The HR Professional's Guide to Health Reform's Tax Subsidies

Your Key to Better Benefits & Happier Employees

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One of the challenges with Health Care Reform is the way health insurance subsidies are determined. Most small employers in California who offer health insurance to their employees only pay a percentage of the employee cost. In most instances they do not pay any of the employee's dependent cost.

The fact that they offer and pay a portion of the employee cost keeps their employees from obtaining any health insurance subsidies. The concept discussed in this whitepaper will allow an employer to continue to help support their employees and at the same time allow their employees to obtain subsidies.

Cloud, Minturn & Associates, as certified agents for Covered California, works with businesses, their employees and their families to help them obtain the health insurance subsidies discussed in this whitepaper.

First we will help the employee determine if they can receive a subsidy and approximately how much it would be.

Next we will help them decide which of the many plans fits their family budget.

Finally, we will help them apply and obtain both the subsidy and the required health insurance coverage.

Implementing this concept takes the employer out of the decision making or driver's seat and lets their employees make their own individual family decisions regarding their health care.

To find out what your employee's subsidy would be, contact us at:

(310) 316-3662

Or

Info@CloudMinturn.com

The following report was developed by Zane Benefits, a leader in the defined contribution field.

Cloud, Minturn & Associates and Zane Benefits have partnered together in order to help employers and their employees obtain more cost effective health care benefits.

THE HR PROFESSIONAL'S GUIDE TO HEALTH REFORM'S TAX SUBSIDIES

Your Key to Better Benefits & Happier Employees

Achieve your **Recruiting & Retention Goals** by combining defined contribution & new individual tax subsidies.

INTRODUCTION

About This Guide

HR plays a pivotal role in evaluating and executing a company's health benefits strategy. As health care reform takes full effect in 2014 and beyond, CEOs, CFOs, and employees will rely on Human Resources to lead the way.

Whether your company has a formal HR department or not, this guide will help you better understand how to achieve better benefits at a lower cost during the coming *health benefits shift*.

In 2014, new options including defined contribution and individual health insurance marketplaces will allow businesses to create new and improved health benefits strategies for employees.

This guide is written for HR professionals of small and medium-size businesses. However, if you are a business owner, CEO, office manager, or anyone involved in the health benefits decision-making process, this guide is also for you.

This guide will help you, your company, and your employees leverage cost savings opportunities with individual health insurance tax subsidies and defined contribution health plans in 2014 and beyond.

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Note: Guide revised July 5, 2013 to reflect ACA Employer Mandate provision delay from 2014 to 2015

PART 1:
HEALTH CARE REFORM & DEFINED CONTRIBUTION

Health Care Reform Overview

The major provisions of the Affordable Care Act (ACA) take effect January 1, 2014. Starting in 2014, the best decision for most employers and employees will be to eliminate their company-sponsored group health insurance in favor of a defined contribution health plan solution. That's because employees no longer need employers to purchase quality health insurance. And, starting in 2014, employees earning less than 400% of the FPL (~$95,000 for a family of four per year in 2013) who purchase an individual health policy will receive a large federal subsidy on their premium if their company doesn't offer a group health insurance plan.

In order to evaluate how health care reform affects you and your company, you must understand the following major ACA provisions:

Employer Mandate - 2015 (50+ FTE Employees Only)	**Businesses (with 50+ FTE)** will be required to offer "qualified" and "affordable" health insurance to employees starting in 2015*. If they do not, they are subject to a tax penalty based on full-time employees. **Small Businesses (with less than 50 FTE)** are not affected by the mandate or the tax penalty. ***Announced in July 2013, the employer mandate and employer tax penalties will now take effect in 2015, rather than 2014.***
Individual Mandate	Starting in 2014, individuals will be required to be covered under health insurance, or else pay a tax penalty.
Individual Health Insurance Tax Subsidies	To help make health insurance policies affordable, tax subsidies will be available to the majority of employees (households with income up to 400% of the federal poverty line, FPL).
Individual Health Insurance Marketplaces	These tax subsidies will **only** be available through the new state health insurance marketplaces, online websites where employees can purchase individual health insurance plans. The marketplaces will be publically run (either by the state, the federal government, or a combination). The marketplaces will open for enrollment on October 1, 2013, for coverage beginning January 1, 2014. Employees are only eligible for these subsidies if they are ***not*** offered qualified, affordable group health insurance through an employer.
Guaranteed-Issue Policies	Starting in 2014, all individual and family health insurance policies are required to be guaranteed-issue, meaning employees cannot be denied or pay more because of a pre-existing condition. No longer will sick employees *need* to get affordable coverage through their employer.

