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# Subsidized Health Coverage through MNsure

MNsure, the state's health insurance exchange, was established by the 2013 Legislature as part of implementation of the Affordable Care Act (ACA). Individuals who are not eligible for Medical Assistance (MA) or MinnesotaCare, with incomes that do not exceed specified guidelines, may be eligible for premium tax credits and cost-sharing reductions to purchase health coverage on a subsidized basis through MNsure. This information brief describes eligibility, covered services, enrollee premiums and cost-sharing, and other aspects of subsidized coverage available through MNsure.

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# Availability of Coverage through MNsure

## Establishment and Role of MNsure

MNsure, the state's health insurance exchange, was established by the 2013 Legislature as part of implementation of the federal Affordable Care Act (ACA). MNsure was established as a state board and is governed by a seven-member board of directors (see Minn. Stat. § 62V.04).

The ACA requires health insurance exchanges to:

- facilitate access to individual and small group coverage through the offering of standard benefit and cost-sharing packages, referred to as qualified health plans;
- determine eligibility for premium tax credits and cost-sharing reductions; and
- determine eligibility for state public health care programs.

## Plan Selection and Enrollment

Individuals and small employers (two to 50 full-time employees[1]) may select and purchase a private sector health plan through MNsure or through a private sector insurance agent, and may also obtain assistance in selecting a plan from navigators and other assisters. Large group coverage is not currently available through MNsure. The ACA allows states to expand exchange coverage to include large employer groups, beginning in 2017.

For most individuals, coverage through MNsure is available during an annual open enrollment period. The next open enrollment period will run from November 1, 2015, through January 31, 2016. Individuals and families who experience a qualifying life-change event, such as birth or adoption, marriage, or loss of health coverage (for reasons other than failing to pay premiums or turning down available coverage), are allowed to purchase coverage through MNsure outside of the open enrollment period and still receive premium tax credits and cost-sharing reductions, if eligible.

# Qualified Health Plan Coverage

The ACA requires health coverage offered through an exchange to meet the standards of a qualified health plan, including standards related to covered benefits and cost-sharing. In addition, health coverage offered through an exchange must meet the regulatory requirements specified in state and federal law that apply to health coverage generally.

[1] Under the ACA, the definition of small employer was to expand to 100 full-time employees, effective January 1, 2016. The Protecting Affordable Coverage for Employees (PACE) Act (H.R. 1624), signed into law on October 7, 2015, retains the current definition of small employer (two to 50 employees) but gives states the option to expand the definition to individual employers with up to 100 employees.

## General Requirements

ACA standards for a qualified health plan include, but are not limited to:

- meeting certification standards established by the federal government, such as those relating to marketing practices, provider adequacy, quality measurement and improvement, and the use of standard forms;
- providing the essential health benefits package (described below);
- being offered by health insurers that meet specified requirements;[2] and
- meeting any state-specific standards for certification as a qualified health plan.[3]

## Essential Health Benefits

Qualified health plans must provide "essential health benefits" as required under the ACA. The ACA requires essential health benefits to include at least the following ten categories of items and services:

- ambulatory patient services
- emergency services
- hospitalization
- maternity and newborn care
- mental health and substance use disorder services, including behavioral health treatment
- prescription drugs
- rehabilitative and habilitative services and devices
- laboratory services
- preventive and wellness services and chronic disease management
- pediatric services, including oral and vision care

Federal guidance issued under the ACA allowed each state to designate its essential health benefit package by choosing among four categories of benchmark plans, supplementing the benchmark plan as necessary to cover the ten categories of essential health benefits specified

[2] For example, health insurers must be licensed by the state, offer at least one silver-level plan and one gold-level plan through the state exchange, and charge the same premiums for a plan inside and outside the exchange (section 1301 of the Affordable Care Act, Pub. L. No. 111-148 and 111-152).

[3] Minnesota law contains a number of provisions that are intended to comply with more general ACA directives and requirements related to health plan certification and insurance regulation. In addition, MNsure has the option to serve as an "active purchaser" by selecting qualified health plans for participation in the exchange. To date, MNsure has not implemented this active purchaser option.

above.[4] Minnesota, by not choosing a specific benchmark plan, opted for the federal essential health benefit default—the largest health plan by enrollment in the largest product in the state's small group market. The original ACA guidance permitted states to designate this plan as its definition of essential health benefits for at least 2014 and 2015. The federal government has since extended existing state designations of essential health benefits through 2016, and will revisit the issue for coverage that would be in effect in 2017.

