Help Is At Hand:

New Health Insurance Tax Credits in Tennessee

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 Tennesseans to purchase quality health coverage.

This report takes a closer look at these premium tax credits in Tennessee, which will help Tennesseans 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 Tennessee and across the country could benefit from the new premium tax credits in 2014. We found that more than 575,000 Tennesseans 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 Tennessee, 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, Tennessee 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 Tennesseans 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 Tennessee.

Numbers of People Eligible for the Premium Tax Credit

- Statewide, more than 575,000 Tennesseans 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 54 percent) of Tennesseans who will be eligible for premium tax credits (see Table 1).

Table 1.

Tennesseans 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%	263,450	45.8%
200-399%	311,740	54.2%
Total	**575,180**	**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 Tennesseans who will be eligible for premium tax credits—about 88 percent—will be in working families.
- Statewide, nearly 507,000 people, the majority of Tennesseans 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.

Tennesseans 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*	506,980	88.1%
Not Employed*	68,200	11.9%
Total	**575,180**	**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 Tennesseans in all age groups, from hardworking Tennesseans 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 35 percent of all those who will be eligible (see Table 3).

Table 3.

Tennesseans 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	107,970	18.8%
18-34	201,970	35.1%
35-54	187,590	32.6%
55 and over	77,680	13.5%
Total	**575,180**	**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 three-quarters (about 76 percent) of the Tennesseans who will be eligible for premium tax credits will be white, non-Hispanics (see Table 4).
- Approximately 15 percent of the Tennesseans who will be eligible will be black, non-Hispanics (see Table 4).
- About 6 percent of the Tennesseans who will be eligible will be Hispanics (see Table 4).
- Approximately 4 percent of the Tennesseans 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).

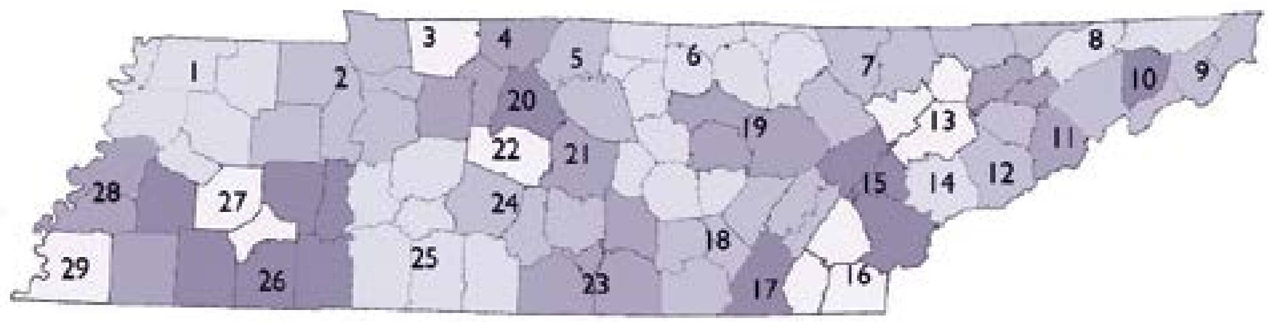
Table 4.

Tennesseans 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	435,340	75.7%
Black	84,960	14.8%
Hispanic	32,770	5.7%
Other*	22,130	3.8%
Total	**575,180**	**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.