Defined Contribution: The Ideal Solution in 2014

What is a defined contribution health plan?
Rather than paying the costs to provide a specific group health insurance plan (a "defined benefit"), companies fix their costs on a monthly basis by establishing a defined contribution health plan.

Defined contribution health plans are an alternative to company-sponsored group health insurance plans. When talking about defined contribution, we are referring to a "pure" defined contribution model, where there is no group health insurance plan, and where employees can choose any individual health insurance policy.

"Pure" defined contribution health plans by themselves are not health insurance plans and therefore do not satisfy the employer mandate of minimum essential coverage.

With a "pure" defined contribution health plan:

- ✓ Your company gives each employee a fixed dollar allowance (a "defined contribution") that employees can spend on any qualified health insurance plan.
- ✓ Employees purchase their own individual policy directly from a health insurance company of their choice, through an insurance broker, or through their state health insurance marketplace.
- ✓ Employees use their defined contribution allowance to reimburse themselves tax-free for their individual health insurance costs, up to the amount of their allowance.

The Result? With Defined Contribution Health Benefits, Employees Love Their Health Benefits Again!

The Trend Toward Defined Contribution Health Plans

Because of the new health care reform changes, most businesses are expected to switch to a defined contribution health plan. *Why?*

- ✓ In 2014, individual policies become **guaranteed issue**. This eliminates the non-economic (i.e. moral) factors from a company's decision-making process. Companies will be assured that all employees will be able to get affordable individual health insurance coverage through the new marketplaces.

- ✓ Most employees will pay less for health insurance on the individual market due to **federal tax subsidies**. The following subsidy charts outline these savings (see pages 9-17).

- ✓ For small businesses with fewer than 50 FTE employees, **there is no employer mandate, and thus, no tax penalties for not offering traditional coverage in 2015**.

- ✓ For many companies with 50+ FTE employees in 2015, the total cost of paying the applicable employer tax penalty plus providing a defined contribution health benefit will be less expensive than group health insurance. **Most importantly, the only way for employers to give employees access to the individual premium tax subsidies is by *not offering group health insurance.***

With the new individual health insurance marketplaces (guaranteed-issue and affordable policies), defined contribution health plans now have all the same benefits of a traditional group health insurance plan, at a lower cost for the employer and employees.

Defined Contribution Readiness

Does your company employ less than 50 FTE employees?

- If yes, cancel your group health insurance plan (if you have one).
- Provide a defined contribution allowance for employees to use on purchasing their own individual insurance policies
    - Policies are guaranteed issue.
    - No tax penalties for the company.
    - Employee tax subsidies available (defined contribution allowances can be used for the non-subsided portion of the policy).

Does your company employ 50+ FTE employees?

- If yes, complete a financial analysis (see Ultimate Guide to Health Care Reform: Play or Pay?)
- Compare the cost of:
    - Qualified, affordable group health insurance.
    - Defined contribution + tax penalties (penalties start 2015).
    - Penalties alone.

FAQ: What about the tax penalty... don't we have to offer health insurance?

No. Even with the tax penalty in 2015, many companies (with over 50 FTE employees) will choose to terminate their traditional group health insurance plan, provide a defined contribution health plan, and allow employees to shop for their own health insurance policies on the marketplaces, through an insurance broker, or directly from a carrier. The tax penalty is simply incorporated into the company's overall health benefits expense. With rising costs of group health policies, employers can offer better benefits at a lower cost (even with the employer tax penalties).

Need More Details on Calculating Your Health Care Reform Strategy?
Contact
Cloud, Minturn & Associates
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PART 2:
INDIVIDUAL HEALTH INSURANCE TAX SUBSIDY CHARTS

Summary of Premium Caps

This chart summarizes the estimated maximum monthly amount for an individual or family policy purchased through the marketplaces. The charts to follow break out details on estimated premium amounts and health insurance tax subsidies by family size.

