# Health Care Reform: Individual Mandate

## What is the Individual Mandate?

Beginning in 2014, the Affordable Care Act includes a mandate for most individuals to have health insurance or potentially pay a penalty for noncompliance. Individuals will be required to maintain minimum essential coverage for themselves and their dependents. Some individuals will be exempt from the mandate or the penalty, while others may be given financial assistance to help them pay for the cost of health insurance.

### What type of coverage satisfies the individual mandate?

"Minimum essential coverage"

### What is minimum essential coverage?

Minimum essential coverage is defined as:

- Coverage under certain government-sponsored plans
- Employer-sponsored plans, with respect to any employee
- Plans in the individual market,
- Grandfathered health plans; and
- Any other health benefits coverage, such as a state health benefits risk pool, as recognized by the HHS Secretary.

Minimum essential coverage does not include health insurance coverage consisting of excepted benefits, such as dental-only coverage.

### How does "Minimum Essential Coverage" differ from "Essential Health Benefits"?

Essential health benefits are required to be offered by certain plans starting in 2014 as a component of the essential health benefit package. They are also the benefits that are subject to the annual and lifetime dollar limit requirements. This is different than minimum essential coverage, which refers to the coverage needed to avoid the individual mandate penalty. Coverage does not have to include essential benefits to be minimum essential coverage.

### What is the penalty for noncompliance?

The penalty <u>is the greater of</u>:

- For 2014, $95 per uninsured person or 1% of household income over the filing threshold,
- For 2015, $325 per uninsured person or 2% of household income over the filing threshold,
- For 2016 & beyond, $695 per uninsured person or 2.5% of household income over the filing threshold.

There is a family cap on the flat dollar amount (but not the percentage of income test) of 300 percent, and the overall penalty is capped at the national average premium of a bronze level plan purchases through an exchange. For individuals under 18 years old, the applicable per person penalty is one-half of the amounts listed above.

Beginning in 2017, the penalties will be increased by the cost-of-living adjustment.

The penalty will be pro-rated based on the number of months during the year that you're uninsured, although those who are uninsured for less than three months in a given year would not be subject to the penalty

**Who will be exempt from the mandate?**

Individuals who have a religious exemption, those not lawfully present in the United States, and incarcerated individuals are exempt from the minimum essential coverage requirement.

**Are there other exceptions to when the penalty may apply?**

Yes. A penalty will not be assessed on individuals who:

1. cannot afford coverage based on formulas contained in the law,
2. have income below the federal income tax filing threshold,
3. are members of Indian tribes,
4. were uninsured for short coverage gaps of less than three months;
5. have received a hardship waiver from the Secretary, or are residing outside of the United States, or are bona fide residents of any possession of the United States.
6. Individuals whose annual income falls below 133% of the federal poverty level, and who live in a state that will not expand Medicaid, are likely to be exempt from the penalty as well.

The non-partisan Congressional Budget Office projects that 4 million uninsured, non-exempt Americans will refuse to get medical coverage and face the penalty in 2016.

The ACA says the IRS should enforce the law by imposing a tax penalty — but then effectively blocks the agency from using most of the tools it normally uses to go after tax scofflaws. The ACA bars the IRS from bringing a criminal enforcement case against someone who refuses to pay the non-insurance penalty. And it makes it very difficult, if not impossible, for it to enforce a tax lien. That leaves only one tool—the IRS can subtract the penalty from any refund it owes a taxpayer. But that applies only if the IRS happens to owe somebody a refund. These days, two-thirds of taxpayers get one, but it is usually their choice.