3676-A](#) for services provided and check out the [What to Bring](#) page to ensure you have all the required documents and information our volunteers will need to help you. *Note: available services can vary at each site due to the availability of volunteers certified with the tax law expertise required for your return

Finding a VITA or TCE Site Near You



- VITA and TCE sites are generally located at community and neighborhood centers, libraries, schools, shopping malls and other convenient locations across the country. To locate the nearest VITA or TCE site near you, use the VITA Locator Tool or call 800-906-9887
- At select tax sites, taxpayers also have an option to prepare their own basic federal and state tax return for free using Web-based tax preparation software with an IRS-certified volunteer to help guide you through the process. This option is only available at locations that list “Self-Prep” in the site listing <http://irs.treasury.gov/freetaxprep/>

Finding an AARP TCE Tax-Aide Site Near You



- A majority of the TCE sites are operated by the AARP Foundation's Tax Aide program. To locate the nearest AARP TCE Tax-Aide site between January and April use the AARP Site Locator Tool or call 888-227-7669

<http://apps.irs.gov/app/scripts/exit.jsp?dest=http://www.aarp.org/applications/VMISLocator/searchTaxAideLocations.action>

Helpful IRS Resources

- <http://www.irs.gov/Affordable-Care-Act>
- <http://www.irs.gov/Affordable-Care-Act/The-Individual-Shared-Responsibility-Payment-An-Overview>
- Fact Sheet on Individual Responsibility <http://www.irs.gov/pub/irs-pdf/p5156.pdf>

Facts about the **Individual Shared Responsibility Provision**

Health Insurance Policy



... what you need to know.

The [individual shared responsibility provision](#) of the Health Care Law requires you and each member of your family to have qualifying health insurance (called minimum essential coverage), have an exemption, or make a shared responsibility payment when filing a federal income tax return. Many people already have minimum essential coverage and don't need to do anything more than maintain that coverage.

Do I have minimum essential coverage?

You have minimum essential coverage if you have employer-sponsored coverage, coverage obtained through a Health Insurance Marketplace, coverage through most government-sponsored programs, as well as certain other plans. You must maintain this coverage for each month of the calendar year. For information about additional types of coverage that qualify, check our [minimum essential coverage chart](#) on [IRS.gov/aca](#).

Am I eligible for an exemption?

You may be exempt from the requirement to maintain minimum essential coverage if you're a member of certain religious sects, a federally recognized Indian tribe, or a health care sharing ministry. You may also be eligible if you are suffering a hardship, meet certain income criteria, or are uninsured for less than three consecutive months of the year. For more information, check our [exemptions chart](#) on [IRS.gov/aca](#).

Will I have to make a payment?

If you or any of your dependents don't have minimum essential coverage or an exemption, you will need to make an individual shared responsibility payment on your tax return.

For 2014, the annual shared responsibility payment amount is the greater of:

- 1 percent of your household income that is above your tax return filing threshold, or
- Your family's flat dollar amount, which is \$95 per adult and \$47.50 per child, limited to a family maximum of \$285 for 2014.

The maximum amount you pay cannot be more than the cost of the national average premium for a bronze level health plan available through the Marketplace in 2014.



Questions?