	Estimated Monthly Premium Cap by Household Size & Income*								Average Group Health Insurance Coverage ***
2013 FPL >>	**100% ****	**133% ****	**150%**	**200%**	**250%**	**300%**	**350%**	**400%**	
Premium cap: % of Income	*0% - 2.0%*	*0% - 3.0%*	*4.0%*	*6.3%*	*8.1%*	*9.5%*	*9.5%*	*9.5%*	
Family Size									
1	$0 - $19	$0 - $38	$57	$121	$193	$273	$318	$321	**$468**
2	$0 - $26	$0 - $52	$78	$163	$260	$368	$430	$491	
3	$0 - $33	$0 - $65	$98	$205	$330	$464	$541	$618	
4	$0 - $39	$0 - $78	$118	$247	$397	$559	$653	$746	**$1,312**
5	$0 - $46	$0 - $92	$138	$289	$465	$655	$764	$873	
6	$0 - $53	$0 - $105	$158	$332	$533	$750	$875	$1,000	
7	$0 - $59	$0 - $118	$178	$374	$600	$846	$987	$1,128	
8	$0 - $66	$0 - $132	$198	$416	$668	$941	$1,098	$1,255	

Notes:

* See page 18 for chart assumptions and sources. Chart based on 2013 FPL income standards.

** Amount depends on whether your state participates in Medicaid expansion.

*** Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2012. See **Appendix A** (page 19) for more trends on the cost of company-sponsored group health insurance.

Tax Subsidy Charts, By Family Size

Individual (1 Adult)

Adult age 40

	FPL 2013							
	100% ***	133% ***	150%	200%	250%	300%	350%	400%
2013 Household Income *	$11,490	$15,282	$17,235	$22,980	$28,725	$34,470	$40,215	$45,960
% of Income Premium Capped at	0% - 2.0%	0% - 3.0%	4.0%	6.3%	8.1%	9.5%	9.5%	9.5%
Max Amount of Monthly Premium	$0 - $19	$0 - $38	$57	$121	$193	$273	$318	$364
Average Silver Monthly Premium **	$321	$321	$321	$321	$321	$321	$321	$321
Average Silver Annual Premium	$3,852	$3,852	$3,852	$3,852	$3,852	$3,852	$3,852	$3,852
Federal Tax Subsidy (Monthly)	up to $302	up to $283	$264	$201	$129	$49	$3	$0
Employee's Monthly Premium Cost	**$0 - $19**	**$0 - $38**	**$57**	**$121**	**$193**	**$273**	**$318**	**$321**
Employee's Annual Premium Cost	$0 - $228	$0 - $456	$684	$1,452	$2,316	$3,276	$3,816	$3,852

Employee's Annual Penalty 2014	$115	$153	$172	$230	$287	$345	$402	$460
Employee's Annual Penalty 2015	$325	$325	$345	$460	$575	$689	$804	$919
Employee's Annual Penalty 2016	$695	$695	$695	$695	$695	$862	$1,005	$1,149

Notes:

* Income based on 2013 FPL standards. See page 18 for chart assumptions and sources.

** Premiums based on estimates by Congressional Budget Office. See page 18 for chart assumptions and sources.

*** Amount depends on whether your state participates in Medicaid expansion.

Tax Subsidy Charts, By Family Size

Family of 2 (2 Adults)
Adults age 40

	FPL 2013							
	100% ***	133% ***	150%	200%	250%	300%	350%	400%
2013 Household Income *	$15,510	$20,628	$23,265	$31,020	$38,775	$46,530	$54,285	$62,040
% of Income Premium Capped at	0% - 2.0%	0% - 3.0%	4.0%	6.3%	8.1%	9.5%	9.5%	9.5%
Max Amount of Monthly Premium	$0 - $26	$0 - $52	$78	$163	$262	$368	$430	$491
Average Silver Monthly Premium **	$643	$643	$643	$643	$643	$643	$643	$643
Average Silver Annual Premium	$7,716	$7,716	$7,716	$7,716	$7,716	$7,716	$7,716	$7,716
Federal Tax Subsidy (Monthly)	up to $617	up to $591	$565	$480	$383	$275	$213	$152
Employee's Monthly Premium Cost	**$0 - $26**	**$0 - $52**	**$78**	**$163**	**$260**	**$368**	**$430**	**$491**
Employee's Annual Premium Cost	$0 - $310	$0 - $624	$936	$1,956	$3,120	$4,416	$5,160	$5,892

Employee's Annual Penalty 2014	$190	$206	$233	$310	$388	$465	$543	$620
Employee's Annual Penalty 2015	$650	$650	$650	$650	$776	$931	$1,086	$1,241
Employee's Annual Penalty 2016	$1,390	$1,390	$1,390	$1,390	$1,390	$1,390	$1,390	$1,551

Notes:

* Income based on 2013 FPL standards. See page 18 for chart assumptions and sources.

