Help Is At Hand:

New Health Insurance Tax Credits for Americans

Families USA

Help Is at Hand:
New Health Insurance Tax Credits for Americans

This publication is available online at www.familiesusa.org.

Families USA
1201 New York Avenue NW, Suite 1100
Washington, DC 20005
Phone: 202-628-3030
Fax: 202-347-2417
Email: info@familiesusa.org
www.familiesusa.org

Cover Design: Nancy Magill, Families USA

Starting in 2014, the Affordable Care Act will extend health coverage to millions of Americans. This will be done, in part, by offering tax credits to help low- and middle-income Americans afford private coverage. These new tax credits, which will offset a portion of the cost of health insurance premiums, will soon become a reality, allowing many previously uninsured individuals and families to purchase quality health coverage.

This report takes a closer look at these premium tax credits, which will help Americans with incomes up to four times the federal poverty level ($94,200 for a family of four in 2013)[1] afford coverage. The unique structure of the tax credits means that people will be protected from having to spend more than a set percentage of their income on health insurance premiums. These premium tax credits will take effect in January 2014, following open enrollment that begins in October 2013.

Families USA commissioned The Lewin Group to use its widely respected Health Benefits Simulation Model to estimate how many people across the country could benefit from the new premium tax credits in 2014. We found that an estimated 25.7 million people will be eligible for the tax credits in 2014.

Most of the people who will be eligible for the tax credits will be in working families and will have incomes between two and four times poverty (between $47,100 and $94,200 for a family of four based on 2013 poverty guidelines). However, because the size of the tax credits will be determined on a sliding scale based on income, those with the lowest incomes will receive the largest tax credits, ensuring that the assistance is targeted to the people who need it most.

Every state will have a new health insurance marketplace (also called an exchange) that will make it easier for residents to gain health coverage. Though these new state marketplaces may look different, all of them will help individuals and families find coverage that meets their specific needs. The tax credits will help people who are looking for coverage in their state’s marketplace better afford such coverage.

In order to maximize the number of people who receive the new tax credits, states across the country will need to develop robust outreach programs to educate consumers about this new help. The state marketplaces will need to offer insurance shoppers consumer-friendly, simple online enrollment processes, and they’ll need to build complementary networks of assisters who can provide in-person, one-on-one help to anyone who needs it.

As this key part of the Affordable Care Act takes effect, many Americans will enjoy tax relief. They will also enjoy the peace of mind that comes with knowing that they and their family members have affordable health insurance—insurance that they can depend on even if they experience changes in income or become unemployed.

The following examples illustrate the amount of assistance that different kinds of people could receive. For more details on the how to calculate premium tax credits, see "How Much Will the Tax Credits Be Worth?" on page 11.

EXAMPLE *Jane Smith, age 45, no children, annual income of $23,000 (about 200 percent of poverty): If the annual premium for the silver reference plan in the state marketplace in Jane's zip code is $5,000, Jane's out-of-pocket contribution for premiums for the silver reference plan would be about $1,450 (or about $121 a month). The remainder of her premium for the silver reference plan would be covered in the form of a tax credit of $3,550 (or that amount could be credited toward the premiums for a more or less expensive plan of her choice).*

EXAMPLE *The Johnsons, a family of four (two adults, two children under age 18), annual income of $35,300 (about 150 percent of poverty): If the annual premium for the silver reference plan for family coverage in the state marketplace in the Johnsons' zip code is $12,500, the Johnsons' out-of- pocket contribution for premiums for a silver reference plan would be about $1,410 (or about $118 a month). The remainder of their premium for the silver reference plan would be covered in the form of a tax credit of $11,090 (or that amount could be credited toward the premiums for a more or less expensive plan of their choice).*

Note that consumers will be able to select any health insurance plan that is available through the state marketplace in their area, and the law guarantees that there will be a range of plans with different coverage terms and different prices. Each family can pick the plan that meets their needs and still receive the same substantial premium tax credit. How much a family will have to spend on premiums will vary depending on whether they choose a plan that is more or less expensive than the silver level reference plan.

Key Findings

Beginning in January 2014, new tax credits will be available that will significantly reduce the cost of private health insurance for individuals and families.

Numbers of People Eligible for the Premium Tax Credit

- Nationally, more than 25.7 million Americans will be eligible for these new premium tax credits in 2014 (see Table 1).
- People with annual incomes between 200 and 400 percent of poverty (between $47,100 and $94,200 for a family of four in 2013) will constitute more than half (about 56 percent) of those who will be eligible for premium tax credits (see Table 1).

Table 1.
Individuals Eligible for Premium Tax Credits, by Income, 2014

Income as a Percent of Federal Poverty Level	Number in Income Group Eligible	Income Group As a Percent of Those Eligible
0-199%	11,343,120	44.1%
200-399%	14,379,680	55.9%
Total	**25,722,200**	**100%**

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

Help for Working Families

- The vast majority of people who will be eligible for premium tax credits—about 88 percent—will be in working families.
- Nationally, more than 22.7 million people, the majority of those who will be eligible for premium tax credits, will be in families with a worker who is employed, either full- or part-time (see Table 2 on page 4).