## Cost-sharing

The ACA sets limits for cost-sharing under a qualified health plan and also classifies qualified health plans based on actuarial value. These requirements apply to individual and small group policies issued both inside and outside the exchange.

Annual out-of-pocket limits for a qualified plan cannot exceed federal limits that apply to health savings account-qualified, high-deductible health plans. For 2015, these limits are $6,600 for single coverage and $13,200 for family coverage (limits are adjusted annually). The ACA also prohibits health insurers from applying cost-sharing (e.g., copayments, coinsurance, or deductibles) to certain preventive services.[5]

Certain low-income individuals, and American Indians and Alaska Natives, qualify for health coverage through the exchange with reduced, or no, cost-sharing (see section on cost-sharing reductions).

## Actuarial Value and Metal Levels

The ACA requires insurers in the individual and small group markets to align their coverage to conform to one or more "metal levels" that correspond to different actuarial values. Actuarial value (AV) is an estimate of the percentage of medical expenses incurred by a typical enrollee that will on average be paid by the insurer.

The ACA metal levels, and corresponding actuarial values, are as follows: bronze (60 percent), silver (70 percent), gold (80 percent), and platinum (90 percent). As an example, the silver metal plan will pay 70 percent of the medical expenses of the typical enrollee; the remaining 30 percent would be the enrollee's share of the cost of coverage. Plans with higher actuarial values will on average charge higher premiums but require less enrollee cost-sharing, while plans with lower actuarial values will on average charge lower premiums, but require more enrollee cost-sharing.

[4] Center for Consumer Information and Insurance Oversight, Essential Health Benefits Bulletin, December 16, 2011.

[5] Section 2713 of the ACA requires health insurers to provide coverage, without cost-sharing, for certain preventive services recommended by specified professional medical bodies, such as the U.S. Preventive Services Task Force and the Institute of Medicine.

## Other Insurance Requirements

Qualified health plans must comply with other applicable federal and state health insurance requirements. The ACA, for example, requires plans to cover dependents up to age 26, requires guaranteed issue and renewal, sets loss ratios, and limits the extent to which plans can impose annual maximum dollar limits for coverage. These requirements apply uniformly to all health carriers and health plans in the individual and small group markets, whether the plan is offered through MNsure or directly by an insurer.

# Subsidies for the Purchase of Qualified Health Plans

Individuals who are not eligible for MA, MinnesotaCare, or other specified types of health coverage, who have incomes[6] that are greater than 200 percent but do not exceed 400 percent of the federal poverty guidelines (FPG) for household size, may be eligible to receive premium tax credits to subsidize the purchase of health coverage through MNsure. Individuals with incomes greater than 200 percent but less than or equal to 250 percent of FPG may also be eligible to receive subsidies to reduce enrollee cost-sharing. The cost of providing premium tax credits and cost-sharing reductions is borne by the federal government.

## Eligibility for Premium Tax Credits

In order to be eligible for a federal premium tax credit through MNsure, an individual must:

- be enrolled in coverage through MNsure;
- not be eligible for other specified health coverage;
- have an income greater than 200 percent but not exceeding 400 percent of FPG; and
- file a federal income tax return.

The premium tax credit is refundable—it is available to all who are eligible, even persons with little or no income tax liability. Refundable credits in excess of tax liability are paid as refunds.

**Coverage through MNsure.** In order to be eligible for a premium tax credit, an individual must be enrolled in individual health coverage through MNsure. This means that a person must meet the following eligibility criteria for purchasing a qualified health plan through MNsure, whether subsidized or unsubsidized:

[6] Income eligibility for premium tax credits and cost-sharing subsidies is determined using modified adjusted gross income (MAGI). MAGI is defined as adjusted gross income increased by: (1) the foreign earned income exclusion; (2) tax-exempt interest; and (3) an amount equal to the value of Social Security benefits not subject to tax (I.R.C. § 36B).

- be lawfully present (a citizen or legal noncitizen)
- meet state residency standards
- not be incarcerated

**Not eligible for other health coverage.** To be eligible for a premium tax credit, an individual must not be eligible for other health coverage (referred to as "minimum essential coverage" under the ACA). Minimum essential coverage includes, but is not limited to, coverage through Medicaid, Medicare or another government program, and employer-sponsored coverage, except that persons may be eligible for subsidies if they have: (i) coverage in the individual market; or (ii) employer-sponsored coverage that is unaffordable (premiums for the employee cost more than 9.56 percent of household income[7]) or does not provide minimum value (the plan covers less than 60 percent of total average health care costs).

