

Horsemen's Perspective on National Health Care Reform



PART IV

NATIONAL HBPA WINTER CONVENTION FEBRUARY 6, 2015

Disclaimer

This is the fourth installment of an ongoing series which explores the possible ramifications of the Patient Protection and Affordable Care Act on horsemen, their employees, and HBPA affiliates. The Act is also known as the Affordable Care Act, ACA, The Health Reform Act, or ObamaCare. It is a work in progress. There is still potential for major changes and deferred deadlines nearly four years after it was signed into law.

Disclaimer continued

The following general information is not intended to be nor should it be treated as tax, legal, or accounting advice. Your situation may be issue sensitive or subject to your own state's laws. You should seek advice from an independent professional before acting on any information presented.

Preamble

According to a Kaiser Family Foundation tracking poll regarding the ACA taken December 14, 2014:

46% had unfavorable views

41% had favorable views

30% want the Act repealed

25% want the Act expanded to provide more

20% want the Act implemented as is

10% want the Act scaled back

Vast majority do not know the enrollment deadlines.

Only 40 percent think that the Act expands access to health care and health insurance.

67% do not think or do not know if they will have to pay a fine.

Although the ACA was passed in 2010 and it is in the news on a daily basis, the Kaiser poll indicates that there is still a lot of confusion. Before looking forward, the following is a gentle reminder of some of the major components that have impacted horsemen.



Components now in effect



- **No Lifetime Limits on Insurance Coverage**
- **Health Insurance Exchanges are Open**
- **Expanded Medicaid Coverage in some states**
- **Individual Requirement to Have Insurance (Individual Mandate)**
- **Extending Coverage for Young Adults to age 26**
- **Access to Insurance for Uninsured Americans with Pre-Existing Conditions**



Components now in effect

- **Free Preventive Care**

All new plans must cover certain preventive services such as mammograms and colonoscopies without charging a deductible, co-pay or co-insurance.

- **Insurance Companies are Prevented from Rescinding Coverage**

The ACA makes it illegal for insurance companies to search for an error, or other technical mistake, on a customer's application and use this error to deny payment for services when he or she gets sick.

Components now in effect



- **The law provides consumers with a way to appeal coverage terminations or claims.**

This means less chance of your horsemen, who have insurance, being turned down for a claim and then turning to the benevolence committee for assistance.

- **Penalty Phase**

Payment starts in 2015 based on the requirement of having to have insurance that was effective in 2014.

Since this is the first year for the requirement we will review the penalties a little later in the presentation.

Questions and Answers from Horsemen's Perspectives



Q. What is expanded Medicaid?

A. A key feature of the Affordable Care Act is the expansion of Medicaid to millions of low-income Americans, many of them uninsured. The Supreme Court ruling on the ACA in June 2012 made Medicaid expansion optional for states.

Some states have refused participation in the expansion. For those states that got on board, the federal government paid 100 percent of the extra costs those state incurred to expand its program in 2014 through 2016. That will begin phasing down in 2017 and level off at 90 percent in 2020.

16 HBPA States that have expanded (or an alternative version) or are about to have expanded Medicaid and CHIP as of January 16, 2015*

Arizona	+24.4%	New York	+09.4%
Arkansas	+46.5% (alt)	Ohio	+21.2%
Colorado	+46.0%	Oregon	+64.2%
Illinois	+16.6%	Pennsylvania	+01.5% (alt)
Indiana	+ 06.9% (alt)	Washington	+42.3%
		West Virginia	+49.4%
Iowa	+15.3% (alt)		
Kentucky	+71.5%		
Massachusetts	+15.2% (alt)		
Michigan	+12.5% (alt)		
Minnesota	+33.4%		

16.6% average
enrollment increase

* Indicates increase in monthly enrollment average pre ACA to post ACA – Prior to ACA Kentucky averaged 606,805; post ACA monthly average is 1,040,548. As of January 2015 - 25% of all Kentucky residents are enrolled.

What a horseman who lives in a state that has expanded Medicaid should know:

- a. Must be a resident of that state to apply.
- b. Income must be below 138% of Federal Poverty Level (\$16,105 for an individual as of 2015 – limit increases for families).
- c. Apply through state or federal insurance exchanges or contact state Medicaid Office.
- d. If your affiliate has a health center, Rx's written by your doctor or nurse will not be filled unless your health center is not Medicaid approved.
- e. If a horseman does not have a primary care doctor she should chose one that is in her plan as soon as possible. Don't wait until an illness strikes.
- f. May be responsible for a small co-pay or deductible.
- g. Cannot be eligible for Medicaid in more than one state.
- h. Coverage may not be portable from state to state.



