Health Insurance Premium Credits Under PPACA (P.L. 111-148)

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Summary

On March 23, 2010, the President signed into law health reform legislation (the Patient Protection and Affordable Care Act, PPACA, P.L. 111-148, as amended by the reconciliation act, P.L. 111-152) that will, among other things, provide "premium assistance credits" beginning in 2014 to help certain individuals pay for health insurance. This report describes the premium credits as reflected in current law through this legislation (hereafter referred to simply as PPACA).

Under PPACA, state-established "American Health Benefit Exchanges" will have to be established in every state by January 1, 2014. Exchanges will not be insurers, but will provide qualified individuals and small businesses with access to insurers' qualified health plans in a comparable way.

Only for purchase of coverage within an exchange, advanceable, refundable premium assistance credits will be available to limit the amount of money some individuals would pay for premiums. Under PPACA, for example, a family of three just above 133% of the federal poverty line (FPL)—that is, currently with annual income of $24,352—would be required to pay 3% of its income toward premiums ($824 annually, if the proposed premium subsidies were currently in effect). A family of three just under 400% FPL ($73,240), where the premium subsidies end, would be required to pay no more than 9.5% of its income in premiums ($6,958 annually, if the proposed premium subsidies were currently in effect).

Although the premium credits will not be available until 2014 under PPACA, the illustrations provided in this report are based on current FPLs, to reflect how the premiums families would pay compare to their current income levels.

Relative affordability of health insurance premiums individuals and families might face within health insurance exchanges will likely vary from exchange to exchange based on a host of factors, including enrollees' age, the health of the people actually enrolled in the plan, the varying prices paid by plans for medical goods and services, the breadth of the provider network, the provisions regarding how out-of-network care is paid for (or not), and the use of tools by the plan to reduce health care utilization (e.g., prior authorization for certain tests). Examples shown in this report depict a range by which premiums might reasonably be expected to vary based on enrollees' age, and variation in medical costs across geographic areas, for purposes of illustration only. Actual premiums will likely vary among health insurance exchanges based on a wide range of factors other than those depicted in this report.

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Under PPACA,[1] state-established "American Health Benefit Exchanges" would have to be established in every state by January 1, 2014. Exchanges will not be insurers, but will provide qualified individuals and small businesses with access to insurers' qualified health plans in a comparable way. Only for purchase of coverage within an exchange, advanceable, refundable premium assistance credits will be available to limit the amount of money some individuals pay for premiums.[2] This report describes who will be eligible for the premium credits, how the credits will be calculated, and how individuals' income will be counted for determining credit eligibility.

The guideline against which income will be compared to determine credit eligibility is referred to generally as the federal poverty line (FPL). Although the premium credits within exchanges will not be available until 2014, the illustrations provided in this report are based on current FPLs, to reflect how the premium credits would compare to families' current income levels—essentially, "if the premium credits were available today."[3]

Individuals' Eligibility for Premium Credits

This section lists all of the requirements an individual must meet in order to obtain premium credits beginning in 2014 under PPACA.

Part of a Tax-Filing Unit

The premium credits will be provided as advanceable, refundable federal tax credits ultimately calculated through individual tax returns (although the credit payments will go directly to insurers). The credits can only be obtained by qualifying individuals who file tax returns.[4]

Enrolled in an Exchange Plan

Premium credits will only be available to individuals enrolled in a plan offered through an exchange.[5] Individuals may enroll in a plan through their state's exchange if they are (1) residing in a state that established an exchange; (2) not incarcerated, except individuals in custody pending the disposition of charges; and (3) lawful residents.

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[1] Hereafter, "PPACA" will refer to http://www.congress.gov/cgi-lis/bdquery/R?d111:FLD002:@1(111+148)P.L. 111-148 as amended by http://www.congress.gov/cgi-lis/bdquery/R?d111:FLD002:@1(111+152)P.L. 111-152.

[2] Individuals who qualify for premium credits will also qualify for cost-sharing subsidies to help pay for deductibles, copayments, etc. The cost-sharing subsidies are outside the scope of this report.

[3] Per P.L. 111-144, the 2009 FPLs will be in effect until at least March 31, 2010. Legislation to extend the use of the 2009 FPLs is being considered. The Department of Health and Human Services (HHS) has not released information regarding 2010 FPLs and their potential application for program eligibility purposes.

[4] Couples married at the end of the taxable year will have to file joint returns to be eligible for the credit.

[5] Sec. 1401 of PPACA, adding a new Sec. 36B(c)(2)(A)(i) to the Internal Revenue Code.

Only lawful residents may obtain exchange coverage. Undocumented ("illegal") aliens will be prohibited from obtaining coverage through an exchange, even if they could pay the entire premium without any subsidy.[6] Because PPACA prohibits undocumented aliens from obtaining exchange coverage, they will therefore not be eligible for premium credits.

Not Eligible for Other Acceptable Coverage

To be eligible for credits, an individual cannot be *eligible* for other acceptable coverage—that is, "minimum essential coverage," defined as Medicare, Medicaid, the Children's Health Insurance Program (CHIP), coverage related to military service, an employer-sponsored plan, a grandfathered plan,[7] and other coverage recognized by the Secretary. An individual eligible for, but not enrolled in, an employer-sponsored plan may still be eligible for premium credits if the employee's contribution to premiums exceeded 9.5% of household income[8] or if the plan's payments cover less than 60% of total allowed costs.

Although the Medicaid provisions are generally beyond the scope of this report, eligibility for Medicaid as expanded under PPACA interacts with the provisions regarding premium credits for exchange coverage. From 2011 to 2013, states have the *option* to expand Medicaid to all non-elderly, non-pregnant individuals (i.e., childless adults and certain parents, except for those ineligible based on certain noncitizenship status) who are otherwise ineligible for Medicaid up to 133% FPL. Beginning in 2014, states with Medicaid programs will be *required* to extend Medicaid to these individuals.[9] Thus, in 2014, all non-elderly *citizens* and certain legal aliens up to 133% FPL will be eligible for Medicaid. (If a person who applied for premium credits in an exchange was determined to be eligible for Medicaid, the exchange must have them enrolled in Medicaid.[10]) PPACA will not change noncitizens' eligibility for Medicaid.[11] Thus, for example, certain legal permanent residents (LPRs) who are below 133% FPL will be ineligible for Medicaid. However, when the credits become available in 2014, lawfully present taxpayers below 133% FPL who are not eligible for Medicaid may be eligible for premium credits. Neither

[6] Sec. 1312(f)(3) of PPACA. For more information about the treatment of noncitizens under health care reform legislation, see CRS Report R40889, *Noncitizen Eligibility and Verification Issues in the Health Care Reform Legislation*, by Ruth Ellen Wasem.

[7] A group or a nongroup plan in which the person is enrolled and was enrolled in prior to enactment of the legislation, per Sec. 1251 of PPACA.

[8] Sec. 1001(a)(2) of http://www.congress.gov/cgi-lis/bdquery/R?d111:FLD002:@1(111+152)P.L. 111-152, amending Sec. 1401(c)(2)(C) of PPACA. In years after 2014, the percentage would be adjusted to reflect any percentage by which premium growth exceeded income growth. The reconciliation bill added a provision (Sec. 1001(b)) that, after 2018, if the premium and cost-sharing subsidies exceeded 0.504% of gross domestic product (GDP) for the preceding year, then the required percentage of income paid toward premiums would *also* be increased by how much premium growth exceeded overall inflation for the preceding year.

