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Explaining the 2015 Open Enrollment Period

The second annual Open Enrollment period under the Affordable Care Act (ACA) is set to begin November 15, 2014 and run through February 15, 2015. This will be the second annual opportunity for uninsured individuals to enroll in private insurance coverage, premium tax credits and cost sharing subsidies. It also marks the first time that people newly insured in 2014 can renew their health plan coverage and subsidies. And, because tax filing season starts during the final weeks of this period, it coincides with the first time that subsidized individuals will undergo tax reconciliation of their 2014 financial assistance, as well as the first time that the individual responsibility provisions of the ACA will be enforced.

This brief provides an overview of what consumers can expect during the second Open Enrollment period and the tax filing season that follows.

Open Enrollment Changes

Under the ACA, uninsured individuals generally may only enroll in private non-group coverage or change plans during Open Enrollment. At other times, enrollment and plan changes are only possible following a qualifying event – such as loss of other coverage or birth of a child – that triggers a special enrollment period (SEP). Members of federally recognized Native American tribes can enroll and change plans throughout the year. Medicaid enrollment is open year-round for all individuals.

The first Open Enrollment was marred by web site problems and other glitches that initially hindered enrollment for individuals in federally-run Marketplace states and in a number of state-run Marketplaces. Since then federal and state Marketplace officials have worked to improve web sites and streamline enrollment systems with the expectation that the second Open Enrollment period will proceed more smoothly. For the 2015 plan year, 27 federally facilitated Marketplace states, 7 state partnership Marketplaces, and 3 state based Marketplaces will use the federal site, www.healthcare.gov. Some other changes to expect include:

- Additional insurers offering plans – in 35 states, the number of insurance companies offering Marketplace coverage will increase in 2015, while in two states the number will decline.
- Premium and tax credit changes – What people pay for coverage in 2015 will likely change from 2014, due to various factors. As a result, it will be important for consumers to examine their 2015 coverage options and costs during this upcoming Open Enrollment Period. One key factor will be changes in the cost of the benchmark plan in a Marketplace. A preliminary analysis of premiums in 16 cities finds that the premium for the second lowest cost silver plan (the benchmark plan for computing premium tax credit amounts) will decline by 0.8 percent on average. Among those cities, the benchmark premium will increase by as much as 8.7% and decline by as much as 15.6%. These changes will have an effect on the cost of coverage for most consumers (i.e., those who are eligible for premium tax credits), even if their own circumstances don't

change from 2014 to 2015. In addition, changes in an individual's income, age, and family status, as well as changes in the formula for calculating premium tax credit eligibility, will also affect the cost of coverage for consumers.

- Cost sharing changes – All Marketplace plans are required to set a cap on total out of pocket spending (deductibles, copays and coinsurance) consumers can be required to pay for in-network services in a year. The maximum out of pocket cap for 2015 will increase to $6,600 for an individual ($13,200 for a family policy), compared to $6,350/$12,700 in 2014.
- Individual responsibility changes – Under the ACA, individuals are required to have health insurance or pay a tax penalty. The penalty is being phased in. For 2014, the penalty is the greater of $95 per adult or 1% of household income over the tax filing threshold; in 2015 it will increase to $325 per adult or 2% of household income over the tax filing threshold. The amount of penalty is capped at the cost of the lowest cost bronze plan, and the law exempts from the penalty people who don't obtain coverage because it is unaffordable or for some other
- Medicaid changes – So far one additional state, Pennsylvania, will adopt expanded Medicaid eligibility for adults starting in 2015, bringing the number of expansion states to 28. Other states that have not yet elected the expansion may decide to expand Medicaid eligibility at any time.

New Enrollment

During the first Open Enrollment period, 8 million individuals signed up for non-group coverage through federal and state Marketplaces. (Non-group coverage fluctuates throughout the year as people become eligible or lose eligibility for other coverage; as of September 2014, Marketplace enrollment was 7.3 million.) Approximately 85 percent of Marketplace enrollees are receiving premium tax credits to make coverage more affordable. Estimates of Marketplace enrollment are projected to increase over time as, historically, has enrollment in any new health coverage program. Surveys indicate that most uninsured people are unaware of the upcoming Open Enrollment. As a result, public education and outreach will be key to increasing enrollment. Navigators and other in-person assisters will be available again this year to help individuals apply for coverage and subsidies. Assisters will also conduct outreach activities to educate the public about coverage options and this next opportunity to enroll. During the first Open Enrollment, in person assistance was a time-intensive process, with appointments lasting one to two hours on average. Assisters report they were able to help most who sought it, but during the final weeks of Open Enrollment (when nearly half of all consumers signed up last year) it was more often the case that Assisters had to turn some people away.

