CENTERS FOR MEDICARE & MEDICAID SERVICES

APTC and CSR Basics

October 2019

The information provided in this document is intended only to be a general informal summary of technical legal standards. It is not intended to take the place of the statutes, regulations, or formal policy guidance that it is based upon. This document summarizes current policy and operations as of the date it was presented. We encourage readers to refer to the applicable statutes, regulations, and other interpretive materials for complete and current information. This communication was produced and disseminated at U.S. taxpayer expense

CSG-201910

Agenda

- What is APTC?
- Who is eligible?
- APTC Reconciliation
- CSRs
- Case Examples

Brainstorming Question 1

How often do consumers come to you for help with advance payments of the premium tax credit (APTC)-related issues?

Brainstorming Question 2

What is the most challenging issue you face when helping consumers with APTC-related issues?

What is APTC?

- Congress signed the Patient Protection and Affordable Care Act (PPACA) into law in **March 2010**. The PPACA provides for eligible consumers to receive financial assistance to purchase a plan through the Marketplace.
- APTC are tax credits consumers can use to lower their monthly insurance payments (called their "premiums") when they enroll in a plan through the Marketplace. The APTC amounts consumers receive are based on their estimated annual household income and their household size as reported on their Marketplace applications. Consumers' final eligibility for premium tax credits (PTCs) is determined at the end of the year when they file federal income tax returns.
- Depending on their actual household income for the year, consumers may be required to repay excess APTC received when filing their tax return.

Who is Eligible?

- Consumers are eligible for APTC if they:
  - Have an annual household income between 100 and 400 percent of the Federal Poverty Level (FPL);
  - Cannot be claimed as a dependent by another person;
  - Are enrolled in coverage (excluding Catastrophic coverage) through a health Exchange;
  - Are not offered "affordable" coverage through an eligible employer-sponsored plan that provides minimum value;
    - An employer-sponsored plan provides minimum value if the plan covers at least 60 percent of the expected total allowed costs for covered services AND is affordable if the self-only premium is no more than 9.86 percent of annual household income
  - Are not eligible for coverage through a government program like Medicaid, Medicare, CHIP, or TRICARE; and
  - Do not file a Married Filing Separately tax return (with two exceptions).

Who is Eligible? (Cont.)

- There are two scenarios where consumers may be eligible for APTC despite indicating that they are in a separate tax household from their spouse:
  - **Exception 1:** Consumers who are victims of domestic abuse and/or spousal abandonment may claim the PTC using the Married Filing Separately filing status. These applicants should attest they are single on their applications.
  - **Exception 2:** Consumers who are legally married but live separately from their spouse **and** have a tax dependent they live with and take care of are eligible to file as "Head of Household." These consumers are not considered Married Filing Separately for purposes of APTC eligibility.

Income Limits

- In general, individuals and families may be eligible for APTC if their household income for the year is at least 100 percent but no more than 400 percent of the FPL for their household size.
- For residents of one of the 48 contiguous states and Washington, D.C. in 2019, this includes consumers with the following incomes and household sizes:

Household Size	Household Income
One Individual	$12,490 (100%) up to $49,960 (400%)
Family of Two	$16,910 (100%) up to $67,640 (400%)
Family of Four	$25,750 (100%) up to $103,000 (400%)

How does the Consumer Receive their PTC?

- When a consumer applies for Marketplace coverage, the Marketplace will estimate the amount of PTC the consumer may be able to claim in advance for the tax year using:
  - Information the consumer provides about their family size and projected household income, and
  - The consumer's eligibility for other, non-Marketplace coverage options described earlier.
- Based upon that estimate, the consumer can decide if they want to have all, some, or none of their APTC paid directly to their insurance company to lower their monthly premiums.

How does the Consumer Receive their PTC? (Cont.)