**Meet program income limit.** In order to be eligible for premium tax credits, individuals must have an income that is greater than 200 percent but does not exceed 400 percent of FPG (see table 1 below for FPG dollar amounts for different household sizes). The ACA sets a floor of 100 percent of FPG for eligibility for premium tax credits, but also provides that persons eligible for minimum essential coverage or a basic health program (such as MinnesotaCare) are not eligible for premium tax credits. This means that in Minnesota, adults with incomes less than or equal to 200 percent of FPG are not eligible for premium tax credits because they are eligible for MA or MinnesotaCare.[8] Similarly, most children with incomes not exceeding 275 percent of FPG (ages 2 to 18) or 283 percent of FPG (children under age 2) are not eligible for premium tax credits because they are eligible for MA.

**File a federal income tax return.** Individuals must file a federal income tax return to qualify for a premium tax credit, since the tax credits are administered through the federal tax system.

[7] This percentage is indexed; the percentage for 2016 will be 9.66 percent. The IRS final rule on eligibility for premium tax credits determines affordability for related individuals (i.e., family members) based on the cost of the employee premium for self-only coverage. If the affordability percentage is met for this employee self-only coverage, both the employee and family members are ineligible for premium tax credits, regardless of the cost of dependent or family health coverage (I.R.C. § 1.36B-2).

[8] The DHS Insurance Affordability Programs Manual, section 200.10, Hierarchy for Program Eligibility, states that persons eligible for MA are not eligible for MinnesotaCare or a premium tax credit, and persons eligible for MinnesotaCare are not eligible for a premium tax credit. The MA income limit for parents, caretakers, children 19 to 20, and adults without children is 133 percent of FPG. MinnesotaCare is available to persons with incomes greater than 133 percent of FPG but not exceeding 200 percent of FPG. Legal noncitizens who are not eligible for MA due to immigration status may be eligible for MinnesotaCare, and would then not be eligible for advanced premium tax credits and cost-sharing subsidies through MNsure.

Table 1
**Income Limits for Premium Tax Credits**
(Effective 1/1/15 to 12/31/15)

| Family Size | > 200% FPG | ≤ 400% FPG |
|---|---|---|
| 1 | $23,340 | $46,680 |
| 2 | 31,460 | 62,920 |
| 3 | 39,580 | 79,160 |
| 4 | 47,700 | 95,400 |
| 5 | 55,820 | 111,640 |
| 6 | 63,940 | 127,880 |
| 7 | 72,060 | 144,120 |
| 8 | 80,180 | 160,360 |
| Add'l | 8,120 | 16,240 |

Source: Minnesota Department of Human Services

## Amount of Premium Tax Credit

The amount of premium tax credit that an eligible person receives varies from person to person.

The maximum premium tax credit amount is equal to the difference between the premium cost of the enrollee's benchmark plan and the enrollee's expected premium contribution.

The *benchmark plan* is the second lowest cost silver plan available in the enrollee's geographic area for coverage of the enrollee and any dependents. A silver plan is one that has an actuarial value of 70 percent (i.e., covers on average at least 70 percent of medical expenses).[9] MNsure has designated nine geographic areas for purposes of setting insurance premium rates.

The *expected premium contribution* is the amount of income an individual or family is expected to contribute toward the cost of health coverage. The amount is determined by multiplying household income by a percentage that, for 2015 in Minnesota, varies from 6.34 percent to 9.56 percent based on a sliding scale. This percentage is a measure of affordability—a maximum percentage of income that the ACA requires a household to spend on premiums before a premium tax credit is made available.

Table 2 specifies these percentages of income for different income levels, based on the federal poverty guidelines. Within each income range, the percentage of income (that must be spent on premiums before a premium tax credit is made available) increases in a linear manner, based on a sliding scale. For example, an individual with income at 275 percent of FPG (this being one-

[9] Qualified health plans offered through the exchange must provide coverage at one of the following metal levels, which vary with the actuarial value of the benefits covered, as follows: bronze (60 percent), silver (70 percent), gold (80 percent), and platinum (90 percent).

half of the FPG range in the table) would be required to spend 8.83 percent of income in 2015 before a premium credit applies (this being one-half the percentage of income range).

