



New Health Insurance
Tax Credits in North Carolina

**Help Is at Hand:
New Health Insurance Tax Credits in North Carolina**

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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 North Carolinians to purchase quality health coverage.

This report takes a closer look at these premium tax credits in North Carolina, which will help North Carolinians 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 North Carolina and across the country could benefit from the new premium tax credits in 2014. We found that nearly 869,000 North Carolinians 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 North Carolina, 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, North Carolina 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 North Carolinians 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 North Carolina.

Numbers of People Eligible for the Premium Tax Credit

- Statewide, nearly 869,000 North Carolinians 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 55 percent) of North Carolinians who will be eligible for premium tax credits (see Table 1).

Table 1.

North Carolinians 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%	392,440	45.2%
200-399%	476,100	54.8%
Total	868,520	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 North Carolinians who will be eligible for premium tax credits—about 89 percent—will be in working families.
- Statewide, nearly 773,000 people, the majority of North Carolinians 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.
North Carolinians 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*	772,890	89.0%
Not Employed*	95,640	11.0%
Total	868,520	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 North Carolinians in all age groups, from hardworking North Carolinians 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 approximately 36 percent of all those who will be eligible (see Table 3).

Table 3.
North Carolinians 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	177,640	20.5%
18-34	309,480	35.6%
35-54	271,800	31.3%
55 and over	109,640	12.6%
Total	868,520	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

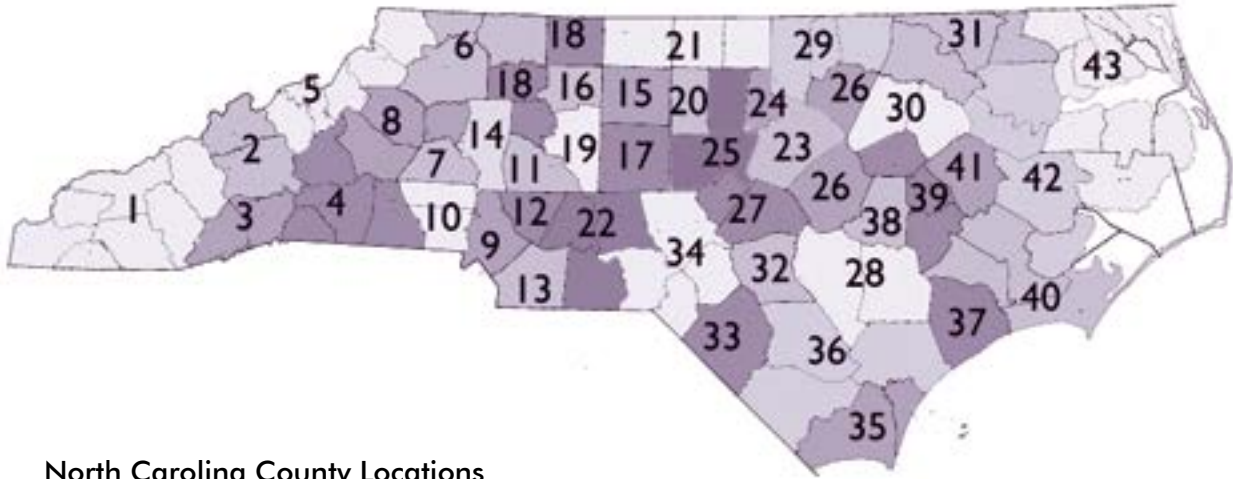
- About 64 percent of the North Carolinians who will be eligible for premium tax credits will be white, non-Hispanics (see Table 4).
- Approximately a fifth (about 19 percent) of the North Carolinians who will be eligible will be black, non-Hispanics (see Table 4).
- About 11.5 percent of the North Carolinians who will be eligible will be Hispanics (see Table 4).
- Approximately 6 percent of the North Carolinians 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.
North Carolinians 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	552,930	63.7%
Black, Non-Hispanic	166,670	19.2%
Hispanic	99,740	11.5%
Other*	49,190	5.7%
Total	868,520	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.



