

## UNDERSTANDING THE INDIVIDUAL MANDATE & IMPORTANT COVERAGE DATES

As the new year rapidly approaches, there has been considerable discussion and confusion about the Affordable Care Act (ACA) provision requiring most Americans to either have health insurance beginning in 2014 or face a penalty (often called the “Individual Mandate”). A significant part of that confusion concerns the state and federal timelines and deadlines for obtaining coverage.

Although the Individual Mandate has never enjoyed broad popularity, since most people don’t like to be told what to spend their money on, it’s a necessary underpinning of the compromise approach used in the ACA. Without the requirement that all Americans get health insurance, it wouldn’t be possible to accomplish other significant and generally well-liked insurance reforms that are included in the ACA, such as the rule that insurance companies can’t deny someone coverage due to a pre-existing condition and the elimination of annual and lifetime limits.

In light of the current political divide, it’s interesting to note that the Individual Mandate was originally a Republican notion that was promoted by the conservative Heritage Foundation and first ushered into implementation by Governor Mitt Romney, as part of the very successful Massachusetts law that served as the model for the ACA. Now, the tables have turned and many Republicans are advocating that the Individual Mandate be delayed for one year while many others want it repealed altogether (along with the rest of the ACA).

A [Kaiser Family Foundation poll](#) found that, though the Individual Mandate is the least liked provision of the law, most Americans support many of the other components such as the tax credits to small businesses to help them offer coverage to their employees, requiring coverage of pre-existing conditions, and the creation of health insurance exchanges to assist people in shopping for coverage. Although the Individual Mandate is much less popular, it is necessary for full implementation of health care reform to keep costs down by spreading the risk for insurance companies across a broad population. In fact, the Congressional Budget Office [estimated](#) that if the Individual Mandate was delayed for even one year, there would be 11 million more Americans without insurance in 2014 than if the law was left intact, and everyone else purchasing coverage through the Health Insurance Marketplace would pay much higher premiums. To make the Affordable Care Act work, we need to support full implementation of the Individual Mandate.

Given the importance of Individual Mandate, the confusion surrounding how it works, and what the relevant dates for coverage are, we thought we’d try to help set the record straight with a short Q & A.

### **WHAT IS THE INDIVIDUAL MANDATE?**

The Individual Mandate is a provision in the health care reform law that requires you, your children and anyone else you claim as a dependent for tax purposes to have health insurance, beginning in 2014, or to pay a penalty when you file your taxes.

The law requires that everyone (with some exceptions noted below) maintain “Minimum Essential Coverage” (MEC), which includes nearly all types of employer-sponsored insurance, Medicaid &

Medicare. Certain health plans that only include coverage for limited benefits – such as vision or dental care, and Medicaid covering only certain benefits such as family planning, workers' compensation, or disability policies – are not considered MEC.

### **WHAT IS THE PENALTY FOR NOT COMPLYING?**

If you maintain any combination of MEC health insurance throughout the year, you will *not* be assessed any penalty when you file your taxes at the end of the year. Also, there is no penalty for a single gap in coverage of less than 3 months in a year. If you have more than a single 3 month gap in coverage, you will be assessed a *pro-rated* penalty based on the number of months without coverage (coverage for at least one day in a month counts as having coverage for that month for the purposes of the penalty). The following table shows the increasing penalty amounts over the next few years.

<b>2014</b>	Greater of \$95 per adult, or 1% of taxable income.
<b>2015</b>	Greater of \$325 per adult, or 2% of taxable income.
<b>2016</b>	Greater of \$695 per adult, or 2.5% of taxable income.
Post 2016 Penalty increases annually based on a cost-of-living adjustment.	

The penalty amount for uninsured children is half the amount for an adult and there are caps on the amount a family would have to pay in total. For lack of insurance in 2014, parents could face a penalty of \$47.50 per child under 18 without insurance up to a maximum of \$285. For being uninsured in 2015, the maximum penalty goes up to \$975 for a family, and then it goes up again in 2016 to a total family penalty of no more than \$2,085. After 2016, that total penalty maximum will adjust for inflation.

[According to the IRS](#), if a child is uninsured at any point in the year (outside of the stated exceptions and allowed coverage gaps), their parent is responsible for a fine to the government when they file their taxes, regardless of whether they claim the child as a dependent or not.

When determining the penalty, the IRS defines “taxable income” as your total income in excess of the filing threshold (\$10,000 for an individual and \$20,000 for a family in 2013). Everyone will be asked if they had health insurance and for how many months when they filed their tax returns and those who had insurance will get some sort of certificate of coverage from their health insurers. The tax penalty cannot be greater than the national average premium on the Marketplace for Bronze level coverage. The IRS cannot send you to jail for not paying this penalty nor can they garnish your wages, but the IRS is allowed to withhold your tax refund.