Table 2.
Individuals Eligible for Premium Tax Credits, by Employment Status, 2014

Employment Status	Number in Employment Group Eligible	Employment Group As a Percent of Those Eligible
Employed*	22,720,370	88.3%
Not Employed*	3,002,260	11.7%
Total	**25,722,200**	**100%**

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

* The category "employed" includes those employed both full- and part-time. "Not employed" includes those out of the workforce and those not looking for work.

Help for All Ages

- Premium tax credits will be available to people in all age groups, from hardworking Americans who are supporting families to young people just starting their careers (see Table 3).
- Young adults are the likeliest age group to be eligible for premium tax credits, making up more than 36 percent of all those who will be eligible (see Table 3).

Table 3.
Individuals Eligible for Premium Tax Credits, by Age, 2014

Age Group	Number in Age Group Eligible	Age Group as a Percent of Those Eligible
Under 18	5,414,320	21.0%
18-34	9,310,150	36.2%
35-54	7,775,770	30.2%
55 and over	3,222,890	12.5%
Total	**25,722,200**	**100%**

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

Help for All Races and Ethnicities

- Nearly six in 10 (about 58 percent) of those who will be eligible for premium tax credits will be white, non-Hispanics (see Table 4).
- More than 11 percent of those who will be eligible will be black, non-Hispanics (see Table 4).
- Nearly 23 percent of those who will be eligible who will be eligible will be Hispanics (see Table 4).
- Approximately 8 percent of those who will be eligible will identify themselves as American Indian, Aleut or Eskimo, Asian or Pacific Islander, or as a member of more than one group (see Table 4).

Table 4.

Individuals Eligible for Premium Tax Credits, by Race/Ethnicity, 2014

Racial/Ethnic Group	Number in Racial/Ethnic Group Eligible	Racial/Ethnic Group As a Percent of Those Eligible
White, Non-Hispanic	14,953,300	58.1%
Black, Non-Hispanic	2,865,010	11.1%
Hispanic	5,880,870	22.9%
Other*	2,023,790	7.9%
Total	**25,722,200**	**100%**

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

* The category “other” includes those who identify themselves as American Indian, Aleut or Eskimo, Asian or Pacific Islander, or as a member of more than one group.

Table 5. Americans Eligible for Premium Tax Credits, Distribution by Income Level and State, 2014

State	Income as a Percent of Federal Poverty Level				Total Number
	0-199%		200-399%		
	Number	Percent	Number	Percent	
Alabama	161,220	46.6%	185,050	53.4%	346,270
Alaska	27,460	39.8%	41,470	60.2%	68,910
Arizona	204,100	35.8%	365,640	64.2%	569,750
Arkansas	130,000	46.2%	151,600	53.8%	281,580
California	1,446,470	48.3%	1,549,110	51.7%	2,995,610
Colorado	198,470	42.6%	267,910	57.4%	466,370
Connecticut	91,220	39.1%	142,100	60.9%	233,320
Delaware	21,150	36.9%	36,170	63.1%	57,310
District of Columbia	20,590	49.2%	21,300	50.8%	41,890
Florida	759,460	43.9%	970,900	56.1%	1,730,340
Georgia	366,590	45.7%	436,050	54.3%	802,610
Hawaii	31,490	44.1%	39,870	55.9%	71,350
Idaho	75,320	47.0%	85,020	53.0%	160,330
Illinois	416,230	43.5%	541,210	56.5%	957,440
Indiana	215,860	41.9%	298,940	58.1%	514,780
Iowa	111,580	43.9%	142,500	56.1%	254,070
Kansas	116,910	45.9%	137,880	54.1%	254,780
Kentucky	168,150	44.8%	207,350	55.2%	375,480
Louisiana	155,280	44.0%	197,680	56.0%	352,950
Maine	49,180	40.1%	73,560	59.9%	122,720
Maryland	151,750	42.1%	209,060	57.9%	360,810
Michigan	331,440	44.4%	414,260	55.6%	745,680
Minnesota	198,110	43.1%	261,340	56.9%	459,420
Mississippi	118,320	46.8%	134,290	53.2%	252,600
Missouri	236,420	45.0%	288,640	55.0%	525,050
Montana	55,540	45.0%	67,950	55.0%	123,460
Nebraska	74,580	44.2%	94,260	55.8%	168,830
Nevada	110,110	45.5%	131,930	54.5%	242,050
New Hampshire	37,710	39.2%	58,550	60.8%	96,250
New Jersey	244,890	40.1%	365,560	59.9%	610,460
New Mexico	85,730	44.7%	106,170	55.3%	191,890
New York	588,290	38.7%	929,900	61.3%	1,518,190
North Carolina	392,440	45.2%	476,100	54.8%	868,520
North Dakota	31,270	45.2%	37,980	54.8%	69,250
Ohio	404,460	44.2%	511,460	55.8%	915,890
Oklahoma	142,220	42.2%	194,540	57.8%	336,750
Oregon	184,500	46.0%	216,490	54.0%	400,980
Pennsylvania	388,620	43.4%	507,860	56.7%	896,470
Rhode Island	35,390	42.7%	47,430	57.3%	82,810
South Carolina	186,680	44.7%	230,880	55.3%	417,540
South Dakota	37,140	45.2%	45,070	54.8%	82,180
Tennessee	263,450	45.8%	311,740	54.2%	575,180
Texas	1,205,150	46.7%	1,374,710	53.3%	2,579,810
Utah	118,750	44.0%	150,860	56.0%	269,590
Vermont	17,900	30.2%	41,420	69.8%	59,300
Virginia	269,940	43.3%	354,150	56.7%	624,060
Washington	258,870	43.3%	338,760	56.7%	597,620
West Virginia	64,480	45.3%	77,910	54.7%	142,370
Wisconsin	179,940	41.6%	253,100	58.4%	433,030
Wyoming	21,270	40.0%	31,910	60.0%	53,170
Total U.S.	**11,343,120**	**44.1%**	**14,379,680**	**55.9%**	**25,722,200**