North Carolina County Locations

- | | | | |
|----|--------------------------------------------------------|----|-------------------------------------------------------------------------------------------|
| 1 | Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain | 24 | Durham |
| 2 | Buncombe, Madison | 25 | Chatham, Orange |
| 3 | Henderson, Transylvania | 26 | Franklin, Johnston |
| 4 | Cleveland, McDowell, Polk, Rutherford | 27 | Harnett, Lee |
| 5 | Ashe, Avery, Mitchell, Watauga, Yancey | 28 | Duplin, Sampson |
| 6 | Alleghany, Surry, Wilkes | 29 | Granville, Vance, Warren |
| 7 | Catawba | 30 | Edgecombe, Nash |
| 8 | Alexander, Burke, Caldwell | 31 | Halifax, Hertford, Northampton |
| 9 | Mecklenburg | 32 | Cumberland |
| 10 | Gaston, Lincoln | 33 | Robeson |
| 11 | Rowan | 34 | Hoke, Moore, Richmond, Scotland |
| 12 | Cabarrus | 35 | Brunswick, New Hanover |
| 13 | Union | 36 | Bladen, Columbus, Pender |
| 14 | Iredell | 37 | Onslow |
| 15 | Guilford | 38 | Wayne |
| 16 | Forsyth | 39 | Greene, Lenoir, Wilson |
| 17 | Randolph | 40 | Carteret, Craven, Jones |
| 18 | Davie, Stokes, Yadkin | 41 | Pitt |
| 19 | Davidson | 42 | Beaufort, Bertie, Martin, Pamlico |
| 20 | Alamance | 43 | Camden, Chowan, Currituck, Dare, Gates, Hyde, Pasquotank, Perquimans, Tyrrell, Washington |
| 21 | Caswell, Person, Rockingham | | |
| 22 | Anson, Montgomery, Stanly | | |
| 23 | Wake | | |

Table 5. North Carolinians Eligible for Premium Tax Credits, Distribution 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 Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain	9,360	40.7%	13,620	59.3%	22,980
2 Buncombe, Madison	11,970	44.2%	15,090	55.8%	27,060
3 Henderson, Transylvania	5,350	42.1%	7,370	57.9%	12,720
4 Cleveland, McDowell, Polk, Rutherford	10,400	43.2%	13,670	56.8%	24,070
5 Ashe, Avery, Mitchell, Watauga, Yancey	7,020	48.2%	7,540	51.8%	14,560
6 Alleghany, Surry, Wilkes	7,760	50.7%	7,550	49.3%	15,310
7 Catawba	6,650	41.9%	9,220	58.1%	15,870
8 Alexander, Burke, Caldwell	9,010	43.5%	11,700	56.5%	20,710
9 Mecklenburg	36,320	44.9%	44,490	55.1%	80,800
10 Gaston, Lincoln	10,860	38.7%	17,180	61.3%	28,040
11 Rowan	5,720	41.7%	8,010	58.3%	13,720
12 Cabarrus	5,880	39.1%	9,180	60.9%	15,060
13 Union	8,230	43.6%	10,660	56.4%	18,900
14 Iredell	6,540	44.5%	8,140	55.5%	14,680
15 Guilford	20,230	45.4%	24,350	54.6%	44,580
16 Forsyth	14,460	47.1%	16,220	52.9%	30,680
17 Randolph	6,490	43.9%	8,290	56.1%	14,770
18 Davie, Stokes, Yadkin	5,270	45.0%	6,450	55.0%	11,710
19 Davidson	6,360	43.1%	8,390	56.9%	14,750
20 Alamance	6,890	48.1%	7,430	51.9%	14,320
21 Caswell, Person, Rockingham	6,280	41.8%	8,730	58.2%	15,010
22 Anson, Montgomery, Stanly	4,370	43.8%	5,600	56.2%	9,970
23 Wake	30,440	43.6%	39,330	56.4%	69,770
24 Durham	11,120	47.8%	12,160	52.2%	23,280
25 Chatham, Orange	7,600	49.9%	7,620	50.1%	15,220
26 Franklin, Johnston	10,680	44.3%	13,400	55.7%	24,080
27 Harnett, Lee	9,410	50.0%	9,390	50.0%	18,790
28 Duplin, Sampson	7,790	52.8%	6,950	47.2%	14,740
29 Granville, Vance, Warren	4,660	49.1%	4,820	50.8%	9,490
30 Edgecombe, Nash	5,420	44.1%	6,880	56.0%	12,290
31 Halifax, Hertford, Northampton	3,760	48.7%	3,970	51.3%	7,730
32 Cumberland	11,200	50.8%	10,860	49.2%	22,050
33 Robeson	6,650	44.8%	8,180	55.2%	14,840
34 Hoke, Moore, Richmond, Scotland	10,070	48.6%	10,670	51.4%	20,740
35 Brunswick, New Hanover	13,220	40.7%	19,250	59.3%	32,470
36 Bladen, Columbus, Pender	6,750	43.7%	8,700	56.3%	15,450
37 Onslow	5,810	56.1%	4,550	43.9%	10,360
38 Wayne	4,840	48.2%	5,210	51.8%	10,050
39 Greene, Lenoir, Wilson	6,730	49.2%	6,960	50.8%	13,690
40 Carteret, Craven, Jones	6,670	45.0%	8,140	55.0%	14,820
41 Pitt	7,400	51.6%	6,960	48.4%	14,360
42 Beaufort, Bertie, Martin, Pamlico	3,980	48.2%	4,270	51.8%	8,250
43 Camden, Chowan, Currituck, Dare, Gates, Hyde, Pasquotank, Perquimans, Tyrrell, Washington	6,840	43.3%	8,960	56.7%	15,800
Total, all counties	392,440	45.2%	476,100	54.8%	868,520

