

CSEA Guide to the Affordable Care Act

Affordable Care Act Basics

by Carolyn Constantino

Changes coming in January 2014

Commonly known as “Obamacare,” the Affordable Care Act of 2010 (ACA) isn’t the last word on our nation’s efforts to fix our healthcare system, but it is the most significant reform since the creation of Medicare. While several reforms required by the ACA have already taken effect, some of the biggest changes yet will take effect in 2014.

Do you have health insurance?

As of January 1, 2014, individuals will be required to have health insurance or pay a federal tax penalty. The amount of the tax penalty increases each year through 2016.

You can meet the insurance requirement if you:

- 1) Get health insurance through your employer or your spouse/ domestic partner,
- 2) Purchase health coverage through Covered CA (see below),
- 3) Have health insurance purchased through the individual healthcare market, or
- 4) Have health coverage obtained through public programs like Medicare, Veterans Benefits, Medi-Cal or Indian Health Services.

Federal tax penalties

Most people who do not have health insurance on Jan. 1, 2014 will pay a federal tax penalty. If you do not have health coverage for your dependents, you will likely have to obtain it.

For an individual, the tax starts at \$95 a year or up to 1 percent of income, whichever is greater. By 2016, the penalty rises to \$695 per individual or 2.5 percent of income. For a family, the tax includes \$47.50 per child and is capped at \$285 in 2014, rising to \$2,085 or 2.5 percent of income in 2016. The Internal Revenue Service (IRS) will collect the penalty via tax returns. Beginning in 2014, federal returns will include a new form to list your source of health insurance.

Tax penalty exemptions

You will not have to purchase health insurance or pay a tax penalty

if the lowest cost health plan available to you exceeds 8 percent of your household income, less any employer contributions and subsidies. Additionally, you do not have to obtain dependent health coverage if the lowest cost dependent coverage exceeds 8 percent of your household income. There are a few other important exemptions, which are listed in CSEA's Frequently Asked Questions (FAQ) at www.csea.com/ACAFAQ.

How to determine whether your health coverage is "affordable" and "adequate"

If your employer's health insurance coverage is deemed unaffordable or inadequate, you can purchase insurance through Covered CA and you might qualify for financial help to pay premium and out-of-pocket costs (depending on your income).

This is important because this financial aid is only available to people who purchase health insurance through Covered CA, and this coverage might be cheaper than your current coverage when the discounts and subsidies are included.

Under the ACA, coverage is considered to be "unaffordable" if you have to pay more than 9.5 percent of your household income for self-only health insurance coverage.

"Household income" means you must add up the (adjusted gross) income of all members of your household. Use the adjusted gross income from your federal tax returns.

Coverage is considered "inadequate" under the law if your health insurance policy covers less than

60 percent of the allowable costs in the plan. "Allowable costs" are what the plan allows providers (doctors, hospitals, etc.) to charge you.

Covered CA opens for business

The ACA calls for states to set up online insurance marketplaces, known as "exchanges." California's exchange is called Covered CA.

Anyone without health insurance through work can purchase private health insurance from the insurers participating in Covered CA. You can also use Covered CA if your health coverage at work costs you more than 9.5 percent of your income, or if your employer's plan does not meet the law's minimum standards for "adequate" coverage.

This online Covered CA marketplace will make it possible to determine if you qualify for any financial help provided by the ACA, and it will allow you to easily compare and buy health insurance. The Covered CA website has details about how the exchange will operate, as well as the four levels of insurance plans that will be available for purchase through Covered CA. Covered CA will be open for business on Oct. 1, 2013, selling coverage that begins Jan. 1, 2014.

Don't accidentally visit a look-alike website!

The official Covered CA website is: www.CoveredCA.com or call 1-888-975-1142.

IF YOU GET YOUR HEALTH INSURANCE THROUGH YOUR EMPLOYER

Most likely, there will be no immediate changes for employees who have an affordable healthcare plan for themselves and their dependents.

If your health benefits are specified in your CSEA contract, your employer has to negotiate any changes with the union. This means your employer also can't decide to take away your health insurance without bargaining. CSEA has trained its staff on the ACA and is in the process of training leaders and bargaining teams. It will be very important for you to pay attention to bargaining updates this year.

