

## **Premium Assistance Credits vs. MinnesotaCare Premiums**

The Patient Protection and Affordable Care Act (PPACA) provides for premium assistance credits to reduce the premium costs for individuals with a modified adjusted gross income below 400 percent of federal poverty guidelines (FPG). PPACA also provides for cost-sharing assistance for individuals who qualify for the premium credits with income below 250 percent of FPG. The premium credits and cost-sharing assistance begins in 2014. The amount of the premium assistance credit will be based on an individual's or family's income and the cost of the premium for the "silver" health plan offered through the health insurance exchange. The amount of the premium that a family will be required to pay will be limited to a specific percentage of their income ranging from 2.0% to 9.5%. The attached top table specifies the maximum premium that an individual or family will be required to pay based on specified incomes, if currently implemented. The premium credit will be the cost of the silver plan premium minus the maximum premium amount that the family will be required to pay based on their income.

As an example: If the annual premium of the silver health plan was projected to be \$5,700, an individual with an income at 200% of FPG (\$21,660) would be required to pay \$1,365 of the premium. The credit available to the individual would be \$4,335. This does not take into account the cost sharing assistance that would also be available to this individual.

### **Eligibility for premium assistance credits:**

Premium credits will only be available to citizens and legal residents with incomes below 400 percent of FPG who purchase coverage through a health insurance exchange. Individuals and families with income at or above 400% of FPG will not be eligible for premium credits. To be eligible for credits, an individual cannot be eligible for other acceptable coverage, which has been defined as Medicare, Medicaid, CHIP, coverage related to military service, an employer-sponsored plan, or other coverage recognized by the Secretary of Health and Human Services. An individual eligible for but not enrolled in an employer-sponsored plan may still be eligible for premium credits if the employee contribution to premiums exceeds 9.5 percent of income, or if the plan's payments cover less than 60 percent of total allowed costs. An individual who is eligible for medical assistance (MA) and who applies for premium credits will be required to enroll in MA.

**Amount of the premium assistance credits:**

The amount of the credit an individual can receive is based on the applicable percentage of income that an individual will be required to pay and the cost of the second lowest cost “silver” plan offered in the exchange. The amount of the assistance credit varies with income such that the premium an individual would have to pay for the silver plan would not exceed a specified percentage of their income (adjusted for family size) as follows:

<b>INCOME LEVEL</b>	<b>PREMIUM AS A PERCENT OF INCOME</b>
Up to 133% FPG	2% of income
133 – 150% FPG	3 – 4% of income
150 – 200% FPG	4 – 6.3% of income
200 – 250% FPG	6.3 – 8.05% of income
250 – 300% FPG	8.05 – 9.5% of income
300 – 400% FPG	9.5% of income

**The “silver plan” specifics:**

Silver plans will be one of four cost sharing tiers established in the exchanges. The silver plans will have the second highest enrollee cost sharing and will have an actuarial value of 70 percent, which means that on average the plan will pay for 70 percent of the cost of covered benefits for a standard population of enrollees. The essential benefits will be established by the Secretary of Health and Human Services and must include at least the following general services: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health benefits and substance use disorder services; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease managements; and pediatric services including oral and vision care.

**How will the premium credits be provided?**

The premium credits will be advanceable and refundable, which means that it will be available even if the individual has no tax liability and will be available at the time the insurance is purchased, rather than requiring the individual to pay the premium out of pocket and wait to be reimbursed when filing their income tax return. The credit will ultimately be calculated through individual tax returns so the credits can only be obtained by qualifying individuals who file tax returns. The credits will go directly to the insurer.

**Cost-sharing subsidies:**

Individuals who are eligible for premium assistance credits will also be eligible for subsidies to help with cost sharing. Individuals and families with income below 250 percent of FPG are eligible for reduced cost sharing (coverage with lower deductibles and copayments) in that they will be eligible to enroll in health plans with higher actuarial values. The premium assistance credits are based on the “silver” plan which will provide an actuarial value of 70 percent. Individuals and families with income below 250 percent of FPG will have their cost sharing reduced so that the plan on average pays a greater share of the covered benefits. The amount of additional protection varies with income as follows:

<b>INCOME LEVEL</b>	<b>ACTUARIAL VALUE</b>
100 – 150% FPG	94%
150 – 200% FPG	87%
200 – 250% FPG	73%

**Maximum out-of-pocket spending limits:**

PPACA also sets maximum out-of-pocket spending limits. The maximum out-of-pocket spending limits for essential benefits are generally based on the maximum out-of-pocket limits set for Health Savings Account qualified health plans, which for 2010 is \$5,950 for single coverage and \$11,900 for family coverage. Individuals and families with income below 400 percent of FPG will have their out-of-pocket liability capped at lower levels as follows:

<b>INCOME LEVEL</b>	<b>REDUCTION IN OUT-OF-POCKET LIABILITY</b>
100 – 200% FPG	Two-thirds of the maximum
200 – 300% FPG	One-half of the maximum
300 – 400% FPG	One-third of the maximum

**MinnesotaCare Program**

The attached lower table specifies the MinnesotaCare premiums for the specified income levels and family size. In comparing the tables, there are a number of provisions in the MinnesotaCare program to keep in mind.

### **Eligibility**

To be eligible for MinnesotaCare, an individual must meet certain income and asset requirements and must not have access to employer-subsidized health coverage or other health coverage for a certain period of time before application or renewal:

- Must have gross income at or below 275 percent of FPG for families and children and 250 percent of FPG for adults without children. Parents with annual gross incomes over \$50,000 are not eligible. (Pending federal approval, this amount is increased to \$57,500).
- Must have assets that do not exceed \$10,000 for a household of one and \$20,000 for a household of two or more, after certain exclusions. This does not apply to pregnant women and children.
- Must not have access to employer-subsidized health coverage and not have had access to this coverage through the current employer for 18 months prior to application or renewal. This does not apply to children with incomes at or below 150 percent of FPG and certain other children. Pending federal approval, the income level will increase to 200 percent of FPG.
- Must have no health care coverage at the time of application and for four months prior to application or renewal. This does not apply to children with incomes at or below 150 percent of FPG and certain other children if they are considered “underinsured.” Pending federal approval, this income level will be increased to 200 percent of FPG.

### **Covered services:**

Pregnant women and children receive coverage for all health care services provided under MA. Parents and adults without children are covered for most but not all MA services. Parents with household incomes greater than 215 percent of FPG and all adults without children are subject to an annual inpatient hospital benefit limit of \$10,000.

**Premiums and cost sharing:**

Premiums are based on a sliding scale. Children with incomes at or below 150 percent of FPG pay a reduced premium of \$4 per month per child. Pending federal approval, children at or below 200 percent of FPG will pay no premiums. Adult enrollees who are not pregnant are subject to the following copayments and coinsurance:

- Adult enrollees without children are subject to an annual inpatient out-of-pocket maximum of \$1000 per individual.
- Adult enrollees who are not pregnant are subject to: \$3 per prescriptions; \$25 for eyeglasses; \$3 for nonpreventive visits (except for mental health services); and \$6 for nonemergency visits to a hospital emergency room (this will be decreased to \$3.50 effective January 1, 2011).

Currently children with household incomes over 275 percent of FPG cannot enroll in MinnesotaCare. Children who enrolled when their household incomes were below 275 percent of FPG can remain enrolled if household income increases above 275 percent of FPG if they would have to pay more than ten percent of their household income to purchase an MCHA policy. Pending federal approval, children with household incomes greater than 275 percent of FPG will be permitted to enroll or remain enrolled in the program and pay the maximum premium.