Tennessee County Locations

1 Crockett, Dyer, Gibson, Lake, Obion, Weakley
2 Benton, Carroll, Henry, Houston, Humphreys, Stewart
3 Montgomery
4 Cheatham, Dickson, Robertson
5 Sumner, Wilson
6 Cannon, Clay, DeKalb, Fentress, Jackson, Macon, Overton, Pickett, Smith, Trousdale, Van Buren, Warren
7 Campbell, Claiborne, Hancock, Morgan, Scott
8 Hawkins, Sullivan
9 Carter, Greene, Johnson, Unicoi
10 Washington
11 Cocke, Grainger, Hamblen
12 Jefferson, Sevier
13 Anderson, Knox, Union
14 Blount
15 Loudon, Monroe, Roane
16 Bradley, McMinn, Polk
17 Hamilton
18 Bledsoe, Grundy, Marion, Meigs, Rhea, Sequatchie
19 Cumberland, Putnam, White
20 Davidson
21 Rutherford
22 Williamson
23 Coffee, Franklin, Lincoln, Moore
24 Bedford, Marshall, Maury
25 Giles, Hickman, Lawrence, Lewis, Perry, Wayne
26 Decatur, Hardeman, Hardin, Haywood, Henderson, McNairy
27 Chester, Madison
28 Fayette, Lauderdale, Tipton
29 Shelby

Table 5. Tennesseans Eligible for Premium Tax Credits, Distribution by Income Level and County, 2014

		Income as a Percent of Federal Poverty Level				
		0-199%		200-399%		Total
	County Name(s)	Number	Percent	Number	Percent	Number
1	Crockett, Dyer, Gibson, Lake, Obion, Weakley	7,100	46.7%	8,100	53.3%	15,190
2	Benton, Carroll, Henry, Houston, Humphreys, Stewart	4,810	43.4%	6,270	56.6%	11,090
3	Montgomery	5,020	47.1%	5,630	52.9%	10,660
4	Cheatham, Dickson, Robertson	6,540	40.5%	9,620	59.5%	16,170
5	Sumner, Wilson	10,180	41.6%	14,290	58.4%	24,480
6	Cannon, Clay, DeKalb, Fentress, Jackson, Macon, Overton, Pickett, Smith, Trousdale, Van Buren, Warren	9,580	47.1%	10,780	52.9%	20,370
7	Campbell, Claiborne, Hancock, Morgan, Scott	5,490	45.4%	6,600	54.6%	12,080
8	Hawkins, Sullivan	9,050	45.1%	11,000	54.9%	20,050
9	Carter, Greene, Johnson, Unicoi	8,470	47.2%	9,470	52.8%	17,940
10	Washington	5,740	52.0%	5,310	48.0%	11,050
11	Cocke, Grainger, Hamblen	6,790	44.1%	8,600	55.9%	15,390
12	Jefferson, Sevier	8,000	48.9%	8,360	51.1%	16,360
13	Anderson, Knox, Union	18,100	44.7%	22,380	55.3%	40,480
14	Blount	4,940	44.2%	6,250	55.8%	11,190
15	Loudon, Monroe, Roane	6,010	42.5%	8,120	57.5%	14,130
16	Bradley, McMinn, Polk	9,420	52.0%	8,690	48.0%	18,110
17	Hamilton	12,770	42.9%	16,990	57.1%	29,760
18	Bledsoe, Grundy, Marion, Meigs, Rhea, Sequatchie	5,540	49.5%	5,640	50.5%	11,170
19	Cumberland, Putnam, White	8,280	53.2%	7,290	46.8%	15,570
20	Davidson	26,220	47.2%	29,330	52.8%	55,560
21	Rutherford	9,200	42.5%	12,430	57.5%	21,630
22	Williamson	3,950	38.5%	6,300	61.5%	10,240
23	Coffee, Franklin, Lincoln, Moore	5,960	46.3%	6,930	53.7%	12,880
24	Bedford, Marshall, Maury	7,250	44.0%	9,240	56.0%	16,490
25	Giles, Hickman, Lawrence, Lewis, Perry, Wayne	6,500	44.3%	8,160	55.7%	14,660
26	Decatur, Hardeman, Hardin, Haywood, Henderson, McNairy	6,460	44.0%	8,220	56.0%	14,680
27	Chester, Madison	5,160	43.4%	6,740	56.6%	11,900
28	Fayette, Lauderdale, Tipton	4,410	42.7%	5,910	57.3%	10,310
29	Shelby	36,500	48.3%	39,100	51.7%	75,600
Total, all counties		**263,450**	**45.8%**	**311,740**	**54.2%**	**575,180**

