MN HOUSE RESEARCH

# Subsidized Health Coverage through MNsure

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## Overview

MNsure, the state's health insurance exchange, was established by the Minnesota Legislature as part of implementation of the Affordable Care Act (ACA). Individuals who are not eligible for Medical Assistance (MA) or MinnesotaCare, with incomes that do not exceed specified guidelines, may be eligible for premium tax credits and cost-sharing reductions to purchase health coverage on a subsidized basis through MNsure. This publication describes eligibility, covered services, enrollee premiums and cost-sharing, and other aspects of subsidized coverage available through MNsure. This chapter also describes some of the temporary changes in premium tax credit eligibility and amounts made by the American Rescue Plan Act of 2021 (Pub. L. No. 117-2).

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# Availability of Coverage through MNsure

## Establishment and Role of MNsure

MNsure, the state's health insurance exchange, was established by the 2013 Legislature a part of implementation of the federal Affordable Care Act (ACA). MNsure was established as a state board and is governed by a seven-member board of directors (see Minn. Stat. § 62V.04).

The ACA requires health insurance exchanges to:

- facilitate access to individual and small group coverage through the offering of standard benefit and cost-sharing packages, referred to as qualified health plans;
- determine eligibility for premium tax credits and cost-sharing reductions; and
- determine eligibility for state public health care programs.

## Plan Selection and Enrollment

Individuals may select and purchase a private sector health plan through MNsure or through a MNsure-certified insurance agent, and may also obtain assistance in selecting a plan from

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navigators and other assisters. Large group[1] and small group coverage is not currently available through MNsure.

For most individuals, coverage through MNsure is available only during an annual open enrollment period. The open enrollment period for coverage in 2022 has not been set by MNsure as of August 30, 2021, pending federal guidance. Individuals and families who experience a qualifying life event, such as birth or adoption, marriage, or loss of other health coverage (for reasons other than failing to pay premiums or turning down available coverage), are typically allowed to purchase coverage through MNsure outside of the open enrollment period and receive premium tax credits and cost-sharing reductions, if eligible.[2]

# Qualified Health Plan Coverage

The ACA requires health coverage offered through an exchange to meet the standards of a qualified health plan, including standards related to covered benefits and cost-sharing. In addition, health coverage offered through an exchange must meet the regulatory requirements specified in state and federal law that apply to health coverage generally.

## General Requirements

ACA standards for a qualified health plan include, but are not limited to:

- meeting certification standards established by the federal government, such as those relating to marketing practices, provider adequacy, quality measurement and improvement, and the use of standard forms;[3]
- providing the essential health benefits package (described below);
- being offered by health insurers that meet specified requirements;[4] and
- meeting any state-specific standards for certification as a qualified health plan.[5]

[1] The ACA gave states the option to expand exchange coverage to include large employer groups in 2017; Minnesota has not implemented this option.

[2] Persons who were uninsured or not covered through MNsure were able to purchase coverage for 2021 during a COVID-19-related special enrollment period that began February 16, 2021, and ended July 16, 2021.

[3] See 42 U.S.C. § 18031 (c).

[4] For example, health insurers must be licensed by the state, offer at least one silver-level plan and one gold-level plan through the state exchange, and charge the same premiums for a plan inside and outside the exchange (42 U.S.C. § 18021 (a)(1)(c)).

[5] Minnesota law contains a number of provisions that are intended to comply with more general ACA directives and requirements related to health plan certification and insurance regulation. In addition, state law authorizes MNsure to certify qualified health plans for participation in the exchange. To date, MNsure has selected all health plans that meet certification requirements to offer plans through the exchange.

## Essential Health Benefits

Qualified health plans must provide "essential health benefits" as required under the ACA. The ACA requires essential health benefits to include at least the following ten categories of items and services:

- ambulatory patient services
- emergency services
- hospitalization
- maternity and newborn care
- mental health and substance use disorder services, including behavioral health treatment
- prescription drugs
- rehabilitative and habilitative services and devices
- laboratory services
- preventive and wellness services and chronic disease management
- pediatric services, including oral and vision care

The ACA allows each state to designate its essential health benefit package by choosing among four categories of benchmark plans, supplementing the benchmark plan as necessary to cover the ten categories of essential health benefits specified above.[6] Minnesota's benchmark plan is the largest health plan by enrollment in the largest product in the state's small group market; this is the default under federal law that applies because the state has not chosen a specific benchmark plan.

