Help Is At Hand:

New Health Insurance Tax Credits in Pennsylvania

Families USA

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S tarting 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 Pennsylvanians to purchase quality health coverage.

This report takes a closer look at these premium tax credits in Pennsylvania, which will help Pennsylvanians 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 Pennsylvania and across the country could benefit from the new premium tax credits in 2014. We found that an estimated 896,000 Pennsylvanians 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 Pennsylvania, 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, Pennsylvania 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 Pennsylvanians 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 Pennsylvania.

Numbers of People Eligible for the Premium Tax Credit

- Statewide, approximately 896,000 Pennsylvanians 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 57 percent) of Pennsylvanians who will be eligible for premium tax credits (see Table 1).

Table 1.

Pennsylvanians 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%	388,620	43.4%
200-399%	507,860	56.7%
Total	**896,470**	**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 Pennsylvanians who will be eligible for premium tax credits—about 89 percent—will be in working families.

- Statewide, about 800,000 people, the majority of Pennsylvanians 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.

Pennsylvanians 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*	799,770	89.2%
Not Employed*	96,710	10.8%
Total	**896,470**	**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 Pennsylvanians in all age groups, from hardworking Pennsylvanians 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.

Pennsylvanians 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	169,440	18.9%
18-34	322,520	36.0%
35-54	273,130	30.5%
55 and over	131,410	14.7%
Total	**896,470**	**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 three-quarters (about 77 percent) of the Pennsylvanians who will be eligible for premium tax credits will be white, non-Hispanics (see Table 4).

- Nearly 10 percent of the Pennsylvanians who will be eligible will be black, non-Hispanics (see Table 4).

- About 8 percent of the Pennsylvanians who will be eligible will be Hispanics (see Table 4).

- Approximately 5 percent of the Pennsylvanians 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.

Pennsylvanians 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	691,960	77.2%
Black, Non-Hispanic	89,120	9.9%
Hispanic	71,890	8.0%
Other*	43,530	4.9%
Total	**896,470**	**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.
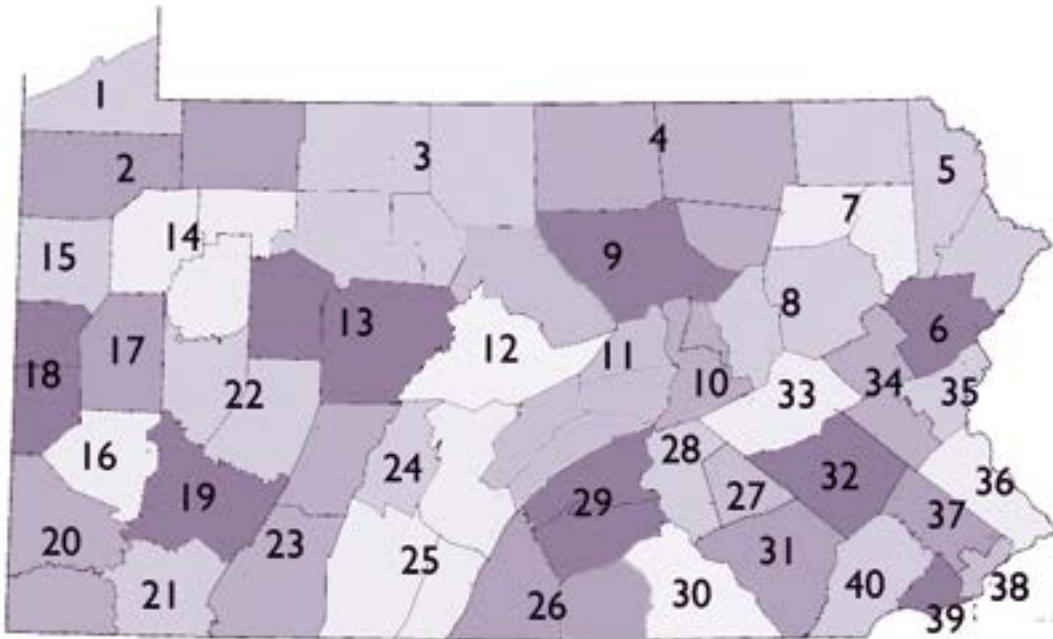
Pennsylvania County Locations

