Help Is At Hand:

New Health Insurance Tax Credits in California

Families USA

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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 Californians to purchase quality health coverage.

This report takes a closer look at these premium tax credits in California, which will help Californians 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 in California and across the country could benefit from the new premium tax credits in 2014. We found that nearly 3 million Californians 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, including California, 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, California and 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 Californians 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 12.

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 in California.

Numbers of People Eligible for the Premium Tax Credit

- Statewide, nearly 3 million Californians 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 52 percent) of the Californians who will be eligible for premium tax credits (see Table 1).

Table 1.

Californians 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%	1,446,470	48.3%
200-399%	1,549,110	51.7%
Total	**2,995,610**	**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 Californians who will be eligible for premium tax credits—about 86 percent—will be in working families.
- Statewide, nearly 2.6 million people, the majority of Californians 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.

Californians 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*	2,584,730	86.3%
Not Employed*	410,870	13.7%
Total	**2,995,610**	**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 Californians in all age groups, from hardworking Californians 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 nearly 38 percent of all those who will be eligible (see Table 3).

Table 3.

Californians 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	628,650	21.0%
18-34	1,130,880	37.8%
35-54	886,890	29.6%
55 and over	349,160	11.7%
Total	**2,995,610**	**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

- More than 30 percent of the Californians who will be eligible for premium tax credits will be white, non-Hispanics (see Table 4).
- Approximately 5 percent of the Californians who will be eligible will be black, non-Hispanics (see Table 4).
- About half (50 percent) of the Californians who will be eligible will be Hispanics (see Table 4).
- Approximately 15 percent of the Californians who will be eligible will identify themselves as being American Indian, Aleut or Eskimo, Asian or Pacific Islander, or a member of more than one group (see Table 4).

Table 4.

Californians 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	903,650	30.2%
Black, Non-Hispanic	144,370	4.8%
Hispanic	1,489,040	49.7%
Other*	458,520	15.3%
Total	**2,995,610**	**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 a member of more than one group.

California County Locations

1	Del Norte, Lassen, Modoc, Siskiyou
2	Humboldt
3	Shasta
4	Lake, Mendocino
5	Colusa, Glenn, Tehama, Trinity
6	Butte
7	Nevada, Plumas, Sierra
8	Sutter, Yuba
9	Yolo
10	Napa
11	Sonoma
12	Marin
13	Solano
14	Sacramento
15	Placer
16	El Dorado
17	Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne
18	San Joaquin
19	Contra Costa
20	San Francisco
21	San Mateo
22	Alameda
23	Stanislaus
24	Santa Clara
25	Santa Cruz
26	Monterey, San Benito
27	Merced
28	Madera
29	Fresno
30	Tulare
31	Kings
32	San Luis Obispo
33	Kern
34	San Bernardino
35	Los Angeles
36	Ventura
37	Santa Barbara
38	Orange
39	Riverside
40	San Diego
41	Imperial

Table 5. Californians Eligible for Premium Tax Credits, By Income Level and County, 2014

