Government Subsidies and Penalties for Individuals and Employers Under the Affordable Care Act

SUBSIDIES

Individuals:
- Premium subsidies for those with 100% - 400% FPL (see chart).
- Additional out of pocket cost subsidies for those with 133% – 250% of the Federal Poverty Level (FPL).
  Must purchase a silver plan. Out of pocket cost maximum of 6% – 27%.
- Total average subsidy of $5,000 per family, according to CBO.

<table>
<thead>
<tr>
<th>Federal Poverty Level (FPL)</th>
<th>2013 FPL Income Threshold, Family of 1</th>
<th>2013 FPL Income Threshold, Family of 4</th>
<th>Maximum % Income Paid in Premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 – 133%</td>
<td>$11,490 – $15,282</td>
<td>$23,550 – $31,322</td>
<td>2.0 – 2.0%</td>
</tr>
<tr>
<td>133 – 150%</td>
<td>$15,282 – $17,235</td>
<td>$31,322 – $35,325</td>
<td>3.0 – 4.0%</td>
</tr>
<tr>
<td>150 – 200%</td>
<td>$17,235 – $22,980</td>
<td>$35,325 – $47,100</td>
<td>4.0 – 6.3%</td>
</tr>
<tr>
<td>200 – 250%</td>
<td>$22,980 – $28,725</td>
<td>$47,100 – $58,875</td>
<td>6.3 – 8.05%</td>
</tr>
<tr>
<td>250 – 300%</td>
<td>$28,725 – $34,470</td>
<td>$58,875 – $70,650</td>
<td>8.05 – 9.5%</td>
</tr>
<tr>
<td>300 – 400%</td>
<td>$34,470 – $45,960</td>
<td>$70,650 – $94,200</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Small Employers:
- Employers with fewer than 25 employees, eligible for tax credit up to 35% of employer cost (25% for nonprofits) if:
  o Average annual wages below $50,000.
  o Employer covers at least 50% of total cost.
- 2014 – 2016, tax credit increases to 50% (25% for nonprofits).
- In 2014, must purchase coverage through SHOP exchange.

PENALTIES

Individuals:
- Individuals must have health insurance coverage by January 1, 2014.
- Certain individuals can be exempt from the mandate, including:
  o Low-income individuals who cannot afford coverage
  o Undocumented immigrants
  o Indian tribal members and their dependents
  o Individuals who experience a hardship

Prepared by the CWA Research Department • April 2013 (Updated August 2013)
Individuals with a coverage gap of three or fewer months  
Members of certain religious sects or health care sharing ministries  
Individuals who are in prison  
Low-income individuals in states that have opted out of the Medicaid expansion  
Individuals with no plan options in their state’s health insurance exchange

<table>
<thead>
<tr>
<th>Year</th>
<th>Penalty Amount</th>
<th>Penalty Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$95 per individual*</td>
<td>1% of taxable income over threshold</td>
</tr>
<tr>
<td>2015</td>
<td>$325 per individual*</td>
<td>2% of taxable income over threshold</td>
</tr>
<tr>
<td>2016</td>
<td>$695 per individual*</td>
<td>2.5% of taxable income over threshold</td>
</tr>
</tbody>
</table>

*Uncovered dependent children assessed half the penalty amounts above. Max 3 people total assessed per family.

**Large Employers Who Do Not Offer Coverage Assessed Penalty (Postponed to 2015):**
- Employers with more than 50 FTEs assessed penalty if at least one employee purchases coverage through HIX and receive the Federal Subsidy.
- Penalty is $2,000 per employee, minus first 30 employees.

**Large Employers Who Offer Coverage Assessed Penalty if (Postponed to 2015):**
- Employer plan is not both “affordable” and provide “minimum value.”
  - “Affordable:” Individual premium no more than 9.5% of total household income.
  - “Minimum Value:” Employer bears at least 60% of total plan cost.
- Assessed if at least one employee purchases coverage through HIX and receive the Federal Subsidy.
- Penalty is $3,000 per employee receiving a subsidy, up to maximum of $2,000 per employee minus first 30 employees.