[9] In fact, eligibility would be required up to 138% FPL, because §1004(e) of http://www.congress.gov/cgi-lis/bdquery/R?d111:FLD002:@1(111+152)P.L. 111-152 also requires income equivalent to 5% FPL to be disregarded from individuals' income.

[10] Sec. 1311(d)(4) and Sec. 1413(a) of PPACA.

[11] As under law prior to PPACA, certain legal aliens are eligible for full Medicaid benefits (e.g., refugees, asylees, and some legal permanent residents (LPRs) who have been here at least five years) while others are not (e.g., certain LPRs who have been here less than five years).

premium credits nor full-benefit Medicaid will be available for individuals who are not lawfully present.

Individual's Employer Does Not Contribute Toward Exchange Plan

Certain small employers (and in later years, potentially larger employers) may offer and contribute toward coverage through an exchange. If an individual is enrolled in an exchange through an employer who contributed toward that coverage, the individual will be ineligible for premium credits.[12]

Income Less than 400% of Poverty

To be eligible for a premium credit, individuals must have "household income"[13] of less than 400% FPL. A later section of this report describes how individuals get less or potentially no premium credit as their income approaches 400% FPL. Using current levels, 400% FPL, the amount at which individuals will no longer be eligible for any premium credit, is shown in **Table 1**.[14]

Table 1. Income Levels for 400% of the Current Federal Poverty Line (FPL)

Number of Persons in Family	48 Contiguous States and DC	Alaska	Hawaii
1	$43,320	$54,120	$49,840
2	$58,280	$72,840	$67,040
3	$73,240	$91,560	$84,240
4	$88,200	$110,280	$101,440
5	$103,160	$129,000	$118,640
6	$118,120	$147,720	$135,840
7	$133,080	$166,440	$153,040
8	$148,040	$185,160	$170,240

Source: CRS computation based on "Annual Update of the HHS Poverty Guidelines," 74 *Federal Register* 4200, January 23, 2009, http://aspe.hhs.gov/poverty/09fedreg.pdf.

Notes: Under PPACA, premium credits for eligible exchange coverage will not be available until 2014; individuals will get less or potentially no premium credit as their income approaches 400% FPL. "DC" is the District of Columbia. The Federal Poverty Guidelines are updated annually for inflation.

[12] Sec. 1401 of PPACA, adding a new Sec. 36B(c)(2)(A)(ii) to the Internal Revenue Code.

[13] Subsections (a) and (b) of Sec. 1004 of http://www.congress.gov/cgi-lis/bdquery/R?d111:FLD002:@1(111+152)P.L. 111-152 define Modified Adjusted Gross Income (MAGI) and apply it to the premium and cost-sharing credits and well as to Medicaid and CHIP. MAGI is defined as the Internal Revenue Code's Adjusted Gross Income (AGI), which reflects a number of deductions, including trade and business deductions, losses from sale of property, and alimony payments, *increased* (if applicable) by tax-exempt interest and income earned by U.S. citizens or residents living abroad.

[14] The FPL used for public program eligibility, the Federal Poverty Guideline, varies by family size and by whether the individual resides in the 48 contiguous states and the District of Columbia versus Alaska or Hawaii. See 74 *Federal Register* 4200, January 23, 2009, http://aspe.hhs.gov/poverty/09fedreg.pdf. Per P.L. 111-144, the 2009 FPLs will be used through at least March 31, 2010.

PPACA says premium credits are available to those whose income "exceeds 100 percent [FPL] but does not exceed 400 percent [FPL]…." PPACA then provides for lawfully present noncitizens who are at or below 100% FPL and who are not eligible for Medicaid to obtain premium credits. Non-aged *citizens* and legal permanent residents at or below 133% FPL will be eligible for Medicaid and therefore ineligible for premium credits.

Maximum Out-of-Pocket Premium Amounts

For individuals eligible for a premium credit, the credit is based on what might be considered an affordable premium amount, based on a percentage of individuals' income relative to the FPL. **Table 2** shows the current annual dollar income that various percentages of FPL represent, up to 400% FPL, where the premium credits end. Although the premium credits will not be available until 2014 under the bill, the current FPLs are provided to reflect how the premium credits would compare to families' current income levels.

Table 2. Annual Income, by Current Federal Poverty Level and Family Size

For the 48 contiguous states and the District of Columbia

Federal Poverty Line (FPL)	Family Size			
	1	2	3	4
0%	$0	$0	$0	$0
50%	$5,415	$7,285	$9,155	$11,025
100%	$10,830	$14,570	$18,310	$22,050
133%	$14,404	$19,378	$24,352	$29,327
150%	$16,245	$21,855	$27,465	$33,075
200%	$21,660	$29,140	$36,620	$44,100
250%	$27,075	$36,425	$45,775	$55,125
300%	$32,490	$43,710	$54,930	$66,150
350%	$37,905	$50,995	$64,085	$77,175
400%	$43,320	$58,280	$73,240	$88,200

Source: CRS computation based on "Annual Update of the HHS Poverty Guidelines," 74 *Federal Register* 4200.

Premium credits under the bill are based on the "applicable percentage"—that is, the maximum *percentage* of income that individuals will be required to pay toward the second-lowest cost "silver" exchange plan in the area. Silver plans are those in one of four cost-sharing tiers established in exchanges (the other tiers being bronze, gold, and platinum). Of the four tiers, silver plans will have the second-highest enrollee cost-sharing (deductibles and copayments) and thus likely the second-lowest premiums. But individuals eligible for premium credits would also be eligible for cost-sharing subsidies.

The applicable percentage is shown in **Table 3** and **Figure 1**. Individuals above 400% FPL will not be eligible for credits. Qualifying individuals between 300% and 400% FPL will have to pay no more than 9.5% of their incomes in premiums (if they enrolled in a plan not more expensive than the second lowest cost silver plan). For qualifying individuals with income above 133% to 300% FPL, the percentage of income they will have to pay would range from 3% of income to

9.5% of income, as shown in **Table 3**. Qualifying individuals at or below 133% FPL will pay no more than 2% of income toward premiums.[15]

Table 3 and **Figure 1** also illustrate the "cliff effect" that occurs at 133% FPL. For those at or below 133% FPL who are not eligible for Medicaid but eligible for premium credits (e.g., certain legal permanent residents), the credits will ensure that individuals pay no more than 2% of their income for premiums in the second-lowest-cost silver plan. Above 133% FPL, a formula is applied so that a family at 133.01% FPL will pay 3% of their income for those premiums. For example, as shown in **Table 3**, a family of four at 133% FPL ($29,327 in annual income) would have to pay up to $587 in annual premiums, if the bill were currently in effect. With one additional dollar of income ($29,328 in annual income), they would be required to pay $992 in premiums. Thus, in this example, that additional $1 in income would lead to $405 more in required premium payments for the family (i.e., $992-$587). Some might observe that prior to the implementation of the PPACA premium credits in 2014, an even larger cliff exists for citizens and qualified aliens, whose extra dollar of income makes them ineligible for Medicaid, at which point *no* premium credits are available.

