**Affordable Care Act / ObamaCare / Marketplace**

**Cost Assistance Subsidy Facts**

There are three types of cost assistance: [Premium Tax Credits](http://obamacarefacts.com/insurance-exchange/premium-tax-credits/) to lower your premiums, [Cost Sharing Reduction subsidies](http://obamacarefacts.com/insurance-exchange/cost-sharing-reduction-subsidies-csr/) for lower out-of-pocket costs, and [Medicaid](http://obamacarefacts.com/obamacares-medicaid-expansion/) and [CHIP](http://obamacarefacts.com/obamacare-chip-childrens-health-insurance-program/).  Let’s take a quick look at some cost assistance subsidy facts before we get to the details.

• Cost assistance subsidies are only available through your [state’s health insurance marketplace](http://obamacarefacts.com/state-health-insurance-exchange/) and are only available during [open enrollment](http://obamacarefacts.com/obamacare-open-enrollment/) (unless you qualify for a [special enrollment period](http://obamacarefacts.com/special-enrollment-period/)) The exception is Medicaid and CHIP, which can be obtained at any time of year.

• Although subsidies are only offered on marketplace plans, many Health Insurance Brokers [outside the marketplace](http://obamacarefacts.com/private-health-plans-outside-the-marketplace/) can help you enroll in a marketplace plan.

• Subsidies are based on income. In most states, anyone making less than 400% of the [Federal Poverty Level (FPL)](http://obamacarefacts.com/federal-poverty-level/) can get some type of subsidy on Marketplace plans.

• The Federal Poverty Level adjusts for inflation each year allowing more and more Americans to qualify for more cost assistance.

• Those making under 400% of the FPL have access to tax credits, those making under 250% FPL are eligible for cost sharing reduction subsidies on [silver plans](http://obamacarefacts.com/silver-plan/), and those making under 138% (in states that [expanded Medicaid](http://obamacarefacts.com/obamacares-medicaid-expansion/)) are eligible for Medicaid.

• The type of income used to determine subsidies is household [Modified Adjusted Gross Income](http://obamacarefacts.com/modified-adjusted-gross-income-magi/), or MAGI, which is income after most deductions.

• If you qualify for cost assistance, a marketplace plan can’t cost you more than 9.5% of your income after tax credits are applied. The less you make, the lower the cap!

• The amount of cost assistance you get is based on the second-lowest-cost Silver plan in your state’s Marketplace.

• In states that didn’t [expand Medicaid](http://obamacarefacts.com/obamacares-medicaid-expansion/), many adults making under 100% FPL will fall in the [Medicaid gap](http://obamacarefacts.com/medicaid-gap/), meaning they won’t qualify for Medicaid or subsidies.

• Cost sharing reduction subsidies are only available on Silver Plans.

• Tax credits can be applied in advance (partially or in full) to lower your premiums, or they can be adjusted on your federal income taxes.

• If your income changes, report it so that the marketplace can adjust your subsidies.  You may qualify for bigger subsidies if your income decreases, and you will save yourself from having to repay advanced tax credits if your income increases.

• In order to adjust tax credits at the end of the year, you’ll need to [file](http://obamacarefacts.com/file-taxes-obamacare/) a [Premium Tax Credit Form 8962](http://obamacarefacts.com/premium-tax-credit-form-8962/) along with your [1040 Income Tax Returns](http://obamacarefacts.com/obamacare-1040-forms-1040-1040a-1040ez/). Your assistance amounts can change with even a slight change in income. This means that many will qualify for greater [refunds](http://obamacarefacts.com/2015/01/22/obamacare-tax-refund/) due to Tax Credits, while some will repay a portion of their Advanced Tax Credit Payments.

• Aside from taking cost assistance on the front end, you can also use an [HSA (Health Savings Account)](http://obamacarefacts.com/health-insurance/health-savings-account-hsa/) or other medical savings accounts to lower MAGI and spend tax-free dollars on care.

• If you spend more than 10% of your [Adjusted Gross Income](http://obamacarefacts.com/modified-adjusted-gross-income-magi/) on medical, dental, and/or vision, consider using a [Schedule A](http://obamacarefacts.com/obamacare-1040-forms-1040-1040a-1040ez/) to take [medical deductions](http://obamacarefacts.com/tax-deductions-for-medical-expenses/).