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. It is important to note that data for Massachusetts are not reportable. Numbers may not add due to rounding.

Table 6. Americans Eligible for Premium Tax Credits, Distribution by Family Employment Status and State, 2014

State	Employed*		Not Employed*		Total
	Number	Percent	Number	Percent	Number
Alabama	305,730	88.3%	40,540	11.7%	346,270
Alaska	60,310	87.5%	8,620	12.5%	68,910
Arizona	512,040	89.9%	57,700	10.1%	569,750
Arkansas	252,250	89.6%	29,340	10.4%	281,580
California	2,584,730	86.3%	410,870	13.7%	2,995,610
Colorado	416,290	89.3%	50,100	10.7%	466,370
Connecticut	203,980	87.4%	29,340	12.6%	233,320
Delaware	53,640	93.6%	3,670	6.4%	57,310
District of Columbia	33,130	79.1%	8,760	20.9%	41,890
Florida	1,503,280	86.9%	227,080	13.1%	1,730,340
Georgia	710,710	88.5%	91,930	11.5%	802,610
Hawaii	62,330	87.4%	9,020	12.6%	71,350
Idaho	142,740	89.0%	17,610	11.0%	160,330
Illinois	811,290	84.7%	146,160	15.3%	957,440
Indiana	462,860	89.9%	51,930	10.1%	514,780
Iowa	235,670	92.8%	18,400	7.2%	254,070
Kansas	232,500	91.3%	22,280	8.7%	254,780
Kentucky	337,980	90.0%	37,520	10.0%	375,480
Louisiana	313,710	88.9%	39,250	11.1%	352,950
Maine	109,930	89.6%	12,810	10.4%	122,720
Maryland	322,610	89.4%	38,210	10.6%	360,810
Michigan	677,310	90.8%	68,390	9.2%	745,680
Minnesota	414,770	90.3%	44,670	9.7%	459,420
Mississippi	223,050	88.3%	29,560	11.7%	252,600
Missouri	476,720	90.8%	48,340	9.2%	525,050
Montana	108,370	87.8%	15,110	12.2%	123,460
Nebraska	155,080	91.9%	13,760	8.1%	168,830
Nevada	209,020	86.4%	33,030	13.6%	242,050
New Hampshire	89,290	92.8%	6,960	7.2%	96,250
New Jersey	511,390	83.8%	99,070	16.2%	610,460
New Mexico	171,400	89.3%	20,490	10.7%	191,890
New York	1,333,550	87.8%	184,640	12.2%	1,518,190
North Carolina	772,890	89.0%	95,640	11.0%	868,520
North Dakota	63,030	91.0%	6,230	9.0%	69,250
Ohio	829,490	90.6%	86,410	9.4%	915,890
Oklahoma	301,650	89.6%	35,110	10.4%	336,750
Oregon	354,090	88.3%	46,900	11.7%	400,980
Pennsylvania	799,770	89.2%	96,710	10.8%	896,470
Rhode Island	71,880	86.8%	10,940	13.2%	82,810
South Carolina	371,480	89.0%	46,080	11.0%	417,540
South Dakota	75,080	91.4%	7,120	8.7%	82,180
Tennessee	506,980	88.1%	68,200	11.9%	575,180
Texas	2,272,510	88.1%	307,320	11.9%	2,579,810
Utah	240,390	89.2%	29,210	10.8%	269,590
Vermont	55,390	93.4%	3,930	6.6%	59,300
Virginia	546,190	87.5%	77,890	12.5%	624,060
Washington	525,320	87.9%	72,310	12.1%	597,620
West Virginia	126,480	88.8%	15,910	11.2%	142,370
Wisconsin	386,360	89.2%	46,680	10.8%	433,030
Wyoming	48,490	91.2%	4,690	8.8%	53,170
Total U.S.	**22,720,370**	**88.3%**	**3,002,260**	**11.7%**	**25,722,200**

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. It is important to note that data for Massachusetts are not reportable. Numbers may not add due to rounding.