As mentioned above, the premium credit amount would be based on the second-lowest-cost silver plan available to the individual in an exchange.[16] Individuals who enrolled in more expensive plans would have to pay any additional amount. However, the cost-sharing subsidies would only be available to credit-eligible individuals enrolled in a silver plan. In addition, although states would be permitted to mandate benefits not in the essential benefits package, states would have to make payments to, or on behalf of, exchange-enrolled individuals for those additional state-mandated benefits.[17]

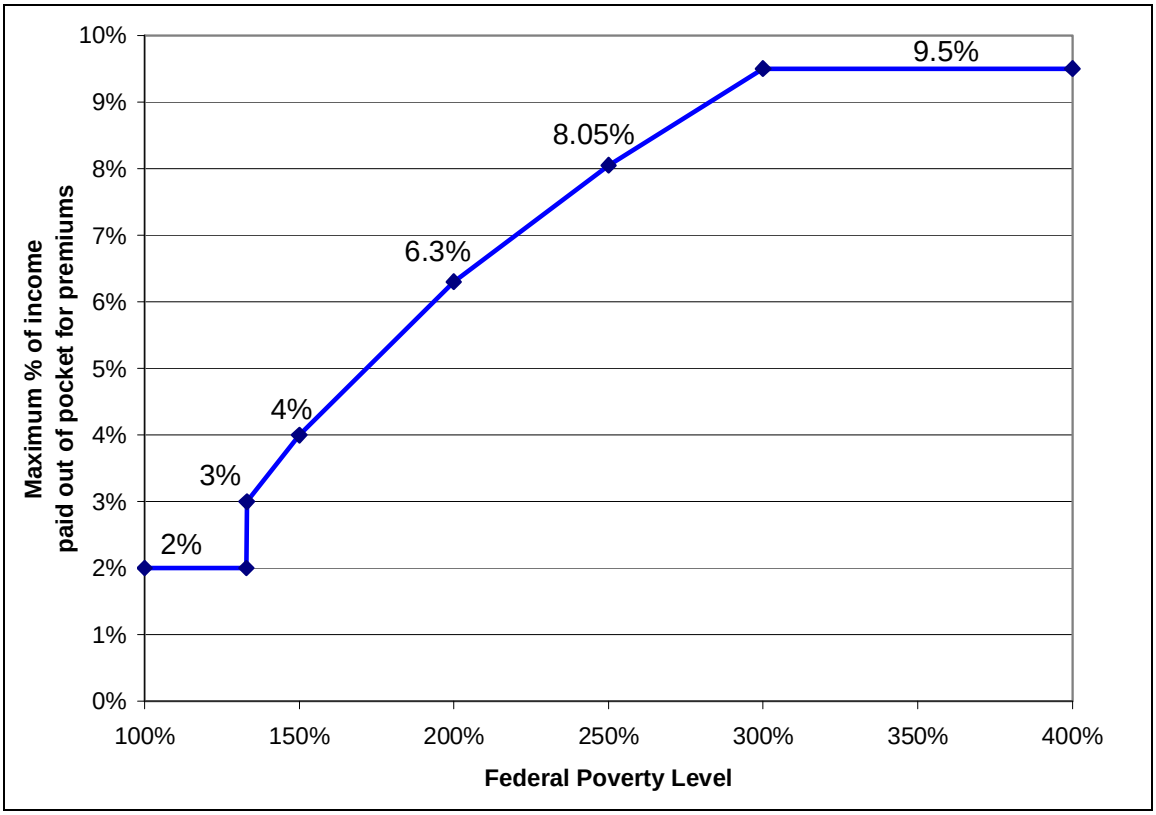
[15] After 2014, the applicable percentages for maximum out-of-pocket premium payments relative to income will be adjusted to reflect any percentage by which premium growth exceeded income growth.

http://www.congress.gov/cgi-lis/bdquery/R?d111:FLD002:@1(111+152)P.L. 111-152 added a provision (Sec. 1001(b)) that, after 2018, if the premium and cost-sharing subsidies exceeded 0.504% of gross domestic product (GDP) for the preceding year, then the required percentage of income paid toward premiums will also be increased by how much premium growth exceeded overall inflation for the preceding year.

[16] Premiums faced by individuals in exchanges will be permitted to vary by only two personal characteristics: (1) age, with premiums for adults permitted to vary by no more than a 3-to-1 ratio, and (2) tobacco use, with no more than 1.5-to-1 variation. The premium credits will reflect applicable adjustments for age but not for tobacco use. Thus, if a state permitted tobacco use as a rating factor in its exchange(s), credit-eligible tobacco users would pay more in out-of-pocket premiums than non-tobacco users.

[17] Sec. 1311(d)(3) as amended by Sec. 10104(e) of PPACA.

Figure 1. Maximum Out-of-Pocket Premiums for Eligible Individuals, by Federal Poverty Level (FPL)



Source: CRS analysis.

Note: Starting in 2014, under PPACA, citizens and qualifying legal residents at or below 133% FPL will be eligible for Medicaid rather than premium credits.

Table 3 also shows the maximum *dollar* amount individuals and families would have to pay toward premiums for the second-lowest-cost silver plan, if the subsidies were currently available. Again, if individuals chose a plan with a premium greater than the second-lowest-cost silver plan, they would have to pay the difference, as well. If they chose a less expensive plan, then they would pay less than the amounts shown.

Examples of Premium Credit for Single Coverage

As an example, assume the area's second-lowest-cost silver plan charges a premium of $4,500 for single coverage (family size of one) and that premium credits were currently available. Individuals just under 400% FPL in that plan would receive a premium credit of $385 (i.e., $4,500 premium minus $4,115 affordable premium amount).[18]

[18] If the premium were less than the affordable premium amount of $4,115, however, then the individual would not get any premium credit.

Using the same example ($4,500 single-coverage premium), an individual at 350% FPL (currently $37,905) would receive a premium credit of $899 (i.e., $4,500 premium minus $3,601 affordable premium amount).

Using the same example, credit-eligible individuals at 100% FPL (currently $10,830) would be required to pay $217 per year toward the $4,500 premium and would therefore receive a credit of $4,283. (However, citizens at 100% FPL not enrolled in employer coverage would likely be ineligible for premium credits due to their Medicaid eligibility.)

Table 3.Maximum Out-of-Pocket Premium Payments Under PPACA, If Currently Implemented

for the 48 contiguous states and the District of Columbia

Federal Poverty Line (FPL)	Maximum Premium as a % of Income (2014)	Maximum Annual Premium (current), by Family Size			
		1	2	3	4
100%	**2.0%**	$217	$291	$366	$441
133.00%	**2.0%**	$288	$388	$487	$587
133.01%	**3.0%**	$487	$656	$824	$992
150%	**4.0%**	$650	$874	$1,099	$1,323
200%	**6.3%**	$1,365	$1,836	$2,307	$2,778
250%	**8.05%**	$2,180	$2,932	$3,685	$4,438
300%	**9.5%**	$3,087	$4,152	$5,218	$6,284
350%	**9.5%**	$3,601	$4,845	$6,088	$7,332
400%	**9.5%**	$4,115	$5,537	$6,958	$8,379

Source: CRS computation based on "Annual Update of the HHS Poverty Guidelines," 74 *Federal Register* 4200, January 23, 2009, http://aspe.hhs.gov/poverty/09fedreg.pdf, and PPACA, for the second-least-expensive silver plan available to eligible individuals. If individuals choose more expensive plans, they would be responsible for additional premiums.

Example of Premium Credit for a Family of Four

Assume the second-lowest-cost silver plan in an area charged a premium of $12,000 for family coverage and that premium credits were currently available. A family of four at 100% FPL ($22,050) in that plan would be required to pay no more than $441 per year toward the $12,000 premium and would therefore receive a credit of $11,559. A family of four just below 400% FPL would be required to pay $8,379 toward their premium and would therefore receive a credit of approximately $3,621 (i.e., $12,000-$8,379).

