

*Bottom line:* the IRS is encouraging companies to comply in 2014 even though there are no penalties for failure to do so.

- **The business play or pay penalty**

Starting in 2015, companies with 50 or more employees that don't offer minimum essential health insurance face an annual penalty of \$2,000 times the number of full-time employees over a 30-employee threshold. If the insurance that is offered is considered unaffordable (it exceeds 9.5% of family income), the company may be assessed a \$3,000 per-employee penalty. These penalties apply only if one or more of the company's employees buy insurance from an exchange and qualify for a federal credit to offset the cost of the premiums.

## **FOR INDIVIDUALS – It's all about coverage**

Currently, attention is focused on the health insurance exchanges or "Marketplace" that opened for business on October 1. Confusion about the *Affordable Care Act* has left many people thinking everyone has to deal with the exchanges. The fact is that if you are covered by Medicare, Medicaid, or an employer-provided plan, you don't need to do anything.

Also, if you buy your health insurance on your own and are happy with your plan, you can keep your coverage. However, the only way to get any premium-lowering tax credits based on your income is to buy a plan through the Marketplace.

- **The exchanges (Marketplace)**

Each state will either develop an insurance exchange (Marketplace) or use one provided by the federal government. The Marketplace will allow those seeking coverage to comparison shop for health plans from private insurance companies.

There will be four types of insurance plans to choose from: Bronze, Silver, Gold, and Platinum. The more expensive the plan, the greater the portion of medical costs that will be covered. The price of each plan will depend on several factors including your age, whether you smoke, and where you live.

Many individuals will qualify for federal tax credits which will reduce the premiums they actually pay. Each state's Marketplace will have a calculator to assist individuals in determining the amount, if any, of their federal tax credit.

- **The individual play or pay penalty**

If you're one of the 45 million or so Americans without health insurance, you will need to get coverage for 2014 or pay a penalty of \$95 or 1% of your income, whichever is greater. Low-income individuals may qualify for subsidies and/or tax credits to help pay the cost of insurance.

The penalty increases to \$325 or 2% of income for 2015 and to \$695 or 2.5% of income for 2016. For 2017 and later years, the penalty is inflation-adjusted. Those who choose not to be insured and to pay the penalty instead will still be liable for 100% of their medical bills.