MN HOUSE RESEARCH

MNsure Subsidized Health Coverage: An Overview

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MNsure, the state's health insurance exchange, was established as part of the 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 to receive premium tax credits and cost-sharing reductions to purchase a qualified health plan through MNsure.

Qualified health plans

The ACA requires health coverage offered through an exchange to meet the standards of a qualified health plan. These standards include providing essential health benefits, and complying with certain limitations on cost-sharing. The essential health benefits include 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; rehabilitation and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric services including oral and vision care.

The ACA requires qualified health plans (and other types of health coverage) to be offered at different "metal levels" that correspond to different actuarial values (actuarial value is an estimate of the percentage of medical expenses incurred by a typical enrollee that will on average be paid by the insurer). These metal levels, and corresponding actuarial values, are bronze (60 percent actuarial value), silver (70 percent), gold (80 percent), and platinum (90 percent).

Eligibility for premium tax credits

In order to be eligible for a premium tax credit through MNsure, an individual must: (1) be enrolled in a qualified health plan through MNsure; (2) not be eligible for other types of health coverage such as Medical Assistance, MinnesotaCare, Medicare, and employer coverage (unless the employer coverage is unaffordable or does not provide minimum value); (3) have an income greater than 200 percent of the federal poverty guidelines (FPG) (federal law eliminated the upper income limit of 400 percent of FPG for coverage in calendar years 2020 and 2021); and (4) attest that they will file a federal income tax return. Individuals with incomes below the threshold for premium tax credits may be eligible for MA or MinnesotaCare.

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.

Calculation and amount of premium tax credits

The amount of a premium tax credit varies from person to person. The premium tax credit amount is equal to the difference between the premium cost of the lowest cost silver plan in the individual's geographic area (referred to as the benchmark plan) and the individual's expected premium contribution. The expected premium contribution varies based on income, and in Minnesota, ranges between 2.0 percent of income (for persons with incomes just over 200 percent of FPG) to 8.5 percent

By **Randall Chun,** 651-296-8639

of income (for persons with incomes at or greater than 400 percent of FPG). These premium contribution percentages reflect reductions made in federal law that apply for coverage in calendar years 2021 and 2022. The amount of the tax credit is fixed (being calculated in reference to the benchmark plan). Persons who choose a higher cost plan through MNsure will pay higher premiums after application of the tax credit than persons who choose a lower cost plan.

Administration and reconciliation of tax credits

Individuals apply for premium tax credits and cost-sharing reductions (described below) through MNsure, and may claim the tax credit in advance or when filing a tax return. If a person claims the credit in advance, the federal government pays the tax credit directly to the insurer from whom the person has purchased coverage. The amount of the premium tax credit received in advance is based on an estimate of expected income. The amount of the tax credit is reconciled to actual income as part of the tax-filing process. Reconciliation may result in some persons paying back some or all of the tax credits received, and others receiving a reduction in the amount of taxes owed or a tax refund.

Cost-sharing reductions

Persons with incomes greater than 200 percent but not exceeding 250 percent of FPG, who receive tax credits and purchase a silver-level plan through MNsure, are eligible for a cost-sharing reduction. This cost-sharing reduction is provided in the form of an increase in the actuarial value of the silver plan to 73 percent (compared to a 70 percent actuarial value for a regular silver plan). A health insurer may increase the actuarial value of a plan by reducing the annual out-of-pocket limit or reducing deductibles or other cost-sharing. Some American Indians and Alaska Natives are exempt from cost-sharing altogether.

Financing subsidized coverage

The cost of providing premium tax credits to persons purchasing coverage through MNsure is borne by the federal government. Health insurers are reimbursed by the federal government for the cost of premium tax credits that enrollees receive in advance. Due to a federal court ruling and action by the executive branch, the federal government has not reimbursed health insurers for the cost of any cost-sharing reductions provided since October 2017.

Enrollment statistics

As of July 18, 2021, 142,445 individuals were enrolled in a qualified health plan through MNsure (additional individuals were enrolled in MA and MinnesotaCare through MNsure). As of that same date, 59 percent of households enrolled in a qualified health plan through MNsure received premium tax credits and 12 percent received cost-sharing reductions.

Application procedure

Individuals interested in applying for premium tax credits and cost-sharing reductions can contact MNsure at 1-855-366-7873 or www.mnsure.org.

For more information: See the House Research publication *Subsidized Health Coverage through MNsure*.

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