Centers for Medicare & Medicaid Services
Transcript: Assister Technical Assistance Webinar
April 1, 2016
2:00pm ET

Contents

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Welcome

Good afternoon everyone. Welcome to today's assister webinar. My name is Melissa McLain and I'm with the CMS Consumer Support Group. Before we start today's presentation I would like to go over a few technical details with you. Alliance have been muted. If you're listening to your computer speakers and have audio issues or if your slides do not appear to be advancing please try the refresh icon in the webinar. It looks like the two arrows in a circle. It is the third circle in the row near the volume bar. If you continue to have issues please try to log out and log back in. You are always welcome to join us via the telephone. The instructions for that are included in the alternate tab in the webinar. If you would like to ask a question during the presentation please do so by typing your questions into the ask a question tab on the screen. I will turn it over to Miss Deborah Bryant.

Thank you so much. As Melissa said my name is Deborah Bryant and I'm the Director of Division of Consumer Advocacy and Assister Support for the Marketplace. As a reminder I just want to remind everyone that today's call is intended for technical assistance for assisters and it is not intended for press purposes. It is not on the record. If you're a member of the press please email our press office at press@CMS.HHS.gov. Also note that the information presented today is intended for informal technical assistance and is not intended as official CMS guidance.

With just a couple of weeks left until the end of the tax season we know that you all are still busy at work helping consumers understand their tax forms. In order to help you to continue answering questions that consumers may have, today's webinar will feature a presentation on healthcare related tax provisions affecting individuals and families. Today's guest speaker is from the IRS. Also today we will be presenting a complex case scenario on helping consumers evaluate their employer-sponsored coverage. I want to remind folks that our webinars are recorded and posted online. Please visit Marketplace.cms.gov to access past presentation materials, written transcripts, and a video slideshow of the presentation. We will continue to update the list of materials in our weekly assister webinar - from our assister webinars as they become available. I am now going to turn it over to Matt Becker from our Consumer Support Group who will provide a Marketplace update and will also moderate the rest of today's call.

Marketplace Updates

Coverage 2 Care Post Enrollment Plan

Thank you Deborah. Our first Marketplace update is on our Coverage 2 Care post enrollment plan. This was included in our last assister webinar but for those of you that might've missed it, the CMS Office of Minority Health is launching its from Coverage 2 care, or C2C, post-enrollment initiative on April 9th. This effort is designated to help consumers learn how to navigate their healthcare, understand their benefits, select a primary health provider, and begin to regularly seek preventive and chronic care management services. Assisters are encouraged to participate in the initiative, which will last three months. Coverage 2 Care has made the following resources available to assisters to help consumers use their healthcare: partnership toolkit, including ways to collaborate, ideas for events, print and online resources, prepared blogs and social media posts, five ways to make the most of your healthcare coverage, and a roadmap to better care and a healthier you. These resources, in addition to several other consumer and assister tools, available in multiple languages, are available by clicking the link on the current slide.

Healthcare-related Tax Provisions affecting Individuals and Families

Now let's get started with our first presentation. Today we are joined by Bill Smits from the Internal Revenue Service, who will discuss the healthcare related IRS tax provision affecting tax filers. As a reminder, if you have any questions throughout Bill’s presentation, please feel free to submit them through the webinar chat feature. Bill?

Thank you. Good afternoon, everybody. My name is Bill Smits and I’m with the IRS. We will be talking about taxes as we are approaching the last couple of weeks of the typical filing season. We know you're having conversations with your client about taxes as we do throughout the year and so we want to make sure that you are able to answer those questions as effectively as possible. We will primarily talk today about the premium tax credit. Although we will talk a little bit about the shared responsibility provision and exemptions. I know that people like to take notes so again everything in this presentation is current as of this week. You can visit our website for the latest information. We always post our materials as developments occur. As I said, we’re going to talk about the premium tax credit, eligibility, and how to file for it. We will talk about how tax payers should report changes in circumstances to adjust their APTC, we’ll talk about some of the things that affect their tax return at filing. This of course can impact their premium tax credit when they actually file their return. As we talk about the shared responsibility provision we will talk about the basics and how to report coverage. We will talk about IRS exemptions and how they differ from the Marketplace exemptions. We know that there are some that

can be claimed either way so we will talk about those and we'll talk about calculating a shared responsibility payment for individuals who are not covered and who cannot claim an exemption.