Health Insurance "Affordability" in the Exchange

While there is no widely accepted definition of individual "affordability" when it comes to health insurance premiums, and other health-care related out-of-pocket costs,[19] PPACA sets insurance

[19] PPACA includes provisions to study affordability issues. It requires GAO to conduct a survey of the cost and (continued...)

premium credits for persons, and their covered dependents, such that individuals and families will be required to spend no more than a specified percentage of income on premiums for specified health insurance plans in an exchange. Insurance premium credits under PPACA will extend to individuals and families with modified adjusted gross income (hereafter referred to simply as "income" with respect to PPACA) below 400% FPL. PPACA will provide premium credit support scaled to individual and family income relative to poverty such that eligible families' and individuals' premiums will be limited from 2.0% to 9.5% of income. Individuals and families with income at or above 400% of poverty will be ineligible for premium credits.

Prior to PPACA, individual and family paid premiums, alone or in combination with other qualified health expenses, can be applied toward claiming a medical expense deduction under federal income tax provisions. PPACA raises the excess medical deduction limit from 7.5% of AGI to 10% of AGI. Individuals who are eligible for premium credits (beginning in 2014) will also be eligible for subsidies to help them pay for cost-sharing (e.g., deductibles and copayments).

In terms of the premiums, PPACA implicitly sets a pre-tax "affordability cap" of 9.5% of income on base coverage plans in the exchange (i.e., plans with a beginning actuarial value of 70%, not including the impact of cost-sharing subsidies), for individuals and families with income up to 400% of poverty.

This section examines only the relative "affordability" of enrollee premiums in health insurance exchanges as a percentage of enrollee's income (adjusted gross income), considering illustrative plan premiums, after subsidies and, if applicable, any federal tax deduction due to excess medical (i.e., qualifying health insurance and health care) expenses.

The insurance premiums used in the examples are for purposes of illustration only. Ultimately, the premiums individuals would face in the health insurance exchanges will depend on a host of factors, including the health of the people actually enrolled in the plan, the varying prices paid by plans for medical goods and services, the breadth of the provider network, the provisions regarding how out-of-network care is paid for (or not), and the use of tools by the plan to reduce health care utilization (e.g., prior authorization for certain tests). The estimates shown here are based on illustrative premiums developed by the Kaiser Family Foundation (KFF).[20] The illustrated plans are estimated to have a 70% actuarial value, meaning that premiums are expected to cover 70% of plan members' covered health care costs, with deductibles and copayments covering the remaining 30%. In the exchanges, insurers will be allowed to age-rate premiums within prescribed bands—under PPACA, the highest age-adjusted premium can be no more than

(...continued)

affordability of health care insurance provided under the exchanges for owners and employees of small business concerns, including data on enrollees in exchanges and individuals purchasing health insurance coverage outside of exchanges. GAO is also required to conduct a study on the affordability of health insurance coverage (including the impact of credits for individuals and small businesses), the availability of affordable health benefits plans (including a study of whether the percentage of household income used for credit purposes is appropriate for determining whether employer-provided coverage is affordable and whether such level may be lowered without significantly increasing the costs to the federal government and reducing employer-provided coverage), and the ability of individuals to maintain essential health benefits coverage. PPACA also requires the HHS Secretary to conduct a study examining the feasibility and implication of adjusting the FPL for premium and cost-sharing credits for different geographic areas so as to reflect the variations in cost-of-living among different areas. If the Secretary determines that an adjustment is feasible, the study should include a methodology to make such an adjustment.

[20] http://healthreform.kff.org/SubsidyCalculator.aspx, accessed on March 23, 2010.

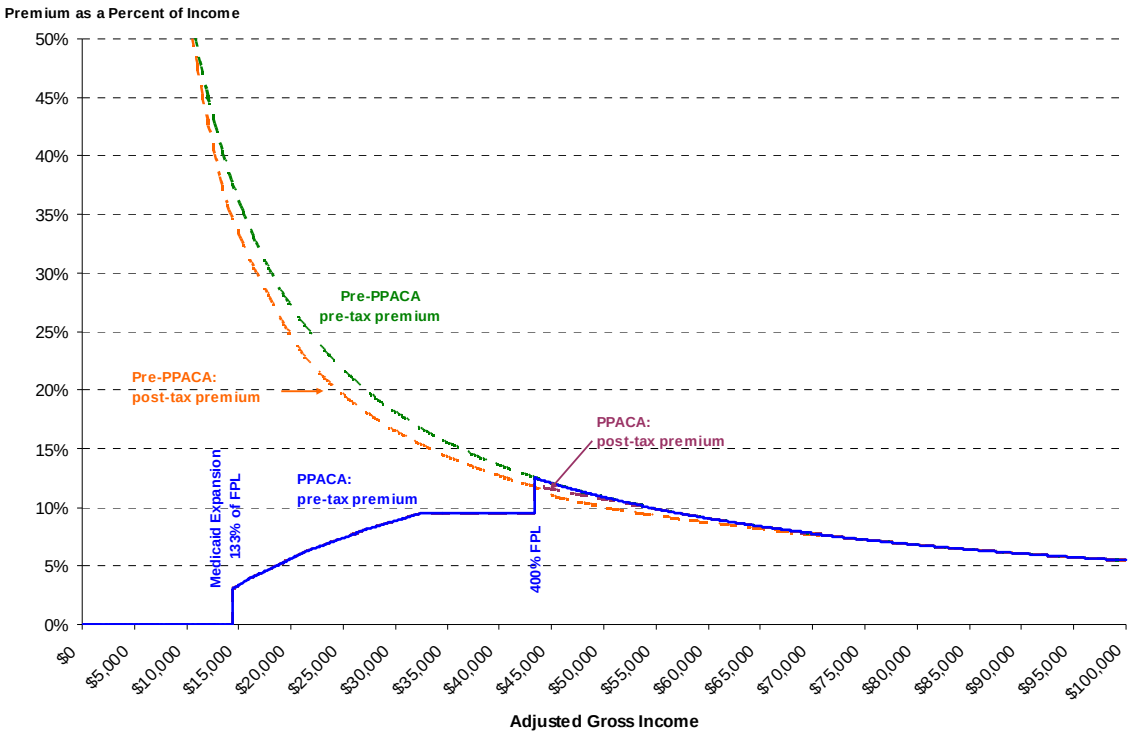
three times the lowest age-adjusted premium. PPACA will allow premiums to vary by geographic area.

Figure 2 depicts the relative "affordability" of health insurance premiums prior to the application of the credits and PPACA as of 2014, depicting out-of-pocket premiums as a percentage of income. The figure is based on KFF's illustrated health insurance plan cost of $5,428 for a 50-year-old with single coverage living in a medium-cost area. Out-of-pocket premiums are shown based on pre-tax as well as post-tax premiums, using the excess medical expense threshold limit of 7.5% of adjusted gross income prior to PPACA, and 10.0% after PPACA.

The figure shows that at 100% of poverty, the illustrated insurance plan would cost individuals *half* of their pre-tax income prior to PPACA—insurance premiums at this level, amounting to 50% of pre-tax income, would be considered unaffordable by many, and could crowd out spending on other basic needs such as food, shelter and utilities, and clothing. Prior to PPACA, the 7.5% excess medical expense deduction was the only federal subsidy toward the cost of their medical insurance that these individuals were eligible to receive; at lower-income levels the deduction had little or no effect on net post-tax premiums. Under PPACA, Medicaid will be expanded to 133% FPL, which will permit individuals to enroll with relatively limited or no premiums and cost-sharing. Under the depicted plan, health insurance premiums after reflecting PPACA's subsidies would range from 3% of income at 133% of poverty, up to 9.5% of income at just under 400% FPL. At 400% FPL, individuals are shown bearing the full pre-tax cost of the illustrated plan ($5,428), which would amount to 12.5% of their pre-tax income; after applying the excess medical expense deduction under current law, the post-tax premium amounts to 11.7% of adjusted gross (pre-tax) income.

