Health Care Reform: Individual Mandate

What is the Individual Mandate?

When the Affordable Care Act was passed in 2014, it included a mandate for most individuals to have health insurance or potentially pay a penalty for noncompliance.

What type of coverage satisfies the individual mandate?

"Minimum essential coverage"

What is minimum essential coverage?

Minimum essential coverage is defined as:

- Coverage under certain government-sponsored plans
- Employer-sponsored plans, with respect to any employee
- Plans in the individual market,
- Grandfathered health plans; and
- Any other health benefits coverage, such as a state health benefits risk pool, as recognized by the HHS Secretary.

Minimum essential coverage does not include health insurance coverage consisting of excepted benefits, such as dental-only coverage.

The passage of th 2017 tax bill changed these requirements…….

The penalty for noncompliance has been in enforce since 2014,

First, the tax cut act does not repeal the individual mandate as such. Rather it zeros out both the dollar amount and percentage of income penalties imposed by the mandate.

However as of Jan. 1st 2018, with the passage of the 2017 tax law, the penalty is no longer enforceable starting in 2019. That means for calendar year 2018, individuals are still required to ensure they have adequate coverage and the IRS has announced that it will reject electronic filings that do not claim coverage or an exemption.

The penalty will be pro-rated based on the number of months during the year that you're uninsured, although those who are uninsured for less than three months in a given year would not be subject to the penalty

Who will be exempt from the mandate?

Individuals who have a religious exemption, those not lawfully present in the United States, and incarcerated individuals are exempt from the minimum essential coverage requirement.

Are there other exceptions to when the penalty may apply?

Yes. A penalty will not be assessed on individuals who:

1. cannot afford coverage based on formulas contained in the law,
2. have income below the federal income tax filing threshold,
3. are members of Indian tribes,
4. were uninsured for short coverage gaps of less than three months;
5. have received a hardship waiver from the Secretary, or are residing outside of the United States, or are bona fide residents of any possession of the United States.
6. Individuals whose annual income falls below 133% of the federal poverty level, and who live in a state that will not expand Medicaid, are likely to be exempt from the penalty as well.

The ACA says the IRS should enforce the law by imposing a tax penalty. In essence the IRS can subtract the penalty from any refund it owes a taxpayer. But that applies only if the IRS happens to owe somebody a refund.