



NAVIGATING HEALTHCARE REFORM

March 19, 2014

ACA In The News: Individual Mandate

Beginning in 2014, the Affordable Care Act (ACA) requires most individuals to obtain acceptable health insurance coverage for themselves and their family members or pay a penalty. This rule is often referred to as the “individual mandate”, or the “Individual Shared Responsibility Provision.” (Individuals may be eligible for an exemption from the penalty in certain circumstances.) This mandate applied to individuals of all ages, including children.

Minimum Essential Coverage

Under the individual mandate, a penalty will be assessed against an individual for any month during which he or she does not maintain “minimum essential coverage” (MEC), beginning in 2014 (unless an exemption applies). A taxpayer is also liable for the penalty for any nonexempt individual whom the taxpayer may claim as a dependent.

MEC includes the following:

- Employer-sponsored coverage (including COBRA coverage and retiree coverage);
- Coverage purchased in the individual market;
- Medicare Part A coverage and Medicare Advantage;
- Most Medicaid coverage;
- Children's Health Insurance Program (CHIP) coverage;
- Certain types of veterans health coverage administered by the Veterans Administration;
- TRICARE;
- Coverage provided to Peace Corps volunteers; and
- Coverage under the Non-appropriated Fund Health Benefit Program.

MEC does not include specialized coverage, such as coverage only for vision or dental care, workers' compensation, disability policies, or coverage only for a specific disease or condition. Under the ACA, MEC also includes any additional types of coverage that are designated by HHS or when the sponsor of the coverage follows a process outlined in regulations to be recognized as MEC.

The Penalty

The penalty for not obtaining acceptable health insurance coverage will be phased in over a three-year period, and is the *greater of two amounts*—the “flat dollar amount” and “percentage of income amount.”

The penalty will start at the greater of \$95 per person or 1 percent of income for 2014. Income for this purpose is the taxpayer's household income minus the taxpayer's exemption (or exemptions for a married couple) and standard deductions. The penalty amount increases to \$325 or up to 2% of income in 2015. In 2016 and thereafter, the penalty increases to \$695 or up to 2.5% of income.

2014	\$95 per person/1 percent of income
2015	\$325 per person/2 percent of income
2016 and later years	\$695 per person/2.5 percent of income

The penalty is capped at the national average of the annual bronze plan premium. Families will pay half the penalty amount for children, up to a family cap of three times the annual flat dollar amount per year.

Enrollment

The initial open enrollment period for the ACA's Marketplace (Exchanges) began on October 1, 2013, and continues until March 31, 2014. For individuals who enroll between the first and 15th day of January, February or March 2014, coverage was/will be effective the first day of the following month. For individuals who enroll between the 16th and last day of any month between December 2013 and March 31, 2014, coverage will be effective the first day of the second following month.

Transition Relief

Initially the IRS was allowing individuals who did not have coverage a period of transition relief. This period of time was established to assist individuals who had the opportunity to elect their employer's plan during the employer's 2014 Open Enrollment period.

IRS.gov: [Notice 2013-42](#), published on June 26, 2013, provides transition relief from the shared responsibility payment for individuals who are eligible to enroll in eligible employer-sponsored health plans with a plan year other than a calendar year (non-calendar year plans) if the plan year begins in 2013 and ends in 2014 (2013-2014 plan year). The transition relief applies to an employee, or an individual having a relationship to the employee. The transition relief begins in January 2014 and continues through the month in which the 2013-2014 plan year ends.

Exemptions

The ACA provides nine categories of individuals who are **exempt from the penalty**. An individual who is eligible for an exemption for **any one day** of a month is treated as exempt for the entire month.

EXEMPTIONS FROM THE INDIVIDUAL MANDATE		
Individuals who cannot afford coverage	Taxpayers with income below the filing threshold	Members of federally recognized Indian tribes
Individuals who experience a hardship	Individuals who experience a short gap in coverage	Religious conscience objectors
Members of a health care sharing ministry	Incarcerated individuals	Individuals not lawfully present in the U.S.

The religious conscience exemption and most categories of the hardship exemption are available **exclusively through an Exchange**. Individuals must apply for these exemptions by filing an application with the Exchange.

Originally, the "hardship" exemption was intended for individuals who have suffered a hardship with respect to the capability to obtain coverage under a qualified health plan. Examples include: Individuals under the age of 30; an applicant experienced financial or domestic circumstances, including an unexpected natural or human-caused event, that caused a significant, unexpected increase in essential expenses; or the expense of purchasing MEC would have caused the applicant to experience serious deprivation of food, shelter, clothing or other necessities.

In late December 2013, CMS released a memo addressing coverage options for consumers, including more flexibility in applying for an exemption. If an individual believes the plan options available in the Marketplace in their area are more expensive than an individual policy that was cancelled (as a result of ACA) or the individual believes that other policy options are unaffordable, they can also apply for an exemption. After the application has been received, the review processes is approximately 2 weeks. (<http://marketplace.cms.gov/getofficialresources/publications-and-articles/hardship-exemption.pdf>)