So without further ado I will jump into the premium tax credit. You can see on the screen, taxpayers, when they file their federal tax returns have to meet all of the following requirements. First off is that their income should between 100-400% of federal poverty line. Note that there is an exception as you are aware for taxpayers whose income falls below their projected income at the end of the year and is below a hundred percent. There's also an exception for lawfully present aliens that are also eligible. Taxpayers that claim the credit cannot be enrolled in either minimum essential coverage either through their employer or other governmental plans. They have to be enrolled in Marketplace coverage -- they cannot be claimed as a dependent by anybody else on another federal tax return and they cannot file as married filing separate and again there's two exceptions to that for spousal abandonment and abuse. This is the basic PTC eligibility criteria. To file and claim the premium tax credit – [call interrupted] - it begins with the form 1095-A form either the federal Marketplace or one of the state-based Marketplaces.

That information is used to complete a form 8962. This gets attached to a form 1040. You can file using the form 1040-A or 1040-NR. You cannot file a form 1040-EZ and claim the premium tax credit. As you all know, many taxpayers, especially at this time of the year, they don't have access to their 1095-A information will be frantically calling to try to retrieve it. We will be talking later about how taxpayers can get an automatic extension of time to file by filing a form 4868 if they aren't able to retrieve their data or their corrected 1095-A by April 18th, which is the tax-filing deadline for this year. April 15th is extended by few days because of the weekend and some state holidays so the tax filing deadline for this year is actually April 18th. When we think about advance payments to the premium tax credit, as you all know it is determined -- the taxpayers eligibility for advance payments and the amount of advance payments that they receive or that they elect to receive is based on an estimate of their household income and family size for the year. Now whenever you're talking about estimates we realize that estimates are not perfect. As a result there are some provisions in the law that limit an amount somebody might have to repay in certain circumstances. Again, taxpayers should do their best to try to estimate as correctly and accurately as possible. The payments are made directly to their insurance provider on their behalf. Anybody who receives advance payments must file federal tax return to reconcile.

We can just make a quick note here. Obviously last summer and fall we began sending letters as you all also began notifying clients that if they had not reconciled it might have affected their enrollment and we are working through all of those issues but the bottom line is that taxpayers, in order to continue to receive advance payments for the premium tax credit they have to file their federal tax return, and reconcile those payments to be eligible in the future to continue to receive those. Claiming the premium tax credit is different than estimating income at the time they enroll in advance payments because the premium tax credit is based on their actual eligibility as reported on their federal tax return. It is based on the annual household income that they report when they file along with their family size, and you all know it could include income toward dependents who are also required to file. It is based on an actual household income as opposed to what they estimated before. When they complete their form 8962, they attest to the fact that they are eligible, it shows what their income actually was for the year and what percentage of the federal poverty line or the level that their household income was. It computes the premium tax credit that they are eligible for. It reconciles advance payments and that results in either an additional refund if they are due more in premium tax credit than they have already had advanced, or it can result in a repayment of excess advance payments if they are elected to receive more advance payments than their federal tax return shows they are eligible for. Just to illustrate this

point we have a quick example we just wanted to walk through, let's say Susie is single and she files for federal tax return -- at the time she enrolls in the Marketplace she does not have insurance or an offer, she enrolls in Marketplace coverage, and the Marketplace determines that she is eligible for advance payments. She gets advanced $4,000 over the course of the year. She files her federal tax return and maybe her income went up slightly. She fell into a different bracket on the federal poverty level table. It shows that her premium tax credit was actually $3,000 that she was entitled to. Since she received $4,000 there is a $1,000 difference. She would be required to repay, subject to repayment limits. We'll talk about those in just a moment.

So again this is the reason that reconciliation is important. When we look at this particular repayment amount which is $1,000, and we look at the repayment table from the instructions from form 8962. If you look at the gray area which is for a single filer, which we said Susie was, depending upon if Susie's income was less than 200% of the federal poverty level, then she would only have to repay back $300. If her income was between 200% and less than 300%, it would be capped at $750. Obviously if it was more than 300% she would have to pay back the full $1,000. If her income went above 400% or more she would actually -- it is not capped at all. So in the example we saw a moment ago, she would still owe back the $1,000 but if her income went above 400% she would actually have to repay back all of her advance payments because she would no longer be eligible for the premium tax credit.