	County Name(s)	Income as a Percent of Federal Poverty Level				Total Number
		0-199%		200-399%		
		Number	Percent	Number	Percent	
1	Del Norte, Lassen, Modoc, Siskiyou	4,260	48.2%	4,580	51.8%	8,840
2	Humboldt	7,020	50.1%	6,990	49.9%	14,010
3	Shasta	7,540	48.1%	8,140	51.9%	15,680
4	Lake, Mendocino	6,520	46.8%	7,410	53.2%	13,930
5	Colusa, Glenn, Tehama, Trinity	5,450	49.4%	5,590	50.6%	11,040
6	Butte	9,280	52.8%	8,290	47.2%	17,570
7	Nevada, Plumas, Sierra	4,650	41.1%	6,670	58.9%	11,310
8	Sutter, Yuba	6,740	48.9%	7,050	51.1%	13,790
9	Yolo	7,470	57.1%	5,610	42.9%	13,080
10	Napa	4,450	48.2%	4,790	51.8%	9,240
11	Sonoma	16,900	47.3%	18,860	52.7%	35,770
12	Marin	6,460	44.5%	8,060	55.5%	14,520
13	Solano	10,340	41.7%	14,440	58.3%	24,780
14	Sacramento	47,090	46.8%	53,440	53.2%	100,530
15	Placer	8,370	42.0%	11,570	58.0%	19,940
16	El Dorado	5,160	38.7%	8,190	61.3%	13,350
17	Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne	7,010	46.2%	8,150	53.8%	15,160
18	San Joaquin	25,970	49.0%	27,030	51.0%	52,990
19	Contra Costa	28,300	47.3%	31,550	52.7%	59,850
20	San Francisco	26,880	51.5%	25,360	48.5%	52,240
21	San Mateo	18,690	44.6%	23,240	55.4%	41,930
22	Alameda	45,130	48.4%	48,210	51.6%	93,340
23	Stanislaus	20,940	48.3%	22,450	51.7%	43,390
24	Santa Clara	47,600	47.2%	53,260	52.8%	100,860
25	Santa Cruz	9,100	50.4%	8,950	49.6%	18,040
26	Monterey, San Benito	20,470	52.4%	18,610	47.6%	39,080
27	Merced	10,220	50.8%	9,900	49.2%	20,110
28	Madera	6,180	48.7%	6,510	51.3%	12,690
29	Fresno	41,290	53.7%	35,590	46.3%	76,880
30	Tulare	20,900	50.0%	20,920	50.0%	41,820
31	Kings	5,550	46.5%	6,380	53.5%	11,930
32	San Luis Obispo	9,550	44.5%	11,900	55.5%	21,450
33	Kern	33,740	52.7%	30,320	47.3%	64,050
34	San Bernardino	84,300	45.2%	102,060	54.8%	186,360
35	Los Angeles	463,850	50.0%	464,160	50.0%	928,030
36	Ventura	28,130	42.7%	37,740	57.3%	65,870
37	Santa Barbara	17,650	52.0%	16,290	48.0%	33,940
38	Orange	110,420	46.3%	127,980	53.7%	238,400
39	Riverside	88,190	46.6%	101,210	53.4%	189,410
40	San Diego	112,610	47.5%	124,690	52.5%	237,310
41	Imperial	6,120	46.7%	6,990	53.3%	13,110
	Total, all counties	**1,446,470**	**48.3%**	**1,549,110**	**51.7%**	**2,995,610**

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.

