

APTC and CSR Basics



June 2023

This information is intended only for the use of entities and individuals certified to serve as Navigators, certified application counselors, or non-Navigator assistance personnel in a Federally-facilitated Marketplace. The terms “Federally-facilitated Marketplace” and “FFM,” as used in this document, include FFMs where the state performs plan management functions. Some information in this manual may also be of interest to individuals helping consumers in State-based Marketplaces and State-based Marketplaces using the Federal Platform. This material was produced and disseminated at U.S. taxpayer expense.

Agenda

- I. What are advance payments of the premium tax credit (APTC)?
- II. Who is eligible?
- III. APTC Reconciliation
- IV. Cost-sharing reductions (CSRs)
- V. Case Scenarios



Brainstorming Question #1

What is the most challenging issue you face when helping consumers with APTC-related issues?



What is APTC?



- The Affordable Care Act (ACA) was enacted in March 2010. It provides for eligible consumers to receive financial assistance to purchase a plan on the Marketplace.
- Financial assistance can come in the form of premium tax credits (PTCs) to lower monthly insurance payments (called premiums) or CSRs that lower the amount a consumer has to pay for deductibles, copayments, and coinsurance.
- Consumers can use APTC to lower their monthly insurance payments when they enroll in a plan through the Marketplace. The consumer's APTC is based on the estimated annual household income and the household size that the consumer reports on their Marketplace application. The consumer's PTC is determined after the end of the year based on the actual household income and household size for the year at tax filing.

What is APTC? (Cont.)

- Depending on their actual household income for the year, they may be required to repay excess APTC received when filing their federal income tax return.



Who is Eligible?

- Under the ACA, a consumer is eligible to have APTC paid on their behalf if they meet all of the following requirements:
 - Will have an annual household income that falls within 100 to 400 percent of the federal poverty level (FPL);

Note: The American Rescue Plan Act of 2021 (ARP) expanded eligibility for PTC for the 2021 and 2022 plan years, and the Inflation Reduction Act (IRA) extended this provision through the 2025 plan year. Under the IRA, APTC is now also available through 2025 to consumers who otherwise meet eligibility requirements and who have an expected household income above 400 percent of the FPL.

Who is Eligible? (Cont.)

- Under the ACA, a consumer is eligible to have APTC paid on their behalf if they meet all of the following requirements (cont.):
 - Will not file a Married Filing Separately federal income tax return;
 - Exception: A consumer may qualify for a special rule that allows certain victims of domestic abuse and spousal abandonment to claim the PTC using the Married Filing Separately filing status when they file their federal income tax returns. These applicants should attest they are single when filling out an application.
- Note:** If a consumer is legally married but lives separately from their spouse for at least six months of the year of coverage and for more than half of that year lives with a tax dependent in a home that the consumer pays more than half of the cost of, the consumer may be eligible to file as “Head of Household” and won’t have to file Married Filing Separately for the purposes of eligibility for APTC and PTC.

Who is Eligible? (Cont.)

- A taxpayer is eligible to have APTC paid on their behalf if they meet all of the following requirements (cont.):
 - Cannot be claimed as a dependent by another person;
 - For one or more months of the year, the taxpayer or another member of the taxpayer's tax family (spouse, if filing jointly, and dependents) is enrolled in coverage (excluding Catastrophic coverage) through a Marketplace; and
 - Is not eligible for or enrolled in other minimum essential coverage (MEC). For example:
 - Is not offered “affordable” coverage through an eligible employer-sponsored plan that provides minimum value or enrolled in employer-sponsored coverage (ESC) regardless of affordability or provision of minimum value. An employer-sponsored plan is affordable if the self-only premium is no more than 9.12 percent of annual household income in 2023. It provides minimum value if the plan covers at least 60 percent of the total cost of medical services for a standard population and includes substantial coverage of physician and inpatient hospital services; and
 - Is not eligible for qualifying coverage through a government program like Medicaid, Medicare, the Children's Health Insurance Program (CHIP), or TRICARE.