The reason that these repayment limits were built into the tax code was because taxpayers are making estimates, it somewhat litigates the amount that they might have to repay back. Based on the fact that the advance payments are based on an estimate it is critically important that they report changes in circumstances back to the Marketplace as soon as they become aware of them. You can see some of them on the screen and I'll walk through these quickly. We will spend a few minutes talking about some particular scenarios. Some of the changes in circumstances that will affect their premium tax credit at filing or changes their filing status so clearly if someone gets married or divorced during the year, you should report that. Increases or decreases the number of dependents. We mentioned birth or adoption. For example, if somebody has a college aged child that they have been claiming as a dependent that maybe graduates in May so at the end of the year they may not be able to claim them if they are going out into the workforce and making money. So again that is an example where it is not a birth or death but they're just going to lose a dependency exemption which is going to affect the number that they can claim on their federal tax return. If they move to another address, particularly another state or county, and certainly a different insurance rating area, they should contact us. If they anticipate an increase or decrease in household income, and one area you'll notice I put here as a special caution is lump sum payments. Sometimes taxpayers may have claims either with the Social Security administration or other organizations that they had been waiting to get processed and when it gets processed they receive a retroactive lump-sum payment. Again that can affect their household income so again it may be worth asking the clients do you anticipate receiving any. If they say no, then if they do receive one maybe it is a big bonus at Christmas or something and it is too late in the year. Bonuses or some kind of a windfall, they should report that back to the Marketplace. And lastly any time somebody in the household gains or loses health care coverage or eligibility they should report those as well.

While we are talking about changes in circumstances I just wanted to mention that we understand as you do that there is a balance between affordability, at the time of enrollment, will they be able to afford the monthly premium with – balance that affordability issue with the potential hardship it could create if they receive too much and they have to repay some of it back or in particular if somebody's income could go above 400% they might have to repay it all back. It is critically important that we do our best to assist taxpayers in estimating their incomes and just a few thoughts there. One is to be somewhat conservative. Some questions that you might ask the taxpayer for example – I'll just use an

example of a self-employed individual whose income maybe varies quite a bit. What is their outlook for the upcoming year? Rather than just necessarily using what they had the prior year. Is the prior year a good indication of what they will receive this year? Maybe again looking at is that roughly what they've earned in preceding years where it's fairly consistent or does it vary significantly? So again those are all different types of questions that someone could ask. You could also ask again do they anticipate any changes in family size or in who they might be claiming as dependents by the end of the year because that can change in the example I gave you before – for either a college age child or potentially somebody else entering the household, if they are aware of that possibility. I think we have talked about most of them there. When we get into the Q&A, if you have particular questions about estimating income, I would be glad to answer those. Just try to balance -- one point I will make before we move off of this slide. Our IRS experience thus far is about 55% of taxpayers end up having to repay back some amount of their advanced premium tax credits so slightly more than half are having to repay back. That means slightly under half are getting an additional refund. I think one of the [Indiscernible] announced that their experience was about 60% this filing season - having to repay back. It is critically important that we try to balance affordability with potentially owing if they received too much money in advance payments.

A few key considerations for taxpayers as they are working through the advance payment issue with you as an assister is that advance payments are optional, they do not have to take the full amount - they can take a partial amount. We know that if they received advance payments it is required for them to file a tax return, even if their income would normally be below the filing requirement. For example, if the taxpayer's income fell below one hundred percent of the federal poverty line, they might not think that they have to file but if they received advance payments they have to file regardless of the amount of income that they owed. Differences are likely between their estimate and when they actually file and claim the premium tax credit so again reporting those changes and circumstances as quickly as possible to the Marketplace can help taxpayers avoid unexpected surprises. Some of the things that I guess – common filing errors that we've been seeing both this filing season and then the last year which was the first year of reconciliation. There were a number of taxpayers who filed returns, and either tried to claim a credit without completing a form 8962 and we will not allow the return without the form. There were some forms that came in without a form 8962. When the IRS matches up the 1095-A information, if we see a taxpayer didn't reconcile advance payments and we know that they had received them, we will send a letter out. Obviously there were issues with 1095-A data. Last year we know there were some corrected forms but sometimes again taxpayers do not fill out the form correctly, don't fill out the form 8962 with the correct monthly data or they transpose digits. Again, we are asking people to type in monthly data for premiums, second lowest cost silver plan and advanced payments and so - for an entire year or for multiple months it can be many entries so we saw some of those errors.

So I'm going to talk for a few minutes next about the shared responsibility provision and again we will have time at the end of the two presentations today to do live Q&A but I want to make sure we talk first for a few minutes about shared responsibility provisions. The basics are that every taxpayer and their dependents for each month of the year either have to have health insurance coverage, claim an exemption for that particular month, if they do not have health insurance coverage, or make a shared responsibility payment for that month. We try to make it as simple as possible for taxpayers. For reporting health care coverage, it is as simple for most households as checking the box. If everybody in the household had coverage for all 12 months of the year it - doesn't matter what the type of coverage was. It could be employer-sponsored, it could be privately purchased, or it could be a qualified health plan through the Marketplace but as long as everyone had coverage for all 12 months all you have to do is check a box. You can see here it is line 61 on the form 1040. We do not require individuals to

individually report policy information because the IRS receives that information separately on information statements. We will talk about those momentarily.