* The category “employed” includes those employed both full- and part-time. “Not employed” includes those out of the workforce and those not looking for work.

Table 7. Americans Eligible for Premium Tax Credits, Distribution by Age and State, 2014

State	Under 18		Age 18-34		Age 35-54		Age 55+		Total
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Alabama	64,990	18.8%	126,370	36.5%	109,350	31.6%	45,570	13.2%	346,270
Alaska	16,410	23.8%	27,060	39.3%	18,460	26.8%	6,990	10.1%	68,910
Arizona	149,830	26.3%	187,720	32.9%	162,620	28.5%	69,570	12.2%	569,750
Arkansas	64,340	22.8%	92,850	33.0%	86,600	30.8%	37,820	13.4%	281,580
California	628,650	21.0%	1,130,880	37.8%	886,890	29.6%	349,160	11.7%	2,995,610
Colorado	103,700	22.2%	169,410	36.3%	138,300	29.7%	54,970	11.8%	466,370
Connecticut	42,390	18.2%	88,630	38.0%	74,630	32.0%	27,670	11.9%	233,320
Delaware	11,890	20.8%	21,410	37.4%	17,420	30.4%	6,590	11.5%	57,310
District of Columbia	4,130	9.9%	21,260	50.7%	11,790	28.1%	4,730	11.3%	41,890
Florida	346,060	20.0%	581,130	33.6%	541,460	31.3%	261,720	15.1%	1,730,340
Georgia	174,790	21.8%	286,050	35.6%	248,910	31.0%	92,900	11.6%	802,610
Hawaii	17,610	24.7%	23,240	32.6%	19,900	27.9%	10,610	14.9%	71,350
Idaho	38,400	24.0%	53,760	33.5%	46,880	29.2%	21,310	13.3%	160,330
Illinois	178,640	18.7%	360,540	37.7%	305,010	31.9%	113,270	11.8%	957,440
Indiana	106,780	20.7%	185,400	36.0%	157,540	30.6%	65,090	12.6%	514,780
Iowa	48,410	19.1%	91,910	36.2%	76,320	30.0%	37,440	14.7%	254,070
Kansas	59,850	23.5%	91,160	35.8%	70,290	27.6%	33,490	13.1%	254,780
Kentucky	82,600	22.0%	132,640	35.3%	113,560	30.2%	46,720	12.4%	375,480
Louisiana	68,210	19.3%	126,410	35.8%	112,770	32.0%	45,580	12.9%	352,950
Maine	20,310	16.5%	40,920	33.3%	44,250	36.1%	17,270	14.1%	122,720
Maryland	67,920	18.8%	138,580	38.4%	109,910	30.5%	44,400	12.3%	360,810
Michigan	173,190	23.2%	265,100	35.6%	221,250	29.7%	86,170	11.6%	745,680
Minnesota	97,450	21.2%	172,630	37.6%	134,510	29.3%	54,850	11.9%	459,420
Mississippi	58,860	23.3%	82,590	32.7%	76,810	30.4%	34,350	13.6%	252,600
Missouri	116,560	22.2%	187,820	35.8%	155,730	29.7%	64,960	12.4%	525,050
Montana	30,860	25.0%	40,710	33.0%	34,840	28.2%	17,090	13.8%	123,460
Nebraska	37,130	22.0%	60,870	36.1%	48,140	28.5%	22,710	13.5%	168,830
Nevada	58,770	24.3%	82,810	34.2%	69,340	28.6%	31,120	12.9%	242,050
New Hampshire	17,560	18.2%	34,980	36.3%	30,560	31.8%	13,160	13.7%	96,250
New Jersey	101,320	16.6%	229,970	37.7%	197,900	32.4%	81,270	13.3%	610,460
New Mexico	45,730	23.8%	68,970	35.9%	54,900	28.6%	22,300	11.6%	191,890
New York	253,130	16.7%	603,520	39.8%	486,280	32.0%	175,280	11.5%	1,518,190
North Carolina	177,640	20.5%	309,480	35.6%	271,800	31.3%	109,640	12.6%	868,520
North Dakota	12,340	17.8%	28,270	40.8%	17,940	25.9%	10,690	15.4%	69,250
Ohio	182,170	19.9%	324,890	35.5%	278,590	30.4%	130,270	14.2%	915,890
Oklahoma	86,090	25.6%	114,560	34.0%	94,850	28.2%	41,260	12.3%	336,750
Oregon	94,630	23.6%	137,070	34.2%	113,810	28.4%	55,480	13.8%	400,980
Pennsylvania	169,440	18.9%	322,520	36.0%	273,130	30.5%	131,410	14.7%	896,470
Rhode Island	12,620	15.2%	33,490	40.4%	26,940	32.5%	9,770	11.8%	82,810
South Carolina	92,200	22.1%	141,920	34.0%	128,080	30.7%	55,390	13.3%	417,540
South Dakota	19,220	23.4%	26,490	32.2%	23,810	29.0%	12,690	15.4%	82,180
Tennessee	107,970	18.8%	201,970	35.1%	187,590	32.6%	77,680	13.5%	575,180
Texas	642,960	24.9%	914,110	35.4%	749,440	29.1%	273,370	10.6%	2,579,810
Utah	73,640	27.3%	105,760	39.2%	64,910	24.1%	25,300	9.4%	269,590
Vermont	10,180	17.2%	21,370	36.0%	19,980	33.7%	7,810	13.2%	59,300
Virginia	130,330	20.9%	236,080	37.8%	180,470	28.9%	77,220	12.4%	624,060
Washington	129,300	21.6%	217,820	36.4%	172,950	28.9%	77,560	13.0%	597,620
West Virginia	27,050	19.0%	50,250	35.3%	46,330	32.5%	18,770	13.2%	142,370
Wisconsin	69,740	16.1%	159,470	36.8%	144,370	33.3%	59,470	13.7%	433,030
Wyoming	11,980	22.5%	18,930	35.6%	15,410	29.0%	6,870	12.9%	53,170
Total U.S.	**5,414,320**	**21.0%**	**9,310,150**	**36.2%**	**7,775,770**	**30.2%**	**3,222,890**	**12.5%**	**25,722,200**