- If the consumer chooses to use part or all of their APTC, they will be required to file a federal income tax return and IRS Form 8962.
  - Consumers use Form 8962 to reconcile the amount of APTC paid on their behalf based on their *projected* household income with the PTC that they may claim at tax filing based on their *actual* household income and family size at the end of the year.
- If they do not opt for APTC or the Marketplace determines they were not eligible for APTC at the time of enrollment, they may still be eligible for PTC and can apply for PTC using IRS Form 8962 when they file their federal income tax return for the year. If they are eligible, PTC will increase their refund.

Brainstorming Question 3

When a consumer qualifies for APTC, how do you help them determine how much APTC to use? What factors do you help them consider?

Factors that May Affect PTC Received

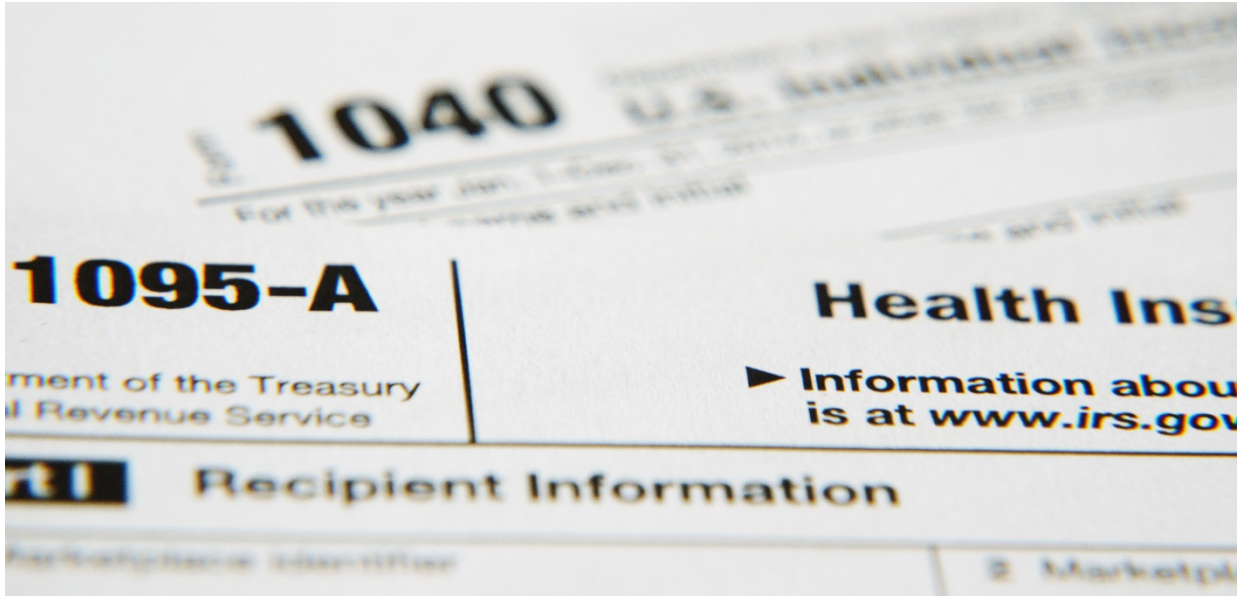
- The actual PTC amount a consumer is eligible for during the year will differ from the APTC amount estimated by the Marketplace if their family size or annual household income as estimated at the time of enrollment is different from the family size or annual household income they report on their federal income tax return.
- The more their family size or annual household income differs from the Marketplace estimates used to compute their APTC, the more significant the difference will be between their ATPC and their actual PTC. This is why it's important to report household changes to the Marketplace promptly.
- Other changes in circumstances, such as marriage or divorce, may also affect consumers' PTC eligibility. If the actual PTC on their return is less than their APTC, the difference will be subtracted from their refund or added to their balance due. If their actual PTC is more than their APTC, the difference will increase their refund or reduce their balance due, subject to certain repayment caps.