1	Erie	14	Clarion, Forest, Venango	28	Dauphin
2	Crawford, Warren	15	Mercer	29	Cumberland, Perry
3	Cameron, Elk, McKean, Potter	16	Allegheny	30	York
4	Bradford, Sullivan, Tioga	17	Butler	31	Lancaster
5	Pike, Susquehanna, Wayne	18	Beaver, Lawrence	32	Berks
6	Monroe	19	Westmoreland	33	Schuylkill
7	Lackawanna, Wyoming	20	Greene, Washington	34	Carbon, Lehigh
8	Columbia, Luzerne	21	Fayette	35	Northampton
9	Lycoming	22	Armstrong, Indiana	36	Bucks
10	Montour, Northumberland	23	Cambria, Somerset	37	Montgomery
11	Clinton, Juniata, Mifflin, Snyder, Union	24	Blair	38	Philadelphia
12	Centre	25	Bedford, Fulton, Huntingdon	39	Delaware
13	Clearfield, Jefferson	26	Adams, Franklin	40	Chester
		27	Lebanon		

Table 5. Pennsylvanians 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 Erie	9,820	43.7%	12,670	56.3%	22,490
2 Crawford, Warren	5,900	47.1%	6,610	52.9%	12,500
3 Cameron, Elk, McKean, Potter	3,550	44.1%	4,500	55.9%	8,050
4 Bradford, Sullivan, Tioga	3,840	45.7%	4,560	54.3%	8,400
5 Pike, Susquehanna, Wayne	5,420	42.7%	7,280	57.3%	12,710
6 Monroe	6,880	48.8%	7,210	51.2%	14,080
7 Lackawanna, Wyoming	8,360	47.6%	9,190	52.4%	17,550
8 Columbia, Luzerne	11,540	41.0%	16,590	59.0%	28,120
9 Lycoming	4,870	52.7%	4,380	47.3%	9,250
10 Montour, Northumberland	3,740	42.3%	5,110	57.7%	8,860
11 Clinton, Juniata, Mifflin, Snyder, Union	7,890	39.9%	11,860	60.1%	19,750
12 Centre	6,150	62.0%	3,780	38.0%	9,930
13 Clearfield, Jefferson	4,880	43.3%	6,380	56.7%	11,260
14 Clarion, Forest, Venango	3,700	43.4%	4,840	56.7%	8,540
15 Mercer	3,940	41.6%	5,530	58.4%	9,470
16 Allegheny	35,480	44.8%	43,640	55.2%	79,120
17 Butler	4,320	39.0%	6,740	61.0%	11,060
18 Beaver, Lawrence	8,970	39.9%	13,510	60.1%	22,480
19 Westmoreland	10,560	41.1%	15,140	58.9%	25,700
20 Greene, Washington	7,940	43.1%	10,500	56.9%	18,440
21 Fayette	5,220	45.1%	6,360	54.9%	11,580
22 Armstrong, Indiana	6,300	44.0%	8,030	56.1%	14,330
23 Cambria, Somerset	7,770	45.6%	9,280	54.4%	17,040
24 Blair	3,990	41.3%	5,660	58.7%	9,650
25 Bedford, Fulton, Huntingdon	4,100	40.7%	5,970	59.3%	10,070
26 Adams, Franklin	7,710	39.6%	11,760	60.4%	19,470
27 Lebanon	3,850	40.8%	5,580	59.2%	9,430
28 Dauphin	7,090	41.1%	10,170	58.9%	17,250
29 Cumberland, Perry	6,840	37.8%	11,230	62.2%	18,070
30 York	12,380	39.2%	19,210	60.8%	31,590
31 Lancaster	17,820	40.2%	26,490	59.8%	44,310
32 Berks	12,270	44.7%	15,170	55.3%	27,440
33 Schuylkill	4,420	40.5%	6,500	59.5%	10,930
34 Carbon, Lehigh	13,090	40.7%	19,080	59.3%	32,170
35 Northampton	7,220	40.2%	10,710	59.8%	17,930
36 Bucks	13,150	40.3%	19,450	59.7%	32,600
37 Montgomery	16,470	41.8%	22,940	58.2%	39,410
38 Philadelphia	57,610	48.6%	60,870	51.4%	118,480
39 Delaware	13,360	41.3%	18,980	58.7%	32,340
40 Chester	10,250	41.6%	14,410	58.4%	24,650
Total, all counties	**388,620**	**43.4%**	**507,860**	**56.7%**	**896,470**