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. North Carolinians Eligible for Premium Tax Credits, Distribution by Family Employment Status and County, 2014

County Name(s)	Employed*		Not Employed*		Total Number
	Number	Percent	Number	Percent	
1 Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain	20,580	89.6%	2,390	10.4%	22,980
2 Buncombe, Madison	24,210	89.5%	2,850	10.5%	27,060
3 Henderson, Transylvania	11,490	90.3%	1,240	9.7%	12,720
4 Cleveland, McDowell, Polk, Rutherford	21,390	88.9%	2,680	11.1%	24,070
5 Ashe, Avery, Mitchell, Watauga, Yancey	13,080	89.8%	1,480	10.2%	14,560
6 Alleghany, Surry, Wilkes	13,700	89.5%	1,610	10.5%	15,310
7 Catawba	14,140	89.1%	1,730	10.9%	15,870
8 Alexander, Burke, Caldwell	18,610	89.9%	2,090	10.1%	20,710
9 Mecklenburg	72,410	89.6%	8,390	10.4%	80,800
10 Gaston, Lincoln	25,370	90.5%	2,670	9.5%	28,040
11 Rowan	12,290	89.6%	1,430	10.4%	13,720
12 Cabarrus	13,600	90.3%	1,460	9.7%	15,060
13 Union	16,970	89.8%	1,930	10.2%	18,900
14 Iredell	13,200	89.9%	1,480	10.1%	14,680
15 Guilford	39,420	88.4%	5,170	11.6%	44,580
16 Forsyth	27,010	88.0%	3,670	12.0%	30,680
17 Randolph	13,490	91.3%	1,290	8.7%	14,770
18 Davie, Stokes, Yadkin	10,430	89.1%	1,280	10.9%	11,710
19 Davidson	13,240	89.8%	1,510	10.2%	14,750
20 Alamance	12,980	90.7%	1,340	9.3%	14,320
21 Caswell, Person, Rockingham	13,500	89.9%	1,510	10.1%	15,010
22 Anson, Montgomery, Stanly	8,870	88.9%	1,100	11.1%	9,970
23 Wake	62,060	89.0%	7,710	11.0%	69,770
24 Durham	20,490	88.0%	2,800	12.0%	23,280
25 Chatham, Orange	13,220	86.9%	2,000	13.1%	15,220
26 Franklin, Johnston	21,620	89.8%	2,460	10.2%	24,080
27 Harnett, Lee	16,660	88.6%	2,140	11.4%	18,790
28 Duplin, Sampson	13,050	88.5%	1,690	11.5%	14,740
29 Granville, Vance, Warren	8,310	87.6%	1,170	12.4%	9,490
30 Edgecombe, Nash	10,940	89.0%	1,350	11.0%	12,290
31 Halifax, Hertford, Northampton	6,920	89.5%	820	10.5%	7,730
32 Cumberland	18,730	84.9%	3,330	15.1%	22,050
33 Robeson	13,270	89.4%	1,570	10.6%	14,840
34 Hoke, Moore, Richmond, Scotland	18,100	87.2%	2,650	12.8%	20,740
35 Brunswick, New Hanover	29,230	90.0%	3,240	10.0%	32,470
36 Bladen, Columbus, Pender	13,780	89.2%	1,660	10.8%	15,450
37 Onslow	8,620	83.2%	1,740	16.8%	10,360
38 Wayne	8,880	88.3%	1,170	11.7%	10,050
39 Greene, Lenoir, Wilson	12,210	89.2%	1,470	10.8%	13,690
40 Carteret, Craven, Jones	12,750	86.0%	2,070	14.0%	14,820
41 Pitt	12,870	89.7%	1,490	10.3%	14,360
42 Beaufort, Bertie, Martin, Pamlico	7,210	87.4%	1,040	12.6%	8,250
43 Camden, Chowan, Currituck, Dare, Gates, Hyde, Pasquotank, Perquimans, Tyrrell, Washington	14,020	88.7%	1,780	11.3%	15,800
Total, all counties	772,890	89.0%	95,640	11.0%	868,520