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. Tennesseans 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	Crockett, Dyer, Gibson, Lake, Obion, Weakley	13,550	89.2%	1,640	10.8%	15,190
2	Benton, Carroll, Henry, Houston, Humphreys, Stewart	9,860	89.0%	1,220	11.0%	11,090
3	Montgomery	9,220	86.6%	1,430	13.4%	10,660
4	Cheatham, Dickson, Robertson	14,510	89.8%	1,660	10.2%	16,170
5	Sumner, Wilson	21,630	88.4%	2,840	11.6%	24,480
6	Cannon, Clay, DeKalb, Fentress, Jackson, Macon, Overton, Pickett, Smith, Trousdale, Van Buren, Warren	17,940	88.1%	2,430	11.9%	20,370
7	Campbell, Claiborne, Hancock, Morgan, Scott	10,570	87.4%	1,520	12.6%	12,080
8	Hawkins, Sullivan	17,680	88.2%	2,370	11.8%	20,050
9	Carter, Greene, Johnson, Unicoi	15,670	87.3%	2,270	12.7%	17,940
10	Washington	9,800	88.6%	1,260	11.4%	11,050
11	Cocke, Grainger, Hamblen	13,480	87.6%	1,910	12.4%	15,390
12	Jefferson, Sevier	14,660	89.6%	1,700	10.4%	16,360
13	Anderson, Knox, Union	35,420	87.5%	5,060	12.5%	40,480
14	Blount	9,900	88.5%	1,290	11.6%	11,190
15	Loudon, Monroe, Roane	12,290	87.0%	1,840	13.0%	14,130
16	Bradley, McMinn, Polk	15,840	87.5%	2,260	12.5%	18,110
17	Hamilton	26,390	88.7%	3,380	11.3%	29,760
18	Bledsoe, Grundy, Marion, Meigs, Rhea, Sequatchie	9,600	85.9%	1,580	14.1%	11,170
19	Cumberland, Putnam, White	13,600	87.3%	1,970	12.7%	15,570
20	Davidson	48,790	87.8%	6,770	12.2%	55,560
21	Rutherford	19,510	90.2%	2,120	9.8%	21,630
22	Williamson	8,810	86.1%	1,430	13.9%	10,240
23	Coffee, Franklin, Lincoln, Moore	11,440	88.8%	1,450	11.2%	12,880
24	Bedford, Marshall, Maury	14,660	88.9%	1,830	11.1%	16,490
25	Giles, Hickman, Lawrence, Lewis, Perry, Wayne	12,960	88.4%	1,700	11.6%	14,660
26	Decatur, Hardeman, Hardin, Haywood, Henderson, McNairy	12,840	87.5%	1,840	12.5%	14,680
27	Chester, Madison	10,540	88.6%	1,360	11.4%	11,900
28	Fayette, Lauderdale, Tipton	9,130	88.5%	1,180	11.5%	10,310
29	Shelby	66,700	88.2%	8,900	11.8%	75,600
Total, all counties		**506,980**	**88.1%**	**68,200**	**11.9%**	**575,180**