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

County Name(s)	Employed*		Not Employed*		Total
	Number	Percent	Number	Percent	Number
1 Erie	20,040	89.1%	2,450	10.9%	22,490
2 Crawford, Warren	11,430	91.4%	1,080	8.6%	12,500
3 Cameron, Elk, McKean, Potter	7,360	91.4%	690	8.6%	8,050
4 Bradford, Sullivan, Tioga	7,600	90.5%	800	9.5%	8,400
5 Pike, Susquehanna, Wayne	11,350	89.3%	1,360	10.7%	12,710
6 Monroe	12,560	89.2%	1,520	10.8%	14,080
7 Lackawanna, Wyoming	15,870	90.4%	1,690	9.6%	17,550
8 Columbia, Luzerne	25,180	89.5%	2,940	10.4%	28,120
9 Lycoming	8,350	90.3%	900	9.7%	9,250
10 Montour, Northumberland	8,020	90.6%	830	9.4%	8,860
11 Clinton, Juniata, Mifflin, Snyder, Union	18,000	91.1%	1,750	8.9%	19,750
12 Centre	8,590	86.5%	1,340	13.5%	9,930
13 Clearfield, Jefferson	10,120	89.9%	1,140	10.1%	11,260
14 Clarion, Forest, Venango	7,670	89.8%	870	10.2%	8,540
15 Mercer	8,620	91.1%	850	9.0%	9,470
16 Allegheny	69,720	88.1%	9,410	11.9%	79,120
17 Butler	9,920	89.7%	1,140	10.3%	11,060
18 Beaver, Lawrence	20,320	90.4%	2,170	9.6%	22,480
19 Westmoreland	22,980	89.4%	2,720	10.6%	25,700
20 Greene, Washington	16,370	88.8%	2,060	11.2%	18,440
21 Fayette	10,450	90.2%	1,130	9.8%	11,580
22 Armstrong, Indiana	12,960	90.5%	1,370	9.5%	14,330
23 Cambria, Somerset	15,290	89.7%	1,750	10.3%	17,040
24 Blair	8,800	91.2%	850	8.8%	9,650
25 Bedford, Fulton, Huntingdon	8,990	89.3%	1,070	10.7%	10,070
26 Adams, Franklin	17,750	91.2%	1,720	8.8%	19,470
27 Lebanon	8,610	91.3%	820	8.7%	9,430
28 Dauphin	15,620	90.5%	1,630	9.5%	17,250
29 Cumberland, Perry	16,530	91.5%	1,540	8.5%	18,070
30 York	28,780	91.1%	2,820	8.9%	31,590
31 Lancaster	40,410	91.2%	3,900	8.8%	44,310
32 Berks	24,880	90.7%	2,560	9.3%	27,440
33 Schuylkill	9,980	91.4%	950	8.6%	10,930
34 Carbon, Lehigh	28,940	90.0%	3,230	10.0%	32,170
35 Northampton	15,920	88.8%	2,020	11.2%	17,930
36 Bucks	28,740	88.2%	3,860	11.8%	32,600
37 Montgomery	34,510	87.6%	4,900	12.4%	39,410
38 Philadelphia	102,460	86.5%	16,020	13.5%	118,480
39 Delaware	28,560	88.3%	3,790	11.7%	32,340
40 Chester	21,530	87.3%	3,130	12.7%	24,650
Total, all counties	**799,770**	**89.2%**	**96,710**	**10.8%**	**896,470**

