

# #healthyadulting

A YOUNG INVINCIBLES INITIATIVE

## Breaking Down the ACA: Understanding the Premium Tax Credit

### Ever heard of the Affordable Care Act (ACA) and wondered what made it so “affordable”?

The Affordable Care Act (ACA) created a new **Premium Tax Credit** that can lower the cost of your monthly health insurance premium (payment) when you buy health insurance on the marketplace. The marketplace will pay your insurance company directly, known as “advance payment” meaning you don’t have to pay the full cost and wait to get reimbursed.

The premium tax credit is designed to help lower the cost of monthly premiums for a wide range of incomes - that means young adults with low to middle incomes may qualify for discounted coverage. The amount of tax credits you are eligible for is determined by the **federal poverty level**, an income measurement used by the government to determine benefits.

How Do I Qualify?

If your annual income is between 100% (138% in [Medicaid Expanded States](#)) and 400% of the Federal Poverty level, you will qualify for a Premium Tax Credit. The tax credit amount is on a sliding scale, so young adults with incomes closer to the federal poverty line will get a bigger tax credit, and those with higher incomes will get a smaller tax credit.

### How do Tax Credits Work in Non-Expanded States?

**Less than 100%**  
\$11,880 (single)  
\$24,300 (family of 4)  
(exempt from penalty)

**100%-400%**  
\$11,880 – 47,080 (single)  
\$24,300 – 97,000 (family of four)

NO COVERAGE

MARKETPLACE TAX CREDITS

If you live in one of the 19 states that has not yet expanded Medicaid, you will qualify for a tax credit discount if you make more than 100% (about \$12,000 for a single person) of the federal poverty level and less than 400% (about \$47,000 for a single person) of the federal poverty level.

### How Does the Tax Credit Work in Expanded States?

**Less than 138%**  
\$16,243 (single)  
\$33,465 (family of 4)

**138% - 400%**  
\$16,243 – 47,080 (single)  
\$33,465 – 97,000 (family of four)

NO COVERAGE

MARKETPLACE TAX CREDITS

If you live in one of the 31 states that have expanded Medicaid, you qualify for a tax credit if you make more than 138% (about \$16,000) of the Federal Poverty Level and less than 400% (about \$47,000). Anyone making less than 138% (\$16,000) of the Federal Poverty Level will qualify for Medicaid.

## Using your Tax Credits

Now let's put this into action. Based on your projected income for the year, what can you expect to pay in monthly premiums?

Examples	Hourly Wage	Yearly Income	Montly Premium	Premium Tax Credit	Monthly Premium After Tax Credit
Joseph 27, single, no children	\$8.00	\$15,360	\$245	\$219	<b>\$26</b>
Maria 27, David 28, & Jackson 5	N/A	\$40,000	\$648	\$436	<b>\$212</b>

\*Rates are based on 2016 US Average of Marketplace silver plans.

\*Silver plans, while having higher premiums than bronze plans, offer additional discounts to reduce your out of pocket cost for your medical care.

\* Examples above are based off a single person working 40 hours per week, living in a state that has NOT expanded Medicaid.

In the above examples, Joseph can get a silver level plan for just \$26 per month. Maria and David can get covered for \$212 a month, after tax credits. Their son Jackson is likely eligible for Medicaid or CHIP, depending on the state they live in.

### What Do I Need to Apply?

When you apply for health insurance on the Federal Marketplace (Healthcare.gov) or a state based marketplace, you will have to provide the following information to calculate how much of tax credit you qualify for:

- Projected Annual Income
- Family Size
- Age
- Access to other health care plans

For more information on the Premium Tax Credit and how it can reduce your health care cost, download our [Healthy Young America Mobile App](#), found on Itunes and the Google Play Store, and access the Health Insurance Marketplace Calculator.

**For information on Medicaid expansion and all other Affordable Care Act questions, visit [www.healthcare.gov](http://www.healthcare.gov).**



#### SOURCES

<https://www.healthcare.gov/lower-costs/save-on-out-of-pocket-costs/>

<https://www.healthcare.gov/lower-costs/>

<https://www.healthcare.gov/glossary/premium-tax-credit/>

<http://kff.org/interactive/subsidy-calculator/#state=&zip=&income-type=dollars&income=30720&employer-coverage=0&people=1&alternate-plan-family=individual&adult-count=1&adults%5B0%5D%5Bage%5D=27&adults%5B0%5D%5Btobacco%5D=0&child-count=0&child-tobacco=0>