Essentially, if you’re a single person with no kids, and you’re earning \$50,000 a year and have a taxable income of \$40,000, you’d pay a tax penalty of about \$400 for not having coverage for all of 2014. (Since \$400 is greater than \$95, your penalty would be based on your income rather than the flat penalty amount.) A single person with that income would pay a penalty of about \$800 for not having coverage in 2015, and a penalty of about \$1,000 for not being insured in 2016.

### **ARE THERE EXCEPTIONS?**

Yes, there are a variety of populations that are not subject to the Individual Mandate, including a couple of exceptions that were recently added. For example, on December 19th the Obama Administration announced that individuals who had their plans cancelled for the upcoming year because their plan did not meet the Affordable Care Act’s requirements will *not* be subject to the Individual Mandate in 2014. In addition to that one year exemption, there are many others reasons that individuals can be exempted

from the mandate. People who fall into any of the following categories will not have to pay a fee for not having coverage in 2014:

- *No Filing Requirement:* You are not required to file a tax return because your income is too low (In 2013, those earning less than \$10,000 for individuals and \$20,000 for families in 2013 are not required to file a tax return).
- *Short Coverage Gap:* You went without coverage for less than three consecutive months during the year. In general, a gap in coverage that lasts less than three months qualifies as a short coverage gap. If an individual has more than one short coverage gaps during a year, the short coverage gap exemption only applies to the first gap.
- *Unaffordable Coverage Options:* You can't afford coverage because the minimum amount you must pay for the premiums is more than 8.0 percent of your household income.
- *No Medicaid Expansion in Your State:* Your state did not choose to expand Medicaid up to 133% of poverty and your income falls below that threshold. (THIS IS THE CASE IN WISCONSIN. Because Medicaid eligibility of parents and childless adults is capped at the poverty level, those between 100% and 133% of poverty will not be subject to the tax penalty for not having insurance.)
- *Religious Conscience:* You are a member of a recognized religious sect that is conscientiously opposed to accepting any health insurance benefits.
- *Health Care Sharing Ministry:* You are a member of a recognized health care sharing ministry.
- *Indian Tribes:* You are a member of a federally recognized Indian tribe.
- *Hardship:* The Department of Health and Human Services certified that you suffered a hardship that makes you unable to obtain coverage. Those who lost their coverage due to their existing plan being cancelled in 2014 because it did not meet ACA requirements will now qualify for a hardship exemption. Go [here](#) to learn more about hardship exemption requirements and how to apply for a hardship exemption.
- *Incarceration:* You are currently in a jail, prison, or correctional facility.
- *Not Lawfully Present:* You are not a U.S. citizen, a U.S. national, or an immigrant lawfully present in the United States.
- *Living Abroad:* You are an American who lives abroad for 330 days or more within a 12 month period.

### **WHAT IMPORTANT DATES SHOULD I KNOW?**

- **December 23<sup>rd</sup>, 2013:** Last day to enroll in a Qualified Health Plan on the Marketplace in order to have coverage begin on January 1<sup>st</sup>
- **\*December 31<sup>st</sup>, 2013:** Last day to pay the first month's premium for Marketplace coverage to begin on January 1<sup>st</sup> (for *non* AHIP-member insurers)
- **January 1<sup>st</sup>, 2014:** The first possible day of Marketplace coverage – if you have minimum essential coverage by this day and maintain it throughout the year (or have no less than a 3 month coverage gap), you will not face a penalty
- **\*January 10<sup>th</sup>, 2014:** Last day to pay the first month's premium for Marketplace coverage to be retroactively granted to January 1<sup>st</sup> for AHIP-member insurers (\*see note below)
- **February 3<sup>rd</sup>, 2014:** Childless Adults below 100% FPL can begin applying for BadgerCare coverage using the Marketplace application or [ACCESS.wi.gov](http://ACCESS.wi.gov) for BadgerCare Plus coverage beginning April 1, 2014.

- **March 15<sup>th</sup>, 2014:** Last day that those losing BadgerCare Coverage (mostly parents and caretakers between 100-200% FPL) can apply for coverage on the Marketplace in order to avoid an insurance gap when their BadgerCare coverage ends on March 31<sup>st</sup>
- **March 31<sup>st</sup>, 2014:** Last day to enroll in a Qualified Health Plan on the Marketplace in order to avoid the penalty for more than 3 months of the year without insurance
- **April 1<sup>st</sup>, 2014:** Date by which everyone needs to have coverage (unless you enrolled in Marketplace coverage between March 16<sup>th</sup>-31<sup>st</sup>) in order to avoid paying a tax penalty for not having coverage

\* America's Health Insurance Plans (AHIP) recently **announced** that most insurance companies across the country will be extending the premium payment deadline from December 31<sup>st</sup> to January 10<sup>th</sup> to give consumers more time to make their first premium payment in order to have coverage starting January 1<sup>st</sup>. Individuals should contact their insurance carrier to determine which premium payment deadline applies.

Note that after March 31, 2014, you may still be able to purchase private health insurance for 2014 through the Marketplace, but only if you have a qualifying life event like a job loss, birth, divorce, or termination of BadgerCare coverage.

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