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. It is important to note that data for Massachusetts are not reportable. Numbers may not add due to rounding.

Table 8. Americans Eligible for Premium Tax Credits, Distribution by Race/Ethnicity and State, 2014

State	White, Non-Hispanic		Black, Non-Hispanic		Hispanic		Other*		Total
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Alabama	231,370	66.8%	85,980	24.8%	16,460	4.8%	12,470	3.6%	346,270
Alaska	39,810	57.8%	1,930	2.8%	6,420	9.3%	20,760	30.1%	68,910
Arizona	277,370	48.7%	16,350	2.9%	217,200	38.1%	58,830	10.3%	569,750
Arkansas	209,370	74.4%	35,450	12.6%	23,730	8.4%	13,050	4.6%	281,580
California	903,650	30.2%	144,370	4.8%	1,489,040	49.7%	458,520	15.3%	2,995,610
Colorado	289,080	62.0%	14,080	3.0%	134,210	28.8%	29,010	6.2%	466,370
Connecticut	143,430	61.5%	23,570	10.1%	51,670	22.1%	14,650	6.3%	233,320
Delaware	35,370	61.7%	11,380	19.9%	7,260	12.7%	3,310	5.8%	57,310
District of Columbia	11,050	26.4%	22,670	54.1%	5,580	13.3%	2,600	6.2%	41,890
Florida	886,540	51.2%	229,040	13.2%	526,530	30.4%	88,250	5.1%	1,730,340
Georgia	432,280	53.9%	224,280	27.9%	101,750	12.7%	44,330	5.5%	802,610
Hawaii	13,280	18.6%	1,340	1.9%	8,490	11.9%	48,260	67.6%	71,350
Idaho	126,910	79.2%	770	0.5%	24,290	15.2%	8,390	5.2%	160,330
Illinois	524,480	54.8%	135,420	14.1%	230,810	24.1%	66,730	7.0%	957,440
Indiana	410,660	79.8%	41,440	8.1%	41,940	8.1%	20,750	4.0%	514,780
Iowa	220,960	87.0%	6,800	2.7%	16,840	6.6%	9,480	3.7%	254,070
Kansas	190,650	74.8%	13,210	5.2%	35,710	14.0%	15,220	6.0%	254,780
Kentucky	327,360	87.2%	23,580	6.3%	13,040	3.5%	11,550	3.1%	375,480
Louisiana	216,160	61.2%	102,520	29.0%	20,680	5.9%	13,610	3.9%	352,950
Maine	114,850	93.6%	1,090	0.9%	2,140	1.7%	4,670	3.8%	122,720
Maryland	173,380	48.1%	115,070	31.9%	43,370	12.0%	29,000	8.0%	360,810
Michigan	557,980	74.8%	96,710	13.0%	48,130	6.5%	42,890	5.8%	745,680
Minnesota	370,400	80.6%	22,350	4.9%	31,240	6.8%	35,460	7.7%	459,420
Mississippi	155,340	61.5%	82,240	32.6%	7,400	2.9%	7,640	3.0%	252,600
Missouri	423,180	80.6%	52,540	10.0%	25,710	4.9%	23,640	4.5%	525,050
Montana	102,360	82.9%	520	0.4%	6,270	5.1%	14,340	11.6%	123,460
Nebraska	133,180	78.9%	6,080	3.6%	21,380	12.7%	8,200	4.9%	168,830
Nevada	109,830	45.4%	15,700	6.5%	89,490	37.0%	27,020	11.2%	242,050
New Hampshire	85,620	89.0%	790	0.8%	5,490	5.7%	4,370	4.5%	96,250
New Jersey	279,940	45.9%	91,100	14.9%	177,680	29.1%	61,730	10.1%	610,460
New Mexico	56,250	29.3%	2,730	1.4%	104,360	54.4%	28,560	14.9%	191,890
New York	740,890	48.8%	222,190	14.6%	399,320	26.3%	155,800	10.3%	1,518,190
North Carolina	552,930	63.7%	166,670	19.2%	99,740	11.5%	49,190	5.7%	868,520
North Dakota	60,140	86.9%	670	1.0%	2,480	3.6%	5,950	8.6%	69,250
Ohio	738,870	80.7%	99,120	10.8%	37,460	4.1%	40,480	4.4%	915,890
Oklahoma	221,770	65.9%	19,110	5.7%	36,490	10.8%	59,400	17.6%	336,750
Oregon	291,870	72.8%	6,280	1.6%	64,560	16.1%	38,280	9.5%	400,980
Pennsylvania	691,960	77.2%	89,120	9.9%	71,890	8.0%	43,530	4.9%	896,470
Rhode Island	55,520	67.0%	4,580	5.5%	17,020	20.5%	5,700	6.9%	82,810
South Carolina	263,740	63.2%	110,160	26.4%	27,200	6.5%	16,470	3.9%	417,540
South Dakota	66,800	81.3%	710	0.9%	3,200	3.9%	11,500	14.0%	82,180
Tennessee	435,340	75.7%	84,960	14.8%	32,770	5.7%	22,130	3.8%	575,180
Texas	943,920	36.6%	246,550	9.6%	1,249,680	48.4%	139,710	5.4%	2,579,810
Utah	205,410	76.2%	2,420	0.9%	44,770	16.6%	17,010	6.3%	269,590
Vermont	54,910	92.6%	570	1.0%	1,210	2.0%	2,630	4.4%	59,300
Virginia	385,890	61.8%	122,580	19.6%	70,220	11.3%	45,400	7.3%	624,060
Washington	402,480	67.3%	17,760	3.0%	93,030	15.6%	84,360	14.1%	597,620
West Virginia	131,470	92.3%	4,010	2.8%	3,120	2.2%	3,790	2.7%	142,370
Wisconsin	350,660	81.0%	24,070	5.6%	34,820	8.0%	23,500	5.4%	433,030
Wyoming	42,720	80.3%	480	0.9%	6,800	12.8%	3,170	6.0%	53,170
Total U.S.	**14,953,300**	**58.1%**	**2,865,010**	**11.1%**	**5,880,870**	**22.9%**	**2,023,790**	**7.9%**	**25,722,200**