Upwards of 83% to 85% of households are able to check the box. It is the vast majority. For the others, you can see on line 61, they can include a dollar amount for a payment if they need to make a shared responsibility payment or they can use form 8965 to claim a coverage exemption. We will be talking about those next. One of the things that was new this year that I mentioned, the IRS receives information statements, you are all very familiar with the form 1095-A's but this was the first year for the form 1095-B forms that are required to be provided by insurance issuers and the 1095-C forms that have to be issued by large employers that have 50 or more full-time equivalent employees. These forms typically are due by January 31st each year. It is the same deadline for all three of these forms. Because this was the first year for the insurance issuers and large employers, those forms were extended until March 31st to be provided to the individual filers, although most of the large employers or many large employers and many of the larger insurance issuers were ready and began issuing those forms to their employees in late January. Again many taxpayers have been receiving 1095-B's and 1095-C's this filing season.

So the IRS uses this information to validate the information that's claimed on a federal tax return. As you know we match up the 1095-A Marketplace information with the form 8962 and we can validate that somebody had insurance coverage when they check the box by looking at the data in forms 1095-B and form 1095-C. For taxpayers who want to claim the coverage exemption they use form 8965 and that form is used to claim exemptions whether they are granted by the Marketplace, if so they are reported in part 1, their exemption certificate number or they can claim IRS exemptions in sections 2 or 3. [Indiscernible] and sections 2 or three. Section 2 deals with households that have income below the filing requirements, and part three is where they would claim individual IRS exemptions for either the year or for the month for specific individuals in the household. I want to spend a few minutes talking about individual coverage exemptions and to a degree differentiating between coverage exemptions available from the IRS at filing and the Marketplace and what are some of the major differences there. I know this is not new information for you so I'll try to spend more time talking about maybe what is unique as you think about it from the Marketplace perspective.

The first exemption that you can claim from the IRS is filing income below the filing threshold. If the individual typically has income below the filing threshold they do not have to file a federal tax return unless they received advance payments or they had some other reason that they were required to file. Even though they are not required to file. Many taxpayers -- think about a high school student who worked in the summer and maybe they had some withholding. If they file a return, even though they have income below the filing threshold, to get back any moneys that were withheld from their paycheck. So again when they file the federal tax return they can indicate that they were exempt because that income was below the filing threshold by completing section 2 of form 8965. The second exemption type -- the affordability exemption, taxpayers that where the cost of insurance either through their employer or through the Marketplace, either unsubsidized or subsidized, if it would exceed 8.05% of household income they can claim an affordability exemption. I would just point out, this exemption, I know that there is an affordability exemption through the Marketplace but this one is a bit different. This is a pure math formula based on the lowest cost of self-only coverage. Or the plan that would cover other family members for example, if there was an offer of employer-sponsored insurance, or it is based on the lowest cost bronze plan available through the Marketplace, factoring in whether or not they would have been eligible for a premium tax credit. So again it is more formulaic – if the IRS receives information it can verify whether someone was eligible for the affordability exemptions versus a Marketplace affordability exemption which might be based on monthly circumstances or individual

circumstances. This one is an annual exemption. It is computer-based. Annual income versus monthly income. Number two, affordability exemption, is based on annual income.

The next exemption is for a short coverage gap. Again if a taxpayer had a gap of less than three months so if they changed employers and they had a gap of one or two months they could claim this exemption. They cannot claim it if they had a gap in coverage that extends beyond two months even if it overlaps years. So for example, if someone had no coverage in 2014, and that maybe they with the first two months of 2015 without coverage, but they signed up in March for coverage. Because that gap was more than two months, remember it extend into the prior year, they are not eligible for this. The total gap has to be less than three months. If there are multiple gaps during the year then this exemption only applies to the first gap. Individuals who are not lawfully present in the US, or lived abroad, at least 330 days or a twelve-month period can claim an exemption on number 4. Individuals who are members of a federally recognized Indian tribe or health care sharing ministry can claim exemptions as well. You will notice the asterisks there -- those are the first examples of exemptions that can also be claimed through the Marketplace. The primary difference here is obviously if they have an exemption certificate number they should report it on the federal tax return but realize when they apply for their exemptions through the IRS -- it is not really an application process they just claim it so they do not have to apply in advance. They just report it to the IRS, and the IRS can verify the information. We would only go back to the taxpayer for additional information in the case of an audit or if we had counter information. I just wanted to illustrate it's actually faster in many cases to claim the exemption from the IRS versus the Marketplace because there is no separate application process.

