

# Hawaii and the **AFFORDABLE CARE ACT**

Due to the complexity of the law that may require very fact-specific analysis, this material is not intended to be legal, accounting, or other professional advice, and is provided only as a general information.

The main purpose of the Patient Protection and Affordable Care Act (“ACA”) is to increase access to affordable health insurance via reforms to the individual and small group health insurance markets.

To make it easier for people to shop for private health coverage, the ACA established “insurance marketplaces.” The marketplaces certify health plans and provide outreach assistance to people who want help applying for coverage. The marketplaces also allow people to go online to compare local health plans. Based on their income and family size, some people may qualify for tax credits to help pay monthly premiums if they buy through a marketplace.

There are several types of insurance marketplaces. Since November 1, 2016, Hawaii utilizes the federal website, [HealthCare.gov](http://HealthCare.gov) for online application and enrollment. HealthCare.gov will have health plans approved for sale by the state.

## **Individual Mandate**

The goal of the ACA is to make sure everyone has insurance coverage. To ensure that people with insurance aren’t paying the cost of those who are uninsured, the ACA created what is known as the “individual purchase mandate.”

The ACA individual purchase mandate requires all U.S. citizens, U.S. nationals, Permanent Residents and lawful resident aliens to have an acceptable level of health insurance, unless they are exempt under federal guidelines. People who are not exempt and who reject access to insurance would be subject to a penalty when they file their tax returns.

There are exemptions to the mandate. For more on the Individual Mandate, visit: <https://www.healthcare.gov/fees-exemptions/fee-for-not-being-covered/>.

## **Fees for Not having Coverage**

The ACA is currently in a fluid state, for the most up to date information, visit: [HealthCare.gov](http://HealthCare.gov).

If you don’t have coverage, you’ll pay the higher of these two amounts:

- 2.5% of your yearly household income; or
- \$695 per person (\$347.50 per child under 18).

Remember, based on income, you may qualify for tax credits to make insurance more affordable and avoid the fees. You can learn more at [HealthCare.gov](http://HealthCare.gov).

The ACA also changed the rules so that no one can be denied coverage or priced out of coverage because of a pre-existing health condition. ACA compliant plans are required to base rates only on age, tobacco use, and whether the insurance applicant is an individual or family. These plans are available at the same price, either on or off [HealthCare.gov](http://HealthCare.gov).

The ACA mandates insurers provide coverage in 10 essential health benefits, or “10 EHB” categories. For more information on the 10 EHB, visit [HealthCare.gov](http://HealthCare.gov)

Individuals with an annual household income between 139 and 400 percent of the Federal Poverty Level may qualify for tax credits. Note that the Federal Poverty Level for Hawaii is different from the Federal Poverty Level for Alaska and the 48 contiguous states. These tax credit programs are only available with health plans purchased through [HealthCare.gov](http://HealthCare.gov).

Although the ACA creates new requirements for individuals and small businesses, Hawaii private employers (regardless of size) must still comply with the 1974 Hawaii Prepaid Health Care Act. Therefore, much of the FAQ and general information available on the federal government websites is not always correct when applied to Hawaii employers and employees. Please visit the [Department of Labor and Industrial Relations](#) for more information on the Prepaid Health Care Act.

## Update on “Grandmothered” Plans

On November 14, 2013, President Obama announced that States could decide whether to allow small group and individual health insurance policies existing on October 1, 2013, to be renewed for a policy year starting between January 1 and October 1, 2014. To give Hawaii consumers the most options, the State of Hawaii has allowed Hawaii health insurers to offer the renewal option.

Essentially, in 2014, Hawaii consumers had selection of choices below:

1. **“Grandfathered 2010” health plans.** The federal law specifies conditions for grandfathered plans that existed in March 2010. Grandfathered health plans cannot be sold on the online marketplace. Many people will not have access to this option because their policies changed after March 2010.
2. **“Transitional renewal plans” also called “Grandmothered” health plans.** These plans must have been in existence on October 1, 2013, and renewed prior to October 1, 2014. They include some but not all of the ACA features. Transitional or Grandmothered health plans cannot be sold on the exchange and are only available to

individuals or businesses who have been continuously enrolled in these plans since October 1, 2013. These plans will be subject to updated premium rates. You may only apply for a renewal policy, not a newly issued policy. These policies are currently slated to end by December 31, 2018.

3. **“Fully compliant ACA” plans.** All newly issued plans in the small group and individual markets must comply with the ACA, including coverage of the 10 Essential Health Benefits, regardless of where they are sold. Fully compliant ACA plans will be sold on and off the HealthCare.gov marketplace.

### Pros and Cons of Keeping Your Old Policy

Consumers may wonder whether to keep an existing Grandmothered plan or buy a plan that is fully compliant with ACA.

The quality of the coverage being provided should be considered. The ACA has a minimum floor for coverage for fully compliant ACA plans. This floor may be better than the coverage being provided under the Grandmothered plans, particularly in the individual market.

The cost of premiums should be considered. The ACA has new rating factors which emphasize age rating. This will be more favorable for some people than others. Some people may find that the rates under the Grandmothered plans are better than new fully compliant ACA plans. For others, the opposite may be true.

In addition to the premium costs, the possibility of obtaining tax credits for the purchase of health insurance through HealthCare.gov should also be taken into consideration.