

# Retiree Health Care and the Affordable Care Act (ACA)

## I. The ACA and Health Care Coverage for Pre-Medicare Retirees

For pre-Medicare retirees, the health insurance exchanges provide more affordable coverage than the individual market has in the past. However, due to the nature of individual plans, some retirees may have to pay more to obtain the same level of coverage as offered under their employer-sponsored group plan. That is because in the individual market, plans may adjust rates based on the age and location of the covered individual as well as on the plan selected.

Some of the improvements to the health insurance market are:

- Retirees can be charged no more than 3x what a younger person is charged.
- No one can be denied coverage, or charged more for coverage, due to a pre-existing condition or health status.
- Federal subsidies to purchase coverage are available for those with incomes of 100% - 400% of the federal poverty level (see chart below).
- Additional subsidies are available to assist with out of pocket medical costs, for those at less than 250% of the federal poverty level.

**Individual Premium Subsidies**

Federal Poverty Level (FPL)	2013 FPL Income Threshold, Family of 1	2013 FPL Income Threshold, Family of 4	Maximum % Income Paid in Premiums
100 – 133%	\$11,490 - \$15,282	\$23,550 – \$31,322	2.0% – 2.0%
133 – 150%	\$15,282 - \$17,235	\$31,322 – \$35,325	3.0 – 4.0%
150 – 200%	\$17,235 - \$22,980	\$35,325 – \$47,100	4.0 – 6.3%
200 – 250%	\$22,980 – \$28,725	\$47,100 – \$58,875	6.3 – 8.05%
250 – 300%	\$28,725 - \$34,470	\$58,875 – \$70,650	8.05 – 9.5%
300 – 400%	\$34,470 - \$45,960	\$70,650 – \$94,200	9.5%

## Pre-Medicare Retiree Enrollment in Health Insurance Exchanges

If pre-Medicare retirees are offered coverage through an employer-sponsored plan, they are free to keep that coverage, or opt out it in favor of coverage on a health insurance exchange, where they may be eligible for federal subsidies to help them pay for medical costs. However, once they opt out of the company plan, they may not be able to change their decision and opt back in at a later date. Retirees should check with their plan administrator for details.

Regarding enrollment in the health insurance exchanges:

- For 2014, open enrollment in the exchanges lasts until March 31st, 2014. However, the Administration recently announced that individuals must enroll by February 15 in order to ensure that they are covered by March 31. Those who are uninsured as of March 31 may be subject to penalties.
- There are also 60 day “special enrollment periods” for those experiencing certain qualifying life events, which include the loss of current health coverage. Those who are aware ahead of time that they will lose coverage may begin the enrollment process up to 60 days prior to the loss of coverage, to ensure that they will not see a coverage gap. There are no penalties associated with special enrollment periods.
- Enrollment information by state is available at [www.healthcare.gov](http://www.healthcare.gov).

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### **Medicare Retirees**

Medicare retirees may enroll in supplemental Medicare plans (also known as Medigap policies) which are virtually unchanged in the ACA. These retirees are not eligible for coverage from the health insurance exchanges.

The ACA includes improvements to Medicare, including preventative care with no copays or deductibles, and the phasing out of the Medicare Part D prescription drug “donut hole,” with its complete elimination by 2020.

### **Medicaid May be an Option for Some Retirees**

Some retirees may be eligible for Medicaid, depending on their state’s Medicaid provisions and their income level.

- The ACA sought to expand Medicaid to all Americans at 138% of the federal poverty level or below. However, the Supreme Court decision gave states the ability to opt out of this expansion.
- Pre-Medicare retirees wishing to enroll in coverage in the exchanges will be notified of their Medicaid eligibility through the enrollment process.
- More information on states’ Medicaid expansion decisions is available here: <http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>

### **Employer Contributions to Health Reimbursement Accounts (HRAs)**

Under final ACA regulations, employers can contribute money to a stand-alone HRA account for retirees—something they may not do for active employees under the Affordable Care Act.

- For pre-Medicare retirees, however, if retirees have any money in an HRA account, they are ineligible for subsidies on the exchange. Retirees may opt out of the HRA, and then they will be eligible for subsidies—but of course then they would be giving up the employer money.
- Medicare retirees are ineligible for coverage offered in the exchanges, so they are therefore ineligible to receive exchange subsidies. Thus, HRA could be established for this group of retirees without jeopardizing access to government subsidies.