Figure 2. PPACA Compared to Pre-PPACA Premiums: Pre- and Post-tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income

Based on Illustrated Annual Insurance Plan Cost for a 50-Year-Old with Single Coverage in a Medium-Cost Area ($5,428)



Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

Notes: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums would likely vary among health insurance exchanges based on a wide range of factors. The figure shows that prior to PPACA, no premium credits are provided to individuals under 400% FPL, with the only federal subsidy being the effect of the deduction of medical expenses in excess of the 7.5% AGI threshold (as illustrated by the post-tax premium). PPACA provides premium credits up to 400% of FPL, but increases the excess medical expense deduction threshold to 10.0% of AGI. PPACA premium credits will not become available until 2014. The figure illustrates the effect of PPACA premium credits as if they were in effect today.

Illustrated Potential Effects of Age-Banding and Area Cost Adjustments on "Affordability"

Table 4 shows illustrative KFF plan premiums in the exchange based on 2009 plan costs. The examples shown here reflect the possible effects of age-banding of premiums and geographic cost variation on health insurance premium affordability. In the examples shown, KFF illustrative premiums in higher-cost areas are set at 20% above those in medium-cost areas, and premiums in lower-cost areas are set 20% below. Under KFF's age-banding, premiums for 30-year-olds are only slightly above those of 20-year-olds. At age 40, premiums are one-third higher than at age 20; at age 50, just over twice; and at age 60, three times as high (consistent with the age-banding limits under the reconciliation bill). KFF estimates single+1 premiums as simply twice those of single coverage. Premiums for a family of four follow a similar age progression, except at age 50,

premiums are only 84% higher than for 20-year-olds, and for 60-year-olds, 1.6 times higher.[21] Further discussion will focus on single individuals and couples (married and unmarried) under single premium and single+1 premium plans.

Table 4. PPACA: Illustrative Health Insurance Premiums, by Enrollee Age, Geographic Cost, and Plan Type, 2009

	Single premium			Single+1 premium			Family of four premium		
Age	Lower-cost area	Medium-cost area	Higher-cost area	Lower-cost area	Medium-cost area	Higher-cost area	Lower-cost area	Medium-cost area	Higher-cost area
20	$2,110	$2,637	$3,165	$4,220	$5,274	$6,330	$5,687	$7,108	$8,530
30	$2,141	$2,676	$3,211	$4,282	$5,352	$6,422	$6,290	$7,862	$9,435
40	$2,800	$3,500	$4,200	$5,600	$7,000	$8,400	$7,548	$9,435	$11,321
50	$4,342	$5,428	$6,513	$8,684	$10,856	$13,026	$10,489	$13,112	$15,734
60	$6,329	$7,911	$9,494	$12,658	$15,822	$18,988	$14,960	$18,700	$22,440

Source: Prepared by CRS from Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009. Available online at http://healthreform.kff.org/SubsidyCalculator.aspx, accessed on March 23, 2010.

Note: Estimates are for illustration only. Illustrated premiums reflect a 3:1 age-banding, with premiums of oldest enrollees being three times those of youngest enrollees. Illustrated premiums in lower-cost areas are 20% lower than in medium-cost areas, and in higher-cost areas, 20% higher. Actual premiums will likely vary among health insurance exchanges based on a wide range of factors. Health insurance premiums will most likely be higher than those shown when PPACA premium credits first become available in 2014.

Table 5. PPACA: Illustrative Health Insurance Premiums as a Percentage of Income at an Income Level of 400% of the Federal Poverty Level, by Enrollee Age, Geographic Cost, and Plan Type, 2009

	Single premium[a]			Single+1 premium[b]			Family of four premium[c]		
Age	Lower-cost area	Medium-cost area	Higher-cost area	Lower-cost area	Medium-cost area	Higher-cost area	Lower-cost area	Medium-cost area	Higher-cost area
20	4.9%	6.1%	7.3%	7.2%	9.0%	***10.9%***	6.4%	8.1%	9.7%
30	4.9%	6.2%	7.4%	7.3%	9.2%	***11.0%***	7.1%	8.9%	***10.7%***
40	6.5%	8.1%	***9.7%***	***9.6%***	***12.0%***	***14.4%***	8.6%	***10.7%***	***12.8%***
50	***10.0%***	***12.5%***	***15.0%***	***14.9%***	***18.6%***	***22.4%***	***11.9%***	***14.9%***	***17.8%***
60	***14.6%***	***18.3%***	***21.9%***	***21.7%***	***27.1%***	***32.6%***	***17.0%***	***21.2%***	***25.4%***

Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009. Available online at http://healthreform.kff.org/SubsidyCalculator.aspx, accessed on March 23, 2010.

[21] Presumably the smaller difference for family coverage by age, compared to single coverage, is due to an assumption that by age 50, couples' children tend to be older than those of younger couples, and older children generally have lower health care utilization rates than younger children.

Note: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums will likely vary among health insurance exchanges based on a wide range of factors. Values in ***bold italic*** are above PPACA's premium cap of 9.5% of income, extending up to 400% of FPL. Health insurance premiums as a percent of income will most likely be higher than those shown when PPACA premium credits first become available in 2014.

a. Premium as a percentage of income based on 400% of FPL for a single person ($43,320).

b. Premium as a percentage of income based on 400% of FPL for a 2-person family ($58,280).

c. Premium as a percentage of income based on 400% of FPL for a 4-person family ($88,200).

Table 5 shows the illustrative KFF plan premiums as a percentage of income at 400% of the FPL, the point at which an individual or family no longer is eligible for premium subsidies under PPACA. The table shows, for example, that 20- to 40-year-olds in the illustrated single plans have premiums ranging from 4.9% of income (for the youngest group in lower-cost areas), up to 8.1% for 40-year-olds in medium-cost areas—all below the PPACA's implicit 9.5% affordability limit. For 40-year-olds in higher-cost areas, illustrated premiums (9.7% of income) are slightly above the bill's affordability limit. For 50 and 60-year-olds, the illustrated premiums are above the 9.5% affordability limit in all markets, ranging from 10.0% to 15.0% of income for 50-year-olds, and 14.6% to 21.9% of income for 60-year-olds.[22]

Figure 3 through **Figure 5** depict pre- and post-tax premiums as a percentage of income under illustrated self-coverage plans, by enrollee age, in lower-cost, medium-cost, and higher-cost areas, respectively. **Figure 3**, for example, shows that under the illustrated premiums for a lower-cost area all enrollees with incomes below 400% of poverty would have pre-tax premiums amounting to less than 9.5% income—PPACA's affordability cap—due to the bill's premium credits. For some (those age 30 and 40), illustrated premiums as a percentage of income naturally decline before reaching the 400% FPL income-eligibility limit, as their premiums become relatively more affordable under PPACA's specified "affordability levels" as their income increases. Others in the illustration (age 40 and 50) face higher exchange premiums and benefit from the 9.5% income affordability cap all the way up to the 400% income-eligibility limit. At 400% of poverty, illustrated premiums for the 50-year-olds increase slightly, to 10.0% of income, and for 60-year-olds, more substantially, to 14.6% of income.