Life Changes that May Affect APTC

- When consumers notify the Marketplace about changes in circumstances as soon as they occur, it allows the Marketplace to redetermine their eligibility for APTC for the following plan year and allows the consumer to adjust the amount of APTC they apply to their premium.
- This adjustment may decrease the likelihood of a significant difference between consumers' estimated APTC eligibility and the final PTC amount they are eligible for at the end of the year. Changes in circumstances that can affect the final amount of PTC consumers are eligible for include:
  - Increases or decreases in their household income, (e.g., a lump sum payment of Social Security benefits or taxable distributions from an individual retirement account or other retirement arrangement)
  - Marriage
  - Divorce
  - Birth or adoption of a child
  - Other changes to household composition
  - Gaining or losing eligibility for government-sponsored or employer-sponsored health care coverage
  - Moving to another address

APTC Reconciliation

- Consumers who purchase coverage through the Marketplace should receive IRS Form 1095-A, *Health Insurance Marketplace Statement,* from the Marketplace by early February. If this form shows that APTC was paid on behalf of a consumer or a member of their family, the household's tax filer is required to complete IRS Form 8962, *Premium Tax Credit*, to reconcile those advance payments.



What Does It Mean to "Reconcile"?

- If a consumer had a Marketplace plan and used APTC to lower their monthly payment, they'll have to "reconcile" when they file their federal taxes. This means they'll compare two figures:
  - The amount of premium tax credit the consumer used in advance during the year (i.e., APTC). This was paid directly to their health plan issuer to lower the consumer's monthly payment.
  - The PTC they actually qualify for based on their actual income for the year.
- Any difference between the two figures will affect a consumer's refund or tax owed.

Consequences of Not Reconciling APTC

- If consumers have questions about the information on Form 1095-A or about receiving Form 1095-A, they should contact the Marketplace directly.
  - Form 1095-A provides information they will need when completing IRS Form 8962.
- If APTC is paid on behalf of a consumer or an individual in their family and the tax filer does not file a tax return and reconcile that APTC with IRS Form 8962, they will not be eligible for APTC or cost-sharing reductions (CSRs) to help pay for their Marketplace coverage in future years. This means that they will be responsible for the full cost of their monthly premiums.

Brainstorming Question 4

APTC reconciliation can be a complicated topic. What is one thing you do to break down the process and explain how and why this is necessary in an easily understandable way?

Cost-sharing Reductions

- CSRs are discounts that lower the amount a consumer has to pay for deductibles, copayments, and coinsurance. In the Health Insurance Marketplace, CSRs are often called "extra savings." If a consumer qualifies, they must enroll in a plan in the Silver category to get the extra savings.

- Individuals and families with incomes up to 250 percent FPL may be eligible to receive CSRs.
- There are also non-income-based CSRs available to members of federally recognized tribes.

Case Example 1

David has an offer of employer-sponsored coverage (ESC). The plan he is offered covers 70 percent of his total allowable health care costs and his required contribution for self-only coverage is 9 percent of his income. David would like to decline his offer of ESC and purchase a plan through the Marketplace. **Is David eligible for APTC if he chooses to purchase a Marketplace plan?**

Answer

No, David is not eligible to receive APTC when purchasing a Marketplace plan. The ESC plan offered covers more than 60 percent of total allowable costs, which meets minimum value, and his contribution is less than 9.86 percent of his income.