Number 6, individual is eligible for services through an Indian health care provider again can be claimed either way. Number 7, is the exemption for individuals who are residents of the state that did not expand Medicaid and have household incomes below 138% of the federal poverty line. They can claim an exemption on their federal tax returns. In many cases if they tried to apply through the Marketplace they may get a letter with an exemption certificate number. They can report that also on their form 8965 and same thing for incarceration. As we look at Marketplace coverage exemptions, again, most of these are different types of hardship exemptions. It is a little bit different in terms of the documentation that will be required along with the application. For individuals who need to claim a hardship exemption that is not available from the IRS they would apply to the Marketplace. If they need to file their federal tax return in the interim they can file and claim an exemption and mark that the application as pending and the IRS will verify that coverage exemption later after the return was filed by working with CMS to verify that the exemption was granted. If they don't have the exemption number at the time of the filing, they don't have to delay if they've already got an application pending with the Marketplace.

I will not spend much time on these exemptions right now. Again if there is questions about those later we can certainly address those. For taxpayers who are not exempt, and did not have coverage, they would be required to make a shared responsibility payment. The amount of the payment is based on the greater of a percentage of their household income or the flat dollar amount so it's whichever is higher. The flat dollar amount - if there are multiple individuals in the household, then it is limited to a maximum of three individuals for the household that did not have coverage for the entire year. If you look at the gray box in for 2015, it is a greater of 2% of household income. Or $325 per adult, and a child under age 18 it is 50% of that amount. But if there are more than three adults in the household it is limited to $975 for the first three adults so again we will compare those two also. There is one other limit that comes into play for higher income individuals but the amount of the shared responsibility payment can never exceed the national average premium for a bronze health plan. I should point out that these figures are the annual figures so assuming that somebody did not have coverage at all during the year. So if somebody had coverage for six months, then you would prorate the $325. For example,

for six out of 12 months it would be 50% of that amount. Instead of $325. It is prorated out on a monthly basis.

Again just going to point out some resources. We've talked a lot about the premium tax credit. Form 8962 is used to claim that. Most of the information I covered is available in the instructions. There is a specialized publication and the IRS did refresh this. It is in publication 974. We have also posted more recent FAQs related to certain situations that have come up this filing season. One thing I just wanted to mention and this is on our FAQ page for tax professionals are some issues related to dual enrollment. There is also the employee affordability safe harbor at the time they enroll through the Marketplace. I'll just mention those. If an individual contacts the Marketplace, and the Marketplace determines they are not eligible for Medicaid or CHIP enrolls them in a qualified health plan, so they have Marketplace coverage, and they make their premiums and they estimated their income based on other [indistinguishable] under the federal poverty line. Subsequently maybe they went to the emergency room six months later and somebody enrolled them or assisted them in enrolling in Medicaid and their Marketplace plan was not canceled, our FAQs will show that there is a section of the tax provision that says that Marketplace determination that they were not eligible for the Medicaid at the time of enrollment means if they are subsequently erroneously enrolled in such that we have a dual enrollment situation, that they are still eligible for a premium tax credit for the remaining months of that plan year. Again, they would still be eligible for the premium tax credit for that particular year. Obviously when they get their 1095, I'll call it conflicting 1095-B and 1095-A information, they should contact the Marketplace to resolve or rectify that duel enrollment situation. One other common FAQ that's on the FAQ page, it relates to taxpayers who enrolled in a qualified health plan at the Marketplace because at the time they believed that their employer-sponsored insurance that was offered was unaffordable. Maybe at the end of the year the employer reported on a form 1095-C that they offered affordable insurance so you have a contradiction between what was used at the time of enrollment, and what is reported on a form 1095-C. As long as that taxpayer in good faith provided accurate information to the Marketplace they can rely on that determination. Even if they got a conflicting document at the end of the year, again, absent fraud they would still would be eligible for the premium tax credit regardless of whether the employer claims it was affordable or not when they issued the form 1095 C. Those are both FAQs that are on our tax page on IRS.gov. I did want to talk about those two issues since they have been kind of recent developments. With that I will turn it back over to the moderator. We will try to get to as many questions as we can after the next presentation. Thank you.

Complex Case: Evaluating Employer-Sponsored Coverage

Thank you so much, Bill. We are going to move on to our next presentation and address some questions at the end. For our next presentation we are joined by Elissa Dines from our Consumer Support Group here at CCIIO, who will provide an updated presentation from our complex case scenario series on how to help consumers evaluate their offer of employer sponsored coverage. As a reminder if you have questions during the presentation please feel free to submit them through the chat feature. Elissa?

