

The Affordable Care Act

Individual Mandate Explained

What is the individual mandate?

The individual mandate is a provision of the Affordable Care Act (ACA) which requires *most* individuals to maintain “minimum essential coverage” (MEC) for themselves and their family members beginning in 2014, or pay a “shared responsibility” penalty through their federal income tax return. If an individual is covered under a health plan offered by their employer, or covered by a government-sponsored program such as Medicare, Medicaid, TRICARE, or Children’s Health Insurance Program (CHIP), the individual satisfies the individual mandate.

When does the individual mandate go into effect?

The provision goes into effect on January 1, 2014. However, the IRS has issued **transition relief** for employees and related individuals eligible to enroll in an employer-sponsored health plan that runs on a non-calendar basis. These individuals will not be subject to a penalty for failing to maintain MEC for the period of time in 2014 that precedes the beginning of the 2014 plan year. For example, the TotalSource Health and Welfare Plan has a plan year that begins June 1st of each year and runs through the following May 31st. Therefore, if you are eligible to participate in the TotalSource Health and Welfare Plan but waived coverage for the 2013-2014 plan year, you will not be penalized for failing to maintain MEC for the period of time beginning January 1, 2014 and ending May 31, 2014, which is the period of time during 2014 that immediately precedes the beginning of the new plan year on June 1, 2014. In addition, any month in 2014 for which an individual is eligible for transition relief will not be counted in determining the “short coverage gap” exemption under the law. Under the individual mandate provisions, any gap in coverage that lasts less than three (3) months qualifies as a “short coverage gap,” during which the individual mandate penalty will not apply. If an individual has two (2) short coverage gaps during a calendar year, the short coverage gap exemption only applies to the first coverage gap.

What if I am not eligible to enroll in an employer-sponsored health plan?

If you are not eligible to enroll in an employer-sponsored health plan either through your own employer or that of a family member, you have the option of obtaining coverage through the Health Insurance Marketplace (i.e. Exchange).

What is a Health Insurance Marketplace, or Exchange?

The ACA requires each state (or the federal government, if a state declines) to establish an Exchange by January 1, 2014. A Health Insurance Exchange, also known as the Health Insurance Marketplace, started accepting enrollment applications on October 1, 2013 for coverage beginning January 1, 2014. The initial open enrollment for coverage through the Marketplace runs through March 31, 2014. On October 28, 2013, the U.S. Department of Health & Human Services (HHS) issued

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guidance that will allow individuals more time to obtain health insurance coverage through the Marketplace before being subject to a penalty. Any individual that enrolls in a plan through the Marketplace – prior to the close of the initial open enrollment period on March 31, 2014 – will not be subject to the individual mandate penalty for the period in 2014 that precedes the effective date of Marketplace coverage. You may visit www.healthcare.gov to enroll in health care coverage through the Marketplace.

Does everyone have to obtain minimum essential coverage (MEC), or are there any exemptions under the law?

The final regulations provide further guidance to individuals that may qualify for an exemption from the individual mandate. There are nine categories of individuals who are exempt from the individual mandate. These include:

- Individuals who cannot afford coverage (generally, medical coverage would cost you more than 8% of your household income);
- Taxpayers with income below the filing threshold;
- Members of federally recognized Indian tribes;
- Individuals who have experienced a hardship and have been granted a hardship exemption by the U.S. Department of Human Services;
- Individuals who experience short coverage gaps (less than three continuous months);
- Individuals who object due to religious conscience;
- Members of a healthcare-sharing ministry;
- Incarcerated individuals; and,
- Individuals who are not lawfully present in the United States.

How does an individual claim a hardship exemption from the Individual mandate?

The authority to grant hardship exemptions from the individual mandate resides with the U.S. Department of Health and Human Services (HHS). Exemptions are to be claimed through the IRS tax return filing process or in some instances, through the Health Insurance Marketplace/Exchange. HHS regulations address how to request certification for an exemption from a Marketplace/Exchange. The IRS has indicated that it will address how to claim an exemption via the tax return filing process through the issuance of forms, instructions or other publications. For more information, visit www.healthcare.gov and search for “hardship exemption.”

If I do not qualify for a hardship exemption and do not enroll in minimum essential coverage (MEC) in 2014, how much will the individual mandate penalty cost me?

The penalty for not obtaining MEC begins in 2014 and is scheduled to increase over the next three years. The penalty is calculated on a monthly basis, and will be assessed for each month in which an individual does not have MEC. The amount of the penalty is the **greater** of either the applicable fixed dollar amount or the percentage of household income.