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. Tennesseans 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	Crockett, Dyer, Gibson, Lake, Obion, Weakley	2,960	19.5%	5,250	34.5%	4,840	31.9%	2,140	14.1%	15,190
2	Benton, Carroll, Henry, Houston, Humphreys, Stewart	2,090	18.8%	3,790	34.2%	3,670	33.1%	1,530	13.8%	11,090
3	Montgomery	2,310	21.7%	4,060	38.1%	3,370	31.7%	910	8.5%	10,660
4	Cheatham, Dickson, Robertson	3,360	20.8%	5,360	33.1%	5,410	33.5%	2,040	12.6%	16,170
5	Sumner, Wilson	5,040	20.6%	8,140	33.3%	7,940	32.4%	3,360	13.7%	24,480
6	Cannon, Clay, DeKalb, Fentress, Jackson, Macon, Overton, Pickett, Smith, Trousdale, Van Buren, Warren	4,010	19.7%	6,440	31.6%	6,910	34.0%	3,000	14.7%	20,370
7	Campbell, Claiborne, Hancock, Morgan, Scott	2,610	21.6%	4,260	35.2%	3,840	31.8%	1,370	11.4%	12,080
8	Hawkins, Sullivan	3,680	18.3%	6,630	33.1%	6,650	33.2%	3,090	15.4%	20,050
9	Carter, Greene, Johnson, Unicoi	2,950	16.4%	6,120	34.1%	6,080	33.9%	2,790	15.6%	17,940
10	Washington	1,830	16.5%	4,210	38.1%	3,530	31.9%	1,490	13.5%	11,050
11	Cocke, Grainger, Hamblen	2,930	19.0%	5,540	36.0%	4,900	31.8%	2,030	13.2%	15,390
12	Jefferson, Sevier	2,930	17.9%	5,730	35.0%	5,660	34.6%	2,040	12.5%	16,360
13	Anderson, Knox, Union	6,900	17.0%	15,080	37.2%	12,510	30.9%	5,990	14.8%	40,480
14	Blount	2,090	18.6%	3,910	35.0%	3,680	32.9%	1,520	13.6%	11,190
15	Loudon, Monroe, Roane	2,390	16.9%	4,820	34.1%	4,540	32.1%	2,380	16.8%	14,130
16	Bradley, McMinn, Polk	3,480	19.2%	6,080	33.6%	5,940	32.8%	2,610	14.4%	18,110
17	Hamilton	5,140	17.3%	10,410	35.0%	9,760	32.8%	4,460	15.0%	29,760
18	Bledsoe, Grundy, Marion, Meigs, Rhea, Sequatchie	2,430	21.8%	3,590	32.1%	3,360	30.1%	1,800	16.1%	11,170
19	Cumberland, Putnam, White	2,800	18.0%	5,940	38.1%	4,620	29.7%	2,210	14.2%	15,570
20	Davidson	9,380	16.9%	19,940	35.9%	18,780	33.8%	7,460	13.4%	55,560
21	Rutherford	4,310	19.9%	8,680	40.1%	6,450	29.8%	2,200	10.2%	21,630
22	Williamson	2,030	19.8%	3,630	35.4%	2,850	27.9%	1,730	16.9%	10,240
23	Coffee, Franklin, Lincoln, Moore	2,480	19.2%	4,010	31.1%	4,500	35.0%	1,900	14.7%	12,880
24	Bedford, Marshall, Maury	3,100	18.8%	5,900	35.8%	5,490	33.3%	2,010	12.2%	16,490
25	Giles, Hickman, Lawrence, Lewis, Perry, Wayne	2,950	20.1%	4,940	33.7%	4,800	32.7%	1,980	13.5%	14,660
26	Decatur, Hardeman, Hardin, Haywood, Henderson, McNairy	3,040	20.7%	4,840	33.0%	4,880	33.2%	1,920	13.1%	14,680
27	Chester, Madison	2,530	21.3%	4,000	33.6%	3,860	32.5%	1,500	12.6%	11,900
28	Fayette, Lauderdale, Tipton	2,160	21.0%	3,390	32.9%	3,460	33.6%	1,300	12.6%	10,310
29	Shelby	14,080	18.6%	27,300	36.1%	25,300	33.5%	8,920	11.8%	75,600
Total, all counties		**107,970**	**18.8%**	**201,970**	**35.1%**	**187,590**	**32.6%**	**77,680**	**13.5%**	**575,180**