** Premiums based on estimates by Congressional Budget Office. See page 18 for chart assumptions and sources.

*** Amount depends on whether your state participates in Medicaid expansion.

Tax Subsidy Charts, By Family Size

Family of 3 (2 Adults, 1 Child)

Adults age 40, child age 21 or under

	FPL 2013							
	100% ***	133% ***	150%	200%	250%	300%	350%	400%
2013 Household Income *	$19,530	$25,975	$29,295	$39,060	$48,825	$58,590	$68,355	$78,120
% of Income Premium Capped at	0% - 2.0%	0% - 3.0%	4.0%	6.3%	8.1%	9.5%	9.5%	9.5%
Max Amount of Monthly Premium	$0 - $33	$0 - $65	$98	$205	$330	$464	$541	$618
Average Silver Monthly Premium **	$803	$803	$803	$803	$803	$803	$803	$803
Average Silver Annual Premium	$9,636	$9,636	$9,636	$9,636	$9,636	$9,636	$9,636	$9,636
Federal Tax Subsidy (Monthly)	up to $770	up to $738	$705	$598	$473	$339	$262	$185
Employee's Monthly Premium Cost	**$0 - $33**	**$0 - $65**	**$98**	**$205**	**$330**	**$464**	**$541**	**$618**
Employee's Annual Premium Cost	$0 - $396	$0 - $780	$1,176	$2,460	$3,960	$5,568	$6,492	$7,416

Employee's Annual Penalty 2014	$285	$285	$293	$391	$488	$586	$684	$781
Employee's Annual Penalty 2015	$975	$975	$975	$975	$977	$1,172	$1,367	$1,562
Employee's Annual Penalty 2016	$2,085	$2,085	$2,085	$2,085	$2,085	$2,085	$2,085	$2,085

Notes:

* Income based on 2013 FPL standards. See page 18 for chart assumptions and sources.

** Premiums based on estimates by Congressional Budget Office. See page 18 for chart assumptions and sources.

*** Amount depends on whether your state participates in Medicaid expansion.

Tax Subsidy Charts, By Family Size

Family of 4 (2 Adults, 2 Children)

Adults age 40, children age 21 or under

	FPL 2013							
	100% ***	133% ***	150%	200%	250%	300%	350%	400%
2013 Household Income *	$23,550	$31,322	$35,325	$47,100	$58,875	$70,650	$82,425	$94,200
% of Income Premium Capped at	0% - 2.0%	0% - 3.0%	4.0%	6.3%	8.1%	9.5%	9.5%	9.5%
Max Amount of Monthly Premium	$0 - $39	$0 - $78	$118	$247	$397	$559	$653	$746
Average Silver Monthly Premium **	$962	$962	$962	$962	$962	$962	$962	$962
Average Silver Annual Premium	$11,544	$11,544	$11,544	$11,544	$11,544	$11,544	$11,544	$11,544
Federal Tax Subsidy (Monthly)	up to $923	up to $884	$844	$715	$565	$403	$309	$216
Employee's Monthly Premium Cost	**$0 - $39**	**$0 - $78**	**$118**	**$247**	**$397**	**$559**	**$653**	**$746**
Employee's Annual Premium Cost	$0 - $468	$0 - $936	$1,416	$2,964	$4,764	$6,708	$7,836	$8,952

Employee's Annual Penalty 2014	$285	$313	$353	$471	$589	$707	$824	$942
Employee's Annual Penalty 2015	$975	$975	$975	$975	$1,178	$1,413	$1,649	$1,884
Employee's Annual Penalty 2016	$2,085	$2,085	$2,085	$2,085	$2,085	$2,085	$2,085	$2,355

Notes:

* Income based on 2013 FPL standards. See page 18 for chart assumptions and sources.