Table 6. Californians Eligible for Premium Tax Credits, By Family Employment Status and County, 2014

County Name(s)		Employed*		Not Employed*		Total
		Number	Percent	Number	Percent	Number
1	Del Norte, Lassen, Modoc, Siskiyou	7,810	88.3%	1,030	11.7%	8,840
2	Humboldt	12,390	88.4%	1,630	11.6%	14,010
3	Shasta	13,750	87.7%	1,930	12.3%	15,680
4	Lake, Mendocino	12,310	88.4%	1,610	11.6%	13,930
5	Colusa, Glenn, Tehama, Trinity	9,710	88.0%	1,330	12.0%	11,040
6	Butte	15,220	86.7%	2,340	13.3%	17,570
7	Nevada, Plumas, Sierra	9,960	88.0%	1,360	12.0%	11,310
8	Sutter, Yuba	12,150	88.1%	1,640	11.9%	13,790
9	Yolo	11,030	84.3%	2,050	15.7%	13,080
10	Napa	8,000	86.6%	1,240	13.4%	9,240
11	Sonoma	31,040	86.8%	4,730	13.2%	35,770
12	Marin	12,300	84.7%	2,220	15.3%	14,520
13	Solano	21,420	86.4%	3,360	13.6%	24,780
14	Sacramento	87,610	87.1%	12,920	12.9%	100,530
15	Placer	17,140	86.0%	2,790	14.0%	19,940
16	El Dorado	11,740	87.9%	1,620	12.1%	13,350
17	Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne	13,070	86.2%	2,100	13.8%	15,160
18	San Joaquin	45,730	86.3%	7,260	13.7%	52,990
19	Contra Costa	50,600	84.6%	9,250	15.4%	59,850
20	San Francisco	43,310	82.9%	8,930	17.1%	52,240
21	San Mateo	35,470	84.6%	6,460	15.4%	41,930
22	Alameda	78,270	83.9%	15,070	16.1%	93,340
23	Stanislaus	37,980	87.5%	5,410	12.5%	43,390
24	Santa Clara	84,410	83.7%	16,450	16.3%	100,860
25	Santa Cruz	15,530	86.1%	2,520	13.9%	18,040
26	Monterey, San Benito	33,890	86.7%	5,190	13.3%	39,080
27	Merced	17,550	87.3%	2,560	12.7%	20,110
28	Madera	11,030	86.9%	1,670	13.1%	12,690
29	Fresno	67,150	87.3%	9,730	12.7%	76,880
30	Tulare	36,690	87.7%	5,130	12.3%	41,820
31	Kings	10,300	86.4%	1,630	13.6%	11,930
32	San Luis Obispo	18,750	87.4%	2,700	12.6%	21,450
33	Kern	55,790	87.1%	8,260	12.9%	64,050
34	San Bernardino	162,750	87.3%	23,610	12.7%	186,360
35	Los Angeles	801,560	86.4%	126,460	13.6%	928,030
36	Ventura	57,310	87.0%	8,560	13.0%	65,870
37	Santa Barbara	29,610	87.3%	4,320	12.7%	33,940
38	Orange	205,130	86.0%	33,280	14.0%	238,400
39	Riverside	164,810	87.0%	24,590	13.0%	189,410
40	San Diego	203,010	85.5%	34,300	14.5%	237,310
41	Imperial	11,460	87.4%	1,650	12.6%	13,110
Total, all counties		**2,584,730**	**86.3%**	**410,870**	**13.7%**	**2,995,610**

