200% of poverty level it is determined from the second table that their responsibility toward their own insurance should be 6.3% of their household income or $1,954 (.063 x $31,020) or $162.83 per month. If the cost of the Silver level of insurance is $350 per month, then the premium subsidy would be $187.17 ($350 - $162.83).

(2) Insurance acquired through the marketplace (exchange) is available in four levels of cost (premium), with varying metal designations. The least expensive is the Bronze coverage, which is also the insurance that provides the "minimum essential coverage" needed to avoid a penalty. Next is the Silver level, which is referred to as the "benchmark premium." The Silver or benchmark premium is the one used when determining the subsidy. The Gold and Platinum designations complete the four levels of coverage. The Bronze coverage, on an overall average, is supposed to cover 60% of the insured's medical cost. Silver plans cover 70%, the Gold 80%, and the Platinum 90%.

Paying Back Excess Subsidies

When an insured individual receives a subsidy in excess of the allowable credit based upon the current year's household income, some portion, but not necessarily all, of the excess must be paid back on the tax return for the year. If the household income is above 400% of the poverty level then the entire amount of the excess must be repaid. If the insured's household income is between 100% and 400% of the poverty level, then payback is capped at the following amounts:

Poverty Level	Single	Married
Less Than 200%	$300	$600
200% but less than 300%	$750	$1,500
300% but less than 400%	$1,250	$2,500

Penalty for Not Being Insured

Beginning in 2014, there is a penalty for not being insured unless one of the exemptions mentioned earlier is met. The penalty is being phased in over three years. The monthly penalty for 2014 is the greater of $7.92 per uninsured adult plus $3.96 for each uninsured child[3], but not to exceed

$23.75 per month for a family, OR, 1% of household income in excess of the individual's income tax filing threshold[4] divided by 12.

In 2016, when the penalty is fully phased in, the monthly penalty will be $57.92 per uninsured adult and $28.96 per uninsured child[3], not to exceed $173.75 per family OR 2.5% of household income over the income tax filing threshold[4] divided by 12.

The penalty can never be greater than the national average premium for a minimum essential coverage plan purchased through a government marketplace (exchange).

(3) The child rate will apply to family members under the age of 18.

(4) Filing threshold is the sum of the standard deduction and personal exemption amounts for the tax filer and spouse, if any.

Example: A married couple without insurance in 2014 has one dependent child and a household income of $50,000. The couple's standard deduction is $12,400 and with two exemptions at $3,950 each, their filing threshold for 2014 is $20,300. Their monthly penalty is the greater of $19.80 (2 x $7.92 plus $3.96) or $24.75 (.01 x ($50,000 - $20,300)/12). Thus their monthly penalty would be $24.75.

There is no penalty when the first lapse in coverage during a year is less than three months.

Insurance Marketplaces

Residents of states that did not set up their own exchanges must use the federal marketplace.

All policies sold through a marketplace have standardized applications, no pre-existing exclusions, and pre-set copays and deductibles. Where an insured family's household income is between 100% and 200% of the federal poverty level, copays and deductibles are reduced by two-thirds. They are reduced by 1/2 where the insured's income is between 200% and 300% , and 1/3 for those between 300% and 400%.

update

Individuals who need to purchase health insurance are not required to use the government marketplaces – they can purchase plans privately. However, privately purchased plans will not be eligible for the premium assistance credit or subsidy, but if they meet the minimum essential coverage requirements, they will qualify the individual to avoid the mandatory coverage penalty. Those shopping for health insurance should check both the private and government marketplaces to compare their net out-of-pocket premium costs.

Dependents

The filer, or filers if filing jointly, is subject to the penalty for every dependent who can be claimed on their tax return. That includes children, parents, and other related individuals. This is true even if they do not claim the dependent, but were qualified to do so.

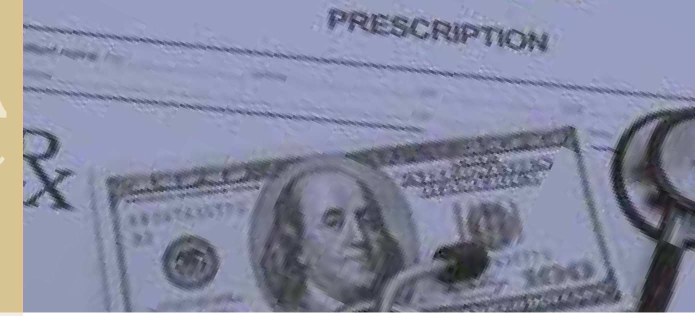
Understanding the Health Insurance Mandate

A provision of the Affordable Care Act

Client Information Series

Mandatory Health Insurance Requirements

advise



Beginning in 2014, the Affordable Care Act will impose the new requirement that all people in the United States, with certain exceptions, have minimum essential health care insurance or they will be subject to a penalty. How this will affect your family will depend upon a number of issues.