Thank you, Matt. Today I am going to re-present a common complex scenario that we presented last year. It's an updated presentation on how to help consumers evaluate their offer of employer-sponsored coverage. Today we will look at a family that has a plan through the Marketplace and then receives an offer of employer-sponsored coverage. Sampson and his wife Carolyn are enrolled in a health insurance plan through the Marketplace. They enrolled on November 15, 2015, and they are receiving advance payments of the premium tax credits to help lower the cost of their Marketplace coverage. Sampson and his wife Carolyn have a 14-year-old daughter Sydney who is enrolled in CHIP,

the children's health insurance program. Two months after enrolling in his Marketplace plan with his family Sampson started working for a national supermarket chain with an annual salary of $37,000. The supermarket offers health insurance coverage to full-time employees and their dependents after a 90 day waiting period. This means that Sampson and his family will become eligible for coverage through Sampson's employer-sponsored plan starting April 4, 2016. That is 90 days after he started his job. After the waiting period employers are required to give employees at least 30 days to enroll in the employer plans. Sampson and his wife want to sign up. If they do not sign up during this 30 day period they will have to wait until the employer plans open enrollment unless they qualify for a special enrollment before that. The question that comes up, does Sampson need to go back to the Marketplace and tell the Marketplace about his new job? So if Sampson's income changes because of this new job he must report the change to the Marketplace. Also when Sampson and Carolyn become eligible for coverage, under Sampson's employer-sponsored plan Sampson must report this to Marketplace.

Another question, can Sampson and Carolyn stay enrolled in their plan to the Marketplace? The answer is yes. During the waiting period Sampson and Carolyn can remain enrolled in the Marketplace plan with financial assistance if they are still eligible. During the waiting period they are considered by the Marketplace to not be eligible for employer-sponsored coverage so we do not have an offer of other minimum essential coverage. Once the waiting period is over Sampson and Carolyn can still remain in their Marketplace plan but they may lose their eligibility for financial assistance through the Marketplace. If their employer-sponsored coverage is affordable, and meets the minimum value standard, they will be ineligible for financial assistance through the Marketplace.

The next question is can Sydney stay enrolled in CHIP now that her father has an offer of coverage through the employer that offers dependent coverage? The answer is generally a child that has an offer of dependent coverage through a parent's employer-sponsored plan is ineligible for coverage under CHIP. Let's talk about eligibility for financial assistance through the Marketplace once Sampson has an offer of employer-sponsored coverage. If Sampson's offer of employer-sponsored coverage is determined to be affordable and meets the minimum value standard he will not be eligible to receive financial assistance. He will have to pay the full price for a plan purchased through the Marketplace. Again, note that Sampson and his wife may still qualify for financial assistance during the 90 day waiting period. It is important to note that even if an employer who is eligible for health insurance through his or her employer and missed his or her opportunity to enroll, or chose not to enroll in their employer's plan, he or she must still indicate that they are eligible for employer-sponsored coverage on the Marketplace application. The Marketplace still considers this employee eligible for employer-sponsored coverage, even though they can no longer sign up. Whether the couple would continue to be eligible for financial assistance through the Marketplace depends on whether Sampson's offer of employer-sponsored coverage is considered affordable and minimum value, and whether Sampson experienced a change in income that would affect his eligibility for financial assistance to the Marketplace.

Let's look at the test for determining if an employer's coverage offer is affordable. Assisters will need to help determine if the lowest cost plan offered for employee only coverage that also meets minimum value is considered affordable. Employer coverage is considered affordable if the employee's share of the annual premium for the lowest cost employee only plan is no greater than 9.66% of annual household income. The affordability test only considers the cost of the employee-only coverage. The cost of family coverage which means the cost for both Sampson and his family is not considered for the affordability test. Just note that the 9.66 percentage is updated from last year's 9.56 percentage. If we apply the affordability test to Sampson and his family's situation we will start by looking at his household income. It is $37,000. If an employer offers multiple healthcare coverage options, the affordability test applies to the lowest cost option available to the employee only that also meets the

minimum value requirements. To be affordable, Sampson's share of the lowest cost employer-sponsored plan covering Sampson only, not his wife or child, cannot be more than 9.66% of Sampson's annual household income or $3574 in annual premiums or approximately $298 per month. Just a note here, that even though the affordability test only looks at the cost of the lowest cost self-only plan available to Sampson, if that coverage is considered to be affordable for Sampson, then the other family members would also be considered to have an offer of affordable coverage for purposes of determining eligibility for financial assistance through the Marketplace.

The next part of the test to see if employee offered coverage through his or her employer is considered affordable and meets minimum value is to look at whether the plan meets minimum value standards. A health plan that meets minimum health standards is a plan that's designed to pay at least 60% of the total cost of medical services for a standard population. The plan's SBC will indicate whether the coverage meets minimum value coverage requirements. We recommend that consumers ask their human resources department to fill out the employer coverage tool. We have a link to that later in the presentation. This is a way for employees to collect certain information from their employers to be able to complete their Marketplace application to make a determination of whether their employer-sponsored coverage is affordable and meets the minimum value. So again the minimum value test – a health plan meets the minimum value standard if it's designed to pay at least 60% of the total cost of medical services for a standard population. We do not suggest that employees try to figure that out at work but if they refer to their SBC's it should be clearly indicated whether the plan meets the minimum value or not.