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

Table 7. Californians Eligible for Premium Tax Credits, Distribution by Age and County, 2014

		Under 18		Age 18-34		Age 35-54		Age 55+		Total
County Name(s)		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
1	Del Norte, Lassen, Modoc, Siskiyou	1,930	21.8%	3,150	35.6%	2,630	29.8%	1,130	12.8%	8,840
2	Humboldt	2,420	17.3%	5,420	38.7%	4,260	30.4%	1,910	13.7%	14,010
3	Shasta	3,080	19.7%	5,490	35.0%	4,990	31.8%	2,130	13.6%	15,680
4	Lake, Mendocino	2,920	21.0%	4,450	31.9%	4,310	30.9%	2,250	16.1%	13,930
5	Colusa, Glenn, Tehama, Trinity	2,690	24.4%	3,440	31.2%	3,570	32.4%	1,330	12.1%	11,040
6	Butte	3,190	18.2%	7,600	43.3%	4,620	26.3%	2,150	12.2%	17,570
7	Nevada, Plumas, Sierra	1,890	16.7%	3,580	31.6%	3,860	34.1%	1,980	17.5%	11,310
8	Sutter, Yuba	3,420	24.8%	5,190	37.6%	3,930	28.5%	1,260	9.1%	13,790
9	Yolo	2,520	19.2%	6,080	46.5%	3,090	23.6%	1,400	10.7%	13,080
10	Napa	1,720	18.6%	3,490	37.8%	2,750	29.7%	1,280	13.9%	9,240
11	Sonoma	6,750	18.9%	12,350	34.5%	11,000	30.8%	5,670	15.9%	35,770
12	Marin	2,400	16.5%	4,120	28.4%	4,890	33.7%	3,110	21.4%	14,520
13	Solano	5,570	22.5%	9,200	37.1%	6,880	27.8%	3,120	12.6%	24,780
14	Sacramento	23,380	23.3%	36,950	36.8%	28,420	28.3%	11,780	11.7%	100,530
15	Placer	3,860	19.3%	7,670	38.4%	5,700	28.6%	2,720	13.6%	19,940
16	El Dorado	2,830	21.2%	4,470	33.5%	4,080	30.5%	1,980	14.8%	13,350
17	Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne	2,850	18.8%	4,840	31.9%	4,640	30.6%	2,840	18.7%	15,160
18	San Joaquin	12,610	23.8%	19,610	37.0%	15,320	28.9%	5,450	10.3%	52,990
19	Contra Costa	11,710	19.6%	21,720	36.3%	17,480	29.2%	8,940	14.9%	59,850
20	San Francisco	6,830	13.1%	19,820	37.9%	17,070	32.7%	8,520	16.3%	52,240
21	San Mateo	7,850	18.7%	13,950	33.3%	12,710	30.3%	7,420	17.7%	41,930
22	Alameda	18,170	19.5%	34,190	36.6%	27,900	29.9%	13,080	14.0%	93,340
23	Stanislaus	10,650	24.5%	16,510	38.1%	12,020	27.7%	4,210	9.7%	43,390
24	Santa Clara	20,810	20.6%	36,970	36.7%	29,340	29.1%	13,740	13.6%	100,860
25	Santa Cruz	3,260	18.1%	6,390	35.4%	5,780	32.0%	2,630	14.5%	18,040
26	Monterey, San Benito	8,820	22.6%	15,050	38.5%	11,110	28.4%	4,100	10.5%	39,080
27	Merced	5,100	25.4%	7,500	37.3%	5,710	28.4%	1,810	9.0%	20,110
28	Madera	3,300	26.0%	4,660	36.7%	3,450	27.2%	1,280	10.0%	12,690
29	Fresno	18,600	24.2%	29,920	38.9%	21,090	27.4%	7,270	9.5%	76,880
30	Tulare	10,620	25.4%	16,000	38.3%	11,580	27.7%	3,620	8.6%	41,820
31	Kings	3,200	26.8%	5,100	42.7%	2,960	24.8%	680	5.7%	11,930
32	San Luis Obispo	3,900	18.2%	8,830	41.1%	5,910	27.5%	2,820	13.1%	21,450
33	Kern	15,940	24.9%	24,850	38.8%	18,010	28.1%	5,260	8.2%	64,050
34	San Bernardino	43,930	23.6%	74,270	39.9%	52,180	28.0%	15,970	8.6%	186,360
35	Los Angeles	184,640	19.9%	346,660	37.4%	288,600	31.1%	108,110	11.6%	928,030
36	Ventura	15,060	22.9%	23,570	35.8%	19,100	29.0%	8,150	12.4%	65,870
37	Santa Barbara	7,080	20.9%	13,430	39.6%	9,560	28.2%	3,880	11.4%	33,940
38	Orange	49,850	20.9%	87,820	36.8%	70,610	29.6%	30,130	12.6%	238,400
39	Riverside	42,250	22.3%	76,400	40.3%	53,620	28.3%	17,120	9.0%	189,410
40	San Diego	47,590	20.1%	95,270	40.1%	68,620	28.9%	25,830	10.9%	237,310
41	Imperial	3,460	26.4%	4,950	37.7%	3,590	27.3%	1,120	8.5%	13,110
Total, all counties		**628,650**	**21.0%**	**1,130,880**	**37.8%**	**886,890**	**29.6%**	**349,160**	**11.7%**	**2,995,610**

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.