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. It is important to note that data for Massachusetts are not reportable. Numbers may not add due to rounding.

* The category "other" includes those who identify themselves as American Indian, Aleut or Eskimo, Asian or Pacific Islander, or as a member of more than one group.

Discussion

With the passage of the Affordable Care Act comes the promise of affordable health coverage for millions of Americans. In 2010-2011, more than 49.2 million Americans were uninsured.[2] The new premium tax credits, which are entirely financed by the federal government, will provide much-needed relief to tens of millions of low- to moderate-income uninsured and underinsured Americans. This relief will ensure that they will be better able to purchase affordable private health insurance through the new health insurance marketplaces (see "The New Health Insurance Marketplaces" on page 13). Starting in October of this year, individuals and families can begin enrolling in the insurance marketplaces, and they will benefit from this tax relief when the new coverage begins in January 2014. More than 25.7 million Americans will be eligible for premium tax credits in the first year that the state marketplace is operational. The size of the credit that individuals and families will be eligible to receive will depend on their income, and the lower a person's income, the larger his or her tax credit will be. This will ensure that the assistance goes to those who need it the most.

Eligibility for Tax Credits

Generally, the tax credits will be available to uninsured individuals and families who have incomes between 138 and 400 percent of poverty (between $15,860 and $45,960 for an individual, and between $32,500 and $94,200 for a family of four in 2013). Some people with incomes below 138 percent of poverty who do not qualify for Medicaid (mainly immigrants who are legal residents but who have been in the United States for fewer than five years) will be eligible for tax credits as well. Workers who would have to pay more than 9.5 percent of their wages to participate in their employer's plan, and workers whose employer plan pays less than 60 percent of the cost of covered benefits, will also be eligible for the tax credits to help purchase coverage in the state marketplaces.

What Will Happen When a Family Receives a Tax Credit?

When a person or family qualifies for a tax credit, the dollars from the credit will flow directly to the health plan in which the individual or family enrolls, offsetting the total cost of the family's health insurance premiums for that plan.

The tax credits will be fully advanceable. This means that the tax credit will be available to pay the premium at the time the person enrolls in a plan. Thus, families will not need to wait until their taxes have been filed and processed in order to receive the credit and enroll in coverage, nor will they need to pay the full premium at the time of enrollment and then wait to be reimbursed.

Finally, the tax credit will be refundable, which means that families with very low incomes who do not owe taxes will be eligible for these tax credits to assist with the cost of premiums. However, the majority of these very low-income families will be eligible for Medicaid, and hence, ineligible for premium tax credits.

How Much Will the Tax Credits Be Worth?

