

Health Care Reform

Cost-Sharing Reduction and the Premium Tax Credit



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Cost-Sharing Reduction

Eligibility

A cost-sharing reduction is a discount that lowers the amount you have to pay for deductibles, copayments, and coinsurance. The reduction applies to individuals and households between 100% and 250% of the federal poverty level (FPL). Cost-sharing reductions only apply to health plans in the Silver category.

How to Apply

After you fill out a Marketplace application and provide household and income information, you will find out if you qualify for cost-sharing reductions. Check your Eligibility Determination Notice after applying. If you qualify and enroll in a Silver plan, you will automatically get a version of the plan with lower deductibles, copayments, and coinsurance.

Note: A cost-sharing reduction is not a tax credit and does not need to be reported when filing your federal income tax return.

Reduction Amount

Cost-sharing reductions are based on your household income level and increase the percentage of covered benefits the plan will pay for. Without a cost-sharing reduction, Silver plans cover an average of 70% of the total cost of covered benefits.

| Household Income (Expressed as a Percent of Poverty Level) | Average Cost the Silver Plan Will Cover |
|---------------------------------------------------------------|-----------------------------------------|
| 100% to 150% | 94% |
| 151% to 200% | 87% |
| 201% to 250% | 73% |

Premium Tax Credit

While the cost-sharing subsidies only apply to Silver plans, you can use a Premium Tax Credit (PTC) for a plan in any metal category. The credit can lower the cost of monthly insurance premiums when you enroll through the Marketplace.

Note: Catastrophic plans are not eligible for the PTC, regardless of income.

Eligibility

You can qualify if all of the following apply.

- Your household income falls between 100% and 400% of the FPL,
- You purchase a Bronze, Silver, Gold, or Platinum health insurance plan through the Marketplace,
- You are not eligible for affordable coverage through your employer,
- If you are married, you file a joint tax return, and
- No one can claim you as a dependent on their tax return.

How to Apply

You will find out if you qualify for a PTC when you apply for coverage through the Marketplace. You can get advance payments of the credit that can lower the amount you pay for your insurance premiums and/or claim a credit on your federal income tax return.

Federal Income Tax Return

The Marketplace uses an estimate of income to calculate advance payments of the PTC. If you use more advance payments than you qualify for based on your final yearly income, you must repay the difference when you file your federal income tax return. If you use less



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PTC than you qualify for, you will get the difference as a credit when you file your tax return.

Note: Make sure to notify the Marketplace if your circumstances change during the year to avoid having to repay all or part of the credit when you file your tax return.

Credit Amount

The credit amount is the difference between your household's required contribution and the second lowest cost Silver plan available to each member of your household. The second lowest cost Silver plan can be found on the Marketplace websites. The required contribution is the amount you would pay for insurance premiums for the second lowest cost Silver plan after factoring in the PTC.

| Household Income <i>(Expressed as a Percent of Poverty Level)</i> | Required Contribution <i>(Percentage of Household Income)</i> |
|--------------------------------------------------------------------------|----------------------------------------------------------------------|
| Less than 133% | 2.08% |
| 133% to 149% | 3.11% to 4.15% |
| 150% to 199% | 4.15% to 6.54% |
| 200% to 249% | 6.54% to 8.36% |
| 250% to 299% | 8.36% to 9.86% |
| 300% to 400% | 9.86% |

Note: If you live in a state that has not expanded Medicaid, your income is below the federal poverty level, and you don't qualify for Medicaid under your state's current rules, you won't qualify for cost-sharing reductions or the PTC. Those savings through the Marketplace are only available to people with incomes between 100% and 400% of the federal poverty level.

Federal Poverty Level (FPL)

2018 Federal Poverty Level used for the 2019 Form 8962, *Premium Tax Credit*.

| Persons in Family | FPL for 48 Contiguous States and the D.C. | FPL for Alaska | FPL for Hawaii |
|----------------------|----------------------------------------------|-----------------------------------------|-----------------------------------------|
| 1 | \$12,140 | \$15,180 | \$13,960 |
| 2 | \$16,460 | \$20,580 | \$18,930 |
| 3 | \$20,780 | \$25,980 | \$23,900 |
| 4 | \$25,100 | \$31,380 | \$28,870 |
| 5 | \$29,420 | \$36,780 | \$33,840 |
| 6 | \$33,740 | \$42,180 | \$38,810 |
| 7 | \$38,060 | \$47,580 | \$43,780 |
| 8 | \$42,380 | \$52,980 | \$48,750 |
| More than 8 | Add \$4,320 per additional person | Add \$5,400 per additional person | Add \$4,970 per additional person |

Source: aspe.hhs.gov/poverty-guidelines

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Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.