Income Limits

- In general, individuals and families may be eligible for APTC for their Marketplace coverage if their household income for the year is at least 100 percent but no more than 400 percent of the FPL for their household size.
 - Exception: If a consumer is a lawfully present immigrant and is determined ineligible for Medicaid due to immigration status, they may be eligible for Marketplace coverage with financial assistance, even though their household income may be below 100 percent of the FPL.
- The ARP expanded eligibility for PTC for Plan Years 2021 and 2022, which the IRA extended for Plan Years 2023 through 2025. Under the ARP and IRA, APTC is now also available to consumers with expected household income above 400 percent of the FPL.
- For residents of one of the 48 contiguous states or Washington D.C., the following illustrates when household income would be at least 100 percent of the FPL for purposes of computing consumers' APTC for 2023:

Household Size	Household Income at 100% of the FPL
One Individual	\$13,580
Family of Two	\$18,310
Family of Four	\$27,750

How Does the Consumer Qualify for APTC?

- When a consumer applies for Marketplace coverage, the Marketplace will estimate the amount of PTC that the consumer may be able to claim for the tax year using information the consumer provides about the consumer's household size and projected household income and the consumer's/family members' eligibility for other, non-Marketplace coverage options described earlier.
- Based upon that estimate, the consumer can decide if they want to have all, some, or none of their estimated PTC paid in advance as APTC directly to their insurance company to lower their monthly premiums.



How Does the Consumer Qualify for APTC? (Cont.)

- In general, if the consumer chooses to have APTC paid on their behalf to help with the cost of Marketplace coverage, the consumer will be required to file a federal income tax return for the year of coverage. IRS Form 8962 will also need to be filed with the federal income tax return to reconcile the amount of APTC paid on their behalf with the PTC that they may claim at tax filing based on their actual household income for the year and household size at the end of the year.
 - While IRS expects enrollees who have APTC paid on their behalf to file taxes and reconcile APTC using [IRS Form 8962](#), Premium Tax Credit, CMS will not be discontinuing APTC for most enrollees in Marketplaces using the federal platform who have failed to file and reconcile during Plan Years 2021 and 2022.
- If the consumer does not choose to use APTC or the Marketplace determines they were not eligible for APTC at the time of enrollment, they may still be eligible for the PTC when they file their federal income tax return for the year. If so, the consumer must file IRS Form 8962 to claim the PTC, which will lower the amount of taxes owed on that return or increase their refund.

Job-based Coverage and Eligibility for Financial Assistance in the Marketplace

- If a consumer has an offer of job-based health coverage, they won't qualify for APTC or CSRs on a Marketplace plan if:
 - Their offer of job-based coverage meets the minimum value standard;
AND
 - Their offer of job-based coverage is considered affordable.
- For 2023, a plan is considered “affordable” if the plan's premiums do not exceed 9.12 percent of the employee's household income.



Update to Calculating Job-based Coverage (Fixing the “Family Glitch”)

- Before Plan Year 2023, a job-based plan was considered affordable for all family members to whom an employer’s offer extends if the premium for the employee’s self-only coverage was affordable. The premium required to cover any family members was not taken into account.
- The Internal Revenue Service (IRS) issued new regulations that applied starting in Plan Year 2023. If a consumer has an offer of employer coverage that extends to their family members, the affordability of employer coverage for those family members will be based on the family premium amount, not the self-only employee premium cost.



IMPORTANT!

What It Means to “Reconcile”



- If a consumer had a Marketplace plan and chose to have APTC paid to their plan to lower the consumer’s monthly payment, the consumer must “reconcile” when they file their federal taxes. This means they’ll compare two figures:
 - The amount of APTC paid on behalf of the consumer or any other member of the consumer’s tax family for the year of coverage. This was paid directly to their health plan issuer to lower the consumer’s monthly payment.
 - The PTC the consumer actually qualifies for based on the consumer’s actual household income, household size, and other items that determine an individual’s PTC for the year.
- Any difference between the two figures may affect a consumer’s federal income tax refund or the amount of federal income tax owed.