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. Pennsylvanians 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	Percent	Number	Percent	Number	Percent	Number	Percent	Number
1	Erie	4,490	20.0%	8,180	36.4%	6,610	29.4%	3,210	14.3%	22,490
2	Crawford, Warren	2,160	17.3%	4,540	36.3%	4,030	32.2%	1,780	14.2%	12,500
3	Cameron, Elk, McKean, Potter	1,550	19.3%	2,630	32.7%	2,690	33.5%	1,170	14.6%	8,050
4	Bradford, Sullivan, Tioga	1,590	18.9%	2,730	32.5%	2,780	33.1%	1,300	15.5%	8,400
5	Pike, Susquehanna, Wayne	2,420	19.0%	3,990	31.4%	4,480	35.2%	1,820	14.3%	12,710
6	Monroe	2,370	16.8%	5,170	36.7%	4,780	34.0%	1,760	12.5%	14,080
7	Lackawanna, Wyoming	3,190	18.2%	6,360	36.3%	5,370	30.6%	2,630	15.0%	17,550
8	Columbia, Luzerne	5,050	18.0%	10,080	35.8%	8,550	30.4%	4,440	15.8%	28,120
9	Lycoming	1,660	17.9%	3,630	39.2%	2,660	28.8%	1,310	14.1%	9,250
10	Montour, Northumberland	1,580	17.8%	3,340	37.7%	2,660	30.1%	1,270	14.4%	8,860
11	Clinton, Juniata, Mifflin, Snyder, Union	3,810	19.3%	6,950	35.2%	6,240	31.6%	2,750	13.9%	19,750
12	Centre	1,530	15.4%	5,360	54.0%	1,960	19.8%	1,080	10.8%	9,930
13	Clearfield, Jefferson	2,250	20.0%	3,790	33.7%	3,550	31.5%	1,680	14.9%	11,260
14	Clarion, Forest, Venango	1,540	18.1%	2,890	33.9%	2,750	32.1%	1,360	16.0%	8,540
15	Mercer	1,960	20.7%	3,230	34.1%	2,920	30.8%	1,360	14.4%	9,470
16	Allegheny	13,780	17.4%	27,410	34.6%	24,330	30.8%	13,610	17.2%	79,120
17	Butler	2,070	18.7%	4,150	37.5%	3,260	29.5%	1,580	14.3%	11,060
18	Beaver, Lawrence	4,360	19.4%	7,530	33.5%	7,000	31.1%	3,590	16.0%	22,480
19	Westmoreland	4,990	19.4%	8,630	33.6%	7,760	30.2%	4,320	16.8%	25,700
20	Greene, Washington	3,700	20.1%	6,290	34.1%	5,540	30.1%	2,910	15.8%	18,440
21	Fayette	2,520	21.7%	4,040	34.9%	3,630	31.4%	1,390	12.0%	11,580
22	Armstrong, Indiana	2,380	16.6%	5,630	39.3%	4,370	30.5%	1,950	13.6%	14,330
23	Cambria, Somerset	3,370	19.8%	5,380	31.6%	5,360	31.4%	2,940	17.3%	17,040
24	Blair	1,920	19.9%	3,390	35.1%	2,970	30.8%	1,360	14.1%	9,650
25	Bedford, Fulton, Huntingdon	1,750	17.4%	3,450	34.2%	3,250	32.3%	1,630	16.1%	10,070
26	Adams, Franklin	3,790	19.5%	7,250	37.2%	5,880	30.2%	2,550	13.1%	19,470
27	Lebanon	1,940	20.6%	3,400	36.1%	2,860	30.3%	1,230	13.0%	9,430
28	Dauphin	3,560	20.6%	5,870	34.0%	5,530	32.1%	2,300	13.3%	17,250
29	Cumberland, Perry	2,940	16.3%	7,090	39.2%	5,520	30.6%	2,520	14.0%	18,070
30	York	6,070	19.2%	11,310	35.8%	9,620	30.5%	4,590	14.5%	31,590
31	Lancaster	8,810	19.9%	16,560	37.4%	13,000	29.3%	5,940	13.4%	44,310
32	Berks	5,480	20.0%	10,210	37.2%	8,040	29.3%	3,710	13.5%	27,440
33	Schuylkill	1,990	18.2%	3,700	33.8%	3,570	32.7%	1,670	15.3%	10,930
34	Carbon, Lehigh	6,200	19.3%	11,190	34.8%	10,470	32.5%	4,320	13.4%	32,170
35	Northampton	3,390	18.9%	6,600	36.8%	5,270	29.4%	2,670	14.9%	17,930
36	Bucks	6,430	19.7%	11,020	33.8%	10,020	30.7%	5,130	15.7%	32,600
37	Montgomery	7,550	19.2%	13,730	34.8%	11,470	29.1%	6,660	16.9%	39,410
38	Philadelphia	22,090	18.6%	45,050	38.0%	36,310	30.6%	15,030	12.7%	118,480
39	Delaware	6,280	19.4%	11,670	36.1%	9,360	28.9%	5,040	15.6%	32,340
40	Chester	4,960	20.1%	9,140	37.1%	6,690	27.1%	3,870	15.7%	24,650
	Total, all counties	**169,440**	**18.9%**	**322,520**	**36.0%**	**273,130**	**30.5%**	**131,410**	**14.7%**	**896,470**