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. North Carolinians Eligible for Premium Tax Credits, Distribution by Age and County, 2014

County Name(s)	Under 18		Age 18-34		Age 35-54		Age 55+		Total Number
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
1 Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain	4,210	18.3%	7,620	33.1%	7,570	32.9%	3,590	15.6%	22,980
2 Buncombe, Madison	5,290	19.5%	9,040	33.4%	8,820	32.6%	3,920	14.5%	27,060
3 Henderson, Transylvania	2,320	18.2%	4,130	32.5%	4,240	33.3%	2,040	16.0%	12,720
4 Cleveland, McDowell, Polk, Rutherford	5,450	22.6%	7,230	30.0%	7,580	31.5%	3,810	15.8%	24,070
5 Ashe, Avery, Mitchell, Watauga, Yancey	2,680	18.4%	5,950	40.9%	3,950	27.1%	1,980	13.6%	14,560
6 Alleghany, Surry, Wilkes	3,020	19.7%	4,820	31.5%	5,160	33.7%	2,310	15.1%	15,310
7 Catawba	3,500	22.0%	5,430	34.2%	4,890	30.8%	2,060	13.0%	15,870
8 Alexander, Burke, Caldwell	4,220	20.4%	7,050	34.0%	6,660	32.2%	2,780	13.4%	20,710
9 Mecklenburg	16,100	19.9%	29,060	36.0%	26,320	32.6%	9,330	11.5%	80,800
10 Gaston, Lincoln	6,100	21.7%	9,070	32.4%	9,250	33.0%	3,620	12.9%	28,040
11 Rowan	2,810	20.5%	4,810	35.1%	4,270	31.1%	1,830	13.3%	13,720
12 Cabarrus	3,300	21.9%	5,520	36.7%	4,560	30.3%	1,680	11.2%	15,060
13 Union	4,420	23.4%	6,890	36.5%	5,440	28.8%	2,150	11.4%	18,900
14 Iredell	3,030	20.6%	5,370	36.6%	4,440	30.2%	1,850	12.6%	14,680
15 Guilford	8,760	19.7%	16,290	36.5%	13,630	30.6%	5,900	13.2%	44,580
16 Forsyth	6,080	19.8%	11,070	36.1%	9,420	30.7%	4,110	13.4%	30,680
17 Randolph	2,870	19.4%	5,290	35.8%	4,730	32.0%	1,890	12.8%	14,770
18 Davie, Stokes, Yadkin	2,500	21.3%	3,500	29.9%	3,750	32.0%	1,970	16.8%	11,710
19 Davidson	3,090	20.9%	4,910	33.3%	4,740	32.2%	2,010	13.6%	14,750
20 Alamance	2,780	19.4%	5,330	37.2%	4,410	30.8%	1,790	12.5%	14,320
21 Caswell, Person, Rockingham	2,800	18.7%	4,600	30.7%	5,320	35.5%	2,290	15.2%	15,010
22 Anson, Montgomery, Stanly	2,140	21.5%	3,090	31.0%	3,210	32.1%	1,540	15.4%	9,970
23 Wake	14,380	20.6%	26,960	38.6%	20,850	29.9%	7,590	10.9%	69,770
24 Durham	4,700	20.2%	9,080	39.0%	6,960	29.9%	2,540	10.9%	23,280
25 Chatham, Orange	2,980	19.6%	6,260	41.1%	4,090	26.9%	1,890	12.4%	15,220
26 Franklin, Johnston	5,340	22.2%	8,720	36.2%	7,650	31.8%	2,370	9.9%	24,080
27 Harnett, Lee	4,320	23.0%	6,780	36.1%	5,890	31.3%	1,810	9.6%	18,790
28 Duplin, Sampson	3,010	20.4%	5,040	34.2%	5,030	34.2%	1,660	11.2%	14,740
29 Granville, Vance, Warren	2,070	21.8%	3,220	33.9%	2,970	31.3%	1,240	13.0%	9,490
30 Edgecombe, Nash	2,580	21.0%	4,020	32.7%	3,960	32.2%	1,730	14.1%	12,290
31 Halifax, Hertford, Northampton	1,610	20.8%	2,690	34.8%	2,360	30.5%	1,070	13.9%	7,730
32 Cumberland	4,690	21.2%	8,870	40.2%	6,520	29.6%	1,980	9.0%	22,050
33 Robeson	3,360	22.6%	5,200	35.1%	4,800	32.4%	1,480	9.9%	14,840
34 Hoke, Moore, Richmond, Scotland	4,560	22.0%	6,930	33.4%	6,630	32.0%	2,620	12.6%	20,740
35 Brunswick, New Hanover	5,960	18.4%	12,600	38.8%	9,730	30.0%	4,190	12.9%	32,470
36 Bladen, Columbus, Pender	3,250	21.1%	5,050	32.7%	5,060	32.8%	2,090	13.5%	15,450
37 Onslow	2,190	21.2%	5,300	51.2%	2,250	21.7%	620	5.9%	10,360
38 Wayne	2,140	21.3%	3,430	34.1%	3,300	32.8%	1,180	11.8%	10,050
39 Greene, Lenoir, Wilson	2,710	19.8%	4,390	32.1%	4,700	34.3%	1,880	13.8%	13,690
40 Carteret, Craven, Jones	2,960	20.0%	5,100	34.4%	4,710	31.8%	2,060	13.9%	14,820
41 Pitt	2,710	18.9%	6,200	43.1%	3,940	27.5%	1,510	10.5%	14,360
42 Beaufort, Bertie, Martin, Pamlico	1,570	19.0%	2,540	30.8%	2,700	32.7%	1,440	17.5%	8,250
43 Camden, Chowan, Currituck, Dare, Gates, Hyde, Pasquotank, Perquimans, Tyrrell, Washington	3,110	19.7%	5,070	32.1%	5,360	33.9%	2,260	14.3%	15,800
Total, all counties	177,640	20.5%	309,480	35.6%	271,800	31.3%	109,640	12.6%	868,520