IF YOU DO NOT GET YOUR INSURANCE THROUGH YOUR EMPLOYER

Employers are not required by the ACA to provide affordable health insurance to their employees, dependents or spouses. However, beginning in 2014, large employers that don't offer an "affordable" self-only insurance plan to their full-time employees will pay a tax penalty if any of these employees qualify for financial help through Covered CA. Employers will not be taxed in connection with any of their part-time employees.

If you do not get health insurance through your employer's plan, you can purchase it through either the individual insurance market or through Covered CA, where you might qualify for financial help.

Covered CA will offer four levels of health insurance coverage through the exchange.

Starting in 2014, all health insurance newly sold in California to individuals and small businesses must be classified as one of the four levels of coverage – bronze, silver, gold or platinum. Insurance plans in all four categories can be purchased through the Covered CA online exchange beginning in October 2013.

This system will make it easier for you to make an apples-to-apples comparison of health insurance plans. You can choose to pay a higher monthly premium for a platinum or gold plan, so when you need medical care, you will pay less. Or you can choose to pay a lower monthly premium for a silver or bronze plan, but when you need medical care, you will pay more.

A "catastrophic" plan will also be available to those who are under 30 years old or can demonstrate that they are without affordable coverage or are experiencing financial hardship.

You might qualify for financial help

The Covered CA website has a calculator that will help you determine whether you qualify for financial help based on your income. You can also find out if you qualify for programs such as Medicare or Medi-Cal or extra subsidies to help with out-of-pocket costs (co-pays, etc.).

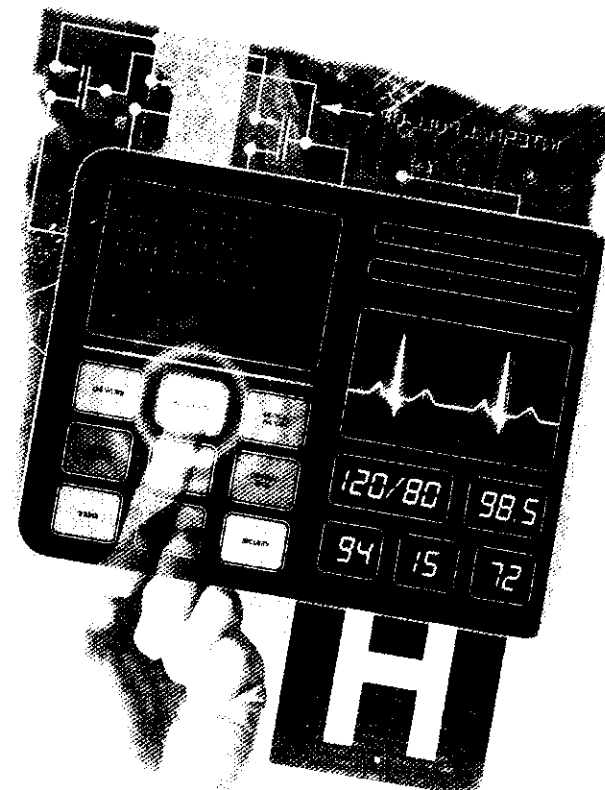
The governor and the Legislature are working on proposals to expand the Medi-Cal program to adults under the age of 65 who earn

up to 138 percent of the federal poverty level. That would extend Medi-Cal coverage to those earning less than \$15,302 for an individual and \$31,155 for a family of four (2012 figures). They are also working on various proposals to provide more affordable coverage for people earning between 138 and 200 percent of the federal poverty level (\$15,302 to \$22,340 for individuals). For the latest information and status of these proposals, visit www.csea.com/healthcare.

Discounts

If you earn \$15,856 to \$45,960 for an individual or \$32,499 to \$94,200 for a family of four, and you don't have affordable coverage through your employer, you can qualify for an upfront discount, in the form of a tax credit, on health insurance in the Covered CA marketplace.

You will provide relevant information to Covered CA and it will



determine how much, if any, discount you can get. The amount of the discount is tied to your family income, family size and the cost of a standard plan in the exchange. The discount will go directly to the insurer you choose to help pay the full premium up front.

Subsidies for out-of-pocket expenses

If you earn less than \$27,936 for an individual or \$57,636 for a family of four, and purchase your health policy through Covered CA, you also can get subsidies to lower out-of-pocket costs, such as deductibles and co-payments.

To find out more about discounts and cost-sharing subsidies, read the FAQs at www.CoveredCA.com.

HEALTH COVERAGE FOR YOUR CHILDREN

The ACA affects your children too, whether they have no insurance, are covered through Medi-Cal/Healthy Families or are covered through your family's health insurance policy.