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. Pennsylvanians 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	Erie	19,620	87.3%	1,020	4.5%	960	4.2%	900	4.0%	22,490
2	Crawford, Warren	11,980	95.8%	180	1.4%	190	1.5%	160	1.3%	12,500
3	Cameron, Elk, McKean, Potter	7,630	94.8%	0	0.0%	280	3.5%	140	1.8%	8,050
4	Bradford, Sullivan, Tioga	8,110	96.6%	30	0.3%	90	1.1%	170	2.0%	8,400
5	Pike, Susquehanna, Wayne	11,290	88.8%	170	1.3%	900	7.1%	350	2.8%	12,710
6	Monroe	8,870	63.0%	1,740	12.4%	2,810	20.0%	660	4.7%	14,080
7	Lackawanna, Wyoming	16,150	92.0%	210	1.2%	760	4.3%	430	2.5%	17,550
8	Columbia, Luzerne	25,280	89.9%	510	1.8%	1,700	6.0%	630	2.2%	28,120
9	Lycoming	8,430	91.1%	250	2.7%	160	1.7%	420	4.6%	9,250
10	Montour, Northumberland	8,280	93.5%	80	0.9%	350	3.9%	150	1.7%	8,860
11	Clinton, Juniata, Mifflin, Snyder, Union	18,850	95.4%	120	0.6%	360	1.8%	430	2.2%	19,750
12	Centre	8,450	85.2%	220	2.2%	430	4.3%	830	8.4%	9,930
13	Clearfield, Jefferson	11,050	98.2%	40	0.3%	110	1.0%	60	0.5%	11,260
14	Clarion, Forest, Venango	8,240	96.5%	100	1.2%	30	0.3%	170	2.0%	8,540
15	Mercer	8,580	90.6%	370	3.9%	80	0.8%	440	4.6%	9,470
16	Allegheny	61,810	78.1%	10,920	13.8%	1,830	2.3%	4,560	5.8%	79,120
17	Butler	10,520	95.1%	170	1.5%	160	1.5%	210	1.9%	11,060
18	Beaver, Lawrence	20,470	91.0%	1,110	4.9%	240	1.0%	670	3.0%	22,480
19	Westmoreland	24,290	94.5%	430	1.7%	340	1.3%	640	2.5%	25,700
20	Greene, Washington	17,260	93.6%	430	2.3%	220	1.2%	530	2.9%	18,440
21	Fayette	11,050	95.4%	290	2.5%	80	0.7%	160	1.4%	11,580
22	Armstrong, Indiana	13,970	97.4%	90	0.6%	150	1.1%	130	0.9%	14,330
23	Cambria, Somerset	16,290	95.6%	230	1.3%	280	1.6%	250	1.5%	17,040
24	Blair	9,270	96.0%	150	1.5%	130	1.3%	110	1.2%	9,650
25	Bedford, Fulton, Huntingdon	9,830	97.6%	30	0.3%	80	0.8%	140	1.3%	10,070
26	Adams, Franklin	17,080	87.7%	570	2.9%	1,580	8.1%	240	1.2%	19,470
27	Lebanon	7,970	84.5%	100	1.1%	1,180	12.5%	180	1.9%	9,430
28	Dauphin	11,130	64.5%	3,220	18.7%	1,860	10.8%	1,050	6.1%	17,250
29	Cumberland, Perry	16,330	90.3%	490	2.7%	680	3.8%	580	3.2%	18,070
30	York	26,000	82.3%	1,590	5.0%	2,630	8.3%	1,370	4.3%	31,590
31	Lancaster	35,170	79.4%	1,110	2.5%	6,130	13.8%	1,900	4.3%	44,310
32	Berks	19,590	71.4%	920	3.4%	6,290	22.9%	640	2.3%	27,440
33	Schuylkill	10,450	95.6%	120	1.1%	220	2.0%	150	1.4%	10,930
34	Carbon, Lehigh	21,930	68.2%	1,240	3.9%	7,280	22.6%	1,730	5.4%	32,170
35	Northampton	13,340	74.4%	800	4.5%	2,860	16.0%	930	5.2%	17,930
36	Bucks	26,920	82.6%	1,350	4.2%	2,130	6.5%	2,190	6.7%	32,600
37	Montgomery	29,250	74.2%	3,820	9.7%	2,430	6.2%	3,910	9.9%	39,410
38	Philadelphia	40,660	34.3%	46,830	39.5%	20,080	16.9%	10,920	9.2%	118,480
39	Delaware	21,800	67.4%	6,600	20.4%	1,280	4.0%	2,670	8.2%	32,340
40	Chester	18,800	76.3%	1,510	6.1%	2,570	10.4%	1,780	7.2%	24,650
	Total, all counties	**691,960**	**77.2%**	**89,120**	**9.9%**	**71,890**	**8.0%**	**43,530**	**4.9%**	**896,470**