## Cost-sharing

The ACA sets limits for cost-sharing under a qualified health plan. The ACA also prohibits health insurers from applying cost-sharing (e.g., copayments, coinsurance, or deductibles) to certain preventive services.[7] These requirements apply to policies issued both inside and outside the exchange.

Annual out-of-pocket limits for a qualified plan cannot exceed federal limits that apply to health savings account-qualified, high-deductible health plans. For 2022, these limits are $8,700 for single coverage and $17,400 for family coverage (limits are adjusted annually).

Certain low-income individuals, and American Indians and Alaska Natives, qualify for health coverage through the exchange with reduced, or no, cost-sharing (see section on cost-sharing reductions).

[6] 45 C.F.R. part 156.100.

[7] Section 2713 of the ACA requires health insurers to provide coverage, without cost-sharing, for certain preventive services recommended by specified professional medical bodies, such as the U.S. Preventive Services Task Force and the Institute of Medicine.

## Actuarial Value and Metal Levels

The ACA requires insurers in the individual and small group markets to align their coverage to conform to one or more "metal levels" that correspond to different actuarial values. Actuarial value (AV) is an estimate of the percentage of medical expenses incurred by a typical enrollee that will on average be paid by the insurer.

The ACA metal levels, and corresponding actuarial values, are as follows: bronze (60 percent), silver (70 percent), gold (80 percent), and platinum (90 percent). As an example, the silver metal plan will pay 70 percent of the medical expenses of the typical enrollee; the remaining 30 percent would be the enrollee's share of the cost of coverage. Plans with higher actuarial values will on average charge higher premiums but require less enrollee cost-sharing, while plans with lower actuarial values will on average charge lower premiums, but require more enrollee cost-sharing. As of coverage year 2021, no platinum plans were offered through MNsure.

## Other Insurance Requirements

Qualified health plans must comply with other applicable federal and state health insurance requirements. The ACA, for example, requires plans to cover dependents up to age 26, requires guaranteed issue and renewal, sets loss ratios, and limits the extent to which plans can impose annual maximum dollar limits for coverage. These requirements apply uniformly to all health carriers and health plans in the individual and small group markets, whether the plan is offered through MNsure or directly by an insurer. More recently, the Families First Coronavirus Response Act (Pub. L. No. 116-127) has required most private sector health plans (including qualified health plans) to cover COVID-19 testing, administration, and related items and services without enrollee cost-sharing, if furnished during the COVID-19-related public health emergency declared by the Secretary of Health and Human Services.

# Subsidies for the Purchase of Qualified Health Plans

Individuals who are not eligible for MA, MinnesotaCare, or other specified types of health coverage determined to be affordable, and who have incomes[8] that are greater than 200 percent of the federal poverty guidelines (FPG) for their tax household size, may be eligible to receive premium tax credits for coverage in calendar years 2021 and 2022 to subsidize the purchase of health coverage through MNsure. Prior to calendar year 2021, persons with incomes greater than 400 percent of FPG were not eligible for premium tax credits; the American Rescue Plan Act (ARPA) of 2021 temporarily suspended this upper income limit. Barring further law changes, the upper income limit will once again apply beginning in 2023.

Individuals who meet the eligibility requirements for premium tax credits and have incomes greater than 200 percent but less than or equal to 250 percent of FPG may also be eligible to

[8] Income eligibility for premium tax credits and cost-sharing subsidies is determined using modified adjusted gross income (MAGI). MAGI is defined as adjusted gross income increased by: (1) the foreign earned income exclusion; (2) tax-exempt interest; and (3) an amount equal to the value of Social Security benefits not subject to tax (I.R.C. § 36B).

receive subsidies to reduce enrollee cost-sharing. The cost of providing premium tax credits is borne by the federal government.

