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ACA's Individual Mandate: Helpful Information for Employers

The Affordable Care Act makes a number of changes to the U.S. healthcare system, including a requirement for most individuals to maintain minimum essential health coverage for themselves and their dependents or they may have to pay a penalty. This is commonly known as the individual mandate. If they haven't done so already, your employees may come to you with questions about the individual mandate. This Tip provides some general information to help you answer employee questions.

ACA's Individual Mandate: Helpful Information for Employers

The Affordable Care Act ("ACA") makes significant changes to the U.S. healthcare system. The various provisions of the ACA are being phased in over several years, with a number of major changes effective in 2014. One of those changes is a requirement for most individuals to maintain minimum essential health coverage for themselves and their dependents or they may have to pay a penalty. This is commonly known as the individual mandate.

If they haven't done so already, your employees may come to you with questions about the individual mandate. The following provides some general information to help you answer employee questions.

What does the individual mandate mean to employees?

If your employees and their dependents (up to age 26) do not have qualifying health insurance in 2014 and thereafter, they may be subject to a penalty from the IRS. For 2014, the penalty will be the greater of \$95 or 1% of the individual's income above the filing threshold. Certain individuals may be eligible for an exemption.

It is important that employees understand that the individual mandate applies to most Americans, including children. An adult or married couple who can claim a child or another individual as a dependent for federal income tax purposes is responsible for paying the penalty if the dependent does not have coverage or an exemption.

What options do employees have for meeting the individual mandate?

Individuals have several options for maintaining minimum essential coverage. All of the following may meet the requirements of the individual mandate:

- » Health insurance through the individual's employer or his/her spouse's employer (if offered), including COBRA continuation coverage
- » Health insurance through the Health Insurance Marketplace

- » A government plan such as Medicare, Medicaid, Children's Health Insurance Program (CHIP), TRICARE, or Veterans coverage
- » Student health coverage
- » Medicare Advantage plan
- » State high-risk pool coverage
- » Coverage for non-U.S. citizens provided by another country

Note: Employers should have already provided employees with information about any employer coverage and the availability of the Health Insurance Marketplace through the Notice of Coverage Options ("Notice"). This Notice was due by October 1, 2013; employees hired after that date must receive the Notice at the time of hire. The Notice requirement applies to virtually all employers, regardless of whether they offer a health plan.

What is the Health Insurance Marketplace?

The ACA created the Health Insurance Marketplace where individuals and small employers can find and compare health plans. A Marketplace operates in each state. There are two components to the Marketplace: one for individuals and their families and one for small businesses (known as the "SHOP" Marketplace).

Coverage purchased through the Marketplace was scheduled to begin as early as January 1, 2014. Employees can find out more and/or enroll in the Marketplace by visiting Healthcare.gov.

What can employees do if they did not enroll in an employer-sponsored plan for 2014?

If you do not offer health coverage to your employees, or some of your employees are not eligible for the health benefits you offer, or they failed to enroll in the coverage you do offer, they may still purchase plans through the Marketplace. This year, the enrollment window for individuals closes on March 31, 2014.

Are tax credits available for individuals to purchase health insurance through the Marketplace? Who is eligible?

Yes, there are tax credits available. In general, individuals may be eligible for a tax credit if they meet all of the following:

- » Purchase health insurance through the Marketplace;
- » Are ineligible for affordable coverage through an employer or government plan;
- » Are within certain income limits;
- » File a joint return, if married; and
- » Cannot be claimed as a dependent by another person.

Eligible individuals can elect to have advance payments of the tax credit sent directly to their insurer during 2014, or wait to claim the credit when they file their tax return in 2015.

My company purchased a health plan through SHOP, but coverage doesn't start until February 1, 2014. Will employees who enrolled in my plan have to pay a penalty under the individual mandate?

In 2014, individuals generally will be exempt from the penalty as long as they enroll in a qualifying plan before April 1, 2014.

What resources can I point employees to?

Here are some related resources to which employers can direct employees:

- » IRS questions and answers on individual mandate
- » IRS information on tax credit for purchasing health insurance
- » General Marketplace information
- » Find Marketplace that operates in your state



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