Already Insured

If you have insurance through Medicare, Medicaid, or the Veterans Administration, then you will not be subject to the penalty. You will also avoid the penalty if you are insured through an employer plan or a private insurance plan that provides minimum essential care. US individuals and those claimed as their dependents who reside outside the US are deemed to have adequate coverage and are not subject to the penalty.

Some Are Exempt from the Penalty

Certain individuals are exempt from the health insurance mandate and are therefore not subject to the penalty. Included are:

- Those unlawfully present in the US
- Those whose income is below the federal tax filing requirement (the sum of the standard deduction and exemption amounts for the filer and spouse, if any)
- Those who cannot afford coverage based on formulas contained in the law (generally when the cost of the insurance coverage exceeds 8% of the individual's household income)
- Members of American Indian tribes
- Incarcerated individuals, certain religious objectors, and those meeting hardship requirements

Household Income

The term "household income" is used as a measure of who qualifies for a premium assistance subsidy or tax credit and is used extensively in calculations related to the mandatory insurance requirements.

Household income includes the modified adjusted gross incomes (MAGIs) of an individual, the individual's joint filing spouse, if any, and all of the individual's dependents that are required to file a tax return [(1)].

MAGI is an individual's regular adjusted gross income plus non-taxable social security and railroad retirement benefits, excluded foreign earned income, and non-taxable interest and dividends.

(1) An individual is required to file a tax return if their income exceeds the sum of their standard deduction and allowable exemptions. Thus, for example, a single person who only made $1,000 for the year would not be required to file a return and their income would not be included in the household income even if they did file to claim a refund.

Can't Afford Coverage?

Families with household incomes below 400% of the federal poverty guideline may receive help to pay all, or a portion of, the cost of the premiums for health insurance.

Where the household income is below 100% of the federal poverty level, the family qualifies for Medicaid. There are no premiums for Medicaid.

If the household income is between 100% and 400% of the federal poverty level (FPL), the family qualifies for an insurance premium subsidy, also known as a premium assistance credit, provided the insurance is purchased through a government marketplace (exchange). The actual credit is based upon the current year's household income but can be estimated and allowed in advance as a subsidy. When it is used in advance as a subsidy and the subsidy turns out to be greater than the allowable credit, the excess subsidy may have to be paid back. On the other hand, if the subsidy was not used or the subsidy was less than the credit, the difference becomes a refundable credit on the tax return.

The maximum credit is available at 100% of the poverty level and becomes less as the percentage increases and is totally phased out at 400% of the poverty level.

2014 FEDERAL POVERTY LEVEL CHART				
Family Size	100%	200%	300%	400%
1	$11,490	$22,980	$34,470	$45,960
2	$15,510	$31,020	$46,530	$62,040
3	$19,530	$39,060	$58,590	$78,120
4	$23,550	$47,100	$70,650	$94,200

For family sizes larger than 4, increase the 100% rate by $4,020 for each additional child. Dollar amounts for Alaska and Hawaii are larger. Note that the table is condensed for this brochure and the actual percentage of poverty level will need to be extrapolated for income not shown in the table. For 2014, the FPL amounts are those in effect on October 1, 2013, the opening date for 2014 enrollment in plans offered through a government marketplace.

Credit/Subsidy Qualifications

To qualify for the credit, an individual must:

- Have household income for the year of at least 100% but not more than 400% of the federal poverty level
- Purchase the insurance through a government marketplace (exchange)
- Not be claimed as a dependent of another
- Not be eligible for minimum essential care through Medicaid
- If married, file a joint tax return
- Not be offered minimum essential insurance under an employer-sponsored plan

How Much Will the Subsidy Be?

The amount of the subsidy is based on need and therefore those in the lowest percentage of the poverty level will receive the greatest subsidy. The government has predetermined how much each family must pay toward their own insurance in the form of a percentage of the family's household income. To determine how much a family must pay toward their own insurance, first determine where their income falls within the poverty table above and then determine their percentage from the table below. That percentage represents the portion of their household income that they should pay toward their own insurance.

Poverty Level	Percentage of Household Income That Must Be Paid Toward Own Insurance
Up to 133%	2.00 – 3.00%
133% up to 150%	3.00 – 4.00%
150% up to 200%	4.00 – 6.30%
200% up to 250%	6.30 – 8.05%
250% up to 300%	8.05 – 9.05%
300% up to 400%	9.50%

Note: the table is condensed for this brochure and the actual percentage of household income that must be paid toward one's own insurance will need to be extrapolated for poverty levels between those shown.

Once the percentage in the right-hand column is determined, multiply that by the family's household income to determine what the family's annual responsibility is and divide it by 12 to determine their monthly responsibility.

Then, to determine the subsidy, go to the government marketplace and determine the cost of the Silver[(2)] level of insurance for the family and subtract the amount they are required to pay themselves; the difference, if any, is the subsidy.

Example: Family of two with a household income of $31,020. From the Federal Poverty Level Chart it is determined that a family of 2 with that income is at 200% of the federal poverty level. Using the