## Eligibility for Premium Tax Credits

In order to be eligible for a federal premium tax credit through MNsure, individuals must:

- be enrolled in a qualified health plan through MNsure;
- not be eligible for other specified health coverage;
- have an income greater than 200 percent of FPG; and
- attest that they will file a federal income tax return.

The premium tax credit is refundable—it is available to all who are eligible, even persons with little or no income tax liability. Refundable credits in excess of tax liability are paid as refunds.

**Coverage through MNsure.** In order to receive a premium tax credit, an individual must be enrolled in a qualified health plan through MNsure. This means that a person must meet the following eligibility criteria:

- be lawfully present in the US (a citizen or lawfully present noncitizen)
- meet Minnesota state residency standards
- not be incarcerated

**Not eligible for other health coverage.** To be eligible for a premium tax credit, an individual must not be eligible for health coverage that is considered "minimum essential coverage" under the ACA. Minimum essential coverage includes, but is not limited to, coverage through Medicaid, the basic health program, Medicare, other government programs, and employer-sponsored coverage, except that persons may be eligible for subsidies if they have employer-sponsored coverage that is unaffordable (premiums for the employee cost more than 9.61 percent of household income for calendar year 2022[9]) or does not provide minimum value (the plan covers less than 60 percent of total average health care costs).

**Meet program income limit.** In order to be eligible for premium tax credits, individuals must have an income that is greater than 200 percent of FPG (see table below for FPG dollar amounts for different household sizes). The ACA sets a floor of 100 percent of FPG for eligibility for premium tax credits, but also provides that persons eligible for minimum essential coverage or a basic health program (such as MinnesotaCare) are not eligible for premium tax credits. This means that in Minnesota, adults with incomes less than or equal to 200 percent of FPG are not

[9] This percentage is indexed annually. The IRS final rule on eligibility for premium tax credits determines affordability for related individuals (i.e., family members) based on the cost of the employee premium for self-only coverage. If the affordability percentage is met for this employee self-only coverage, both the employee and family members are ineligible for premium tax credits, regardless of the cost of dependent or family health coverage. This is sometimes referred to as the "family glitch." (I.R.C. § 1.36B-2).

eligible for premium tax credits because they are eligible for MA or MinnesotaCare.[10] Similarly, most children with incomes not exceeding 275 percent of FPG (ages 2 to 18) or 283 percent of FPG (children under age 2) are not eligible for premium tax credits because they are eligible for MA.

**File a federal income tax return.** Individuals must attest that they are going to file a federal income tax return to qualify for a premium tax credit, since the tax credits are administered through the federal tax system.

**Income Limit for Premium Tax Credits**
**(Effective 1/1/21 to 12/31/21)**

| Family Size | > 200% FPG |
|---|---|
| 1 | $25,520 |
| 2 | 34,480 |
| 3 | 43,440 |
| 4 | 52,400 |
| 5 | 61,360 |
| 6 | 70,320 |
| 7 | 79,280 |
| 8 | 88,240 |

Source: Minnesota Department of Human Services

## Amount of Premium Tax Credit

The amount of premium tax credit that an eligible individual (i.e., the taxpayer) receives varies from household to household, based upon the annual household income of the individual (and any tax dependents) and other factors.

The maximum premium tax credit amount is equal to the difference between the premium cost of the benchmark plan and the expected premium contribution for the individual or family. If the premium cost of the benchmark plan is less than the dollar amount of the expected premium contribution, no premium credit is provided.

The *benchmark plan* is the second lowest cost silver plan in the individual's (or family's) geographic area. A silver plan is one that has an actuarial value of 70 percent (i.e., covers on

[10] The MA income limit for parents, caretakers, children 19 to 20, and adults without children is 133 percent of FPG. MinnesotaCare is available to persons with incomes greater than 133 percent of FPG but not exceeding 200 percent of FPG. Lawfully present noncitizens who are not eligible for MA due to immigration status may be eligible for MinnesotaCare, and would then not be eligible for advanced premium tax credits and cost-sharing subsidies through MNsure.

average at least 70 percent of medical expenses). Minnesota has designated nine geographic areas for purposes of setting insurance premium rates.