** Premiums based on estimates by Congressional Budget Office. See page 18 for chart assumptions and sources.

*** Amount depends on whether your state participates in Medicaid expansion.

Tax Subsidy Charts, By Family Size

Family of 5 (2 Adults, 3 Children)

Adults age 40, children age 21 or under

	FPL 2013							
	100% ***	133% ***	150%	200%	250%	300%	350%	400%
2013 Household Income *	$27,570	$36,668	$41,355	$55,140	$68,925	$82,710	$96,495	$110,280
% of Income Premium Capped at	0% - 2.0%	0% - 3.0%	4.0%	6.3%	8.1%	9.5%	9.5%	9.5%
Max Amount of Monthly Premium	$0 - $46	$0 - $92	$138	$289	$465	$655	$764	$873
Average Silver Monthly Premium **	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122
Average Silver Annual Premium	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464
Federal Tax Subsidy (Monthly)	up to $1,076	up to $1,030	$984	$833	$657	$467	$358	$249
Employee's Monthly Premium Cost	**$0 - $46**	**$0 - $92**	**$138**	**$289**	**$465**	**$655**	**$764**	**$873**
Employee's Annual Premium Cost	$0 - $551	$0 - $1,104	$1,656	$3,468	$5,580	$7,860	$9,168	$10,476

Employee's Annual Penalty 2014	$285	$367	$414	$551	$689	$827	$965	$1,103
Employee's Annual Penalty 2015	$975	$975	$975	$1,103	$1,379	$1,654	$1,930	$2,206
Employee's Annual Penalty 2016	$2,085	$2,085	$2,085	$2,085	$2,085	$2,085	$2,412	$2,757

Notes:

* Income based on 2013 FPL standards. See page 18 for chart assumptions and sources.

** Premiums based on estimates by Congressional Budget Office. See page 18 for chart assumptions and sources.

*** Amount depends on whether your state participates in Medicaid expansion.

Tax Subsidy Charts, By Family Size

Family of 6 (2 Adults, 4 Children)

Adults age 40, children age 21 or under

	FPL 2013							
	100% ***	**133% *****	**150%**	**200%**	**250%**	**300%**	**350%**	**400%**
2013 Household Income *	$31,590	$42,015	$47,385	$63,180	$78,975	$94,770	$110,565	$126,360
% of Income Premium Capped at	0% - 2.0%	0% - 3.0%	4.0%	6.3%	8.1%	9.5%	9.5%	9.5%
Max Amount of Monthly Premium	$0 - $53	$0 - $105	$158	$332	$533	$750	$875	$1,000
Average Silver Monthly Premium **	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122
Average Silver Annual Premium	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464
Federal Tax Subsidy (Monthly)	up to $1,069	up to $1,017	$964	$790	$589	$372	$247	$122
Employee's Monthly Premium Cost	**$0 - $53**	**$0 - $105**	**$158**	**$332**	**$533**	**$750**	**$875**	**$1,000**
Employee's Annual Premium Cost	$0 - $636	$0 - $1,260	$1,896	$3,984	$6,396	$9,000	$10,500	$12,000

Employee's Annual Penalty 2014	$316	$420	$474	$632	$790	$948	$1,106	$1,264
Employee's Annual Penalty 2015	$975	$975	$975	$1,264	$1,580	$1,895	$2,211	$2,527
Employee's Annual Penalty 2016	$2,085	$2,085	$2,085	$2,085	$2,085	$2,369	$2,764	$3,159

Notes:

* Income based on 2013 FPL standards. See page 18 for chart assumptions and sources.

** Premiums based on estimates by Congressional Budget Office. See page 18 for chart assumptions and sources.

*** Amount depends on whether your state participates in Medicaid expansion.

Tax Subsidy Charts, By Family Size

Family of 7 (2 Adults, 5 Children)