As I mentioned there is a resource - the employer coverage tool. This is to help consumers figure out what their offer of employer-sponsored coverage is. They can ask their employers to fill this out. There is a link to where the worksheet is available on HealthCare.gov. If employees have trouble getting their employers to fill out the tool, they can use the tool themselves to collect the information the Marketplace needs to assess the offer of employer-sponsored coverage. Consumers will need to provide the Marketplace with their employer's name, the employer identification number, phone number, and address, and the EIN or employer identification number is displayed on a consumer's W2 or consumers can ask their employer to provide it to them. As noted previously, consumers are encouraged to ask their employers to fill out the employer coverage tool and use that information to complete the Marketplace application but they can also collect the information themselves.

Let's look at what Sampson and his family's options are. First, in the case that the offer of the employer sponsored coverage is affordable and meets minimum value. The first option they have is to enroll in the employer-sponsored coverage during the enrollment period or the employer's open-enrollment period. So employer-sponsored plans must provide employees a period of at least 30 days to sign up for coverage when they first become eligible to sign up. Some things you might want to help consumers think about when they are evaluating this option is - does the plan's network include Carolyn and Sampson's preferred providers and medications? The providers they're seeing under their Marketplace plan may not be in their employer-sponsored coverage plan's coverage network. Same with drug formularies. You may want to help them consider how the out-of-pocket expenses, things like deductibles and co-payments compare to the Marketplace plan in which they are currently enrolled. How will the total annual premium costs differ? You definitely want to evaluate what the premium costs would be. However, without the financial assistance, which presumably they would be losing once they are eligible for their offered employer sponsored coverage. If Sampson and Carolyn want to sign up for their coverage under Sampson's employer-sponsored coverage plan, as soon as they become eligible, you may want to remind them that they must do so during the window of time that the employer grants newly eligible employees to sign up for coverage. Again this is at least 30 days.

Let's look at the second option. The second option is if the employer-sponsored coverage is affordable and meets minimum value standards. Again, they could re-enroll in their current Marketplace plan without receiving financial assistance through the Marketplace. Some considerations are, are they satisfied with their current coverage. Can they afford to stay in the same plan without receiving financial assistance? If Sampson and Carolyn reject their offer of coverage through the employer make sure to update their Marketplace application to reflect any changes in their information.

Next, let's evaluate their option if their employer coverage is unaffordable or does not meet minimum value – again, the employer-sponsored coverage, if it either does not meet minimum value or it is not affordable, the family may continue to be eligible for financial assistance through the Marketplace. In this case, the first option would be to enroll in the employer-sponsored coverage during the enrollment period or the open enrollment period. Some considerations there would be - does the employer's coverage offer provide additional benefits or coverage? Is there a reason they would want to switch their employer-sponsored coverage based on benefits? You would want to look at some of the cost-sharing under the plan. Coinsurance, deductibles, and stuff like that. You would want to again go back to the Marketplace and see what options are available on the Marketplace.

The second option for Sampson and his family is if the employee coverage is unaffordable or does not meet minimum value. They can reenroll in their current Marketplace plan. They may be eligible to continue to receive financial assistance through the Marketplace if they are otherwise eligible. Help them think through - are they satisfied with their current coverage, are they still eligible for financial assistance given Sampson's new household income? How would this affect the price of the family's premiums if they lose financial assistance, or their financial assistance is lessened? Again, Sampson should report any change in income to the Marketplace so that he receives adjusted financial assistance through the Marketplace, or he may end up owing money to the government when he files his federal income taxes. That is the end of the presentation. I will pass it back to Matt.

Q&A

Thank you so much, Elissa. We will have time for a few questions. We will do some of the questions that we received from the tax presentation. Anything we do not get to on that and also on Elissa's presentation we'll address in an upcoming newsletter.

First, please give me one second. We have been hearing from several consumers in our area in Missouri that are getting requests from their IRS to send in their 1095-A forms after filing their federal taxes this year. Will you please comment on why there are so many requests for them? Should filers just send them when they initially file?