The *expected premium contribution* is the amount of income an eligible individual or family is expected to contribute toward the cost of health coverage for the household before a premium tax credit is made available. The amount is determined by multiplying household income by a percentage that, for 2021 and 2022 in Minnesota, varies from 2.0 percent to 8.5 percent based on a sliding scale. The ARPA increased the premium tax credit amount across income levels for 2021 and 2022 by reducing the percentage of income a household is expected to contribute from what would have applied for 2021 under prior values (see table below).

**Sliding Scale for Expected Premium Contribution**

| Household income as % of FPG | Expected Premium Contribution, as % of Household Income – 2021 prior to ARPA | Expected Premium Contribution, as % of Household Income – 2021 and 2022 under the ARPA |
|---|---|---|
| At least 200 but less than 250 | 6.53 – 8.33 | 2.0 – 4.0 |
| At least 250 but less than 300 | 8.33 – 9.83 | 4.0 – 6.0 |
| At least 300 but not greater than 400 | 9.83 | 6.0 – 8.5 |
| Greater than 400 | N/A | 8.5 |
| Note: The ACA sets expected premium contributions, ranging between 0 percent and 2.0 percent of income for 2021 and 2022, for households with incomes at or below 200 percent of FPG. These contribution percentages do not apply in Minnesota, since persons at this income level are not eligible for premium tax credits through MNsure and instead are eligible for coverage through MA or MinnesotaCare. | | |

Subject to the maximum premium tax credit amount, the *premium tax credit* that a specific individual receives is the difference between the premium for the plan purchased by the individual and the expected premium contribution for the individual or family.

While the maximum amount of the premium tax credit is fixed based on the calculation relative to a specific benchmark plan, the premium tax credit is available regardless of the cost or metal level of the plan chosen. Persons who choose a higher cost plan, relative to the benchmark plan, will pay higher premiums out-of-pocket, after application of the premium tax credit. Persons who choose a lower cost plan, relative to the benchmark plan, will pay lower premiums out of pocket, after application of the premium tax credit.

As of July 18, 2021, the average monthly premium tax credit per household for coverage through MNsure was $507.15. MNsure projects that Minnesotans will receive about $249 million in premium tax credits for coverage in 2021.[11]

[11] MNsure Enrollment Dashboard, prepared for the MNsure Board of Directors meeting, June 21, 2021.

## Administration and Reconciliation of Tax Credits

Individuals apply for premium tax credits and cost-sharing subsidies through MNsure. Persons eligible for the tax credit may claim the credit in advance or may obtain the credit when filing a federal income tax return for the tax year in which the credit applies. If a person claims the credit in advance, the federal government pays the estimated credit directly to the insurance company from whom the person receives coverage through a qualified health plan. The insurance company then reduces the premium by the amount of the credit, and the person must pay the balance of the premium to the insurance company.

The amount of premium tax credits received in advance is based on an estimate of household income[12] expected for the year. The final amount of premium tax credits is based on actual household income as reported on the taxpayer's tax return. This means that persons who receive advance premium tax credits must "reconcile" the estimated and final amounts as part of the federal tax filing process. Households whose actual income for the year is higher than estimated income may need to pay back some or all of the advance premium tax credits received (e.g., by having the amount subtracted from any tax refund, or by payment of the amount to the IRS if no refund is received).[13] Households whose actual income is lower than the estimated income may get a refund when filing taxes, or have the amount of taxes owed reduced by the amount of underpayment of the tax credit.

The amount of excess advance premium tax credits that must be repaid by taxpayers with household incomes less than 400 percent of FPG is limited by a dollar cap that increases with income.[14] Taxpayers with household incomes equal to or greater than 400 percent of FPG must repay the full amount owed.

## Cost-sharing Reductions

Individuals purchasing coverage through MNsure are subject to deductibles, copayments, and other cost-sharing requirements that vary with the actual health plan purchased, subject to an annual out-of-pocket limit. Persons who receive premium tax credits, with incomes greater than 200 percent but not exceeding 250 percent of FPG,[15] qualify for an enhanced silver health plan that provides reductions in enrollee cost-sharing sufficient to increase the plan's actuarial value to 73 percent (the actuarial value for a regular silver plan is 70 percent). A health insurer

[12] The income measure used to calculate eligibility for premium tax credits is modified adjusted gross income (MAGI). MAGI is defined as adjusted gross income increased by: (1) foreign earned income exclusion; (2) tax-exempt interest; and (3) an amount equal to the value of Social Security benefits not subject to tax (I.R.C. § 36B).

