



New 202 California Affordability Initiatives – Questions and Answers

Through the leadership of the Governor and California Legislature, California is taking significant steps to improve health insurance affordability and bring quality care within reach of more consumers in 2020. As a result of two new affordability laws¹, California is both protecting and building on the Affordable Care Act (ACA) to make coverage more affordable than ever for many California consumers.

Starting January 1, 2020, new state financial help will be available to help eligible low- and middle-income California consumers pay their insurance premiums. Covered California enrollees who already qualify for federal financial help will receive *additional* state subsidies to make their premiums even more affordable. California will also become the *first state in the nation* to provide state subsidies to eligible middle-income consumers who, due to income, are not eligible for any federal financial assistance. These are middle class Californians who do not qualify for federal help, and who have historically had to bear the full cost of insurance premiums all on their own. Additionally, California restored the requirement for California residents to have health insurance or pay a penalty.

These new laws will make health insurance coverage more affordable for many consumers, and more Californians will be able to afford and keep their coverage in 2020.

What is the new state subsidy program and who is eligible?

Under the federal ACA, consumers with incomes up to 400 percent of the FPL may qualify for federal premium assistance in the form of tax credits that help reduce the cost of monthly premiums. Consumers can only receive these federal tax credits by purchasing coverage through Covered California.

Approximately \$428.6 million is appropriated in the state’s Fiscal Year 2019-2020 budget to fund new state premium subsidies for the 2020 plan year to qualified individuals who purchase health insurance through Covered California. The new state subsidies would be available to eligible individuals with incomes between 0 to 138 percent of the FPL and 200 to 600 percent of the FPL².

	Qualifying Annual Income Ranges for Additional State Financial Help in 2020		
Household Size	Up to 138% of FPL*	200 - 400% of FPL	400 - 600% of FPL
1	\$0 - \$17,237	\$24,980 - \$49,960	\$49,960 - \$74,940
2	\$0 - \$23,336	\$33,820 - \$67,640	\$67,640 - \$101,460
3	\$0 - \$29,436	\$42,660 - \$85,320	\$85,320 - \$127,980
4	\$0 - \$35,535	\$51,500 - \$103,000	\$103,000 - \$154,500

**Individuals in this income range may qualify for Medi-Cal.*

¹ SB 78 (Committee on Budget and Fiscal Review, Chapter 38, Statutes of 2019) and SB 106 (Committee on Budget and Fiscal Review, Chapter 55, Statutes of 2019)

² See <https://www.coveredca.com/PDFs/FPL-chart.pdf> for complete listing of program eligibility by FPL for 2020.

State subsidies will be provided *in addition* to federal premium tax credits. This means that consumers with incomes below 400 percent of the FPL who receive federal premium tax credits, could be eligible for additional state subsidies on top of the federal financial assistance they receive.

Additionally, California is now the first state in the nation to provide financial premium assistance to individuals with incomes above 400 percent of the FPL – all the way up to 600 percent of the FPL. As such, consumers who are ineligible for federal premium tax credits because their income exceeds 400 percent of the FPL could qualify for new state subsidies to help them pay their insurance premiums. These are middle-class Californians who have historically had to bear the full cost of their health insurance premiums and who could receive state financial assistance for the first time.

Eligible consumers must purchase coverage through Covered California to receive state subsidies, and they can go to www.CoveredCA.com to quickly check if they may qualify.

How many consumers may get state subsidies and how much might the subsidies be?

It is estimated that nearly one million California consumers could be eligible for the new state subsidies. The amount of state subsidies a consumer is eligible for will vary depending on age, household income, and the cost of health care in their region. However, on average:

- Consumers with household incomes between 400 and 600 percent of the FPL who previously did not qualify for financial help because they exceeded federal income requirements, could be eligible to receive an *average* state subsidy of \$172 per household per month, which helps them save an *average* of 23 percent off their current premiums. Many of these consumers, particularly those who live in high-cost regions, could see significant savings with annual reductions in their health care premiums in the hundreds or possibly thousands of dollars.
- Covered California enrollees whose household income falls between 200 and 400 percent of the FPL, and who currently receive federal financial help, could be eligible to receive an *average* additional subsidy of \$15 per household per month which will help them save an *average* of 5 percent on their current premiums.
- Covered California enrollees whose annual household income falls below 138 percent of FPL could see their premiums for the benchmark plan lowered to \$1 per member, per month.

Are subsidies available if a consumer purchases a plan directly through a health insurance company?