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. Tennesseans 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	Crockett, Dyer, Gibson, Lake, Obion, Weakley	12,380	81.5%	1,990	13.1%	530	3.5%	290	1.9%	15,190
2	Benton, Carroll, Henry, Houston, Humphreys, Stewart	9,960	89.8%	550	5.0%	300	2.7%	280	2.5%	11,090
3	Montgomery	7,500	70.3%	1,670	15.7%	1,020	9.6%	470	4.4%	10,660
4	Cheatham, Dickson, Robertson	14,250	88.2%	690	4.2%	950	5.9%	280	1.7%	16,170
5	Sumner, Wilson	21,000	85.8%	1,650	6.7%	1,210	5.0%	610	2.5%	24,480
6	Cannon, Clay, DeKalb, Fentress, Jackson, Macon, Overton, Pickett, Smith, Trousdale, Van Buren, Warren	19,080	93.7%	220	1.1%	640	3.2%	430	2.1%	20,370
7	Campbell, Claiborne, Hancock, Morgan, Scott	11,740	97.1%	30	0.3%	120	1.0%	190	1.6%	12,080
8	Hawkins, Sullivan	18,960	94.6%	230	1.1%	330	1.7%	530	2.6%	20,050
9	Carter, Greene, Johnson, Unicoi	16,990	94.7%	140	0.8%	510	2.8%	300	1.7%	17,940
10	Washington	9,900	89.6%	440	4.0%	450	4.1%	260	2.4%	11,050
11	Cocke, Grainger, Hamblen	13,110	85.2%	360	2.3%	1,640	10.6%	280	1.8%	15,390
12	Jefferson, Sevier	15,270	93.3%	110	0.7%	570	3.5%	410	2.5%	16,360
13	Anderson, Knox, Union	33,700	83.2%	2,980	7.4%	1,540	3.8%	2,260	5.6%	40,480
14	Blount	9,960	89.0%	320	2.8%	440	3.9%	470	4.2%	11,190
15	Loudon, Monroe, Roane	12,720	90.1%	240	1.7%	610	4.3%	560	4.0%	14,130
16	Bradley, McMinn, Polk	16,210	89.5%	610	3.3%	840	4.6%	450	2.5%	18,110
17	Hamilton	20,900	70.2%	6,070	20.4%	1,470	4.9%	1,330	4.5%	29,760
18	Bledsoe, Grundy, Marion, Meigs, Rhea, Sequatchie	10,480	93.8%	20	0.1%	80	0.7%	600	5.4%	11,170
19	Cumberland, Putnam, White	14,120	90.7%	200	1.3%	790	5.1%	460	2.9%	15,570
20	Davidson	30,420	54.8%	14,290	25.7%	7,310	13.2%	3,540	6.4%	55,560
21	Rutherford	16,280	75.3%	2,170	10.0%	1,890	8.8%	1,280	5.9%	21,630
22	Williamson	8,200	80.1%	490	4.8%	830	8.1%	720	7.0%	10,240
23	Coffee, Franklin, Lincoln, Moore	11,660	90.5%	320	2.5%	450	3.5%	450	3.5%	12,880
24	Bedford, Marshall, Maury	13,300	80.6%	1,340	8.1%	1,460	8.8%	390	2.4%	16,490
25	Giles, Hickman, Lawrence, Lewis, Perry, Wayne	13,680	93.3%	470	3.2%	160	1.1%	350	2.4%	14,660
26	Decatur, Hardeman, Hardin, Haywood, Henderson, McNairy	11,610	79.1%	2,320	15.8%	490	3.3%	270	1.8%	14,680
27	Chester, Madison	7,260	61.1%	3,500	29.4%	580	4.9%	550	4.6%	11,900
28	Fayette, Lauderdale, Tipton	7,510	72.8%	2,290	22.2%	210	2.0%	320	3.1%	10,310
29	Shelby	27,200	36.0%	39,270	51.9%	5,350	7.1%	3,790	5.0%	75,600
Total, all counties		**435,340**	**75.7%**	**84,960**	**14.8%**	**32,770**	**5.7%**	**22,130**	**3.8%**	**575,180**

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 881,000 Tennesseans 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 Tennesseans. 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 575,000 Tennesseans 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 575,000 Tennesseans 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 Tennessee'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 Tennessee 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 Tennessee will take advantage of the opportunity to expand Medicaid to all Tennesseans 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, Tennesseans 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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