Case Example 2

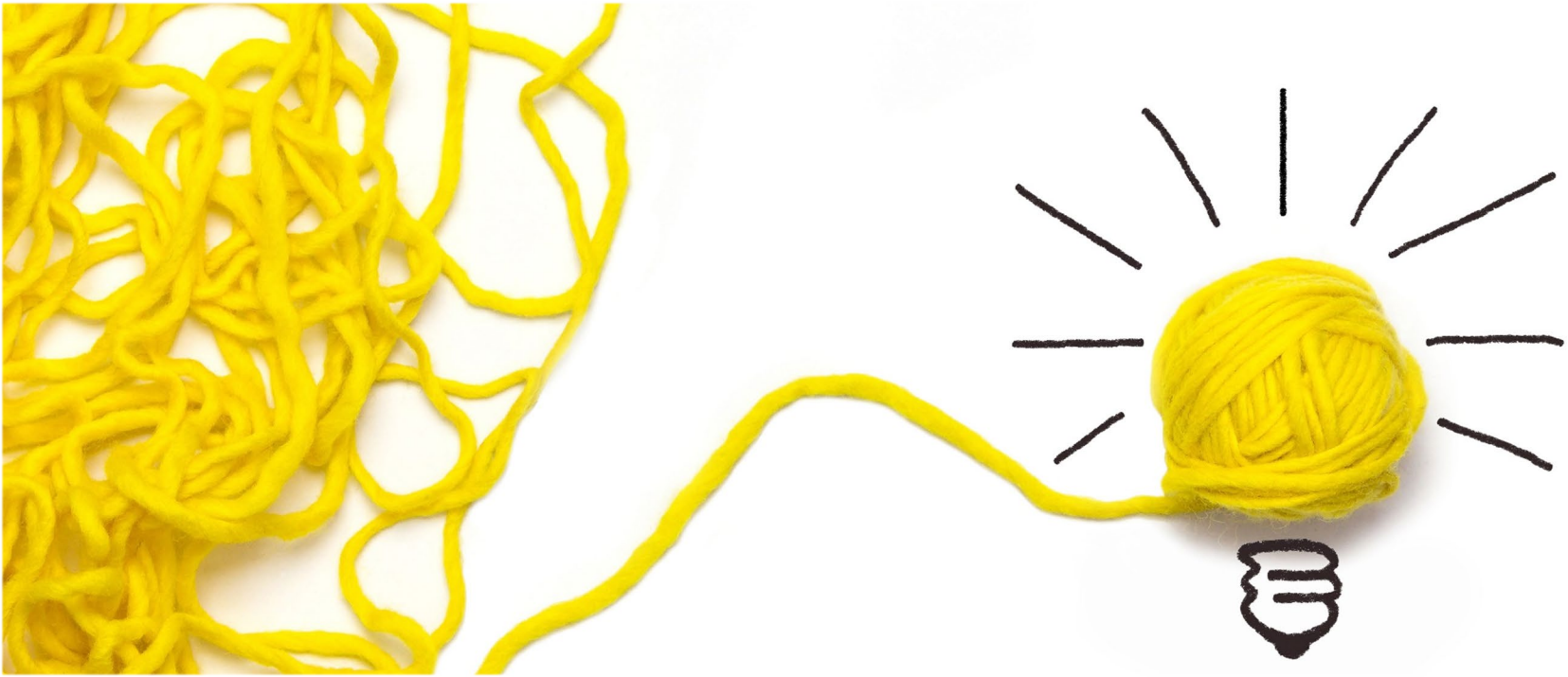
Sarah's household income is at 240 percent FPL. They have an offer of ESC. Self-only coverage for her would cost 8 percent of her income. The plan covers 50 percent of total allowable costs. **Is Sarah eligible for financial assistance if she chooses to purchase a Marketplace plan?**

Answer

- Yes.
  - Although Sarah has an offer of ESC and the plan meets the affordability standard, the plan covers only 50 percent of total allowable costs. This does not meet the 60 percent minimum value standard.
  - Sarah would be eligible to receive APTC if she chose to purchase a Marketplace plan. In addition, because her total household income is 240 percent FPL, she may also qualify for CSRs to help her pay additional healthcare costs like deductibles and copayments.

Brainstorming Question 5

What is a best practice tip that you have found to be effective in handling and resolving APTC-related issues?



Brainstorming Questions 6 and 7

What is the most valuable thing you learned during this presentation?
What would you like to know more about?

Resources

- For more information about premium tax credit eligibility, visit:
  - IRS.gov
  - HealthCare.gov