• If you don’t qualify for subsidies, you may want to see your options outside of the marketplace too; in some states, some plans aren’t offered on the marketplace.

• You may qualify for both cost assistance and an exemption from the tax if, after subsidies, the cheapest marketplace plan costs more than [8% of your income](http://www.irs.gov/uac/Questions-and-Answers-on-the-Individual-Shared-Responsibility-Provision).

• Cost assistance is also available for small businesses with less than 25 full-time equivalent employees. Learn more about [Affordable Care Act and Small Business](http://obamacarefacts.com/obamacare-small-business/).

**Affordable Care Act Rebates and Refunds**: While not a subsidy exactly, the ACA also includes provisions that help lower your premiums. If your insurer spends too much on overhead and not enough on care, they owe a rebate. In 2011-2013 alone, [$1.9 million in rebates](http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Final-MLR-Report_07-22-2014.pdf) had been returned to customers. Rebates can be given as a check or applied to lower premiums moving forward. Learn more about the [80/20 rule and rate review provisions](http://obamacarefacts.com/obamacare-rate-review-80-20-rule/), which are saving people money on their premiums (often without them even knowing it).

**Definitions**

**Tax Credits/Subsidy** – The Affordable Care Act Premium Tax Credits can be paid to your insurer in advance to lower your monthly premium on a Marketplace plan or adjusted on your tax returns. Tax Credits are based on income and available to folks making between 100% and 400% of the [Federal Poverty Level FPL](http://obamacarefacts.com/federal-poverty-level/) (between $11,880-$47,520 for an individual and between $24,300-$97,200 for a family of 4 in 2017).

**What is a Subsidy?**

A healthcare subsidy (cost assistance) lowers the amount you spend on your monthly premium (via advanced premium tax credits) or reduces your [out-of-pocket costs](http://obamacarefacts.com/cost-sharing/) for things like [copays](http://obamacarefacts.com/health-insurance/copay/), [coinsurance](http://obamacarefacts.com/health-insurance/coinsurance/), [deductibles](http://obamacarefacts.com/health-insurance/deductible/), and [out-of-pocket maximums](http://obamacarefacts.com/health-insurance/out-of-pocket-maximum/) (cost sharing reduction).  Subsidies are “subsidized” by the federal government and are paid for through taxes.

**Cost Share Reduction**- Cost Sharing Reduction Subsidies (CSR) lower out-of-pocket costs, based on income, for Silver plans bought on the Health Insurance Marketplace. Along with [Premium Tax Credits](http://obamacarefacts.com/insurance-exchange/premium-tax-credits/), Affordable Care Act’s Cost Sharing Reduction subsidies lower what you pay for health insurance costs.

**Special Enrollment Period** - A special enrollment period is a period outside of open enrollment in which you can get coverage due to qualifying life events. You may qualify for special enrollment if you miss a deadline, have a change in family status, lose your plan, or have one of many hardships.

Many of Affordable Care Act’s special enrollment periods also qualify you for [exemptions](http://obamacarefacts.com/obamacare-exemptions-list/).

Affordable Care Act’s health insurance marketplaces, employer based insurance, and other insurance types (like [Medicare](http://obamacarefacts.com/medicare/medicare-enrollment/)) all have unique special enrollment periods. [Medicaid](http://obamacarefacts.com/obamacares-medicaid-expansion/) and [CHIP](http://obamacarefacts.com/obamacare-chip-childrens-health-insurance-program/) have [open enrollment](http://obamacarefacts.com/obamacare-open-enrollment/) all year and can be applied for retroactively.

**MAGI (Modified Adjusted Gross Income)- *What is Modified Adjusted Gross Income (MAGI), Adjusted Gross Income (AGI), Gross Income (GI), Family Income, Household Income, Etc.?***

**Modified Adjusted Gross Income (MAGI) is Gross Income** (GI) Adjusted for deductions (AGI) and then Modified by adding some deductions back in (MAGI). On this page we cover MAGI in regard to Medicaid and the Marketplace, the way you calculate MAGI for other tax purposes can differ slightly so see specific IRS instructions for other types.