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

	County Name(s)	White, Non-Hispanic		Black, Non-Hispanic		Hispanic		Other*		Total
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
1	Del Norte, Lassen, Modoc, Siskiyou	6,600	74.7%	70	0.8%	990	11.2%	1,180	13.3%	8,840
2	Humboldt	10,550	75.3%	100	0.7%	1,280	9.2%	2,080	14.9%	14,010
3	Shasta	12,430	79.2%	160	1.0%	1,490	9.5%	1,600	10.2%	15,680
4	Lake, Mendocino	9,370	67.3%	170	1.2%	3,060	22.0%	1,330	9.6%	13,930
5	Colusa, Glenn, Tehama, Trinity	6,330	57.3%	50	0.4%	3,890	35.2%	780	7.1%	11,040
6	Butte	12,720	72.4%	240	1.3%	2,850	16.2%	1,750	10.0%	17,570
7	Nevada, Plumas, Sierra	9,200	81.3%	40	0.4%	1,350	11.9%	730	6.4%	11,310
8	Sutter, Yuba	6,370	46.2%	130	0.9%	4,940	35.8%	2,350	17.1%	13,790
9	Yolo	5,890	45.1%	280	2.1%	4,490	34.3%	2,410	18.5%	13,080
10	Napa	4,210	45.6%	170	1.9%	3,850	41.7%	1,010	10.9%	9,240
11	Sonoma	20,390	57.0%	440	1.2%	11,600	32.4%	3,350	9.4%	35,770
12	Marin	9,080	62.6%	240	1.7%	3,490	24.0%	1,710	11.8%	14,520
13	Solano	8,100	32.7%	3,050	12.3%	8,470	34.2%	5,150	20.8%	24,780
14	Sacramento	43,040	42.8%	8,690	8.6%	28,170	28.0%	20,630	20.5%	100,530
15	Placer	13,030	65.3%	280	1.4%	4,340	21.8%	2,290	11.5%	19,940
16	El Dorado	9,280	69.5%	60	0.4%	2,790	20.9%	1,230	9.2%	13,350
17	Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, Tuolumne	11,170	73.7%	80	0.5%	2,530	16.7%	1,390	9.1%	15,160
18	San Joaquin	14,940	28.2%	2,840	5.4%	25,590	48.3%	9,630	18.2%	52,990
19	Contra Costa	22,110	36.9%	5,280	8.8%	20,490	34.2%	11,960	20.0%	59,850
20	San Francisco	19,170	36.7%	3,020	5.8%	10,260	19.6%	19,790	37.9%	52,240
21	San Mateo	13,300	31.7%	1,270	3.0%	14,690	35.0%	12,670	30.2%	41,930
22	Alameda	24,810	26.6%	10,470	11.2%	28,050	30.0%	30,010	32.1%	93,340
23	Stanislaus	16,140	37.2%	1,060	2.4%	22,630	52.2%	3,550	8.2%	43,390
24	Santa Clara	24,940	24.7%	1,960	1.9%	39,380	39.0%	34,580	34.3%	100,860
25	Santa Cruz	8,880	49.2%	170	0.9%	7,540	41.8%	1,470	8.1%	18,040
26	Monterey, San Benito	9,250	23.7%	830	2.1%	26,100	66.8%	2,900	7.4%	39,080
27	Merced	4,980	24.7%	500	2.5%	12,830	63.8%	1,820	9.0%	20,110
28	Madera	3,770	29.7%	310	2.4%	8,090	63.7%	530	4.2%	12,690
29	Fresno	20,340	26.5%	2,640	3.4%	44,810	58.3%	9,090	11.8%	76,880
30	Tulare	10,690	25.6%	440	1.1%	28,330	67.8%	2,350	5.6%	41,820
31	Kings	3,120	26.1%	440	3.7%	7,800	65.4%	570	4.8%	11,930
32	San Luis Obispo	13,580	63.3%	30	0.1%	6,060	28.3%	1,780	8.3%	21,450
33	Kern	19,600	30.6%	2,200	3.4%	38,020	59.4%	4,230	6.6%	64,050
34	San Bernardino	45,820	24.6%	11,470	6.2%	113,210	60.7%	15,860	8.5%	186,360
35	Los Angeles	176,260	19.0%	62,540	6.7%	551,270	59.4%	137,940	14.9%	928,030
36	Ventura	22,950	34.8%	760	1.2%	35,840	54.4%	6,330	9.6%	65,870
37	Santa Barbara	12,900	38.0%	610	1.8%	17,950	52.9%	2,480	7.3%	33,940
38	Orange	74,840	31.4%	3,330	1.4%	113,500	47.6%	46,740	19.6%	238,400
39	Riverside	53,700	28.4%	8,820	4.7%	110,820	58.5%	16,050	8.5%	189,410
40	San Diego	88,340	37.2%	9,010	3.8%	105,140	44.3%	34,820	14.7%	237,310
41	Imperial	1,490	11.3%	140	1.1%	11,110	84.7%	380	2.9%	13,110
Total, all counties		**903,650**	**30.2%**	**144,370**	**4.8%**	**1,489,040**	**49.7%**	**458,520**	**15.3%**	**2,995,610**

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.

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 7.3 million Californians were uninsured.[2] The new premium tax credits, which are entirely financed by the federal government, will provide much-needed relief to millions of low- to moderate-income uninsured and underinsured Californians. 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 14). 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. Nearly 3 million Californians 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 nearly 3 million Californians 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 California'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 California does not expand its Medicaid program, 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 California will take advantage of the opportunity to expand Medicaid to all Californians 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, Californians 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.

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