intheloop connecting the enrollment community

The Individual Shared Responsibility Payment and Exemptions
(February 2017)

The Affordable Care Act (ACA) requires all individuals to obtain minimum essential coverage (MEC), qualify for an exemption from the MEC requirement or pay a penalty for not having coverage. While Advanced Premium Tax Credits (APTCs) and cost-sharing reductions (CSRs) can help make coverage more affordable, some consumers may still find coverage unaffordable. Other consumers may have objections to or experience circumstances that prevent them from purchasing coverage. The ACA allows these consumers to apply for an exemption from paying the penalty.

What is the Individual Shared Responsibility Payment?
The individual shared responsibility payment is the technical name for the "penalty" for not having MEC. The penalty is assessed and paid when consumers file their federal income tax returns.

How much is the Individual Shared Responsibility Payment?
The payment amount is either a percentage of a consumer's income or a flat dollar amount, whichever is greater. The consumer will owe 1/12th of the annual payment for each month they (or their dependents) do not have coverage and are not exempt. The annual payment amount for 2016 and 2017 is the greater of:

- 2.5% percent of the household income above the filing threshold, or
- A flat dollar amount of $695 per adult and $347.50 per child, up to a maximum of $2085 per household.

All payments are capped at the cost of the national average premium for a bronze level health plan available through the Marketplace. For 2016, the annual national average premium for a bronze level health plan available through the Marketplace is $2,676 per year ($223 per month) for an individual and $13,380 per year ($1,115 per month) for a family with five or more members.

What is an exemption?
An exemption is an exception to the ACA's mandate that everyone have MEC. If an individual qualifies for an exemption, they will not be required to pay the "individual shared responsibility payment" for the months they do not have coverage.

How do consumers get exemptions?
Most exemptions are granted by the IRS and are available directly through a consumer's federal income tax filing. However, some exemptions must be obtained from the marketplaces in advance of tax filing. And a few exemptions can be obtained either way. However, consumers must report or "claim" all exemptions on their federal income tax return. The only exception is the exemption automatically granted to consumers who do not file federal income taxes because they are not required to do so.

How long do exemptions last?
Most exemptions are for a certain period of time ranging between a few months (e.g., short coverage gap) to a full year. Hardship exemptions last for the duration of the hardship, including the month preceding and the month following the hardship. Most exemptions granted by the

marketplace are effective from the time of application, while those granted directly by the IRS generally apply to the entire previous tax year. Some exemptions, such as being a member of an Indian tribe or religious sect, are continuous unless the individual's qualifying status changes or, for members of religious sects, the individual turns age 21.

Which exemptions do the marketplaces grant?

The marketplaces grant exemptions for:

- hardships in obtaining coverage,
- being a resident of a state that did not expand Medicaid with income below 138% FPL,
- coverage being unaffordable based on ***projected*** income,
- being enrolled in certain types of Medicaid and CHIP that are not MEC,
- members of certain religious sects

To obtain one of these exemptions, consumers must submit an exemption application to the marketplace, be determined eligible, and receive an Exemption Certificate Number (ECN) from the marketplace. The consumer enters the ECN on a supplemental IRS form when filing their taxes.

What exemptions does the IRS grant?

The IRS grants exemptions retrospectively for:

- short coverage gaps,
- coverage being unaffordable based on ***actual*** income,
- having income below the tax filing threshold (if the consumer files federal income taxes),
- citizens living abroad and certain non-citizens,
- members of health care sharing ministries,
- members of Indian tribes and persons eligible for Indian Health Services,
- persons who are incarcerated,
- being a resident of a state that did not expand Medicaid with income below 138% FPL,
- gaining or losing a household member mid-year and thus not being able to check the full-year coverage box on income tax return.

These exemptions are claimed when a consumer files their taxes using a supplemental form. No separate application is necessary.

More Information and Resources about the Penalty and Exemptions:

Marketplace Exemption Applications
Shared Responsibility Provision – Internal Revenue Service
IRS Form 8965 Instructions
HealthCare.gov: Exemptions from the Requirement to have Health Insurance