As described earlier, the size of the tax credit that an individual or family will be eligible for will depend on the individual's or family's income. And how much coverage that credit will help buy will depend on the plan that the individual or family chooses. The new state marketplaces will offer a range of plans with four different coverage levels (from lowest to highest coverage level): bronze, silver, gold, and platinum. The calculations of the size of the tax credits will be linked to the second lowest-cost silver plan, also known as the "silver reference plan." Below, we describe how income and plan choice come together to determine what an individual or family will have to pay out of pocket.

- To determine the size of an individual's or family's tax credit, start with their income. The family's household income will be used to determine the maximum premium contribution the family must pay for a particular "reference plan," described below. This maximum amount—a maximum percentage of family income—will be based on a sliding scale, and those with the lowest incomes will pay the smallest proportion of their incomes on premiums.
- Next, identify the premiums for the second lowest-cost silver plan that is available to the individual or family in the area in which they live. The tax credit amount will be set so that the individual or family will not have to spend more than a specific percentage of their income on premiums for this plan. For example, a family of four with an income of $47,100 a year would not have to pay more than 6.3 percent of their income toward premiums for a silver plan and would get a tax credit of $9,530 (see Table 10). Therefore, they would not have to pay more than $247 a month for the silver reference plan that covers their entire family.
- An individual or family will be free to pick any plan that is available through an exchange. However, the individual's or family's tax credit amount will be based on the premium for the silver reference plan. If a consumer selects a more expensive plan, he or she will pay the difference in price between this more expensive plan and the silver reference plan out of pocket. If a consumer selects a cheaper plan, he or she will still receive the tax credit amount based on the silver reference plan and thus will spend less out of pocket on the premiums for this cheaper plan.
- In addition to premium assistance, some families will be eligible for more help with copayments, deductibles, and other cost-sharing. However, this help is available only for those who choose a silver plan (see "Additional Help with Out-of-Pocket Health Care Costs" on page 15).

Table 9.

Examples of Premium Tax Credits for an Individual

Income		Premium Contribution as a Percent of Income	Example of Premium Tax Credit
Income as a Percent of Poverty	Annual Income		
138%	$15,860	3.3%	$4,480
150%	$17,235	4.0%	$4,310
200%	$22,980	6.3%	$3,550
250%	$28,725	8.1%	$2,690
300%	$34,470	9.5%	$1,730
400%	$45,960	9.5%	$630

Note: Based on an individual with premiums of $5,000 and 2013 federal poverty levels.

Table 10.

Examples of Premium Tax Credits for a Family of Four

Income		Premium Contribution as a Percent of Income	Example of Premium Tax Credit
Income as a Percent of Poverty	Annual Income		
138%	$32,500	3.3%	$11,430
150%	$35,325	4.0%	$11,090
200%	$47,100	6.3%	$9,530
250%	$58,875	8.1%	$7,760
300%	$70,650	9.5%	$5,790
400%	$94,200	9.5%	$3,550

Note: Based on a family of four with premiums of $12,500 and 2013 federal poverty levels.

The New Health Insurance Marketplaces

The Affordable Care Act requires every state to have a new regulated insurance marketplace, or exchange, where consumers and small businesses can purchase health insurance plans and apply for help with the cost of coverage. While every state must have a new marketplace, states are taking different approaches to getting the job done. Some states are setting up their own marketplaces, other states are partnering with the federal government to take on specific tasks and functions, and in some states, the federal government will establish the new marketplaces. Regardless of the approach, every marketplace will provide important new consumer protections.

When shopping in the new marketplaces, consumers and small businesses will know what they are getting for their money. All plans sold in the marketplaces must meet certain consumer protection and quality standards so that shoppers do not end up with surprising holes in their coverage. The new marketplaces will, among other things, certify that plans meet minimum requirements, such as having sufficient provider networks, implementing user-friendly quality reporting, and using marketing materials that are fair and accurate. Insurance companies will have to clearly explain what care is covered in every plan and at what cost. This information must be presented in a standardized, consumer-friendly format. This transparency will help people shop for the best plan for the price, *and* it will promote competition among plans. Under the Affordable Care Act, insurers that sell plans in the new marketplaces—just like plans that are sold outside the exchanges—will not be allowed to deny coverage to people with pre-existing conditions or to charge exorbitant premiums, which will keep costs down for individuals and businesses.

The new marketplaces will be a one-stop shop where consumers can enroll in health coverage. These new marketplaces will help consumers apply for the new premium tax credits, and they will calculate the amount of the tax credit that consumers will receive. The marketplaces will also help lower-income consumers apply for Medicaid, the Children's Health Insurance Program (CHIP), and other public programs. All marketplaces will use one standardized application that is designed to help consumers find out which coverage and financial assistance options they are eligible for. They will also be required to have consumer-friendly websites, as well as toll-free telephone help lines. Perhaps most importantly, every marketplace will have a network of people who are trained and certified to conduct public education and outreach, and to provide in-person assistance with the application process for premium tax credits, Medicaid, and CHIP. These assisters will also help shoppers select the insurance option that best meets their needs.