Case Scenario #1: Maria and Jeff

- Maria and her husband Jeff live in Michigan, have no dependents and were making a combined \$9,156 a month, which is 600 percent of the applicable FPL. They're enrolled in a Marketplace plan with \$0 APTC.
- Jeff loses his job as a bartender at a restaurant in March 2023 and their household income drops to \$6,170 a month.

Should Jeff and Maria report the change to the Marketplace, and will they become eligible for APTC? (Y/N)

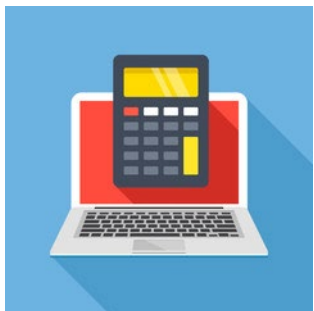


Case Scenario #1 Answer

- They should report the change in income to the Marketplace and may become eligible for APTC as a result of this change. Prior to the passage of the ARP and IRA, despite the reduction in household income, Jeff and Maria would not have been eligible for APTC. However, for their 2023 coverage, Jeff and Maria could be eligible for APTC under the IRA provision expanding APTC to consumers with household income above 400 percent of the FPL for Plan Years 2023 through 2025.
- Jeff and Maria should come back to the Marketplace and resubmit their application to have their updated APTC applied for future months. If Jeff or Maria qualifies for a Special Enrollment Period (SEP), they may also choose to change plans. The increased APTC will be applied prospectively when Jeff and Maria update their Marketplace application; however, they may be able to receive additional premium tax credit when they file their federal income tax return for 2023.



Factors That May Affect APTC Received



- The actual PTC for the year will differ from the APTC amount estimated by the Marketplace if the consumers' household size or annual household income as estimated at the time of enrollment is different from the household size or annual household income they report on their federal income tax return.
- The more their household size or annual household income differs from the Marketplace estimates used to compute their APTC, the more significant the difference will be between their APTC and their actual PTC. This is why it's important to report changes to household income and household size to the Marketplace promptly.
- For coverage years 2021 through 2025, the ARP and IRA adjust the calculation of PTC to make Marketplace coverage more affordable.

Factors That May Affect APTC Received (Cont.)

- Other changes in circumstances, such as marriage or divorce, may also affect the difference between APTC and the PTC.
- If the actual PTC on their return is **less than** the APTC paid on their behalf, the difference will be subtracted from their refund or added to their balance due (subject to certain repayment caps).
- If their actual PTC is **more than** their APTC paid on their behalf, the difference will increase their refund or reduce their balance due.



Life Changes That May Affect APTC

- When consumers notify the Marketplace about changes in circumstances as soon as they occur, it allows the Marketplace to redetermine their eligibility for APTC and allows the consumer to adjust the amount of APTC they apply to their premium.
- This adjustment may decrease the likelihood of a significant difference between their APTC and their actual PTC. Changes in circumstances that can affect the amount of actual PTC include:
 - Increases or decreases in their household income (e.g., a lump sum payment of Social Security benefits or taxable distributions from an individual retirement account or other retirement arrangement)
 - Marriage
 - Divorce
 - Birth or adoption of a child
 - Other changes to household composition
 - Gaining or losing eligibility for government-sponsored or employer-sponsored health care coverage
 - Moving to another address

APTC Reconciliation

- Consumers who purchase coverage through the Marketplace should receive Form 1095-A, Health Insurance Marketplace Statement, from the Marketplace by early February of the year after the year of coverage. If this form shows that APTC was paid on behalf of a consumer or a member of their family, the household's tax filer is generally required to file a federal income tax return for the year of coverage and complete [IRS Form 8962](#), Premium Tax Credit, to “reconcile” those advance payments.
- CMS will not be taking certain actions to remove the financial help Marketplace enrollees receive to help pay for their health coverage if they have not filed and reconciled in Plan Years 2021 and 2023. However, it is still a requirement for taxpayers for whom APTC was paid in years other than 2020 to file federal income taxes and reconcile APTC for those tax years per statute and federal regulation at 26 CFR 1.36B-4(a)(1)(i).

