



# ADVANCE PREMIUM TAX CREDITS AND COST SHARING REDUCTIONS

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# ADVANCE PREMIUM TAX CREDITS AND COST-SHARING REDUCTIONS OVERVIEW

# What are Insurance Affordability Programs?

Insurance Affordability Programs (IAP), defined by federal rules, include Advance Premium Tax Credits (APTC) and Cost-Sharing Reductions (CSR).

## How do you apply for Insurance Affordability Programs?

Income information is collected on the financial application. The Shared Eligibility System (SES) is used to **first** determine whether or not an individual is eligible for Health First Colorado (Colorado's Medicaid Program) or CHP+, and **then** whether or not a tax household is eligible for APTC and CSR.

No matter how you apply, eligibility for the full spectrum of IAP programs will be assessed.

# MAGI and Financial Assistance is based on the Federal Poverty Level (FPL)

Household income and composition and the consumer price index are used each year by the US Census Bureau to measure the **poverty threshold in the US**.

This poverty threshold is used as a basis for Health and Human Services annually to issue **poverty guidelines**, the Federal Poverty Level (FPL).

## Federal Poverty Level (FPL)

**The FPL guidelines are published in late January and usually take effect in Colorado on April 1.**

# What is Premium Tax Credit?

The **Premium Tax Credit (PTC)** is a refundable **tax credit** designed to help eligible individuals and families afford health insurance purchased through Connect for Health Colorado.

## Premium Tax Credit

When a customer applies for financial assistance to help with health coverage costs, the Marketplace applies the IRS premium tax credit (PTC) rules to determine both the applicants' **eligibility** and their available **amount** of advance payments of the PTC.



## Premium Tax Credit

Premium tax credit is administered by the Internal Revenue Service (IRS) and claimed on a tax filer's federal income tax return.

Advance payments of the premium tax credit (APTC) are transferred directly from the Department of Treasury to the insurance carrier, leaving the customer with a smaller monthly premium.

# Premium Tax Credit and APTC Basic Eligibility

Tax filers can apply their Premium Tax Credit to their federal tax return.

They can also use Advance Premium Tax Credit (APTC), to lower the monthly cost of health insurance premiums.

# Premium Tax Credit (PTC) and APTC Basic Eligibility

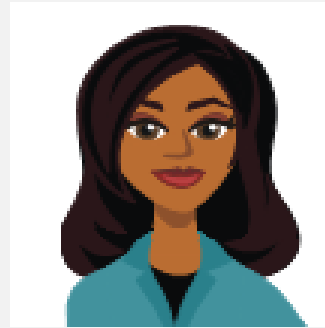
For months that one is enrolled in a Marketplace QHP, these other criteria must be met:

- Income must be between **100-400% FPL** (Some Lawfully Present Residents may have income between **0-400% FPL**)
- Must not be eligible for other Minimum Essential Coverage
- Must be lawfully present in the United States
- Must file federal income taxes, even if income does not meet the mandatory filing requirement
- Must not be claimed as a dependent
- People are not eligible for PTC if their filing status is **married filing separately** (some exceptions apply)

## Adjust the Amount of APTC or Take it All at Year-End

Customers who qualify for advance payments of the premium tax credit can choose the amount of advance payments they want to apply to their premiums each month, up to the full amount for which they qualify.

## Examples: Taking Entire Premium Tax Credits Monthly



Mary

- Qualifies for \$300 in monthly premium tax credits
- **Takes the entire \$300 each month as APTC**
- Reconciles premium tax credits received when filing taxes for the year

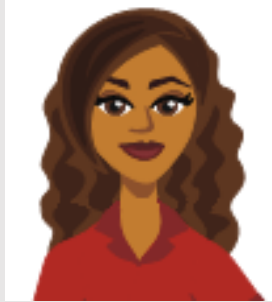
## Examples: Taking Part of Premium Tax Credits Monthly



Mark

- Qualifies for \$300 in monthly premium tax credits
- **Takes only \$100 each month as APTC**
- Reconciles premium tax credits received and those he is eligible for when filing taxes for the year

## Examples: Taking No Premium Tax Credits Monthly



Laura

- Qualifies for \$300 in monthly premium tax credits
- **Takes no APTC monthly**
- Reconciles premium tax credits she is eligible for when filing taxes for the year

# What are Cost Sharing Reductions?

Cost Sharing Reductions (CSR) lower the amount customers have to pay out-of-pocket for deductibles, coinsurance, and copayments when they use medical services.



