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Health-Care Insurance Enrollment: Questions and Challenges

An important part of the Patient Protection and Affordable Care Act (ACA) is the creation of Health Insurance Exchanges or Marketplaces (the terms are interchangeable) through which consumers may compare and buy health insurance, and find out whether they are eligible for Medicaid or tax credits/subsidies that reduce the cost of insurance.

The ACA offers states the option of operating their own Exchange or deferring to an Exchange established by the federal government. Currently, only 14 states maintain their own Exchanges.

The insurance mandate

The ACA requires that most U.S. citizens and legal residents (exceptions apply) have qualifying health insurance or face a penalty. To allow sufficient time to get insurance, the federal Exchange opened for business on October 1, to coincide with the open enrollment period of October 1 through March 31. Individuals have to be insured by March 31 in order to avoid the penalty, meaning people have to apply for insurance by mid-February to ensure coverage by the end of March.

Hard to apply if the website isn't working

However, the federal Exchange website healthcare.gov, hasn't worked properly from its inception. Many consumers have been frustrated trying to buy insurance and determine whether they are eligible for subsidies. The president has set a target of November 30 for most of the major glitches to be resolved. In addition, the White House has extended the deadline by which consumers must have qualifying insurance. Instead of requiring that insurance coverage be in place by March 31 for 2014, those who have signed up for qualifying coverage by March 31 will avoid the penalty. And, not all consumers have to use the federal Exchange website to apply for insurance. Several states have established their own state-run Exchanges, which are up and running. To see if your state has its own Exchange, go to www.healthcare.gov/health-insurance-marketplace.

Aside from the malfunctioning federal Exchange website, other issues have arisen that may pose challenges to the ACA. One potential problem focuses on the wording of the ACA as it relates to state-based Exchanges.

No subsidies from federal Exchange?

The ACA provides that consumers may receive tax credits or subsidies that reduce the cost of insurance purchased through "an Exchange established by the state." However, 36 states have not established Exchanges, leaving their residents with the option of buying insurance through the federal Exchange. The ACA, however, does not specifically provide for tax credits and subsidies for insurance purchased through the federal Exchange.

The IRS put out a regulation to redefine an "Exchange" to include a "federally facilitated Exchange." But that hasn't stopped the filing of four lawsuits (and maybe more on the way) that ask the courts to rule that tax credits and subsidies are only available for insurance purchased through state Exchanges, and not the federal Exchange. A ruling to that effect could effectively remove the availability of tax credits and subsidies for consumers purchasing insurance through the federal Exchange.



Healthcare.gov options

If you can't access the federal exchange's website, here are some suggestions:

- Get in-person help through the website, localhelp.healthcare.gov
- Complete a paper application, which can be obtained at bit.ly/PaperApplication
- Call the exchange hotline, available 24/7, at 1-800-318-2596



The coverage gap

Another issue relates to a potential "coverage gap" for consumers living in states that have elected not to expand their Medicaid coverage. The ACA's tax credits and subsidies are available for consumers with incomes between 138% and 400% of the federal poverty level (FPL). Also, the ACA provides for the expansion of Medicaid to include those adults making up to 138% of FPL. But part of the Supreme Court decision last year declared that the federal government could not mandate that states increase their Medicaid income limits.

At this time, over 20 states have not increased their Medicaid income limits to 138% of FPL. This creates a "coverage gap" for people with incomes between 100% and 138% of the FPL. They are eligible for neither Medicaid nor federal tax credits or subsidies, yet they are required to have health insurance that they probably can't afford, or pay a penalty. To get information about whether your state has expanded Medicaid, check out the Kaiser Family Foundation website, www.kff.org/aca-consumer-resources. Neither of these issues has been resolved as yet, so we'll keep you posted as developments evolve.

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