



Healthcare Exchanges 101

One of the foundational pillars of the Patient Protection and Affordable Care Act are the healthcare exchanges/marketplaces which every state is required to implement so that individuals and certain small businesses can obtain health insurance effective January 1, 2014. Seventeen states plan on implementing their own state exchanges, with all remaining states choosing to have federally administered healthcare exchanges.

Each state is required to "run" exchanges for both individuals and employers with fewer than 100 employees. These exchanges are supposed to be open for enrollment no later than October 1, 2013. Indiana and most other states have considerable work to complete in order to open exchanges by the intended October 1, 2013 "open enrollment" date.

Those interested in following developments on the exchanges can visit the Federal government website at www.healthcare.gov for updates.

This PayDay will explore the "A-B-C's" of PPACA exchanges/marketplaces which will be utilized by individuals, many of whom are currently uninsured. **Our next PayDay will discuss the PPACA exchanges intended for employers with less than 100 employees.**

WHAT IS THE HEALTH INSURANCE MARKETPLACE?

The Marketplace is a new way to find health coverage that fits your budget and meets your needs. With one application, you can see all your options and enroll. When you use the Health Insurance Marketplace, you'll fill out an application and find out if you can lower costs on your monthly premiums for private insurance plans. You'll find out if you qualify for lower out-of-pocket costs. The Marketplace will also tell you if you qualify for free or low-cost coverage available through Medicaid or the Children's Health Insurance Program (CHIP).

Open enrollment starts October 1, 2013. Coverage starts as soon as January 1, 2014. The Health Insurance Marketplace is sometimes known as the health insurance "exchange."

COMPARE OPTIONS IN THE HEALTH INSURANCE MARKETPLACE

Insurance plans in the Marketplace are offered by private companies and they cover the same core set of

benefits called "essential health benefits." No plan can turn you away or charge you more because you have an illness or medical condition. Plans can't charge women more than men.

LEARN ABOUT THE MARKETPLACE THAT SERVES YOU

While all insurance plans are offered by private companies, the Marketplace is run by either your state or the federal government. At this date, 17 states are creating their own exchanges with the remaining states, including Indiana, choosing federally run exchanges.

THE MARKETPLACE SIMPLIFIES GETTING HEALTH COVERAGE

The Marketplace simplifies your search for health coverage by gathering the options available in your area in one place. **With one application you can compare plans based on price, benefits, quality, and other features important to you before you make a choice.** You can also get help online, by phone, by chat, or in person.

WHAT'S THE DIFFERENCE BETWEEN MARKETPLACE HEALTH PLANS AND OTHER PRIVATE PLANS?

Starting in 2014, all health plans must offer essential health benefits. But the only way to get lower costs based on income is through the Marketplace.

Starting in 2014, no matter how you buy your health insurance - through the Marketplace, directly from an insurance company, or with the help of an agent or broker - all plans for individuals and small groups must cover the same set of essential health benefits. They include doctor's visits, hospital stays, preventive services, prescription drugs, mental health, and other categories of coverage.

Plans will not be able to charge you more or refuse to cover you if you have a pre-existing condition. Most plans also must offer the consumer rights and protections provided until the health care law.

ONLY MARKETPLACE PLANS OFFER LOWER COSTS BASED ON INCOME

When you apply for Marketplace coverage as early as October 1, 2013, you'll find out whether you qualify for lower costs on your premiums or out-of-pocket costs. Prices shown for insurance plans will reflect these lower costs. **These savings are based on your household income and size.** In 2014, an individual making up to about \$45,000, or a family of 4 making up to about \$94,000, may qualify for these lower costs. These lower costs are accomplished with a tax credit call the Advance Premium Tax Credit. But they can be applied directly to your monthly premiums, so you get the lower costs immediately.

In general, people at the following income levels will qualify to save in 2014. The lower your income, the higher your savings will be. (The amounts below are based on 2013 numbers and are likely to be slightly higher in 2014.)

- Up to \$45,960 for individuals
- Up to \$62,040 for a family of 2
- Up to \$78,120 for a family of 3
- Up to \$94,200 for a family of 4

- Up to \$110,280 for a family of 5
- Up to \$126,360 for a family of 6
- Up to \$142,440 for a family of 7
- Up to \$158,520 for a family of 8

You may also be able to get lower out-of-pocket costs depending on your income and family size. **If you plan to buy outside the Marketplace, you will not be eligible for these lower costs based on your income.**

HOW TO ESTIMATE YOUR INCOME

When you apply for lower costs in the Marketplace, you'll need to estimate your household income for 2014. For most people, you can use your household's adjusted gross income for this estimate. If you know your 2013 adjusted gross income, use that and take into account any changes you expect in 2014. Another way to estimate your income is to add up the following items for all people in your household, based on what you think they'll receive in 2014: **wages, salaries, tips, net income for any self-employment or business, unemployment compensation, and/or social security payments.** Other kinds of income to include when estimating your 2014 income are: rental income, interest, dividends, capital gains, annuities, alimony, and some retirement and pensions.

MODIFIED ADJUSTED GROSS INCOME

When you fill out the Marketplace application, a number called "modified adjusted gross income" (MAGI) will be used. **Modified gross income is generally your household's adjusted gross income plus any tax-exempt Social Security, interest, and foreign income you have.** It's used to determine your eligibility for lower costs on Marketplace coverage, and for Medicaid and the Children's Health Insurance Program (CHIP).

You don't have to figure out this income yourself. The math will be done for you when you apply through the Marketplace or your state agency.

IN CONCLUSION

The PPACA healthcare exchanges/marketplaces will provide health insurance coverage to millions of Americans, about 2/3 of whom will qualify for some amount of Federal subsidy to help pay their insurance premiums or other medical costs. Due to the delay in the "large" employer's requirement to provide health insurance to their employees, the individual exchanges are expected to enroll substantially greater numbers of individuals than previously expected prior to the delay in the "employer mandate."

If you have any specific questions about the basic components of the PPACA exchanges/marketplaces, please email Larry Shaub, CPA at larry@accupay.com.