Like federal premium tax credits, Covered California is the *only* place consumers can go to receive state subsidies. Consumers must purchase coverage through Covered California and otherwise meet eligibility requirements for federal premium subsidies, except for the federal income requirements which limit eligibility at 400 percent of the FPL. While consumers can purchase a plan directly from a health insurance carrier, they should come to www.CoveredCA.com to see if they qualify for financial help so they don't leave any money on the table.

What is the requirement to have health insurance coverage and penalty?

From 2014 to 2018, it was the law nationally to have health coverage or pay a penalty if you opted out of coverage you could afford. Federal policy actions reduced the penalty to \$0 for 2019, but through bold the actions of the Governor and Legislature, California restored the requirement to get coverage or face a penalty. California's individual mandate and penalty closely mirror the federal structure in place prior to the penalty being "zeroed out," with adjustments for California's tax filing threshold and a state-level penalty.

Starting January 1, 2020, Californians will be required to maintain health insurance throughout the year or potentially face a penalty for each month they lack coverage. The Franchise Tax Board is responsible for administering the penalty, and Californians who owe a penalty will pay when they file their 2020 state income tax return in 2021.

How much is the penalty?

Similar to how the penalty was calculated at the federal level, a taxpayer who fails to maintain coverage in 2020 could be subject to a penalty that is the *greater* of \$695 per adult (\$347.50 per dependent child) or 2.5 percent of gross income above the tax filing threshold based on tax filing status and number of dependents.

The best way to avoid the penalty is to get health insurance, making the new state subsidies even more important to help consumers pay for and maintain their coverage throughout the year. Covered California and the Franchise Tax Board are working together to make sure consumers are aware of the requirement to maintain health insurance and the penalty and will continue driving home the message that having health coverage is the best plan.

Are there exemptions to paying the penalty?

Yes. Some individuals may not have to pay a penalty if they qualify for an exemption. Exemptions from the penalty largely mirror the exemptions previously applied under federal law, and include:

- Affordability Exemptions - Consumers will not pay a penalty if the cost of their coverage exceeds a certain percentage of their income.
- General Hardship – Hardships can include homelessness, eviction, foreclosure, domestic violence, death of a family member, bankruptcy, and other circumstances.
- Religious Conscience – Members of a recognized religious sect or division who is opposed to acceptance of the benefits of public or private insurance.

These exemptions will be granted by Covered California throughout the year, and more information will be available on Covered California's website soon.

The Franchise Tax Board will also grant various exemptions that can be claimed when filing their 2020 tax return. Consumers can visit the Franchise Tax Board website at www.ftb.ca.gov for more information about the penalty and exemptions.

What impact will these new laws have?

These new state laws mean that more Californians will be able to pay for and keep their coverage in 2020. We already see the positive impact of these new laws on premium rates for next year with lowered costs for all in the market. The statewide average rate change for

California's individual market in 2020 is less than one percent – the lowest rate increase since Covered California launched in 2014. Further, consumers who shop and switch to the lowest-cost plan in the same metal tier could see a rate *reduction* of up to 9 percent while maintaining the same level of benefits.

This is great news for consumers, but it is important to remember that health care is local and plans and rates vary depending on where a consumer lives, how old they are, and their family size. Consumers can use Covered California's [Shop and Compare Tool](#) to check if they may qualify for financial help, as well as the health plans and rates available to them.

When is open enrollment and where can consumers go if they have questions about state subsidies or want help enrolling?

Sign-ups start on October 15, 2019 and consumers have until January 31st to enroll into 2020 coverage. Also, there are key enrollment deadlines within the open enrollment period to remember:

- **October 15th:** Sign-ups begin
- **December 15, 2019:** Deadline to sign up for coverage starting January 1, 2020
- **January 31, 2020:** Final deadline to enroll. Consumers who sign up after December 15 and by the January 31 deadline will have their coverage effective on February 1, 2020.

As a reminder, consumers must make their first month's premium payment for their coverage to be effective.

Consumers can go to www.CoveredCA.com to quickly check if they are eligible for financial help. They can also sign up for coverage online and purchase a plan.

Covered California also partners with thousands of certified insurance agents and enrollers in communities throughout the state who provide free and confidential in-person help in a variety of languages. Consumers can visit Covered California's [Find Help](#) page to find the nearest certified enroller or use Covered California's Help on Demand tool to have a certified enroller contact them. Consumers can also contact Covered California's Service Center at 800-300-1506.