Table 2
**Sliding Scale for Premium Tax Credits**

| % FPG | Expected Premium Contribution, as % of Household Income (Indexed Annually) | |
|---|---|---|
| | **2016** | **2015** |
| At least 200 but less than 250 | 6.41 - 8.18 | 6.34 - 8.1 |
| At least 250 but less than 300 | 8.18 - 9.66 | 8.1 - 9.56 |
| At least 300 but not greater than 400 | 9.66 | 9.56 |

Note: The ACA sets expected premium contributions, ranging between 2.03 percent and 6.41 percent of income, for households with incomes at or below 200 percent of FPG. These contribution percentages do not apply in Minnesota, since persons at this income level are not eligible for premium tax credits through MNsure and instead are eligible for coverage through MA or MinnesotaCare.

The *premium tax credit* is the difference between the cost of the second-lowest-cost silver plan (the benchmark plan) and the enrollee's expected premium contribution. If the premium cost of the benchmark plan is less than the dollar amount of the expected premium contribution, no premium credit is provided.

While the amount of the premium tax credit is calculated for an enrollee based on the premium cost of a single plan (the benchmark plan) using a sliding scale based on household income and family size, the premium tax credit is available to enrollees regardless of the type of plan chosen. The maximum amount of the tax credit is fixed based on the calculation relative to the benchmark plan and does not vary with the type of plan chosen. Given this, persons who choose a higher cost plan, relative to the benchmark plan, will pay higher premiums out-of-pocket, after application of the advanced premium tax credit. Persons who choose a lower cost plan, relative to the benchmark plan, will pay lower premiums out of pocket, after application of the advanced premium tax credit.

Table 3 provides an example of how an individual's out-of-pocket share of premium cost varies with the overall premium cost of the coverage purchased, given that the amount of the premium tax credit is fixed. This example assumes that a 40-year-old individual residing in southwest Minnesota, with a monthly income of $1,946 per month (just over 200 percent of FPG), applies for a premium tax credit for coverage in calendar year 2015. Persons with household incomes just over 200 percent of FPG must pay a maximum of 6.34 percent of income in premiums for health coverage (about $123 month). The amount of the premium tax credit is the difference between the cost of the second-lowest-cost silver plan in the individual's geographic region (the benchmark plan) and the individual's expected premium contribution of $123. The amount of the premium paid out-of-pocket by the individual, as noted above, depends on whether the

individual chooses the benchmark plan, or a plan with a higher or lower premium cost than the benchmark plan.

Table 3
**Example of Premium Tax Credit Calculation**
**(for 40-year old individual with income just over 200% FPG residing in southwest Minnesota)**

| Monthly Premium Cost Before any Tax Credit | Monthly Premium Tax Credit | Individual's Monthly Premium Payment After any Tax Credit |
|---|---|---|
| $262 | $159 | $103 |
| $282* | $159 | $123 |
| $302 | $159 | $143 |

* This dollar amount is the cost of a benchmark plan for 2015 for a 40-year-old individual residing in MNsure geographic area 1 (southwest Minnesota), as reported in *Health Care Coverage and Plan Rates for 2015: A Snapshot of 2015 Premiums and Tax Credits.*

## Administration and Reconciliation of Tax Credits

Individuals apply for premium tax credits and cost-sharing subsidies through MNsure. Persons eligible for the tax credit may claim the credit in advance or may obtain the credit when filing a federal income tax return for the tax year in which the credit applies. If a person claims the credit in advance, the federal government pays the estimated credit directly to the insurance company from whom the person receives coverage through a qualified health plan. The insurance company then reduces the premium by the amount of the credit, and the person must pay the balance of the premium to the insurance company.

The amount of premium tax credits received in advance is based on an estimate of income expected for the year. The final amount of premium tax credits is based on actual income as reported on the enrollee's tax return. This means that persons who receive advanced tax credits must "reconcile" the estimated and final amounts as part of the tax filing process. Persons whose actual income for the year is higher than estimated income may need to pay back some or all of the advanced premium tax credits received (e.g., by having the amount subtracted from any tax refund, or by payment of the amount to the IRS if no refund is received). Persons whose actual income is lower than the estimated income may get a refund when filing taxes, or have the amount of taxes owed reduced by the amount of underpayment of the tax credit.

The amount of excess advanced premium tax credits that must be repaid by persons with incomes less than 400 percent of FPG is limited by a dollar cap that increases with income.[10] Persons with incomes greater than 400 percent of FPG must repay the full amount owed.