[13] The ARPA suspended the requirement to repay excess premium tax credits for the 2020 tax year.

[14] For married couples filing jointly, the dollar cap based on income as a percentage of FPG for repayment of premium tax credits received in 2021 is as follows: (1) less than 200 percent of FPG, $650; (2) at least 200 percent but less than 300 percent of FPG, $1,600; and (3) at least 300 percent but less than 400 percent of FPG, $2,700. The dollar cap for single tax filers is one-half of the amount that applies to joint filers. These dollar caps are adjusted to reflect changes in the Consumer Price Index. See 26 U.S.C. § 36B, subsection (f).

[15] The ACA also provides cost-sharing reductions to persons with incomes at or below 200 percent of FPG. These reductions do not apply in Minnesota, since persons at this income level are not eligible for subsidized coverage through MNsure and instead are eligible for coverage through MA or MinnesotaCare.

has flexibility in how it achieves this higher actuarial value of 73 percent—it may reduce the annual out-of-pocket limit, reduce deductibles, or reduce copayments or coinsurance, or implement any combination of these cost-sharing reductions.

Eligible individuals do not have to take action to receive a cost-sharing reduction; if they purchase coverage through MNsure and select a silver plan, they are simply enrolled in a silver plan that incorporates the cost-sharing reduction. Cost-sharing reductions are only available to eligible persons who select a silver plan.

American Indians and Alaska Natives with household incomes that do not exceed 300 percent of FPG are exempt from cost-sharing altogether (they receive a 100 percent cost-sharing reduction plan at all metal level choices) if they enroll in a plan with only other American Indians or Alaska Natives. American Indians and Alaska Natives with incomes greater than 300 percent of FPG are exempt from cost-sharing for services received at Indian Health Service facilities and tribal and urban Indian organization providers, or for essential health benefits received as a result of a referral from these providers.

In contrast to premium tax credits, eligibility for a cost-sharing reduction does not change to reflect differences in estimated and actual income, and there is no requirement for financial reconciliation at the end of a coverage year.

## Financing Subsidized Coverage

Under the ACA, the cost of providing premium tax credits for the purchase of qualified health plans is borne by the federal government. Premium tax credit payments are made by the federal government directly to health insurers (if a recipient chooses to receive the payments in advance) or to the recipient through the tax-filing process (if the recipient does not elect to receive the tax credit in advance).

The cost of providing cost-sharing reductions is borne by the insurers, who may recover these costs through insurance premiums. The federal government had initially reimbursed insurers for cost-sharing reductions, but due to federal court action and action by the Trump administration, payments to insurers were eliminated in October 2017.[16]

[16] A federal district court ruled on May 12, 2016, that the U.S. Congress had not appropriated funding for cost-sharing reductions under the ACA, and that the use of unappropriated money to fund cost-sharing reductions would be enjoined. The court delayed enforcing the injunction, in part to allow for legislative action to provide funding. Absent legislative action, the Trump administration terminated payments for cost-sharing reductions, beginning with the payment scheduled for October 18, 2017.

# Enrollment Statistics

As of July 18, 2021, 142,445 individuals had selected a qualified health plan through MNsure. An additional 112,776 individuals had newly enrolled through MNsure in MA and an additional 23,248 in MinnesotaCare.[17]

As of July 18, 2021, 59 percent of households enrolled in a qualified health plan through MNsure received premium tax credits, and 12 percent of qualified health plan households received cost-sharing reductions.



[17] Statistics in this section are from MNsure Enrollment Dashboard, prepared for the MNsure Board of Directors meeting, June 21, 2021. Enrollment numbers reflect cumulative sign-ups (both new and renewals) for 2021 coverage for the period November 1, 2020, through July 18, 2021.