In medium-cost areas, illustrated in **Figure 4**, pre-tax premiums for 50-year-olds amount to 12.5% of income, and for 60-year-olds, 18.3% at 400% of the FPL. In higher-cost areas, illustrated in **Figure 5**, pre-tax premiums at 400% of poverty amount to 15% of income for 50-year-olds, and 21.9% of income for 60-year-olds. For 60-year-olds, pre-tax premiums fall back to 9.5% of income once income reaches $99,937 or 923% FPL.

Figure 6 through **Figure 8** depict pre- and post-tax premiums as a percentage of income under illustrated plans, for a married couple with no children having "single+1" insurance coverage, by enrollee age, in three geographic cost areas. The illustrated premiums for "single+1" coverage are twice those for single coverage. **Table 5** shows that for a married couple with a single+1 policy, at 400% of poverty, illustrated premiums in lower-cost areas for 50- and 60-year-olds are well above the 9.5% "affordability threshold" with illustrated premiums at 14.9% of income for 50-year-olds, and 21.7% for 60-year-olds. In medium-cost areas, illustrated premiums at 400% of poverty for a 40-year-old (12.0% of income) are above the 9.5% "affordability threshold," and range up to

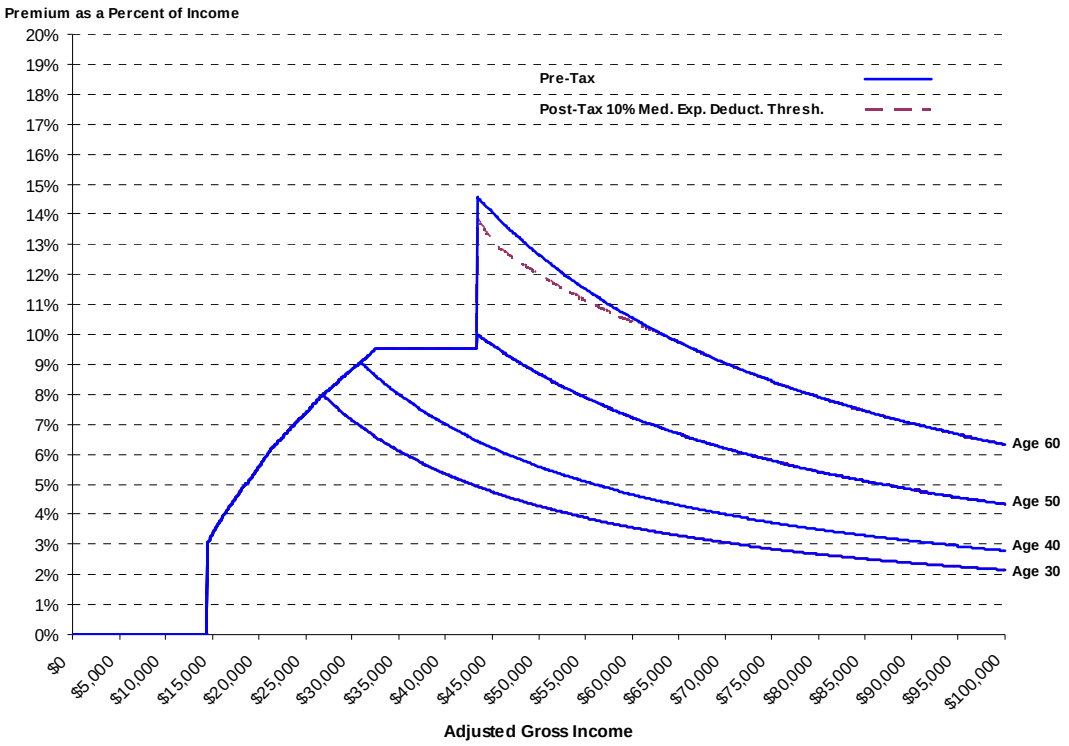
[22] One study found that annual premiums in the nongroup market for 60- to 64-year-olds averaged $5,755 in 2009, which would be 13.3% of income for an individual at 400% FPL. See Table 2, "Individual Health Insurance," AHIP Center for Policy and Research, October 2009.

27.1% of income for 60-year-olds. For married-couples in higher-cost areas, illustrated premiums at 400% of poverty are higher than the 9.5% "affordability threshold" at all ages, ranging from 10.9% of income for a 20-year-old, up to 32.6% for 60-year-old enrollees.

It should be noted that the figures that follow reflect estimates under PPACA only, unlike **Figure 2**, which illustrates pre- and post-tax premiums both before and after PPACA.

Figure 3. PPACA: Pre- and Post-Tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income, by Age—Single Policy in a Lower-Cost Area

Based on Illustrated Annual Insurance Plan Costs—
Age 30: $2,141, Age 40: $2,800, Age 50: $4,342, Age 60: $6,329



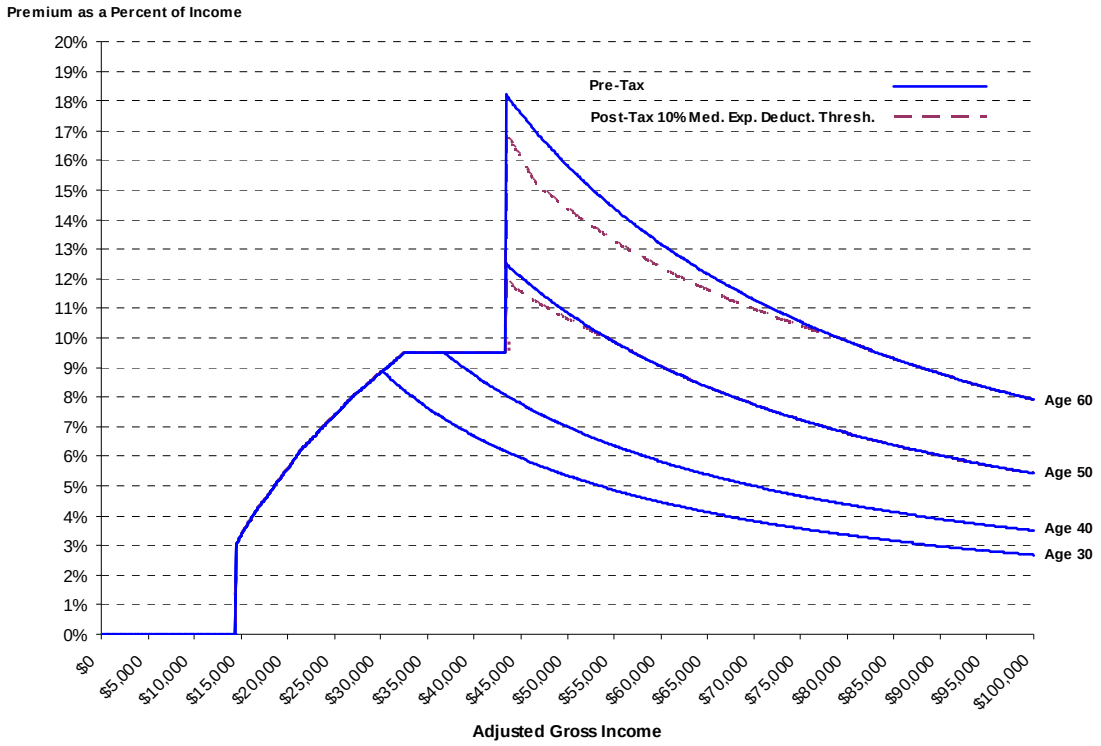
Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

Notes: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums would likely vary among health insurance exchanges based on a wide range of factors. Persons and families with incomes of 400% of poverty and above would be ineligible for premium subsidy support, and their pre-tax premiums would be the same they faced prior to PPACA (absent other effects the law might have on reducing the price of health insurance). Net post-tax premiums are based on PPACA's excess medical expense deduction threshold of 10.0%. PPACA premium credits will not become available until 2014. The figure illustrates the effect of PPACA premium credits as if they were in effect today.

