

# A Simple Guide To The Affordable Care Act



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## Basics You Want To Know About Obamacare

By now you might be sick of hearing about the new health law and what it means to you, but we've found that even though the Affordable Care Act has been making headlines daily, it seems like no one is answering the question everyone really cares about:

“What do I need to do and when do I need to do it?”

So here it is, the information that will put your mind at ease in as simple a form as possible:

### 1 When Do I Legally *Need* To Have Health Insurance?

The law requires everyone to have insurance by Jan 1, 2014. However, individuals are allowed a 3 month lapse in coverage before facing a penalty. This would allow people to hold off on getting insurance until March 2014 without facing a penalty. The new insurance marketplaces (exchanges) opened on October 1, 2013. You can find them here: <http://www.healthcare.gov>

### 2 How Will the Government Know If I Have Health Insurance?

Your healthcare provider will be required to send you an informational document (similar to a W-2 or 1099) in January which states some basic information about your health coverage including how many months you were covered. They will also forward a copy of the document to the IRS. You or your tax preparer will use this document to complete a new tax form that will be attached to your 1040 when you file your taxes.

### 3 What Will the Fine (Penalty) Be If I Don't Get Health Insurance?

The penalty you will pay for not having coverage will be determined in one of two ways, either a flat fee or a percentage of your income, whichever is greater. Your penalty will be collected by the IRS when you file your tax return.

- In 2014, the annual flat fee will be \$95 per adult and \$47.50 per child, up to a family maximum of \$285 **-OR-** Your penalty will be 1% of your income if that amount is greater than your family's total flat fees.
- In 2015, the annual flat fee will be \$325 per adult and \$162.50 per child, up to a family maximum of \$975. **-OR-** Your penalty will be 2% of your income if that amount is greater than your family's total flat fees.
- In 2016, the annual flat fee will be \$695 per adult and \$347.50 per child, up to a family maximum of \$2,085. **-OR-** Your penalty will be 2.5% of your income if that amount is greater than your family's total flat fees.

## (Penalties Continued)

It is important to note that when determining penalties, “income” is defined as income that is over the minimum filing threshold. For example, the 2013 filing threshold is \$10,000, therefore an individual who earned \$50,000 would calculate his or her penalty based on \$40,000. ( $\$40,000 \times 1\% = \$400$  penalty). Also, there is a cap on the penalties, regardless of income, which is equal to the annual cost of a basic health insurance policy on a state health insurance exchange.

### 4 What Type of Coverage Do I Need To Meet The “ACA” Requirements?

In order to meet the mandate’s requirement, you must have “minimum essential coverage.” Medicare and Medicaid count as minimum essential coverage, as do plans purchased in the healthcare exchanges. As for employer-sponsored coverage, essentially any plan offered by an employer counts as meeting the law’s requirements. “Minimum essential coverage” must include:

Hospitalization, Ambulatory Services, Emergency Services, Maternity and Newborn Care, Prescription Drugs, Rehabilitative Services and devices, Laboratory Services, Preventative and Wellness Services, Pediatric Services, Mental Health and Substance Use Disorder Services.

### 5 Financial Assistance For Health Insurance?

Hopefully we still have your attention. This is where things get a little more complicated.

Families and individuals who qualify will receive assistance paying for their healthcare through the new “Premium Tax Credit.” However, you can only receive the credit if you purchase your healthcare through one of the healthcare exchanges.

The “Premium Tax Credit” will be distributed in one of two ways. Either you can request that the tax credit be taken in advance when you enroll in your new health plan and pay a portion of the premium each month or you may pay the entire premium each month and then have the tax credit refunded to you when you file your taxes.

While most people will elect to take the tax credit in advance, changes in your income or family size throughout the year can change the amount of credit you are entitled to. For example if you get a raise or a higher paying job, you will likely be entitled to a smaller credit. If you have another child during the year you will likely be eligible for a larger tax credit. If you elect to take the tax credit in advance and changes in your life result in a needed adjustment to the amount of your credit, you will either have to pay back the difference when you file your taxes or have the additional amount refunded to you.

The Kaiser Family Foundation has developed an excellent tool to help you determine what, if any, credit you might receive: <http://kff.org/interactive/subsidy-calculator/>

There are many other nuances to this law, but hopefully we were able to clear up any of the questions that require you to take action and now you know what to expect in the coming years. If you have more specific questions send them to [info@free-financial.com](mailto:info@free-financial.com) or “Like” us Facebook: [www.facebook.com/freefinancial](http://www.facebook.com/freefinancial)

## Exemptions to Obamacare:

Certain people are exempt from The Affordable Care Act. Many of the exemptions apply only to special circumstances, but individuals whose income is so low they don't have to file taxes and people for whom health insurance is considered unaffordable (if insurance premiums after employer contributions and federal subsidies exceed 8% of family income) are exempt.

### Hardship Exemptions:

- 1.You were homeless.
- 2.You were evicted in the past 6 months or were facing eviction or foreclosure.
- 3.You received a shut-off notice from a utility company.
- 4.You recently experienced domestic violence.
- 5.You recently experienced the death of a close family member.
- 6.You experienced a fire, flood, or other natural or human-caused disaster that caused substantial damage to your property.
- 7.You filed for bankruptcy in the last 6 months.
- 8.You had medical expenses you couldn't pay in the last 24 months.
- 9.You experienced unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member.
- 10.You expect to claim a child as a tax dependent who's been denied coverage in Medicaid and CHIP, and another person is required by court order to give medical support to the child. In this case, you do not have to pay the penalty for the child.
- 11.As a result of an eligibility appeals decision, you're eligible for enrollment in a qualified health plan (QHP) through the Marketplace, lower costs on your monthly premiums, or cost-sharing reductions for a time period when you weren't enrolled in a QHP through the Marketplace.
- 12.You were determined ineligible for Medicaid because your state didn't expand eligibility for Medicaid under the Affordable Care Act.