Renewing Coverage

The upcoming Open Enrollment presents the first time consumers will have to renew coverage under Marketplace health plans – also called qualified health plans, or QHPs. All QHPs are offered on a calendar year basis. As a result, people currently enrolled in a QHP will need to have coverage renewed or pick a new plan in order to be insured in 2015. In every Marketplace, an auto-renewal process will be used to re-enroll consumers under their current health plan for another year if they don't take action themselves to renew.

Prior to November 15, all Marketplace plan enrollees will receive a notice from their health insurer explaining the renewal process. The notice will remind consumers that Open Enrollment is their opportunity to shop for a new plan or renew coverage under their current plan. The details of the renewal process may vary somewhat by state. In the 37 Marketplaces that use healthcare.gov, the notice will indicate whether the individual's plan is being offered again in 2015 and will describe any plan changes as well as the new 2015 premium. It will state that if the consumer does not act to affirmatively renew or change coverage by December 15, 2014, she will be automatically renewed under her current plan. If the consumer's plan is not being offered again in 2015, the notice will describe a similar plan offered by the insurer and advise that the consumer will be automatically enrolled in that plan if she doesn't take action by December 15, 2014. Finally, if the insurer is leaving the non-group market altogether, the notice will indicate that automatic renewal is not possible and the consumer should shop for new coverage.

Consumers who are automatically enrolled or renewed in coverage for January 1, 2015, can still take advantage of the remainder of Open Enrollment to compare coverage options and enroll in a new plan. For those who do so and pick a new plan by January 15, new coverage can be effective February 1. Consumers who pick a new plan by February 15 can have new coverage take effect on March 1.

Renewing Premium tax credits

Premium tax credits for QHPs also work on a calendar year, so current Marketplace enrollees receiving advanced premium tax credits (APTC) will need to have their financial assistance renewed. Notices from health plans as well as from the Marketplace will explain the process for renewing APTC and encourage consumers to actively reapply in 2015.

The amount of APTC any individual receives is based on a formula that takes into account that person's estimated income and household size for the calendar year, as well as the cost of the second lowest cost silver plan offered in the Marketplace. The premium for that benchmark plan takes into account the age of the covered person (and any family members.) Any change in a person's income, family status or age can change the amount of APTC for which they are eligible. In addition, because new plans will be offered in many Marketplaces in 2015, the cost of the benchmark plan, as well as the benchmark plan itself, may have changed. As a result, the amount of 2015 APTC is likely to change for most current recipients, at least slightly. By updating one's application for financial assistance each year, consumers can receive the most accurate amount of help paying for premiums and other out of pocket costs. They can also reduce the chances of taking too much APTC in 2015 and having to repay the IRS for some or all of the excess at year end.

As with the renewal of health plan coverage, automatic APTC renewal procedures will be available in most states.[1] In Marketplaces that use healthcare.gov, renewal notices will encourage consumers to reapply for financial assistance during Open Enrollment. To do this, consumers can log into their healthcare.gov account and find the information they entered on last year's application. Once all information is confirmed or updated, consumers will receive a new eligibility determination, typically within a few minutes. They will then be prompted to select a health plan. Even if consumers intend to keep the same plan for 2015, they must re-select that plan in order for their updated APTC to be applied to that plan next year. Consumers should keep handy the renewal notice from their insurer as this will contain the exact information needed to re-select that plan.

In healthcare.gov states, consumers who don't update their financial assistance application by December 15, 2015 will automatically have their 2014 APTC amount renewed for 2015. Some consumers will not be eligible to have their APTC's automatically renewed. These include

- people who, when they applied for 2014 financial assistance, did not authorize the Marketplace to check their IRS data for annual redeterminations. The vast majority of applicants who used healthcare.gov did check a box granting this authorization, though about 100,000 did not
- people who did authorize the Marketplace to check their most recent tax return and whose income on the 2013 return was more than 500 percent of the federal poverty level

These individuals can still apply for and receive APTC in 2015 if their projected 2015 income is between 100 and 400 percent of the federal poverty level.

Tax-Related Changes

Just as the second Open Enrollment period concludes, the 2014 income tax filing season begins and consumers will face new tax activities and forms related to the ACA.