That is a good question. The answer is no they should not send them when they file. The reason that consumers are receiving that letter, we call that a 12-C letter. We send those out when tax returns came in and they do not either include the form 8962 or did not reconcile advance payments, and the information that we received from the Marketplace, the 1095-A information, shows that they did receive advance payments. The letter goes out asking the taxpayer to include a copy of their 1095-A so they can show why the information that they reported differs from the information that the IRS received. And it asks them to include a form 8962 along with a tax calculation because in many cases they did not include that form when they filed their federal tax return. They would only receive that if the information that they reported on their original return, differed significantly from what the IRS received from the Marketplace about their coverage and advance payments. We are just trying to

confirm the amount of the premium tax credit that they are eligible for, and the advance payments that they received.

Okay. Thank you, Bill. Can someone claim the exemption of income below the filing threshold for some months even though they have Marketplace coverage for the rest of the year?

Yes. For individuals who are filing a return and have income below the filing threshold they can claim an exemption on form 8965. That is actually an annual exemption. That means they are exempt from all 12 months of the year for them and anybody else that is part of their tax household claimed on their return. And of course if they had coverage for six months through the Marketplace then that exemption would cover them from the other six months that they did not have coverage. An individual actually could claim an exemption for certain months, and claim premium tax credit for others.

Okay, thanks. What happens if the taxpayer does not file taxes, and they have APTCs?

If an individual does not file federal tax returns, when the IRS receives the 1095-A information, usually in the summer after the filing season, we will correspond to the taxpayer asking them to file form 8962 to reconcile the advance payments. Or show us where those advance payments in that 1095-A information were reported. Sometimes, particularly where there is a change in a household, and maybe that the individual who had coverage is now part of somebody else's household. They may have actually been reconciled on a different federal tax return. The IRS will try to sort that out. If in fact they have not filed, and they should have, and they should have reconciled and they did not, we will ask them to file an amended return to reconcile that. If they do not voluntarily do it, as you all know, when it comes time to reenroll for the coverage for the following year, when CMS pings the IRS for income verification they will receive a report pack that there was a failure to reconcile. Typically that means that their advance payments would be discontinued in advance of the following coverage year. There were many taxpayers or several tax payers that fell into that category this most recent enrollment. Ultimately taxpayers are responsible for the advance payments that they received. The IRS can use income information from their federal tax return to determine whether or not somebody may have had to repay back some excess advance payments. The IRS can adjust their return through a post-filing examination process as appropriate. Those taxpayers would be held accountable for payments that they received.

Thank you. We will do one more question. Can you explain how to query a self-employed person for projected income, and explain AGI and net income Schedule C?

The first thing - AGI, adjusted gross income, really takes all of the income from all different sources on the return, and it subtracts a few different deductions you'll arrive at what we call AGI. Somebody that is self-employed may have some self-employment income, but they could also have interest income or Social Security Income, so AGI would include all of the sources of income. For self-employment or Schedule C income that tends to be the income from a business that they operated or work that they did, not as an employee, and so the net income from self-employment is the total amount of money that they made less allowable business expenses. I will just use a quick example – if I'm an Uber driver or a cab driver – my gross receipts for my business are all the fares I collected less my business expenses which would be gas and or repairs on my vehicle etc. Once you subtract out the expenses, you come out with a net income from self-employment.

To answer your question about how I would query an individual about their income if they are self-employed, if I knew they were self-employed, again, I would ask them if that particular income from self-employment is fairly steady. How long have they been involved in self-employment? Maybe they were doing the same thing for five years and they have a good history or track record and feel confident

in their projection. Maybe their income rises slightly every year. You could factor that based on the trend of their self-employment income. Or if they just started a business, maybe they have no idea how much they will make, it's much more difficult. If I was querying a taxpayer about self-employment income it would really be more about how certain they are or how reliable they think that the estimate that they are presenting is. I say this not to challenge it, it is part of that consumer education as you are enrolling a client you're making sure that they fully understand the repercussions that this estimate will be used to make advance payments but if their income ends up significantly higher they could end up having to pay back a significant amount or if their income goes down so gain it's kind of making sure of the consequences of the estimate and helping them arrive at what they think is as accurate as possible. Ultimately, it is not the Marketplace employee that helps assist them in estimating their income that will be responsible. It will be the taxpayer responsible for the reconciliation when they file their tax bill.

Closing

Great, thank you Bill. Thank you everyone for the questions that you have submitted through the chat feature. I know we got a lot that we weren't able to address today but we will follow up with additional answers in our assister newsletter's webinar resources section. Special thanks to our presenters Bill and Elissa for joining us today. Our next webinar will be in two weeks, on Friday, April 15 at 2 PM Eastern time. If you would like to sign up for the CMS weekly assister newsletter and webinar invitations, please send a request via the assister listserv inbox. Assisterlistserv@cms.hhs.gov and write add to listserv in the subject. Finally, thank you again for all of your hard work. Have a wonderful weekend.