Consequences of Not Reconciling APTC

- If consumers have questions about the information on Form 1095-A or about receiving Form 1095-A, they should contact the Marketplace directly.
- If APTC is paid on behalf of a consumer or another individual in the consumer's tax household and the APTC is not reconciled on a completed Form 8962 with a federal income tax return filed by the consumer (or someone else such as a tax filer who claims the consumer as a dependent), the consumer will not be eligible for APTC or income-based CSRs to help pay for their Marketplace coverage in future years. This means that they will be responsible for the full cost of their monthly premiums.
 - For Plan Years 2021 and beyond, CMS will not be ending APTC for most enrollees in Exchanges using the federal platform who have not filed and reconciled.
 - Form 1095-A provides [information consumers will need when completing IRS Form 8962](#).

CSRs

- CSRs are discounts that lower the amount a consumer has to pay for deductibles, copayments, and coinsurance. If a consumer qualifies based on their household income, they must enroll in a plan in the Silver category to get these extra savings.
- Typically, individuals and families with household incomes up to 250 percent of the FPL may be eligible to receive CSRs.
- There are also non-income-based CSRs available to members of federally recognized tribes.



Case Scenario #2: James

- James has an offer of ESC. The plan he is offered covers 80 percent of his total allowable health care costs and includes substantial coverage of physician and inpatient hospital services.
- James lives with his spouse but is the sole earner in his family, and his monthly household income is \$4,038, which is \$48,456 per year.
- 9.12 percent of James's annual household income is \$4,419 per year.
- James's cost for the lowest-priced plan his employer offers for self-only coverage is \$3,600 per year. However, the cost for the lowest-priced family plan his employer offers to cover James and his spouse is \$4,735 per year, exceeding the affordability standard of 9.12 percent of James's annual household income.
- James would like to decline his offer of ESC and purchase a plan for his family through the Marketplace.



Is James eligible for APTC if he chooses to purchase a Marketplace plan? (Y/N)

Case Scenario #2 Answer

No, James is not eligible for APTC when purchasing a Marketplace plan. **However**, APTC **may be available** for James's spouse in the Marketplace, due to the family glitch fix for coverage years beginning in 2023.

- The ESC plan offered covers more than 60 percent of total allowable costs and includes substantial coverage of physician and inpatient hospital services, which meets minimum value.
- James's share of the lowest-priced plan for self-only coverage (\$3,600 per year) does not exceed 9.12 percent of his annual household income (\$4,419 per year). However, the lowest-price family plan to cover James and his spouse does exceed this affordability standard.
- James can still decline his offer of ESC and instead choose to enroll himself and his spouse in Marketplace coverage. If he does so, APTC may be available for his spouse, because the ESC family plan offered is unaffordable, but James would be ineligible for APTC because of the affordable self-only premium amount, so his portion of the Marketplace premium would be at full price.

Case Scenario #2: James (Cont.)

- James's hours have been reduced because his employer lost grant funding.
- Now, James's household income decreases such that the cost of self-only coverage is 12 percent of his annual household income.

Now that his household income has decreased, is James eligible for APTC if he chooses to purchase a Marketplace plan? (Y/N)



Case Scenario #2 Answer (Cont.)

- James may be eligible for financial assistance if he declines his ESC offer, or ends his ESC enrollment, and enrolls in a Marketplace plan.
- It's important to tell consumers that they should return to the Marketplace if they experience a change in circumstances, like a change in household income, as their options for coverage may change.



Case Scenario #3: Alicia

- Alicia's household income is 300 percent of the FPL. She has an offer of ESC.
- Self-only coverage for Alicia would cost 8.90 percent of her annual household income.
- The plan covers 58 percent of total allowable costs.