10 HBPA States that *DO NOT* have expanded Medicaid as of January 16, 2015*

Alabama	+07.8%	Montana	+07.0%
Florida	+08.7%	Nebraska	-02.7%
Idaho	+13.4%	Oklahoma	+02.8%
Kansas	+05.9%	Texas	+05.4%
Louisiana	+03.1%	Virginia	+0.7%

5.7% average
enrollment increase

* Indicates increase in monthly enrollment average pre ACA to post ACA – Prior to ACA Idaho averaged 251,926; post ACA monthly average is 285,660.

What a horseman who lives in a state that **does not** have expanded Medicaid should know:

- a. Must be a resident of that state to apply.
- b. Income must be below **that state's** guidelines and must meet other requirements which are particular to state of residency.
- c. Can only apply through state Medicaid office .
- d. Can only apply for Medicaid in one state, state of residency.
- e. Coverage may not be portable from state to state.
- f. If not eligible for Medicaid he may be eligible for health insurance through state or federal health insurance exchanges with aid of a federally funded premium subsidy.

Q. January 1, 2014 was the date that kicked off the requirement for having health insurance. Who is required to have insurance?

A. U.S. citizens and legal residents must obtain and maintain coverage for themselves and their dependents or pay a penalty.



Q. Are there exemptions to this rule?

A. Yes, several including:

- Having income below 100 percent of the federal poverty level.
- Not being required to file income taxes.
- If the purchase of insurance would cause financial hardship.
- Having religious objections.
- Having a coverage gap shorter than three months.
- Being an American Indian, undocumented immigrant or incarcerated person.

Q. What about the penalty?

A. **The penalty is deceptive.** The stated first year penalty is \$95 or 1 percent of income with a family maximum of \$285. However, the ACA contains language that could bump up your tax burden considerably: it's the "whichever is greater" clause, which works like this:



The Taxing Penalty



- A married couple with two children and an annual household income of \$70,000 decided not to buy health insurance in 2014, perhaps thinking that the \$95 penalty is a better deal.
- What they should know is the penalty is calculated by using the amount of income above the tax-filing threshold - \$20,300 – for a married couple.



The Taxing Penalty

- This means that the family's penalty would be based on \$49,700 (which is \$70,000 minus \$20,300).
- 1 percent of \$49,700 = \$497 due April 15, 2015
- \$497 is greater than the family maximum of \$285.
- The same family under the same circumstances and income will pay a \$988 penalty for 2015 and \$2,085 for 2016.

The Taxing Penalty



- If you have a tax refund due, the penalty (tax) will come off of the top.

The Taxing Penalty



Q. Are there any other taxes for which I should be prepared to pay when I file my taxes?

A. **Yes!** There are many taxes in the ACA. As an individual taxpayer you may be subject to The Premium Tax Credit Repayment. It works like this:

The Premium Tax Credit

- Using the Kentucky Marketplace Kynect as an example:



The policyholder can no longer file a Form 1040EZ.



Even if the person did not have to file in the past they must file now.



The policyholder must now file a 1040 or 1040A and the newly created Form 8962.

The Premium Tax Credit



Kynect will send the policyholder a Form 1095-A which will show how much of the insurance premiums were paid by the government. This form must be submitted with the tax return.



Two store front tax preparers in Louisville quoted prices starting at \$100 and \$130 for this service.

The Premium Tax Credit



The Good News – The policyholder will get a credit if the estimated income on their Marketplace Application was higher than their actual earned income.



The Bad News – The policyholder will have to pay additional taxes if their estimated income on their Marketplace Application was lower than their actual earned income.

The Premium Tax Credit

This could be problematic for some horsemen – Many horsemen have wide income fluctuations from year to year. They could easily fall under 400% of the Federal Poverty Line in 2014 and qualify for an exchange-subsidized plan for the year 2015. However, during 2015 they may generate a large profit, thereby triggering an “excess advance premium tax credit repayment”. Tip – Horsemen can use an exchange but decline the subsidies up front and file for a premium tax credit if their income is under 400% federal poverty level.



Q. Is there any help from the IRS in understanding all of the paperwork and requirements?

A. According to an NPR Broadcast on January 20, 2015, the IRS:

- Warns that due to budget cuts it will have difficulty in cracking down on tax cheats and processing timely tax refunds.
- They will only be able to answer half of the 100 million calls it expects to receive this tax season.