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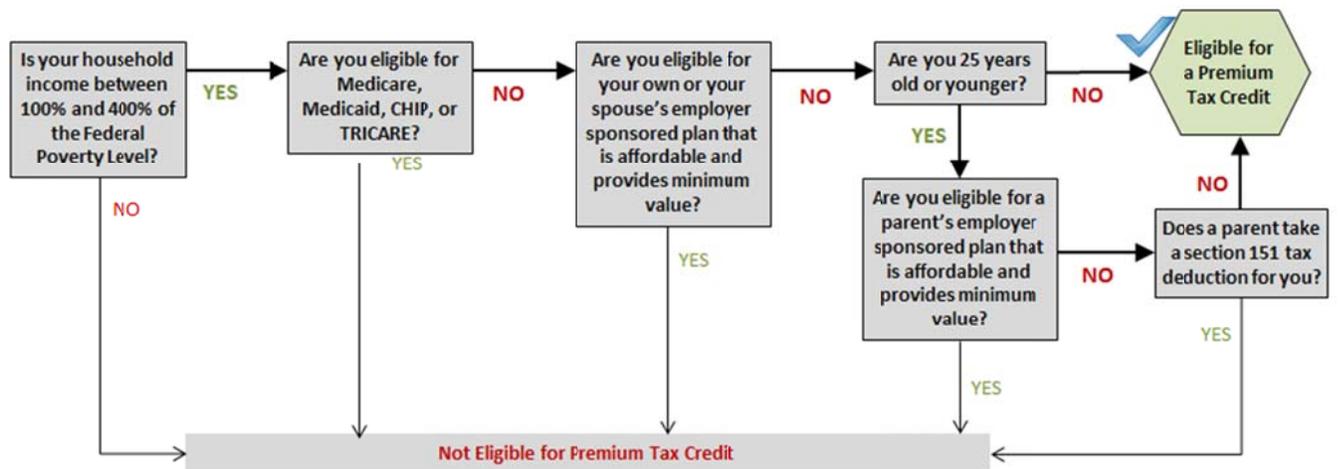
	Uninsured Individual pays the greater of:	
	Fixed Annual Amount	Percent of Household Income
2014	<ul style="list-style-type: none"> • \$95 per adult • \$47.50 for a child under age 18 • No more than \$285 per family 	1%
2015	<ul style="list-style-type: none"> • \$325 per adult • \$162.50 for a child under age 18 • No more than \$975 per family 	2%
2016	<ul style="list-style-type: none"> • \$695 per adult • \$347.50 for a child under age 18 • No more than \$2,085 per family 	2.5%
2017 and beyond	Penalty fee scheduled to increase yearly based on cost of living	

How do I know if I qualify for any financial assistance to help me purchase health insurance coverage?

If you do not have access to affordable coverage through your employer*, your eligibility for financial assistance – often referred to as a subsidy – depends on your household income. In the event that you meet the low-income requirements, the federal financial assistance may be provided as a premium tax credit and/or a cost-sharing subsidy. To be eligible for federal assistance, an individual’s household income may not exceed 400% of the federal poverty level, and the individual cannot be otherwise eligible for minimum essential coverage through a government-sponsored program (i.e. Medicare, Medicaid). Here is an example:

- A family of three earning between 100% and 400% of the federal poverty level (\$19,530 to \$78,120) may qualify for a premium tax credit and/or cost-sharing subsidy through the Marketplace if they do not qualify for Medicaid and are not eligible for affordable coverage through their employer. For more information on the Federal Poverty Level (FPL), visit www.healthcare.gov.

Here are some questions for you to answer in order to determine whether you may be eligible for a premium tax credit through the Insurance Marketplace/Exchange:



*Your employer-sponsored health insurance coverage is deemed to be affordable if the cost of self-only coverage to you is no more than 9.5% of your household income.

Where can I obtain more information about the Individual mandate and Health Insurance Marketplace?

You may visit [MyTotalSource](#) to view educational videos on the Individual mandate and the Health Insurance Marketplace/Exchange, and you may also obtain additional information at www.healthcare.gov.

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Individual Mandate Explanation Q/A

What is the ACA trying to do? What are our requirements? With the one-year delay of the employer "pay or play" penalties, what are our options and how can we plan to avoid or minimize penalties?

1. Affordable Care Act provides a marketplace for those who have previously not been able to get insurance through their employers.

- What do we need to do with the ACA's implementation timeline?

1. ADP TS keeps you compliant with ACA requirements. There is currently nothing that you need to do. We have taken care of that.

- How do the current rules already in effect, including tax credits and reporting requirements impact our school?

Since you are on a private exchange or marketplace, you would not receive any tax credits from the ACA marketplace.

- What are the required changes to our school Summary of Benefits and Coverage?

We have already worked with the Health Insurance Companies to ensure that you are compliant and there is no need to change any summaries of coverage

- What are the new changes to W-2 reporting of health costs?

The W-2 reporting of health care dollars spent is a tracking mechanism to ensure that employees have "affordability". In our insurance meeting that you and I will have in about 10 weeks, I will demonstrate to you the calculator that is used to determine affordability.

- An explanation of the employer mandate-and an analysis of the three options (keep coverage, purchase it through an exchange or pay the penalty).

Currently you are on a stable platform of a private healthcare exchange/marketplace. Since there are still many changes to come, it is prudent to keep as stable as possible. Having employees go to the exchange and purchase their own benefits places the employer in a situation of "not playing" (from the play or pay perspective). Employers under 50 WSE's would not have a penalty for doing so; however, many employees will look for employers of choice that are a part of a private platform.

- Do you know if ADP will calculate the FTEs to determine how the employer mandate penalties will impact our school?

Yes, we will calculate.

- Explain how the insurance exchanges will work, and whether they're a smart option for our school. In the future, if the public exchange becomes stable, it could be an option. I would not recommend it until the public exchange has some history behind it. Currently, there have been a little over 1 million reported

by the administration. They will need a lot more than that to stabilize the exchange.

- The penalties for noncompliance in 2014, 2015, 2016 and beyond. 2014 will not affect any employee at SAL-Tech. Beyond that, the individual mandate will be important for employees to know how the individual mandate applies to them. I have attached a copy of "The Individual Mandate" explanation.