Figure 4. PPACA: Pre- and Post-Tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income, by Age—Single Policy in a Medium-Cost Area

Based on Illustrated Annual Insurance Plan Costs—

Age 30: $2,676, Age 40: $3,500, Age 50: $5,428, Age 60: $7,911

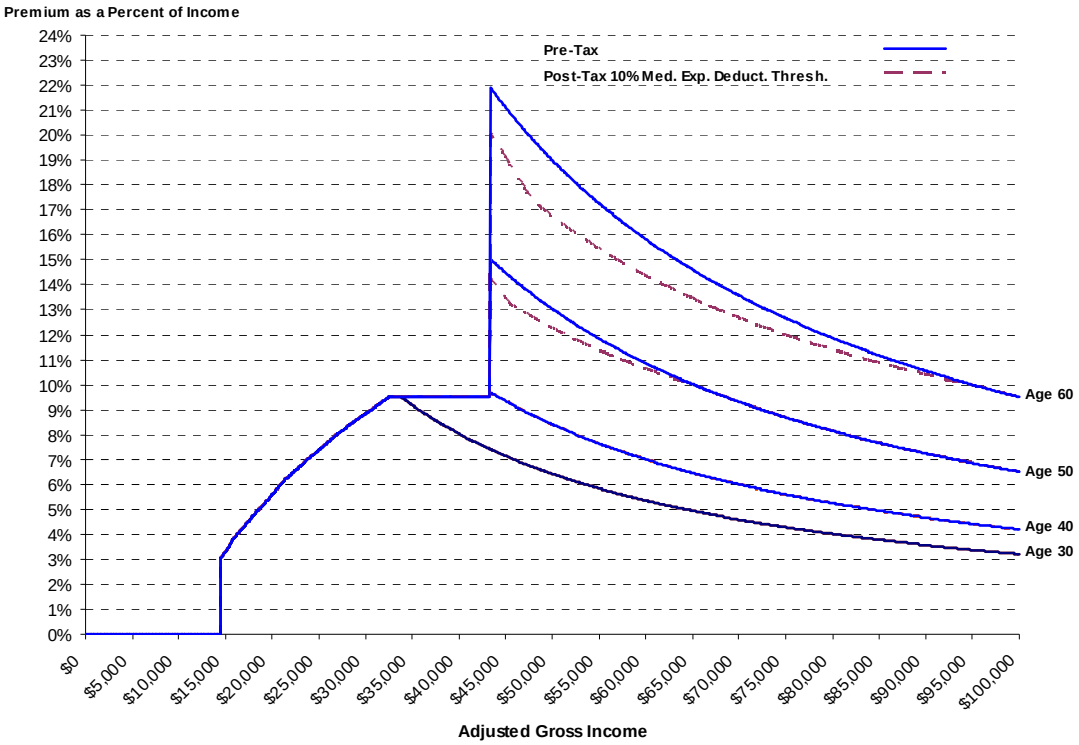


Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

Notes: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums would likely vary among health insurance exchanges based on a wide range of factors. Persons and families with incomes of 400% of poverty and above would be ineligible for premium subsidy support, and their pre-tax premiums would be the same they faced prior to PPACA (absent other effects the law might have on reducing the price of health insurance). Net post-tax premiums are based on PPACA's excess medical expense deduction threshold of 10.0%. PPACA premium credits will not become available until 2014. The figure illustrates the effect of PPACA premium credits as if they were in effect today.

Figure 5. PPACA: Pre- and Post-Tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income, by Age—Single Policy in a Higher-Cost Area

Based on Illustrative Annual Insurance Plan Costs—
Age 30: $3,211, Age 40: $4,200, Age 50: $6,513, Age 60: $9,494

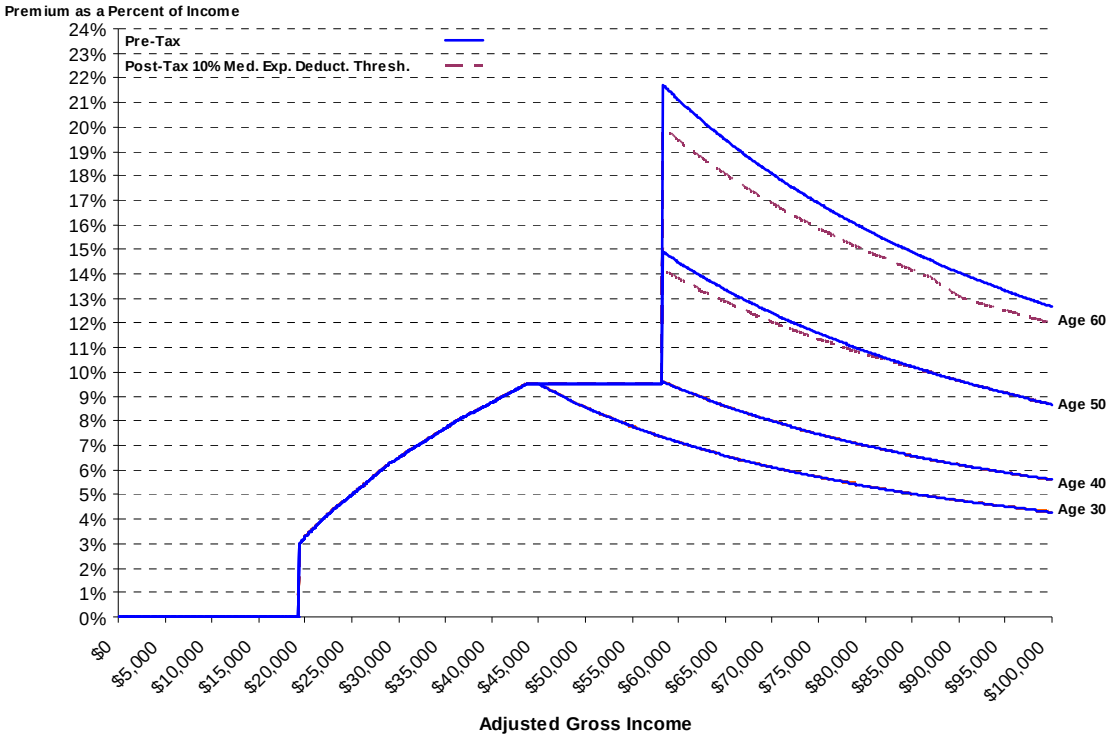


Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

Notes: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums would likely vary among health insurance exchanges based on a wide range of factors. Persons and families with incomes of 400% of poverty and above would be ineligible for premium subsidy support, and their pre-tax premiums would be the same they faced prior to PPACA (absent other effects the law might have on reducing the price of health insurance). Net post-tax premiums are based on PPACA's excess medical expense deduction threshold of 10.0%. PPACA premium credits will not become available until 2014. The figure illustrates the effect of PPACA premium credits as if they were in effect today.