Tax Filling and the Personal Responsibility Requirement

Starting in 2014 all individuals are responsible to have health coverage or pay a tax penalty. The requirement is enforced through the tax system. When they file their 2014 federal income tax return, consumers will need to indicate whether they had coverage for the entire year. If not they will owe a penalty for each month they were uninsured unless they are eligible for an exemption.

At the end of January, 2015, people who had coverage during 2014 will receive a new form 1095-B from their health insurer. Employer-sponsored group health plans, other private insurers, and public programs such as Medicaid and CHIP will provide a form 1095-B to each of their enrollees indicating the months they were covered during 2014. People who were covered the entire year will be able to check a box on their income tax return so indicating and will not have to pay a penalty.

Millions of people who were not covered the entire year will be eligible for an exemption from the penalty. The ACA provides for exemptions for people who

- cannot afford coverage (defined as those who would pay more than 8 percent of their household income for the lowest cost bronze plan available to them through the Marketplace)
- are not a U.S. citizen, a U.S. national, or a resident alien lawfully present in the U.S.
- had a gap in coverage for less than 3 consecutive months during the year
- won't file a tax return because their income is below the tax filing threshold (In 2014 the tax filing thresholds are $10,150 for individuals and $20,300 for married persons filing a joint return)

- are unable to qualify for Medicaid because their state has chosen not to expand the program
- participate in a health care sharing ministry or are a member of a recognized religious sect with objections to health insurance
- are a member of a federally recognized Indian tribe
- are incarcerated

Some exemptions must be obtained by applying directly to the Marketplace. People who may be eligible for exemptions and who have not yet applied for one can still do so before the end of the year. Paper applications are required. Navigators and other in-person assisters can help consumers answer questions and apply for exemptions from the Marketplace. Some exemptions can be claimed on the income tax return. Consumers will have to file a new IRS Form 8965 with their tax return to seek an exemption this way. Those who obtained a Marketplace exemption will need to note the exemption certificate number of Form 8965 and file this with their return. Some exemptions can be obtained either from the Marketplace or on the tax return. The exemption for people who don't earn enough to file taxes is automatic.

Tax Filling and APTC Reconciliation

Finally, all individuals who received APTC during 2014 are required to file a federal income tax return next spring, even if they don't owe taxes. The APTC is an advanced payment based on a person's estimated household income for the year, but the final tax credit a person is eligible for is based on her actual income for the year. The tax return is the place where consumers must reconcile the amount of APTC they received and the amount they were eligible for.

At the end of January, all individuals who received APTC during 2014 will receive a Form 1095-A from the Marketplace. This form will indicate the amount of APTC paid to insurers on the consumer's behalf during the year. Information on this form will also be reported to the IRS.

Consumers who received an APTC will have to file a new form with their income tax return – Form 8962. Instructions for this form explain how to calculate the amount of a person's 2014 premium tax credit eligibility based on the income reported on their return, as well as any overpayment or underpayment that may have occurred. Consumers who over-estimated their income and didn't receive all of the APTC they were eligible for can receive the remainder as a tax refund. Those who under-estimated their income and received too much APTC may have to pay some or all of it back. There are limits on subsidy repayment under the ACA for those whose 2014 income was 400% of the federal poverty level or less. Consumers whose income exceeded 400% of the federal poverty level must repay the entire amount of APTC received in 2014.

Repayment Limits for Advance Premium Tax Credits, 2014				
Income as percentage of poverty line	Annual income for an individual	Repayment limit for an individual	Annual income for a family of four	Repayment limit for married taxpayers filling jointly
Under 200%	Under $22,980	$300	Under $47,100	$600
At least 200% but less than 300%	$22,980 – $34,470	$750	$47,100 – $70,650	$1,500
At least 300% but less than 400%	$34,470 – $45,960	$1,250	$70,650 – $94,200	$2,500
400% and above	$45,960 or more	Full amount	$94,200 or more	Full amount

In some respects, the second Open Enrollment will be a continuation of the first one; during this Open Enrollment consumers and Marketplaces will, for the first time, experience the full cycle of annual coverage and subsidies – from enrollment to renewal to tax credit reconciliation. New Marketplace systems will be deployed to accomplish these activities, and consumers will need to be mindful of new deadlines and new responsibilities in order to remain continuously covered under affordable health insurance.

ENDNOTES

[1] In some states, such as Maryland, which will launch a new Marketplace web site, automatic renewal of APTC's will not be available this year; instead Maryland residents who received Marketplace APTC's in 2014 will have to reapply to continue receiving them in 2015.