Adults age 40, children age 21 or under

	FPL 2013							
	100% ***	133% ***	150%	200%	250%	300%	350%	400%
2013 Household Income *	$35,610	$47,361	$53,415	$71,220	$89,025	$106,830	$124,635	$142,440
% of Income Premium Capped at	0% - 2.0%	0% - 3.0%	4.0%	6.3%	8.1%	9.5%	9.5%	9.5%
Max Amount of Monthly Premium	$0 - $59	$0 - $118	$178	$374	$600	$846	$987	$1,128
Average Silver Monthly Premium **	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122
Average Silver Annual Premium	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464
Federal Tax Subsidy (Monthly)	up to $1,063	up to $1,004	$944	$748	$522	$276	$135	$0
Employee's Monthly Premium Cost	**$0 - $59**	**$0 - $118**	**$178**	**$374**	**$600**	**$846**	**$987**	**$1,122**
Employee's Annual Premium Cost	$0 - $708	$0 - $1,416	$2,136	$4,488	$7,200	$10,152	$11,844	$13,464

Employee's Annual Penalty 2014	$356	$474	$534	$712	$890	$1,068	$1,246	$1,424
Employee's Annual Penalty 2015	$975	$975	$1,068	$1,424	$1,781	$2,137	$2,493	$2,849
Employee's Annual Penalty 2016	$2,085	$2,085	$2,085	$2,085	$2,226	$2,671	$3,116	$3,561

Notes:

* Income based on 2013 FPL standards. See page 18 for chart assumptions and sources.

** Premiums based on estimates by Congressional Budget Office. See page 18 for chart assumptions and sources.

*** Amount depends on whether your state participates in Medicaid expansion.

Tax Subsidy Charts, By Family Size

Family of 8 (2 Adults, 6 Children)

Adults age 40, children age 21 or under

	FPL 2013							
	100% ***	133% ***	150%	200%	250%	300%	350%	400%
2013 Household Income *	$39,630	$52,708	$59,445	$79,260	$99,075	$118,890	$138,705	$158,520
% of Income Premium Capped at	0% - 2.0%	0% - 3.0%	4.0%	6.3%	8.1%	9.5%	9.5%	9.5%
Max Amount of Monthly Premium	$0 - $66	$0 - $132	$198	$416	$668	$941	$1,098	$1,255
Average Silver Monthly Premium **	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122	$1,122
Average Silver Annual Premium	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464	$13,464
Federal Tax Subsidy (Monthly)	up to $1,056	up to $990	$924	$706	$454	$181	$24	$0
Employee's Monthly Premium Cost	**$0 - $66**	**$0 - $132**	**$198**	**$416**	**$668**	**$941**	**$1,098**	**$1,122**
Employee's Annual Premium Cost	$0 - $792	$0 - $1,584	$2,376	$4,992	$8,016	$11,292	$13,176	$13,464

Employee's Annual Penalty 2014	$396	$527	$594	$793	$991	$1,189	$1,387	$1,585
Employee's Annual Penalty 2015	$975	$1,054	$1,189	$1,585	$1,982	$2,378	$2,774	$3,170
Employee's Annual Penalty 2016	$2,085	$2,085	$2,085	$2,085	$2,477	$2,972	$3,468	$3,963

Notes:

* Income based on 2013 FPL standards. See page 18 for chart assumptions and sources.