According to an NPR Broadcast on January 20, 2015, the IRS:

- You can expect to make numerous calls before you can get through (get through = answers the phone).
- For those who do get through expect to wait a half hour to hear a live voice.
- The agency's budget is so lean, it may have to close down for two days and furlough employees.



Q. What is the enrollment period?

A. The current enrollment period, in which you can purchase insurance through the exchange or insurance marketplace, opened November 15, 2014 and will end February 15, 2015. Once the exchange closes, you will not be able to purchase a plan through the exchange unless **you have a life changing event**. In future years, enrollment will only last from October thru December.

Q. I am a trainer who has 10 employees. Am I required to carry health insurance for my employees?

A. **No** – There is no mandate that requires employers with less than 50 employees to carry health insurance.



Q. I am a trainer who employs over 50 employees, when will I have to start providing insurance benefits?

A. The Obama administration announced in February 2014 employers with 50 to 99 employees will have until **January 1, 2016** before reporting requirements go into effect.

Q. I am a trainer who employs 50 to 99 employees, are there any exceptions?

A. **Yes** – An employer does not have to offer coverage to:

- Part-time employees;
- Seasonal or temporary workers; or
- New employees during a 90 day waiting period.



Q. I am a trainer and I need to purchase my own health insurance. I travel around to different states during the year. What should I do?

A. If you go through the exchange you must enroll in the insurance exchange of the state that you claim as your primary residence. If you live in one state and reside in another, you need health insurance that offers multi-state coverage. Before you enroll you should check to make sure that the plan you select has provider networks in the state that you need coverage.

Q. What kind of premium increases can I expect with the policy I bought under the ACA health exchange?

A. **That depends on where you live.** People who bought insurance through the federal exchange faced an average price increase of 7 percent or about \$34 per month from 2014 to 2015. In a broad summary of the most popular “Silver” level plans across each state in the federal exchange, 25 states had premium increases and nine states had declines from 2014 to 2015.



THE NEXT BIG THING

Q. Speaking of health insurance purchased on exchanges what is *King v Burwell*?

A. **King v Burwell** is a lawsuit that will be heard by the Supreme Court beginning March 2015 with a decision expected by late June or early July 2015. The challenger, King, argues that the text of the ACA only allows for subsidies on state-run exchanges, and that the IRS exceeded its authority by providing subsidies on federal exchanges.



THE NEXT BIG THING

- Q. How might the Supreme Court decision impact my health insurance purchased via the federal exchange.
- A. Only 14 states have set up their own exchanges. If the Supremes rule in favor of King and subsidies are struck down in the other 36 states, many think that the economic foundation of the ACA would be undermined, putting the entirety of the legislation at risk. Depending on which “expert” opinion to which you listen the implications of a ruling in favor of King ranges from no impact to a complete collapse of the ACA. It’s anyone’s guess how Expanded Medicaid would be impacted.

So while we are waiting for the
result of the lawsuit to become
official....



Let's keep calm and take a quiz regarding the
ACA in its current form!



Q1. Beginning in 2014 nearly all U.S. Citizens and legal residents will have to have health insurance or pay a fine in 2015. How will the government collect the fine?

- a) An IRS representative will be waiting at the Horsemen's Bookkeeper.
- b) The IRS will send you an invoice which is payable within 60 days of receipt.
- c) The IRS will automatically collect the fine from your tax refund, if you are due one.



Q1. Beginning in 2014
nearly all U.S.
Citizens and legal
resident will have to
have health insurance
or pay a fine in 2015.
How will the
government collect
the fine?

c) The IRS will automatically
collect the fine from your tax
refund, if you are due one.



Q2. Would a horseman who receives his/her primary healthcare and Rx needs through the HBPA still face a penalty for not buying insurance?

- a) Yes. If he or she is otherwise required to carry insurance the penalty clause would be in effect.
- b) No. There would be no penalty because the ACA does not distinguish between standards of care or health benefits.
- c) Penalty! What penalty?



Q2. Would a horseman who receives his/her primary healthcare and Rx needs through the HBPA still face a penalty for not buying insurance?

- a) Yes. If he or she is otherwise required to carry insurance the penalty clause would be in effect.



Q3. I purchased my health insurance in December 2014. It has an effective date of January 1, 2015. Will I still have to pay a penalty?

- a) No. All is forgiven; you are good to go.
- b) Yes. The penalty clause required you to purchase insurance during the first enrollment period of 2014.
- c) Yes and no. Since you purchased during the second enrollment you will have to pay the penalty for 2014. As long as you maintain the insurance you will not have to pay the penalty in subsequent years.