Could Alicia be eligible for financial assistance if she chooses to purchase a Marketplace plan? (Y/N)

Case Scenario #3 Answer



- **Yes**, Alicia has an offer of ESC and the plan meets the affordability standard, but it only covers 58 percent of total allowable costs. This does not meet the 60 percent minimum value standard. Alicia would be eligible to receive APTC if she chooses not to enroll in ESC and instead purchases a Marketplace plan.
- **Remember:** If Alicia is enrolled in ESC, she will be ineligible for financial assistance through the Marketplace, regardless of whether the plan is affordable or meets minimum value standards.

Case Scenario #4: Jiang



- Jiang has an offer of self-only ESC that costs 10 percent of his annual household income.
- His plan covers 75 percent of total allowable costs and includes substantial coverage of physician and inpatient hospital services.

**Could Jiang be eligible for financial assistance if he chooses to purchase a Marketplace plan?
(Y/N)**

Case Scenario #4 Answer

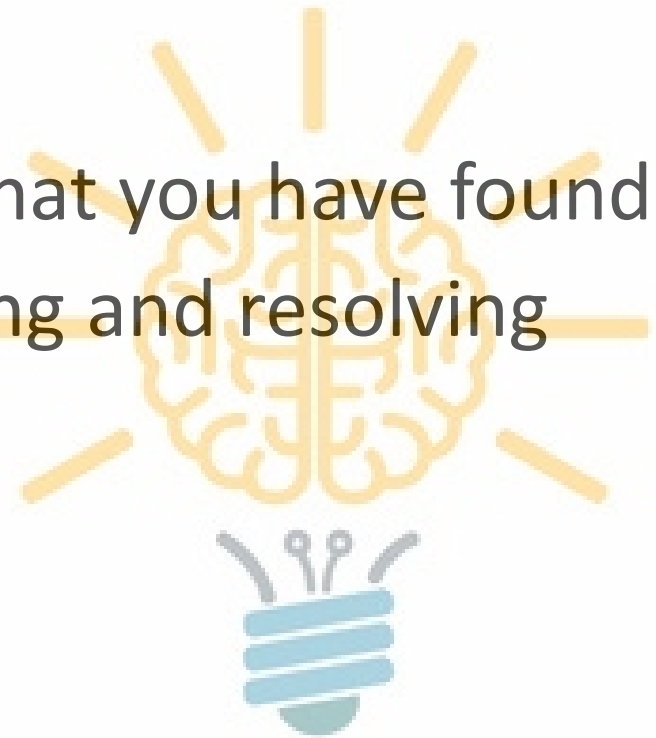


Yes. In order to be an affordable offer of coverage, Jiang's cost must not exceed the maximum allowable percentage of his household income for self-only coverage as well as cover the minimum required percentage of total allowable costs and include substantial coverage of physician and inpatient hospital services.

- While 75 percent is above the minimum 60 percent threshold for total allowable costs, 10 percent (Jiang's cost for self-only ESC) is above the maximum 9.12 percent of his annual household income for which coverage would be considered affordable for Jiang.
- Consequently, his offer of coverage is not affordable, and he may be eligible for APTC if he chooses to purchase a Marketplace plan.

Brainstorming Question #2

What is a best practice tip that you have found to be effective when handling and resolving APTC-related issues?



Resources

- [Questions and Answers on the Premium Tax Credit](#)
- [Definition of Premium Tax Credit](#)
- [What Assistors Need to Know About the American Rescue Plan Act of 2021](#)
- [Unemployment Compensation, Advance Payments of the Premium Tax Credit \(APTC\), and Cost-sharing Reductions \(CSRs\) Under the American Rescue Plan Act of 2021 \(ARP\)](#)
- [Failure to File and Reconcile Operational Flexibilities for Plan Year 2023](#)
- [Marketplace Coverage & Coronavirus](#)
- [Coronavirus Tax Relief and Economic Impact Payments](#)
- [About Form 1095-A](#)
- [Marketplace Assister Microlearning](#)