

AB 1810 AFFORDABILITY WORKGROUP MEETING: PROPOSED RECONCILIATION REPAYMENT LIMITS

September 16, 2019

AGENDA

- Proposed reconciliation repayment limits
- Implementation update
- Key milestones and next steps

YEAR-END CONSUMER RECONCILIATION OF ADVANCED PREMIUM SUBSIDIES

- State premium subsidies will be reconciled at year-end through the Franchise Tax Board.
- Reconciliation adjusts consumers' final premium credit based on their year-end income compared to the income they projected when they applied for coverage.
- Repayment of the federal premium tax credit is capped for individuals whose year-end income is at or below 400 percent of the federal poverty level (FPL), while those above 400 percent FPL must repay the entire amount of credit they received in advance.
- Covered California is charged with developing reconciliation repayment limits for state premium subsidy program.

YEAR-END CONSUMER RECONCILIATION OF FEDERAL ADVANCED PREMIUM SUBSIDIES

- Federal reconciliation adjusts the consumer's final premium tax credit based on their year-end income compared to the premium tax credit they received in advance based on the income they projected when they applied for coverage.
- Through federal reconciliation, consumers may receive additional premium tax credit if their year-end income is lower than they projected when they applied with Covered California or they may have to repay all or a portion of the credit they received in advance if their year-end income is higher than they projected.
- Reminder: federal advanced premium tax credit lowers the consumer's monthly bill, but advanced payment is made by the federal government to the health plan. The consumer's monthly net premium is the gross premium charged by the health plan minus the tax credit. The year-end reconciliation adjusts the percentage of the total premium paid by the consumer and the federal government.

FEDERAL RECONCILIATION CAPS

- Repayment of the federal premium tax credit is capped for individuals whose year-end income is at or below 400 percent FPL.
- Consumers whose year-end income exceeds 400 percent FPL must repay the entire amount of credit they received in advance.

Household FPL	Single	All other filing statuses
Less than 200%	\$300	\$600
At least 200% but less than 300%	\$775	\$1550
At least 300% but less than 400%	\$1300	\$2600
More than 400%	No limit	No limit

2020 PROGRAM DESIGN DOCUMENT PROPOSED AMENDMENT 1

1. Makes a clarification that individuals cannot claim more state subsidy than the gross premium cost for the plan they select.
2. Proposes reconciliation repayment limits for state premium subsidy:
 - For individuals who receive advanced state premium subsidy and file taxes at or below 400% FPL, proposed repayment limits mirror the federal limits.
 - For individuals who file taxes between 400 and 600% FPL, proposed repayment limits increase at a similar rate to the federal repayment limits.
 - A repayment limit is also proposed for individuals who file between 600 and 700% FPL.*
3. Individuals who attest to income above 400% FPL and receive state subsidy dollars in advance, but file at or below 400% FPL will not have a reconciliation repayment limit.

*While this is outside of the premium subsidy eligibility range, this would mirror a federal policy that was briefly in law for individuals up to 500% FPL with the aim of softening the “cliff” for those who end the year just over the income range for subsidy eligibility.

PROPOSED RECONCILIATION PAYMENT LIMITS

			<i>Approximate percentage of household income*</i>	
FPL	Single filers	All other filers	Single filer	Four Person Tax Household
Less than 200	\$300	\$600	2.4%	2.3%
At least 200 but less than 300	\$775	\$1,550	2.5%	2.4%
At least 300 but less than 400	\$1,300	\$2,600	3.0%	2.9%
At least 400 but less than 500	\$2,000	\$4,000	3.6%	3.5%
At least 500 but less than 600	\$3,000	\$6,000	4.4%	4.2%
At least 600 but less than 700	\$4,200	\$8,400	5.2%	5.0%
700 or above	No cap	No cap		

* Percentage of household income shown for reference, and uses the income at the midpoint of the FPL Range (e.g. for 400% to 500% FPL, the income used is 450% FPL).

SCENARIO FOR A CONSUMER WHO WOULD NOT HAVE A RECONCILIATION REPAYMENT LIMIT

- Consumer attested to an income of 450% FPL
 - Ineligible to Advanced Premium Tax Credits (APTC)
 - Eligible to \$1,203 annual CA Premium Subsidy
 - Enrolls in a QHP for 12 months
- Consumer files federal and state income tax returns and their income is at 299% FPL
 - Consumer collects Premium Tax Credit from IRS in the amount of \$5,407
 - Consumer is eligible to \$330 of CA Premium Subsidy
- The difference between the CA Premium Subsidy amount provided based on attestation and the amount the consumer is eligible for at filing is the amount of subsidy the consumer must repay.
 - $\$1,203 - \$330 = \$873$ subject to repayment during state filing
- Since the consumer attested to income that was over 400% FPL and only received CA Premium Subsidies during the benefit year, but upon filing, the income was under 400%, the consumer is not eligible for a repayment limit.

KEY MILESTONES AND NEXT STEPS

Key Milestones	Dates
CalHEERS System Testing	July – September 2019
Program Regulations Development	August – September
Reconciliation Repayment Limit Development	September – November
Start of Renewal for 2020 Benefit Year	October 2019