



Subsidies to Buy Coverage in an Exchange

Under the Affordable Care Act (ACA), individuals who purchase coverage through one of the exchanges will be eligible for financial assistance if their income is less than 400% of the federal poverty level.¹ The ACA provides two forms of financial assistance, both of which are only available for plans purchased through an exchange:

- 1) a monthly *premium subsidy* will lower the premium amount an individual or family must pay
- 2) *cost-sharing subsidies* will limit an insured's maximum out of pocket costs. For some, the cost sharing subsidies will also reduce other out-of-pocket costs (i.e., deductibles, coinsurance, co-payments).

Both forms of assistance will be tied to the value of the coverage available in the exchanges. The ACA requires insurers to offer four coverage levels (bronze, silver, gold and platinum) in the exchanges. The four plan levels will vary by the amount of cost-sharing, with bronze requiring consumers to pay more out of pocket and platinum less.² In addition, the ACA imposes a maximum out-of-pocket amount beneficiaries will be required to pay.

Premium Subsidy Premium subsidies are determined on a sliding scale based on income. Therefore, individuals with lower incomes get the most financial assistance. The subsidy is based on the premium amount for a benchmark plan (the second lowest cost silver plan available in an exchange). An individual or family who wants a more expensive or higher tier plan (i.e., gold or platinum) must pay the difference in cost.

Premium Limits for Consumers Based on Income

Income	Premium Limit
Up to 133% FPL	2% of income
133 - 150% FPL	3 - 4% of income
150 - 200% FPL	4 - 6.3% of income
200 - 250% FPL	6.3 - 8.05% of income
250 - 300% FPL	8.05 - 9.5% of income
350 - 400% FPL	9.5% of income

¹ In 2012, 400 percent of the federal poverty level is \$45,000 for an individual and \$92,000 for a family of four. The poverty level is adjusted annually to reflect inflation and vary by family size.

² This is called "actuarial value" and represents the proportion of health insurance expenditures for covered benefits that, for an average population, would be paid by the plan (although any individual's expenses may differ from the average). "Bronze" plans must provide an actuarial value of 60% and "Platinum" plans an actuarial value of 90%.



Cost Sharing Subsidies This financial assistance is based on the out-of-pocket limits that apply to high-deductible plans used with Health Savings Accounts (HSAs).³ For 2012, the out-of-pocket limit is \$6,050 for individuals and \$12,100 for family coverage. People with incomes under 400 percent of the federal poverty level will get subsidies to lower those amounts, based on their income.

Out-of-Pocket Spending Limits for Consumers Based on Income

Income	Out-of-Pocket Limit (based on 2012 HSA limit)
100 - 200% FPL	1/3 HSA limit (\$1,997/individual; \$3,993/family)
200 - 300% FPL	1/2 HSA limit (\$3,025/individual; \$6,050/family)
300 - 400% FPL	2/3 HSA (\$3,993/individual; \$7,986/family)
Above 400% FPL	100% HSA limit (\$6,050/individual; \$12,100/family)

In addition, the health plans will receive a subsidy to decrease the cost sharing for their enrollees with incomes under 250% of the federal poverty level. For example, individuals with incomes from 100% to 150% of the federal poverty level will receive a federal subsidy to increase the actuarial value of their health care coverage to 94%. This subsidy is paid directly to the health plan and makes the coverage more generous by reducing the deductibles, coinsurance or co-payments for qualified enrollees in these plans.

³ High-deductible health plans (HDHPs) that meet federal rules for out-of-pocket costs can be used with HSAs that have tax benefits. Even though exchange plans are not necessarily eligible for use with HSAs, the exchange cost-sharing subsidies are based on those HDHP limits.