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. North Carolinians 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
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
1 Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain	20,200	87.9%	230	1.0%	820	3.6%	1,730	7.5%	22,980
2 Buncombe, Madison	22,880	84.5%	1,540	5.7%	1,480	5.5%	1,170	4.3%	27,060
3 Henderson, Transylvania	10,550	82.9%	500	3.9%	1,410	11.1%	270	2.1%	12,720
4 Cleveland, McDowell, Polk, Rutherford	19,960	82.9%	2,780	11.5%	680	2.8%	650	2.7%	24,070
5 Ashe, Avery, Mitchell, Watauga, Yancey	13,320	91.5%	30	0.2%	780	5.4%	430	2.9%	14,560
6 Alleghany, Surry, Wilkes	13,250	86.6%	540	3.5%	1,390	9.1%	130	0.8%	15,310
7 Catawba	11,630	73.2%	1,150	7.3%	2,090	13.1%	1,010	6.4%	15,870
8 Alexander, Burke, Caldwell	17,740	85.7%	950	4.6%	1,250	6.0%	760	3.7%	20,710
9 Mecklenburg	36,890	45.7%	24,150	29.9%	13,350	16.5%	6,420	7.9%	80,800
10 Gaston, Lincoln	21,310	76.0%	3,000	10.7%	2,810	10.0%	920	3.3%	28,040
11 Rowan	10,020	73.0%	1,930	14.1%	1,320	9.6%	450	3.2%	13,720
12 Cabarrus	10,090	67.0%	2,020	13.4%	2,350	15.6%	600	4.0%	15,060
13 Union	12,770	67.6%	2,370	12.5%	3,090	16.3%	670	3.6%	18,900
14 Iredell	11,180	76.1%	1,590	10.9%	1,340	9.1%	570	3.9%	14,680
15 Guilford	23,170	52.0%	13,610	30.5%	4,780	10.7%	3,040	6.8%	44,580
16 Forsyth	16,790	54.7%	7,550	24.6%	4,920	16.0%	1,420	4.6%	30,680
17 Randolph	11,290	76.4%	770	5.2%	2,470	16.7%	250	1.7%	14,770
18 Davie, Stokes, Yadkin	9,960	85.0%	610	5.2%	960	8.2%	180	1.6%	11,710
19 Davidson	11,710	79.4%	1,240	8.4%	1,350	9.2%	450	3.1%	14,750
20 Alamance	8,840	61.8%	2,460	17.2%	2,500	17.5%	510	3.6%	14,320
21 Caswell, Person, Rockingham	10,460	69.7%	3,420	22.8%	790	5.2%	350	2.3%	15,010
22 Anson, Montgomery, Stanly	6,720	67.4%	2,240	22.5%	670	6.7%	340	3.4%	9,970
23 Wake	38,370	55.0%	14,390	20.6%	11,100	15.9%	5,920	8.5%	69,770
24 Durham	8,660	37.2%	8,070	34.7%	4,770	20.5%	1,780	7.6%	23,280
25 Chatham, Orange	9,780	64.3%	2,070	13.6%	2,150	14.2%	1,210	8.0%	15,220
26 Franklin, Johnston	15,570	64.7%	4,020	16.7%	3,860	16.0%	630	2.6%	24,080
27 Harnett, Lee	11,200	59.6%	3,210	17.1%	3,500	18.6%	880	4.7%	18,790
28 Duplin, Sampson	6,920	47.0%	3,010	20.4%	4,170	28.3%	640	4.3%	14,740
