

Healthcare Reform: Individual Mandate Q&A

The Affordable Care Act (ACA) requires every individual to have health coverage or pay a penalty beginning in 2014. This Q&A covers common questions about this requirement. For more information, visit www.healthcare.gov.

What is the individual mandate?

Beginning in 2014, most legal residents of the U.S. must obtain health insurance coverage or they will be subject to a penalty if they go uninsured for more than 90 continuous days. If you waived coverage under our medical plan in 2013, you and your family will become subject to the individual mandate penalty on July 1, 2014. If you fail to enroll in our plan on July 1, 2014 you will become subject to the individual mandate penalty. There are exceptions from the imposition of the individual mandate penalty for low-income individuals (according to the ACA); people who are unable to obtain affordable employer-sponsored coverage (cost of employer-sponsored coverage is greater than 8% of your modified adjusted gross household income-AGHI); for short gaps of coverage less than 90 consecutive days, and other groups such as Indian tribes and those with religious objections.

What types of coverage are acceptable?

Acceptable coverage includes the health plan offered by your employer, your spouse's employer, coverage purchased through the Health Insurance Marketplace (www.healthcare.gov), as well as government programs such as Medicare, TRICARE, and Medicaid. To be acceptable, the plan must provide minimum essential coverage as defined by the ACA.

If I enroll in the Colorado Springs School District 11 health plan, will I avoid the penalty?

Yes. Our plan has been determined to meet the requirements for minimum essential coverage. Keep in mind, all of your dependents (including a spouse) must also have coverage or the penalty will apply to them.

What are the penalties for individuals who don't have health coverage?

The annual penalty for individuals who do not have health insurance will be the lesser of the sum of the monthly penalty (greater of a flat dollar amount or the excess income amount) or the average national cost of the bronze plan. For 2014, the monthly penalty for failure to have minimum essential coverage will be the greater of:

1/12 of \$95 per individual in a household not to exceed 300% of \$95 (1/12 of \$285 for a family) per household or 1 percent of your income multiplied times the excess income over your filing threshold. Which ever amount is greater will then be compared against the national average cost of the bronze plan. The lesser of the two amounts, the sum of the monthly flat amount, or the national average cost of the bronze plan will become the individual mandate penalty

assessed against you and/or the members of your household. For this purpose, your income is defined as your total household income minus your exemption (or exemptions for a married couple) and standard deductions.

The penalty for children is half that for an adult (\$47.50 in 2014). The penalty will be assessed if you remain uninsured for 90 continuous days or more in a calendar year.

The penalty doesn't seem very high. I think I'd rather pay that amount than pay for health coverage.

While you may find it is cheaper to pay the penalty, you won't have any healthcare coverage. If you need to see a doctor or go to the hospital for any reason, you will have to pay for the entire cost. You also won't be eligible for the free preventive care services that are part of all healthcare plans. Maybe you can afford the penalty, but could you also afford to pay the full cost of any care you need throughout the year? And, keep in mind, in the future the penalties are going to increase.

Will the individual mandate penalty increase in the future?

Yes the individual penalty is scheduled to increase on an annual basis. The flat dollar amount penalty for 2015 for an adult individual will be the greater of \$395 or 2 % of AGHI times the amount over the filing threshold; and for 2016 \$695 or 2.5% of AGHI times the amount over the filing threshold . After 2016, the flat dollar amount is indexed for inflation.

I heard the employer mandate that was part of the healthcare reform law was delayed. Does that affect the individual mandate?

The individual mandate (the requirement for every individual to have healthcare coverage) is still scheduled to begin on January 1, 2014, however if you are currently eligible for your employer's plan or your spouse's plan, but chose to waive coverage under that plan, and your or your spouse's employer plan does not renew on a calendar year basis (January 1 of every year), the individual mandate penalty will not apply to you or your family until the first day of your or your spouse's employer's plan renewal in 2014. For example if your employer's plan renews July 1st of each year, the individual mandate penalty will not apply to you and your family until July 1st of 2014, if you chose not to enroll in your employer or spouse's employer plan in 2013. The employer mandate (the requirement that every business with 50 or more full time equivalent employees offer health coverage or pay a penalty) was delayed by one year, now effective January 1, 2015. Businesses are getting an extra year to complete the paperwork associated with the ACA employer mandate requirement. If you are not eligible for coverage under our plan or your spouse's employer plan, you will be subject to the individual mandate penalty on January 1, 2014. Note that you will can request an exemption from the individual mandate penalty if the cost of coverage under our plan for you or your family is greater than 8% of your MAGHI.

I do not think the coverage offered through Colorado Springs School District 11 is affordable.

While every person has different limits for what makes an item "affordable," the Affordable Care Act clearly specifies what makes an employer plan affordable. According to the ACA, an employer plan is affordable if the amount the employer charges you for single (employee only) coverage does not exceed 9.5% of your household income. For example, if your household

income is \$30,000, your employer's coverage is affordable if your portion of the premium for single (employee only) coverage does not exceed \$2,850 annually (\$237.50 monthly). By this standard, our plan has been determined to be affordable.

What happens if I decline coverage offered through Colorado Springs School District 11?

If you decline our coverage and do not purchase other coverage, you and your family can become subject to the individual mandate penalty.

How and when is the penalty assessed?

The penalty will be assessed when you file your taxes in 2015, for the tax year 2014. Line items will be included on tax forms to report whether you have health coverage. If you do not, the appropriate penalty amount based on your reported income will be assessed as a part of your tax return.

What if I am covered for part of the year?

The penalty will be assessed for each month an individual goes without coverage. There is no penalty if you remain uninsured for less than 90 consecutive days in a calendar year.

Who doesn't have to pay the fee?

The fee does not apply if you:

- are uninsured for less than three consecutive months of the year (short coverage gap).
- are uninsured and the cost of purchasing coverage under a Marketplace is greater than 8% of your modified adjusted household income
- are not required to file a tax return because your income is too low.
- are a member of a federally recognized Indian tribe.
- participate in a healthcare sharing ministry.
- are a member of a recognized religious sect with religious objections to health insurance.
- are illegally residing in the U.S.
- are incarcerated
- are eligible for a hardship exemption

Where can I obtain more information about the individual mandate penalty and how it may affect me and/or my family?

To learn more about the individual mandate penalty and how it may impact you or your family visit healthcare.gov.