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 1.37 million Pennsylvanians 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 Pennsylvanians. 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. More than 896,000 Pennsylvanians will be eligible for premium tax credits in the first year that the state marketplace is operational. The size of the credit that individuals and families will be eligible to receive will depend on their income, and the lower a person's income, the larger his or her tax credit will be. This will ensure that the assistance goes to those who need it the most.

Eligibility for Tax Credits

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

What Will Happen When a Family Receives a Tax Credit?

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

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

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

How Much Will the Tax Credits Be Worth?

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

- To determine the size of an individual's or family's tax credit, start with their income. The family's household income will be used to determine the maximum premium contribution the family must pay for a particular "reference plan," described below. This maximum amount—a maximum percentage of family income—will be based on a sliding scale, and those with the lowest incomes will pay the smallest proportion of their incomes on premiums.

- Next, identify the premiums for the second lowest-cost silver plan that is available to the individual or family in the area in which they live. The tax credit amount will be set so that the individual or family will not have to spend more than a specific percentage of their income on premiums for this plan. For example, a family of four with an income of $47,100 a year would not have to pay more than 6.3 percent of their income toward premiums for a silver plan and would get a tax credit of $9,530 (see Table 10). Therefore, they would not have to pay more than $247 a month for the silver reference plan that covers their entire family.

- An individual or family will be free to pick any plan that is available through an exchange. However, the individual's or family's tax credit amount will be based on the premium for the silver reference plan. If a consumer selects a more expensive plan, he or she will pay the difference in price between this more expensive plan and the silver reference plan out of pocket. If a consumer selects a cheaper plan, he or she will still receive the tax credit amount based on the silver reference plan and thus will spend less out of pocket on the premiums for this cheaper plan.

- In addition to premium assistance, some families will be eligible for more help with copayments, deductibles, and other cost-sharing. However, this help is available only for those who choose a silver plan (see "Additional Help with Out-of-Pocket Health Care Costs" on page 15).

Table 9.

Examples of Premium Tax Credits for an Individual

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

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

Table 10.

Examples of Premium Tax Credits for a Family of Four

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

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

The New Health Insurance Marketplaces

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

When shopping in the new marketplaces, consumers and small businesses will know what they are getting for their money. All plans sold in the marketplaces must meet certain consumer protection and quality standards so that shoppers do not end up with surprising holes in their coverage. The new marketplaces will, among other things, certify that plans meet minimum requirements, such as having sufficient provider networks, implementing user-friendly quality reporting, and using marketing materials that are fair and accurate. Insurance companies will have to clearly explain what care is covered in every plan and at what cost. This information must be presented in a standardized, consumer-friendly format. This transparency will help people shop

for the best plan for the price, *and* it will promote competition among plans. Under the Affordable Care Act, insurers that sell plans in the new marketplaces— just like plans that are sold outside the exchanges—will not be allowed to deny coverage to people with pre-existing conditions or to charge exorbitant premiums, which will keep costs down for individuals and businesses.

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

Comprehensive Coverage under the Affordable Care Act

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

Additional Help with Out-of-Pocket Health Care Costs

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

Conclusion

Health reform will provide significant help to more than 896,000 Pennsylvanians 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 Pennsylvania'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 Pennsylvania 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 Pennsylvania will take advantage of the opportunity to expand Medicaid to all Pennsylvanians 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, Pennsylvanians 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.

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

Endnotes

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

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

Acknowledgments