29 Granville, Vance, Warren	4,510	47.5%	3,520	37.1%	1,090	11.4%	370	3.9%	9,490
30 Edgecombe, Nash	5,860	47.7%	5,340	43.4%	810	6.6%	290	2.4%	12,290
31 Halifax, Hertford, Northampton	3,090	39.9%	4,090	52.9%	160	2.0%	400	5.2%	7,730
32 Cumberland	11,320	51.3%	6,770	30.7%	2,170	9.9%	1,790	8.1%	22,050
33 Robeson	3,770	25.4%	2,470	16.6%	1,790	12.1%	6,810	45.9%	14,840
34 Hoke, Moore, Richmond, Scotland	12,520	60.4%	4,770	23.0%	1,830	8.8%	1,630	7.8%	20,740
35 Brunswick, New Hanover	25,240	77.7%	4,440	13.7%	1,760	5.4%	1,030	3.2%	32,470
36 Bladen, Columbus, Pender	10,210	66.1%	3,360	21.8%	1,110	7.2%	770	5.0%	15,450
37 Onslow	7,190	69.4%	1,400	13.5%	1,250	12.1%	510	5.0%	10,360
38 Wayne	6,060	60.4%	2,650	26.4%	1,020	10.1%	310	3.1%	10,050
39 Greene, Lenoir, Wilson	6,940	50.7%	5,230	38.2%	1,290	9.4%	230	1.7%	13,690
40 Carteret, Craven, Jones	10,860	73.3%	2,410	16.2%	840	5.7%	710	4.8%	14,820
41 Pitt	8,510	59.2%	4,330	30.2%	1,000	7.0%	520	3.6%	14,360
42 Beaufort, Bertie, Martin, Pamlico	4,910	59.5%	2,660	32.2%	420	5.1%	260	3.2%	8,250
43 Camden, Chowan, Currituck, Dare, Gates, Hyde, Pasquotank, Perquimans, Tyrrell, Washington	10,710	67.8%	3,820	24.2%	1,060	6.7%	200	1.3%	15,800
Total, all counties	552,930	63.7%	166,670	19.2%	99,740	11.5%	49,190	5.7%	868,520

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, approximately 1.6 million North Carolinians were uninsured.² The new premium tax credits, which are entirely financed by the federal government, will provide much-needed relief to hundreds of thousands of low- to moderate-income uninsured and underinsured North Carolinians. 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 869,000 North Carolinians 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 869,000 North Carolinians 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 North Carolina'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 North Carolina 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 North Carolina will take advantage of the opportunity to expand Medicaid to all North Carolinians 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, North Carolinians 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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