**MAGI** is used to determine Affordable Care Act’s [cost assistance](http://obamacarefacts.com/insurance-exchange/calculating-tax-credits/) and to claim and adjust tax credits on the [Premium Tax Credit Form 8962](http://obamacarefacts.com/premium-tax-credit-form-8962/). You can find [more details on MAGI from the IRS here](http://www.irs.gov/pub/irs-pdf/p525.pdf) or you can see [the form 8962 instructions page 4 for steps for calculating MAGI for the tax credit](http://www.irs.gov/pub/irs-pdf/i8962.pdf).

**Household income (Family income)** = Household or family income for the purposes of the ACA is MAGI of the head of household (and spouse if filing jointly) plus the AGI of anyone claimed as a dependent.

**\*Reporting Life & Income Changes to the Marketplace**

Once you have Marketplace coverage, you must report certain life changes. This information may affect the coverage or savings you’re eligible for.

It’s important to report these changes to the Marketplace as soon after the change as possible.

If your income goes up or you lose a member of your household, you may qualify for less savings than you’re getting now. If you don’t report these changes, you could wind up having to pay back the difference when you file your federal tax return for the coverage year.

If your income goes down or your gain a household member, you could qualify for more savings than you’re getting now. This could reduce the amount you pay in monthly premiums. You could also qualify for Medicaid or CHIP coverage.

**Life changes to report**

* You must report a change if you:
* Get married or divorced
* Have a child, adopt a child, or place a child for adoption
* Have a change in income
* Get health coverage through a job or a program like Medicare or Medicaid
* Change your place of residence
* Have a change in disability status
* Gain or lose a dependent
* Become pregnant
* Experience other changes that may affect your income and household size

**Other changes to report:** change in tax filing status; change of citizenship or immigration status; incarceration or release from incarceration; change in status as an American Indian/Alaska Native or tribal status; correction to name, date of birth, or Social Security number.

**When to report changes**

You should report these changes to the Marketplace as soon after the change as possible.

If these changes qualify you for a [Special Enrollment Period](https://www.healthcare.gov/coverage-outside-open-enrollment/special-enrollment-period/) to change plans, in most cases you have 60 days from the life event to enroll in new coverage. If the changes qualify you for more or less savings, it’s important to make adjustments as soon as possible

***\*What Income Is Counted?\****

The Marketplace uses an income number called modified adjusted gross income (MAGI) to determine eligibility for savings. It’s not a line on your tax return.

See what’s included in MAGI and how to estimate it.

The chart below shows common types of income and whether they count as part of MAGI. If you expect income types not shown or have additional questions, see [details on what the IRS counts as income](http://www.irs.gov/publications/p17/pt02.html).

| **Types of income to include in your estimate** | | |
| --- | --- | --- |
| Income type | Include as income? | Notes |
| Federal Taxable Wages | Yes | If your pay stub lists “federal taxable wages,” use that. If not, use “gross income” and subtract the amounts your employer takes out of your pay for child care, health insurance, and retirement plans. |
| Tips | Yes |  |
| Self-employment income | Yes | Include “net self-employment income” you expect — what you’ll make from your business minus business expenses. |
| Unemployment compensation | Yes |  |
| Social Security | Yes | Include both taxable and non-taxable Social Security income. |
| Social Security Disability Income (SSDI) | Yes | But do not include Supplemental Security Income (SSI). |
| Retirement or pension Income | Yes | Include most IRA and 401k withdrawals. (See details on retirement income in [the instructions for IRS publication 1040](http://www.irs.gov/instructions/i1040gi/ar01.html#d0e3991)). |
| Alimony | Yes |  |
| Child support | No |  |
| Capital gains | Yes |  |
| Investment income | Yes | Include expected interest and dividends earned on investments, including tax-exempt interest. |
| Rental and royalty income | Yes |  |
| Excluded foreign income | Yes |  |
| Gifts | No |  |
| Supplemental Security Income (SSI) | No | But do include Social Security Disability Income (SSDI). |
| Veterans’ disability payments | No |  |
| Worker’s Compensation | No |  |
| Proceeds from loans (like student loans, home equity loans, or bank loans) | No |  |