

The New Health Law: California Issue Briefs

issue
brief
#1

Explaining the Mandate



Health Consumer Alliance

August 2011

On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act (ACA) into law.¹ The new health care law aims to increase access to health insurance through more accessible private insurance through guaranteed issue, subsidies for private insurance and an expansion of public health care coverage like Medicaid (Medi-Cal in California). This brief focuses on the individual mandate: what is required, what are the options and what are the penalties for failing to meet the requirement? ***The changes and requirements described in this issue brief are effective January 1, 2014.***

What Is Required to Meet the Mandate

Effective January 1, 2014, individuals and their dependents are required to maintain minimum essential coverage.² “Minimum essential coverage” is a term that is still being defined; federal regulations are forthcoming. (For more information about the determination of Essential Health Benefits, see the issue brief in this series, ***Essential Health Benefits Package and the ACA.***) An individual can meet the obligation of minimum essential coverage by obtaining health care coverage through one of three ways:

- Government sponsored programs such as Medicare, Medi-Cal, Healthy Families, or other publicly provided health plan programs;
- Employer-sponsored plans; or
- Individual market plans.³

Exemptions from the Mandate

The ACA does provide for some exemptions to the individual mandate. Individuals with household income below the federal income tax filing threshold are exempt from any penalty under the individual mandate.⁴ Individuals are also exempt if their contribution to health insurance through an employer or private-market plan exceeds 8% of their

household income.⁵ Other exemptions apply for recipients of hardship waivers, members of Native American tribes, individuals not lawfully present in the U.S., religious objectors, and incarcerated populations.⁶

The Exchange Can Help With Getting Insurance through Publicly Funded Programs and with Purchasing Insurance

Beginning in 2014, the Exchange will provide a single application process for Medi-Cal Healthy Families, or private market insurance. An individual can apply for any of the programs and will be enrolled in the best available program she or he is eligible for.⁷ Those eligible for government health coverage programs, or subsidies or tax credits, will be able to calculate the cost of obtaining coverage through these programs.⁸

The Exchange will offer private insurance plans on a spectrum: Bronze, Silver, Gold and Platinum; the higher the level of service, the higher the percentage of costs that the plan has to pay.⁹ Uninsured individuals who earn between 133% and 400% FPL will be eligible for tax credits to offset the cost of insurance through the Exchange.¹⁰ For further details about the Exchange and plans offered, see discussion in the issue brief in this series, *Establishing the Exchange: a Backgrounder on What's to Come*.

The Exchange will also offer a catastrophic coverage plan that satisfies the individual mandate for individuals under 30 years of age who elect not to use any eligible tax credit.

What Are The Penalties For Not Complying With The Mandate?

Those who fail to obtain health insurance will be liable for a tax penalty.¹¹ This penalty will be set at the greater of \$95 or one percent of income in 2014, \$325 or two percent of income in 2015 and \$695 or 2.5 percent of income in 2016, up to a maximum level equal to the national average premium for qualified health plans which have a bronze level of coverage.¹² After 2016, penalty dollar amounts will increase based on the annual cost of living adjustment.¹³ Families are required to pay a penalty of half of the usual penalty amount for their uninsured children, up to a maximum of \$2250 for the family.¹⁴

Note: There are multiple lawsuits, nationwide, challenging aspects of the ACA such as the individual mandate. This is a rapidly changing landscape, but does not affect states' ability to prepare for implementation of the ACA. For up-to-date information about the status of these challenges, visit the Web site for the National Health Law Program at http://healthlaw.org/index.php?option=com_content&view=article&id=457:health-reform-litigation&catid=51

- ¹ Patient Protection and Affordable Care Act (ACA), Pub. L. No. 111-148, 124 Stat. 119 (2010), amended by Health Care and Education Reconciliation Act (HCERA), Pub. L. No. 111-152, 124 Stat. 1029 (2010).
- ² ACA § 1501(b), as amended by ACA § 10106(b), 26 U.S.C.A. § 5000A(b) (West 2011).
- ³ ACA § 1501(b), 26 U.S.C.A. § 5000A(f)(1) (West 2011).
- ⁴ ACA § 1501(b) as amended by HCERA § 1002(b)(2), 26 U.S.C.A. § 5000A(e)(2) (West 2011).
- ⁵ ACA § 1501(b), 26 U.S.C.A. § 5000A(e)(1)(A) (West 2011).
- ⁶ ACA § 1501(b), as amended by ACA § 10106(d) and HCERA § 1002(b)(2), 26 U.S.C.A. § 5000A(e) (West 2011).
- ⁷ ACA § 1413(a), 42 U.S.C.A. §18083 (West 2011).
- ⁸ For further details about Subsidies and Tax Credits, see discussion in the issue brief in this series, Subsidies under the Health Insurance Exchanges.
- ⁹ ACA §1302(d), 42 U.S.C.A. § 18022(d) (West 2011) (establishing that “Bronze” plans shall provide 60% of the actuarial value of the benefits provided under the plan, “Silver” plans shall provide 70% of the actuarial value of the benefits provided, “Gold” plans shall provide 80% of the actuarial value of the benefits provided, and “Platinum” plans 90% of the actuarial value of the benefits provided).
- ¹⁰ ACA § 1401(b), as amended by HCERA § 1001(a), 26 U.S.C.A. § 36B(b) (West 2011).
- ¹¹ ACA § 1501(b)(1), as amended by ACA § 10106(b)(1), 26 U.S.C. § 5000A(b)(1) (West 2011).
- ¹² ACA § 1501(c), as amended by ACA § 10106(b)(2) and (3) and HCERA § 1002(a)(1) and (2), 26 U.S.C.A. § 5000A(c) (West 2011).
- ¹³ ACA § 1501(c)(3)(D), 26 U.S.C.A. § 5000A(c)(3)(D) (West 2011).
- ¹⁴ ACA § 1501(c)(3)(D), 26 U.S.C.A. § 5000A(c)(3)(C) (West 2011).



Supported by funding from The California Endowment.