Comprehensive Coverage under the Affordable Care Act

Under the Affordable Care Act, health insurance plans must meet a set of minimum requirements to ensure that consumers are getting the coverage they need. All plans that are sold directly to individuals and small businesses must cover a package of "essential health benefits." The general categories of required services in this package include outpatient care, emergency care, hospitalization, prescription drugs, maternity and newborn care, mental health and substance abuse treatment, rehabilitative and habilitative care, laboratory services, preventive and wellness services, chronic disease management, and pediatric services (including dental and vision care). Together, the premium tax credits and these essential health benefit requirements will ensure that those who buy insurance in the new marketplaces will be getting *affordable*, comprehensive coverage.

Additional Help with Out-of-Pocket Health Care Costs

The Affordable Care Act has a number of provisions that are meant to protect individuals and families from high out-of-pocket spending. Annual and lifetime dollar caps on covered benefits will no longer be permitted. This means that consumers who pay for health coverage won't run out of coverage if they develop health problems that are costly to treat. The Affordable Care Act also established caps on the amount an individual or family has to spend on out-of-pocket costs (i.e., deductibles, copayments, and co-insurance) for health services that are part of the essential benefits packages. Furthermore, additional cost-sharing assistance will be available to individuals and families with incomes up to 250 percent of poverty (about $28,725 for an individual or $58,875 for a family of four in 2013). This cost-sharing assistance will increase the proportion of health care costs that an individual or family's plan pays for. It will be available to people who purchase silver plans in the new health insurance marketplaces.

Conclusion

Health reform will provide significant help to more than 25.7 million Americans who will become eligible for premium tax credits in 2014. This assistance, along with several important new consumer protections, will allow individuals and families to purchase affordable health coverage even if they have pre-existing conditions, and even if they change jobs or experience a drop in income. This, in turn, means added economic security for America's working families. As we draw closer to October 2013, when open enrollment begins, it is critical that states and the federal government work closely together to educate the public about how the new tax credits will work and to make it as simple as possible to connect people to this significant new source of help with the cost of health insurance.

Assumptions about the Population Eligible for Premium Tax Credits

The premium tax credits are available only to uninsured people with family incomes at or above 100 percent of the federal poverty level. This is because those who crafted the health care law assumed that uninsured people with incomes below 100 percent of poverty would be enrolled in Medicaid. Medicaid provides out-of-pocket spending protections and additional benefits that are important for coverage to be meaningful for people with such low incomes. If states do not expand their Medicaid programs, most uninsured people with family incomes below 100 percent of poverty will be left without any financial help or affordable insurance options. States that refuse to expand Medicaid, despite the generous federal support offered, will be condemning their most vulnerable residents to remain in the ranks of the uninsured.

For our analysis, we assumed that every state will take advantage of the opportunity to expand Medicaid to those with incomes up to 138 percent* of the federal poverty level ($15,860 for an individual or $32,500 for a family of four in 2013). Under the Affordable Care Act, Americans who are eligible for Medicaid (that is, all families with incomes at or below 138 percent of the federal poverty level) will not be eligible for premium tax credits.

Our analysis also takes into account one exception to the income eligibility rules for premium tax credits: The Affordable Care Act allows any legal U.S. residents who are not eligible for Medicaid due to the Medicaid program's five-year ban rule (even if they have income below 100 percent of poverty) to receive premium tax credits. Therefore, our estimates of the number of people who will be eligible for premium tax credits do include legal residents with incomes below 138 percent of poverty who would not be eligible for Medicaid under the five-year ban rule.

* Under the Affordable Care Act, the first 5 percent of income is not counted, or "disregarded." This means that the eligibility threshold for Medicaid is 138 percent of poverty, not 133 percent of poverty.

Endnotes

[1] Office of the Assistant Secretary of Planning and Evaluation, *2013 Federal Poverty Guidelines* (Washington: Department of Health and Human Services, January 24, 2013).

[2] Families USA analysis of U.S. Census Bureau's Current Population Survey, *Annual Social and Economic Supplement, 2013*, using the CPS Table Creator, available online at http://www.census.gov/cps/data/cpstablecreator.html.

Acknowledgments

This report was written by:

Elizabeth Hagan
Intern, Health Policy
Families USA

Kathleen Stoll
Deputy Executive Director,
Director of Health Policy
Families USA

Kim Bailey
Research Director
Families USA

The following Families USA staff contributed to the preparation of this report:

Alexandra Ernst, Intern, Health Policy

Cheryl Fish-Parcham, Deputy Director of Health Policy

Claire McAndrew, Senior Health Policy Analyst

Elaine Saly, Health Policy Analyst

Ingrid VanTuinen, Deputy Director of Publications

Rachel Strohman, Editorial Assistant

Carla Uriona, Director of Publications

Nancy Magill, Senior Graphic Designer

Data provided by:

The Lewin Group

FamiliesUSA
The Voice for Health Care Consumers

1201 New York Avenue NW, Suite 1100
Washington, DC 20005
Phone: 202-628-3030
Email: info@familiesusa.org
www.familiesusa.org