# What are Cost Sharing Reductions?

Customers are eligible for CSR if all of the following requirements are met:

- They purchase a Silver plan through the Marketplace;
- Their income is below 250% of the federal poverty level;
- They meet the eligibility criteria to receive advance payments of the premium tax credit

# How CSR Works

**There are three levels of CSR that change the actuarial value of a standard silver plan.**

To change the actuarial value, carriers lower the deductible, and/or co-payments or coinsurance. The out of pocket limit for CSR plans is also lower.

Income	Actuarial Value	2017 Individual Market Out-of-Pocket Limit Self-only/ Other than self-only
100-150% FPL	94%	\$2350/ \$4700
150-200% FPL	87%	\$2350/ \$4700
200-300% FPL	73%	\$5700/ \$11,400

# Example of CSR Benefit Design

	Silver Plan No CSR	CSR Plan		
		≤150% FPL	151-200% FPL	201-250% FPL
Actuarial Value	70% AV	94% AV	87% AV	73% AV
Deductible	\$4,100	\$250	\$525	\$1,100
Maximum Out-of-pocket Limit (Individual)	\$6,850	\$1,000	\$2,000	\$4,000
Office Visit	\$30	\$10	\$15	\$30

## Effective Dates

In general, APTC and CSR are available the first of the month following the month the eligibility is determined

- During Open Enrollment Periods APTC and CSR will be available January 1<sup>st</sup> if enrolled in QHP before December 15<sup>th</sup>, etc.
- Different effective dates may apply depending on the qualified life change event (QLCE).

# CALCULATING APTC

# APTC Formula – Expected Contribution

## Expected Contribution

Tax filers who are eligible for premium tax credit are expected to contribute to the premium cost of a Qualified Health Plan (QHP) based on household income (MAGI) as compared to the Federal Poverty Level.

The amount of the expected contribution is a sliding scale range: those with higher incomes are expected to contribute more towards their premiums than those with lower incomes.

# APTC Formula – Expected Contribution



Income

Applicable  
Percentage

**Expected  
Contribution\***

# APTC Formula – Calculating Amount of APTC

**SLCSP**



**APTC**

Second-Lowest Cost  
Silver Plan

Expected  
Contribution



## APTC Formula – Calculating Amount of APTC

If the Marketplace provides the SLCSP at a lower cost than the customer's expected contribution - no APTC is given

# Applicable Percentage and Expected Contribution

## 2017 Applicable Percentage Table

	Initial Percentage	Final Percentage
< 133% FPL	2.04 %	2.04%
133% - 150% FPL	3.06%	4.08%
150% - 200% FPL	4.08 %	6.43%
200% - 250% FPL	6.43%	8.21%
250% - 300% FPL	8.21 %	9.69%
300% - 400% FPL	9.69%	9.69%

# Expected Contribution Examples



Laura

Tax filer

Income below 133% FPL (and otherwise eligible for APTC).

Can expect to pay no more than 2.04% of her income for the second lowest cost silver plan.

# Expected Contribution Examples



Mike

Tax filer

Income at 133% FPL (and otherwise eligible for APTC).  
Can expect to pay no more than 3.06% of his income for the  
second lowest cost silver plan

# Expected Contribution Examples



Joanna

Tax filer

Income at 150% FPL (and otherwise eligible for APTC)  
Can expect to pay no more than 4.08% of her income for the  
second lowest cost silver plan.

# Expected Contribution Examples



Larry

Tax filer

Income at 300% FPL (and otherwise eligible for APTC)  
Can expect to pay no more than 9.69% of his income for the  
second lowest cost silver plan.

## Expected Contribution Example – APTC Available



Family of 4 with \$36,450 annual income

Expected contribution at 150% FPL is 4.08% = \$123.93/month

The second-lowest cost silver plan (SLCSP) is \$450 monthly premium

APTC amount is the SLCSP (\$450) minus the expected contribution (\$123.93), or \$326.07

monthly premium\*

\*For purposes of illustration only, this example assumes children do not qualify for CHP+

## Expected Contribution Example – No APTC Available



Family of 4 with \$72,900 annual income

Expected contribution at 300% FPL is 9.69% = \$588.67/month

The second-lowest cost silver plan (SLCSP) is \$450 monthly premium

APTC amount is the SLCSP (\$450) minus the expected contribution (\$588.67) = NO APTC

If the Marketplace provides the SLCSP at a lower cost than the customer's expected contribution - no APTC is given