Q3. I purchased my health insurance in December 2014. It has an effective date of January 1, 2015. Will I still have to pay a penalty?

c) Yes and no. Since you purchased during the second enrollment you will have to pay the penalty for 2014. As long as you maintain the insurance you will not have to pay the penalty in subsequent years.



Q4. With the President's executive action on immigration will the health reform law now allow undocumented immigrants to receive financial help from the government to buy health insurance?

- a) Yes, as long as they have been in the United States 6 years or longer, have secured a tax payer number and have not committed a felony.
- b) No. Undocumented immigrants will remain ineligible for Medicaid and will not be eligible for the premium tax credits (subsidy).



Q4. With the President's executive action on immigration will the health reform law now allow undocumented immigrants to receive financial help from the government to buy health insurance?

b) No. Undocumented immigrants will remain ineligible for Medicaid and will not be eligible for the premium tax credits (subsidy).



Q5. What is the employer mandate?

- a) The ACA requires that employers mandate their employees to purchase insurance or risk losing their job.
- b) This is when every employer is mandated to provide health care for all his employees.
- c) This is a requirement in the ACA which requires employers with over 50 employees to make available affordable health insurance to equivalent full time employees.



Q5. What is the employer mandate?

- c) This is a requirement in the ACA which requires employers with over 50 employees to make available affordable health insurance to equivalent full time employees.



Q6. What is the deadline for the employer mandate?

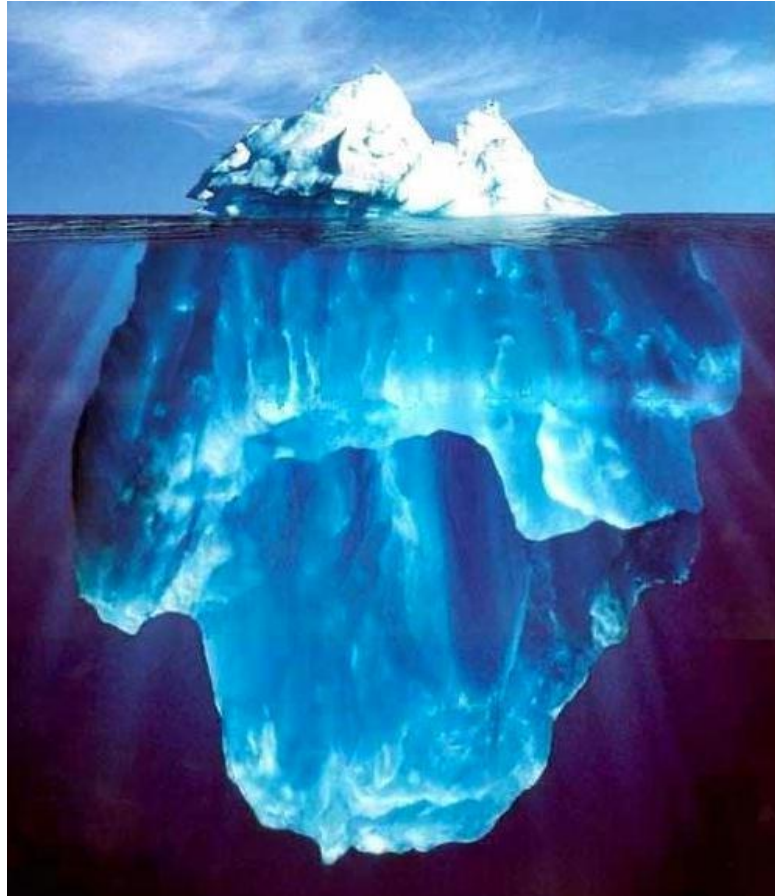
- a. There are three. Small businesses with 50-99 full-time equivalent employees (FTE) will need to start insuring workers by 2016. Those with a 100 or more will need to start providing health benefits to at least 70% of their FTE by 2015 and 95% by 2016.
- b. The Supreme Court ruled that the employer mandate will not go into effect until the Chicago Cubs win the World Series.
- c. As most trainers have less than 50 employees the deadline will come and go without them noticing.



Q6. What is the deadline for the employer mandate?

- a) There are three. Small businesses with 50-99 full-time equivalent employees (FTE) will need to start insuring workers by 2016. Those with a 100 or more will need to start providing health benefits to at least 70% of their FTE by 2015 and 95% by 2016.
- b) The deadline is 2016 for all employers with 50 or more full-time equivalent employees (FTE).
- c) As most trainers have less than 50 employees the deadline will come and go without them noticing.

It's not the end...



...it's still just the tip of the iceberg!