Children also must have health insurance by Jan. 1, 2014

Beginning on Jan. 1, 2014, you must have health coverage for your dependent children unless the lowest cost dependent coverage available to you exceeds 8 percent of your household income.

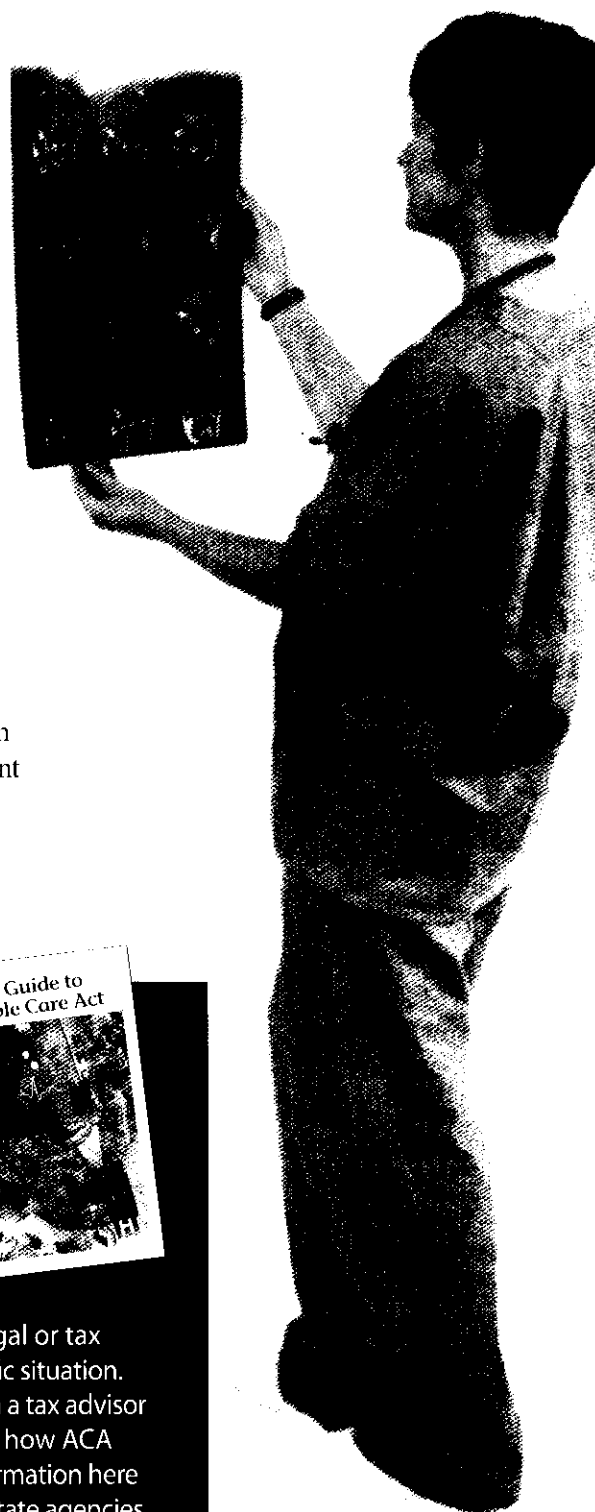
Employers who offer self-only coverage to their employees must now offer health coverage for those employees' dependents too. (Employers do not have to offer coverage to spouses.) Children up to age 26 have to be offered coverage, but

the employer's dependent coverage does not have to be affordable.

You might be eligible for financial help through Covered CA

If your self-only coverage is considered affordable but the dependent coverage is not, the employer has satisfied the ACA's requirement to offer affordable coverage. In this case, neither you nor your dependents will be eligible for financial help through Covered CA. However, if the self-only coverage is more than 9.5 percent of your income, both you and your dependents can obtain insurance through Covered CA and you might qualify for financial help, depending on your household income. Your dependent children also may qualify for Medi-Cal.

For more information on healthcare and the ACA, go to: www.csea.com/healthcare.



CAUTION:

This guide is intended to provide only a brief and general summary of CSEA's current understanding of ACA and related regulations as of March 2013. It is not intended to provide specific legal or tax advice to individuals for their specific situation. Individuals may wish to consult with a tax advisor and/or legal counsel to determine how ACA affects their circumstances. The information here is subject to change as federal and state agencies continue to issue additional regulations and publish additional guidance on ACA.