[10] For married couples filing jointly, the dollar cap based on income as a percentage of FPG is as follows: (1) less than 200 percent of FPG, $600; (2) at least 200 percent but less than 300 percent of FPG, $1,500; and (3) at

## Cost-sharing Reductions

Individuals purchasing coverage through MNsure are subject to deductibles, copayments, and other cost-sharing requirements that vary with the actual health plan purchased, subject to an annual out-of-pocket limit. Persons who receive premium tax credits, with incomes greater than 200 percent but not exceeding 250 percent of FPG,[11] qualify for an enhanced silver health plan that provides a cost-sharing reduction, in the form of an increase in the plan's actuarial value to 73 percent (the actuarial value for a regular silver plan is 70 percent). In addition, American Indians and Alaska Natives are eligible for coverage with no, or reduced, cost-sharing.

Based on federal guidance, the 73 percent actuarial value is generally achieved by first reducing the regular silver plan's annual out-of-pocket limit, and then reducing other cost-sharing requirements as needed. For example, for calendar year 2016 coverage, health insurers must provide persons with incomes greater than 200 percent but not exceeding 250 percent of FPG with a lower annual-out-of-pocket maximum of $5,450 (compared to the regular maximum of $6,850). Health insurers then have the flexibility to further reduce the annual out-of-pocket limit, and reduce deductibles and other cost-sharing, as needed to achieve the 73 percent actuarial value. The federal guidance allows the actuarial value for the enhanced silver plan to vary between 72 percent and 74 percent, but also requires this actuarial value to be at least one percentage point higher than the actuarial value of the regular silver plan that the enhanced silver plan is based on.

Eligible individuals do not have to take action to receive a cost-sharing reduction; if they purchase coverage through MNsure and select a silver plan, they are simply enrolled in the enhanced silver plan that is linked to that regular silver plan.

American Indians and Alaska Natives with incomes that do not exceed 300 percent of FPG are exempt from cost-sharing altogether (they receive a 100 percent cost-sharing reduction plan at all metal level choices). American Indians and Alaska Natives with incomes greater than 300 percent of FPG are exempt from cost-sharing for services received at Indian Health Service facilities and tribal and urban Indian organization providers, or for essential health benefits received as a result of a referral from these providers, and are eligible for reduced cost-sharing for other services.

In contrast to premium tax credits, eligibility for a cost-sharing reduction does not change to reflect differences in estimated and actual income, and there is no requirement for financial reconciliation at the end of a coverage year.[12]

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least 300 percent but less than 400 percent of FPG, $2,500. The dollar cap for single tax filers is one-half of the amount that applies to joint filers. For taxable years beginning after December 31, 2014, these dollar caps may be adjusted to reflect changes in the Consumer Price Index.

[11] The ACA also provides cost-sharing reductions to persons with incomes at or below 200 percent of FPG. These reductions do not apply in Minnesota, since persons at this income level are not eligible for subsidized coverage through MNsure and instead are eligible for coverage through MA or MinnesotaCare.

[12] See National Alliance of State and Territorial AIDS Directors, "Premium Tax Credits and Cost Sharing Subsidies," Health Reform Issue Brief, June 2013.

### Financing Subsidized Coverage

The cost of providing subsidies for the purchase of qualified health plans is borne by the federal government. Premium tax credit payments are made by the federal government directly to health insurers (if a recipient chooses to receive the payments in advance) or to the recipient through the tax filing process (if the recipient does not elect to receive the tax credit in advance).

Health insurers are also reimbursed by the federal government for any cost-sharing reductions provided. Health insurers are required to submit to the federal Department of Health and Human Services estimates of the amount of cost-sharing reductions they expect to provide for the coming year and will receive payments from the federal government based on these estimates. Insurers must submit at a later date the actual amounts of cost-sharing reductions provided. The estimated and actual amounts of cost-sharing reductions provided are periodically reconciled.

## Enrollment Statistics

As of September 13, 2015, 70,762 individuals were enrolled in a qualified health plan through MNsure. An additional 225,503 individuals were enrolled through MNsure in MA and an additional 60,678 in MinnesotaCare.[13]

Based on July 2015 enrollment data submitted by the health plans, 55 percent of qualified health plan enrollees received advanced premium tax credits, and 15 percent of qualified health plan enrollees received cost-sharing reductions.

**Application Procedure**

Individuals interested in applying for premium tax credits and cost-sharing reductions can contact MNsure at 1-855-366-7873 or www.mnsure.org. The MNsure website also has information on obtaining face-to-face enrollment assistance from a navigator or insurance agent.

*For more information about health care programs, visit the health and human services area of our website, www.house.mn/hrd/.*

[13] Statistics in this section are from MNsure Metrics Dashboard, prepared for the MNsure Board of Directors meeting, September 16, 2015. These enrollment numbers include persons who are newly insured and persons who have renewed or switched existing coverage.