



Health Care Reform Fact Sheet #2  
**Individual Mandate,  
Premium Credits & Subsidies**



## Individual Mandate

### Who?

- The “Individual Mandate” requires all U.S. citizens and documented residents who can afford it to have a minimally comprehensive health insurance policy.

### Penalties

- Individuals who do not have health insurance provided by their employer, through a public program, or individually obtained will be required to pay a penalty.
- The penalty will be phased in, beginning in 2014:
  - 2014 - \$95 or 1% of taxable income (whichever is higher)
  - 2015 - \$325 or 2% of taxable income
  - 2016 - \$695 or 2.5% of taxable income (fine may not exceed three times that amount or \$2,085).
- After 2016, the penalty will be increased annually by the federal cost-of-living adjustment.

### Exemptions

- Exemptions to the individual mandate will be granted for:
  - Financial hardship
  - Religious objections\*
  - Members of health care sharing ministries<sup>†</sup>
  - Native Americans (who are covered by the Indian Health Care Improvement Act)
  - Those without coverage for less than three months
  - Undocumented immigrants
  - Incarcerated individuals
  - Individuals for whom the lowest cost plan option exceeds 8% of their income
  - Individuals with incomes below the tax filing threshold (who should already qualify for subsidies or other government health programs)

### More on penalties

- No criminal action will be imposed on those who do not pay. No liens can be filed on or levies enforced against property to collect the penalty.
- Fines will be levied by the IRS.

## Paying for Coverage

Access to premium tax credits and cost-sharing subsidies will be effective January 1, 2014, coinciding with the establishment of the individual mandate and the Exchanges.

### Eligibility

- Citizens and documented residents in families with incomes between 133% and 400% of the federal poverty level (FPL) who purchase coverage through a health insurance Exchange are eligible to receive premium credits.
- Although documented immigrants are barred from enrolling in Medicaid during their first five years in the United States, they will be eligible for premium credits and subsidies immediately.
- Individuals and families with incomes below 133% FPL will qualify for expanded Medicaid beginning in 2014.
- Federal Poverty Guidelines for 2009/10<sup>‡</sup> are as follows:
  - Individuals:
    - 133% FPL = \$14,404 (annual income)
    - 400% FPL = \$43,320
  - Family of four:
    - 133% FPL = \$29,327
    - 400% FPL = \$88,200
- Those eligible for public coverage (such as Medicare or Medicaid) will not be eligible to receive premium tax credits or cost-sharing subsidies

### Exceptions

- Those offered coverage through an employer are not eligible for premium tax credits unless the employer plan is deemed “unaffordable,” i.e., the plan does not have an actuarial value<sup>§</sup> of at least 60% or the individual’s share of the premium exceeds 9.5% of their income.

## Premium credits

Premium tax credits will be available to help individuals purchase health insurance on the Exchanges.

### How credits work

- Premium tax credits would be *refundable* and *advanceable*. A *refundable* tax credit is available to an individual even if they have no tax liability. An *advanceable* tax credit allows them to receive assistance at the purchase of insurance rather than waiting for reimbursement when filing a tax return.
- Exchanges are required to provide information to prospective enrollees about their eligibility for premium tax credits.

### Amounts

- The amount of the premium tax credit varies with income such that the premium does not exceed a specified percentage of income, as follows:

**Up to 133% FPL : 2% of income**

**133-150% FPL: 3-4% of income**

**150-200% FPL: 4-6.3% of income**

**200-250% FPL: 6.3-8.05% of income**

**250-300% FPL: 8.05-9.5% of income**

**300-400% FPL: 9.5% of income**

## Subsidies

Cost-sharing subsidies will be available to eligible individuals and families to help defray out-of-pocket health care costs.

### Amounts

- Out-of-pocket costs will be reduced to the following percentages (for example, at 175% of FPL, out-of-pocket costs would be capped at 13% of health care expenses – the insurer would pick up the remaining 87%):

**100-150% FPL: 94%**

**150-200% FPL: 87%**

**200-250% FPL: 73%**

**250-400% FPL: 70%**

For more information on health care reform, visit [washington.mcc.org](http://washington.mcc.org)

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\* This provision pertains primarily to Amish and Old Order Mennonite communities who have a history of participating in community insurance and who are universally opposed to insurance in general. This exception does not cover religious groups such as the Christian Scientists who specifically oppose purchasing health insurance and might purchase other forms of insurance.

† A health care sharing ministry is defined as a 501c3 organization where members share a common set of ethical or religious beliefs and share medical expenses among members in accordance with those beliefs and which has been in existence continuously since 1999.

‡ <http://aspe.hhs.gov/poverty/>

§ The actuarial value is the share of health care expenses covered by the insurer, after deductibles, co-payments and other charges.

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