** Premiums based on estimates by Congressional Budget Office. See page 18 for chart assumptions and sources.

*** Amount depends on whether your state participates in Medicaid expansion.

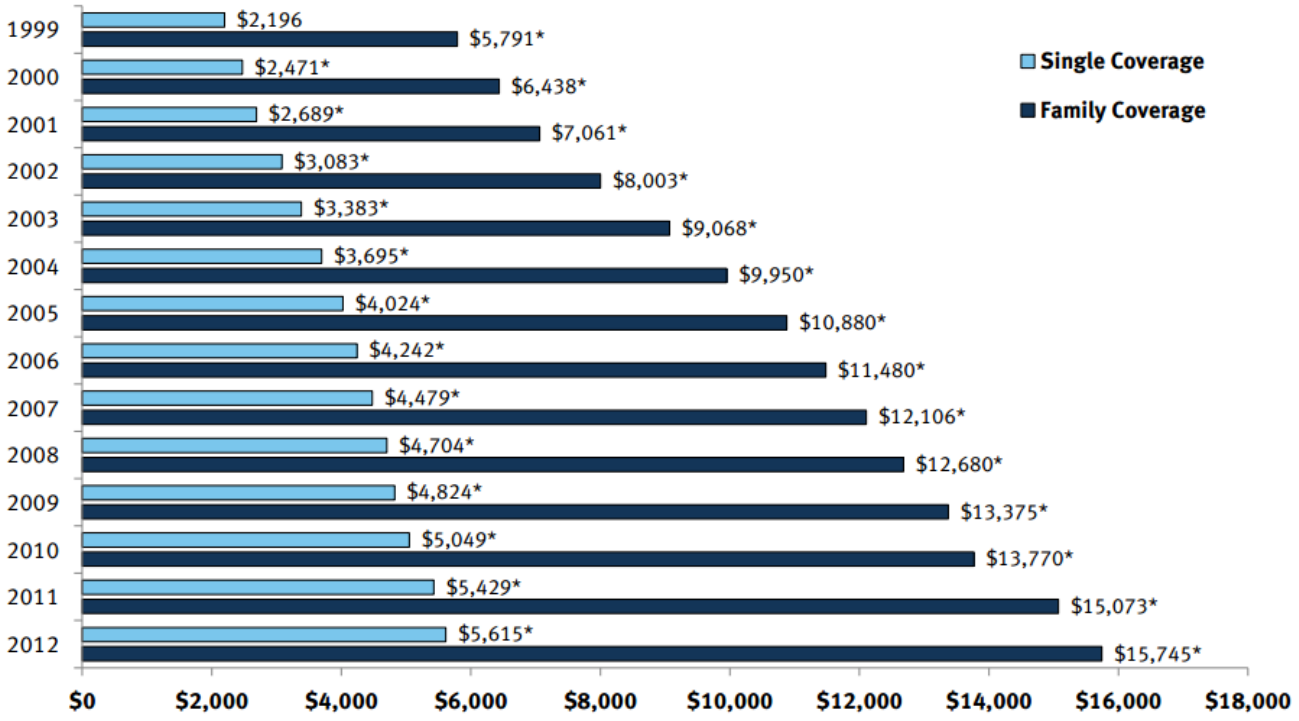
Chart Definitions, Assumptions, and Sources

Chart Field	Definitions , Assumptions, and Sources
2013 Household Income & FPL	Employee's annual household income in 2013 and their 2013 federal poverty line (FPL) measurement. *See:* ***2013 Federal Poverty Line (FPL) Guidelines***
% of Income Premium Cap	The federal tax subsidies will cap the amount of employees' monthly premium at this percentage. This is based on income (FPL) and household size.
Max Amount of Monthly Premium	This is the monthly maximum of the employee's premium, based on their income and the percentage above.
Average Silver Monthly Premium	This is a national average of monthly premiums *expected* through the Marketplace in 2014 dollars, derived from estimates from the Congressional Budget Office. ***Rates will vary by state.*** Premiums are based on a "Silver" plan (plan pays 70%). If an employee wants to purchase a plan that is more expensive than the second lowest cost "Silver" plan, they would pay the full difference between the cost of the second lowest cost "Silver" plan and the plan that they wish to purchase. Rates also assume non-tobacco use. *Source:* Kaiser Family Foundation. (2013). "Subsidy Calculator." Retrieved June 14, 2013, from http://kff.org/interactive/subsidy-calculator.
Average Silver Annual Premium	This is a national average of premiums, annually.
Federal Tax Subsidy (Monthly)	The estimated amount of the employee's monthly tax subsidy (based on income, premium cap, and amount of premium).
Employee's Monthly Premium Cost	Employee's estimated net monthly premium cost (average monthly premium minus federal tax subsidies).
Employee's Annual Premium Cost	Employee's estimated net annual premium cost.
Penalties for Individuals/Families Not Covered Under Health Insurance	
Annual Penalty 2014	In 2014, the penalty will be $95 per person up to a maximum of three times that amount for a family ($285) or 1% of household income if greater.
Annual Penalty 2015	In 2015, the penalty will be $325 per person up to a maximum of three times that amount for a family ($975) or 2% of household income if greater.
Annual Penalty 2016	In 2016, the penalty will be $695 per person per year up to a maximum of three times that amount for a family ($2,085) or 2.5% of household income if greater.

APPENDIX A: COST OF GROUP HEALTH INSURANCE

This chart provides a snapshot of the increasing costs of group health insurance coverage over the last decade. These annual cost increases are not sustainable for many companies or for employees.

Average Annual Premiums for Single and Family Coverage, 1999-2012



* Estimate is statistically different from estimate for the previous year shown (p<.05).

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2012.

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