



Health Care Reform **Bulletin**

New Exemption from the Individual Mandate for Exchange Enrollees

Provided by Stellar Benefits Group

Quick Facts

- On Oct. 28, 2013, HHS released an FAQ that provides a hardship exemption for individuals who enroll in Exchange coverage during the initial open enrollment period.
- This exemption covers individuals who do not qualify for the short gap in coverage exemption.
- Additional detail will be provided in 2014 on how to claim this exemption.

An individual who enrolls in an Exchange plan at any time during the initial open enrollment period will not be subject to an individual mandate penalty for the months before the coverage takes effect.

Beginning in 2014, the Affordable Care Act (ACA) requires most individuals to obtain acceptable health insurance coverage for themselves and their family members or pay a penalty. This rule is often referred to as the "individual mandate." Individuals may be eligible for an exemption from the penalty in certain circumstances.

On Oct. 28, 2013, the Department of Health and Human Services (HHS) released a [frequently asked question](#) (FAQ) that provides an additional hardship exemption for individuals who enroll in coverage through an Exchange during the initial open enrollment period.

Specifically, an individual who enrolls in an Exchange plan at any time during the initial open enrollment period will not be subject to an individual mandate penalty for the months before the coverage takes effect.

This additional exemption was necessary to avoid penalties for anyone who waited until the end of the open enrollment period to enroll in an Exchange plan, as the existing exemptions would not have protected them from liability.

HHS plans to provide additional details in 2014 on how to claim the exemption.

Exchange Initial Open Enrollment Period

The initial open enrollment period for the ACA's Affordable Health Insurance Exchanges (Exchanges) began on Oct. 1, 2013, and continues until March 31, 2014.

- For individuals who enroll on or before Dec. 15, 2013, coverage will be effective Jan. 1, 2014.
- For individuals who enroll between the first and 15th day of January, February or March 2014, coverage will be effective the first day of the following month.
- For individuals who enroll between the 16th and last day of any month between December 2013 and March 31, 2014, coverage will be effective the first day of the second following month.

The ACA already provided an exemption for anyone experiencing a short gap in coverage (less than three full calendar months). However, if an individual enrolls in an Exchange plan between Feb. 16, 2014, and the end of the initial open enrollment period, the coverage will not be effective until April 1 or later. As a

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result, that person would not be eligible for the short coverage gap exemption, because their gap in coverage would be longer than three months.

The New Hardship Exemption

The ACA gives HHS the authority to establish **hardship exemptions** from the individual mandate penalty. These exemptions are designed for individuals who experience a hardship that affects their ability to obtain coverage under a qualified health plan. In prior guidance, HHS has described several situations that qualify as hardships.

In the new FAQ, HHS acknowledged that it would be unfair to require individuals who enroll in an Exchange plan near the end of the open enrollment period to pay a penalty.

HHS recognized that the duration of the initial open enrollment period implies that individuals have until the end of the initial open enrollment period to enroll in coverage through an Exchange before penalties will apply, when that was not the case. This additional hardship exemption will provide relief for anyone in this situation.

Under the new exemption, if an individual enrolls in a plan through the Exchange prior to the close of the initial open enrollment period, the individual will be able to claim a hardship exemption from the individual mandate penalty when filing a federal income tax return in 2015 for the months prior to the effective date of the individual's coverage.

This exemption will be provided through the federal income tax filing process, without the need to request an exemption from the Exchange. Additional details will be provided in 2014 on how to claim this exemption.

