coinsurance or copayments in order to meet the higher actuarial value requirements.

For people with incomes over 250% of FPL, the actuarial value of their plan may not exceed 70%, which is the basic value of the silver plan even for those who receive no financial assistance. This means that, for some people, some cost sharing amounts could increase. That would happen if their out of pocket maximum was decreased to keep within the required lower maximum, because the deductibles, copayments or coinsurance that would otherwise apply would have to be increased to keep the actuarial value at 70%.

Federal Poverty Guidelines (FPG)

2017 Federal Poverty Guidelines used for the 2018 Form 8962, *Premium Tax Credit.*

Persons in Family	*FPL for 48 Contiguous States and the D.C.*	*FPL for Alaska*	*FPL for Hawaii*
1	$12,060	$15,060	$13,860
2	$16,240	$20,290	$18,670
3	$20,420	$25,520	$23,480
4	$24,600	$30,750	$28,290
5	$28,780	$35,980	$33,100
6	$32,960	$41,210	$37,910
7	$37,140	$46,440	$42,720
8	$41,320	$51,670	$47,530
More than 8	Add $4,180 per additional person	Add $5,230 per additional person	Add $4,810 per additional person

Source: https://aspe.hhs.gov/poverty-guidelines

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of $5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

TAX YEAR
2018

Health Care Reform

Cost Sharing Subsidy for Individuals with High-Deductible Plans

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Health Care Reform
Cost Sharing Subsidy for Individuals with High-Deductible Plans

Cost Sharing Subsidy for Individuals with High-Deductible Plans

Out-Of-Pocket Expense Limits

The health care reform law provides for a cost-sharing subsidy to reduce the maximum annual deductible and out-of-pocket expense limits for high-deductible health plans for individuals and households between 100% and 400% of the federal poverty level (FPL). A high-deductible health plan is currently $6,650 for self-only coverage in 2018 and $13,300 for family coverage in 2018. High-deductible health plans are those plans that qualify the taxpayer to contribute to a health savings account (HSA) (or allow an employer to contribute to the HSA of an employee).

Note: The individual does not have to contribute to an HSA to qualify for the subsidy. The individual merely has to have a high-deductible health plan and fall within the FPL income range.

Note: Individuals below 133% of FPL are generally eligible for Medicaid coverage under the health care reform law.

Calculation of Subsidy

For individuals with household income of more than 100%, but not more than 200% of FPL, the out-of-pocket limit is reduced by two-thirds. For those between 201% and 300% of FPL, the out-of-pocket limit is reduced by one-half, and for those between 301% and 400% of FPL, the out-of-pocket limit is reduced by one-third.

Additional Benefits

As with the premium assistance credit, if the plan in which the individual enrolls offers benefits in addition to essential health benefits, even if the state in which the individual resides requires the additional benefits, the reduction in cost sharing does not apply to the additional benefits. Individuals enrolled in both a qualified health plan and a pediatric dental plan may not receive a cost-sharing subsidy for the pediatric dental benefits that are included in the essential health benefits required to be provided by the qualified health plan.

How to Apply for the Subsidy

In applying for enrollment, an individual claiming a cost-sharing subsidy is required to submit to the exchange income and family size information and information regarding changes in marital or family status or income. Personal information provided to the exchange is submitted to the Secretary of Health and Human Services (HHS). In turn, the Secretary of HHS submits the applicable information to the Social Security Commissioner, Homeland Security Secretary, and Treasury Secretary for verification purposes. The Secretary of HHS is notified of the results following verification and notifies the exchange of such results. The law specifies actions to be undertaken if inconsistencies are found.

The secretary notifies the plan that the individual is eligible and the plan reduces the cost sharing by reducing the out-of-pocket limit under the provision. The plan notifies the secretary of cost-sharing reductions and the secretary makes periodic and timely payments to the plan equal to the value of the reductions in cost sharing. The provision authorizes the secretary to establish a capitated payment system with appropriate risk adjustments.

Currently, there is no provision to receive this subsidy by claiming a credit or deduction on the income tax return of the individual. The subsidy is paid directly by the government to the insurance provider, which in turn reduces the amount of out-of-pocket expenses the individual is required to pay. Thus, low-income individuals with high-deductible plans must deal directly with their insurance exchange to receive the subsidy.

See www.healthcare.gov for more information about the cost-sharing subsidy.

Coordination With Other Benefits

People who qualify for the premium assistance tax credit will also be eligible for cost sharing assistance. This will further reduce the limit on the out of pocket maximum that can apply to coverage, with the amount of the reduction depending on income. For those with incomes between 100% and 200% of FPL, a two-third reduction applies. For others, the reduction in the limit is either one-half or one-third, depending on income. The precise amount by which an individual's out of pocket maximum is reduced by this assistance depends on what the maximum is for the plan in which they are enrolled.

In addition, federal payments will be made to health insurers to increase the actuarial value of the plan for people with incomes under 250% of FPL. For example, for people with incomes between 100% and 150% of FPL, the actuarial value of the plan will be increased to 94%. That means in addition to keeping within the lower out of pocket maximums, insurers must make other changes to increase the actuarial value of the coverage. Most likely this will mean reducing plan deductibles,