Figure 6. PPACA: Pre- and Post-Tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income, by Age—
Married Couple with no Children, Single+1 Policy in a Lower-Cost Area

Based on Illustrated Annual Insurance Plan Costs—
Age 30: $4,282, Age 40: $5,600, Age 50: $8,684, Age 60: $12,658

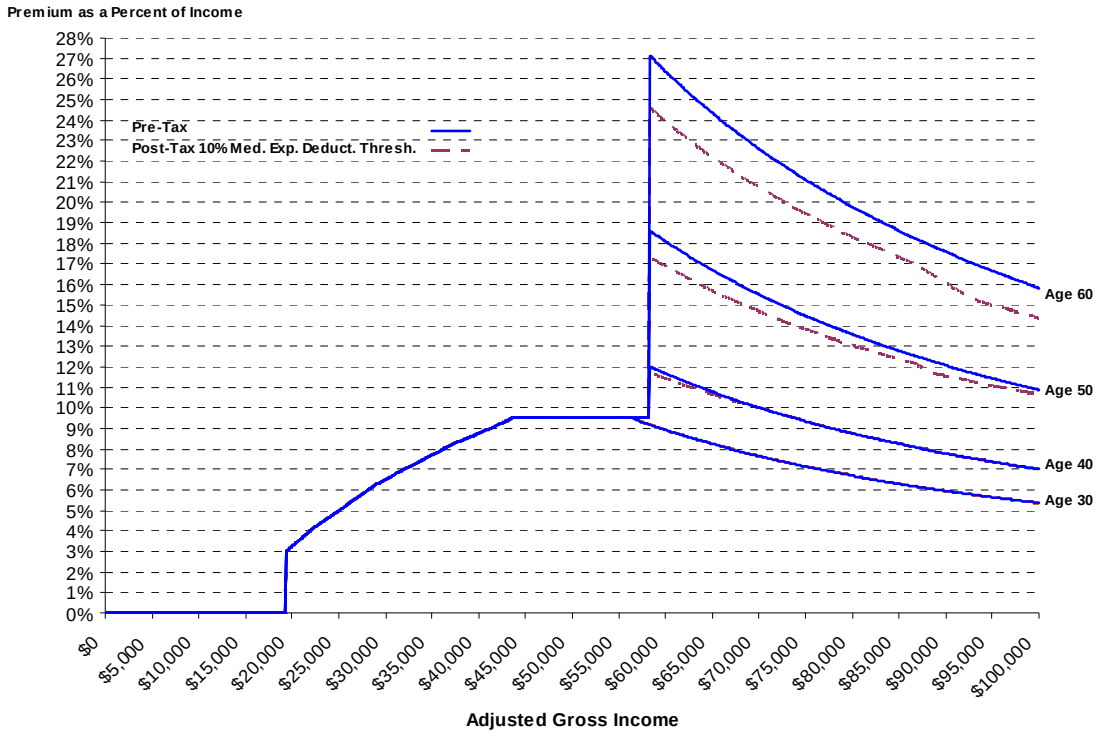


Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

Notes: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums would likely vary among health insurance exchanges based on a wide range of factors. Persons and families with incomes of 400% of poverty and above would be ineligible for premium subsidy support, and their pre-tax premiums would be the same they faced prior to PPACA (absent other effects the law might have on reducing the price of health insurance). Net post-tax premiums are based on PPACA's excess medical expense deduction threshold of 10.0%. PPACA premium credits will not become available until 2014. The figure illustrates the effect of PPACA premium credits as if they were in effect today.

Figure 7. PPACA: Pre- and Post-Tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income, by Age—
Married Couple with no Children, Single+1 Policy in a Medium-Cost Area

Based on Illustrated Annual Insurance Plan Costs—
Age 30: $5,352, Age 40: $7,000, Age 50: $10,856, Age 60: $15,822

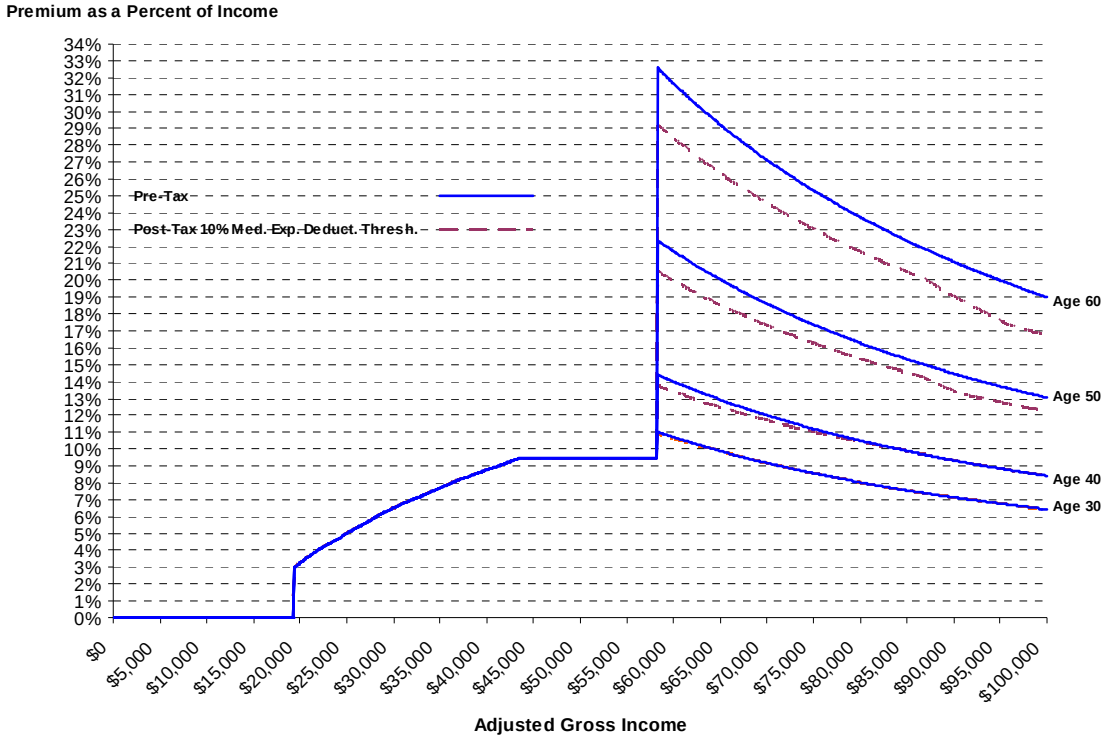


Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

Notes: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums would likely vary among health insurance exchanges based on a wide range of factors. Persons and families with incomes of 400% of poverty and above would be ineligible for premium subsidy support, and their pre-tax premiums would be the same they faced prior to PPACA (absent other effects the law might have on reducing the price of health insurance). Net post-tax premiums are based on PPACA's excess medical expense deduction threshold of 10.0%. PPACA premium credits will not become available until 2014. The figure illustrates the effect of PPACA premium credits as if they were in effect today.

Figure 8. PPACA: Pre- and Post-Tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income, by Age—
Married Couple with no Children, Single+1 Policy in a Higher-Cost Area

Based on Illustrated Annual Insurance Plan Costs—
Age 30: $6,422, Age 40: $8,400, Age 50: $13,026, Age 60: $18,988



Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

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Relative "Affordability" of Premiums for Married and Unmarried Couples

Some have described the structure of the premium support provided under PPACA's health insurance exchanges, with respect to the phase out of premium support relative to enrollees' income, as resulting in a "marriage penalty."[23] Under PPACA's health insurance exchanges, a couple may receive a lesser subsidy, and consequently incur higher out-of-pocket insurance

[23] Martin Vaughan, "Married Couples Pay More than Unmarried Under Health Bill," *Wall Street Journal*, January 6, 2010, online edition. Available online at http://online.wsj.com/article/SB126281943134818675.html.

premiums, if they are married, as opposed to unmarried, all other things being equal, thus resulting in a "marriage penalty." PPACA phases out premium support on the basis of income relative to the Federal Poverty Level. Premium support in the exchanges for a married couple would be based on their combined income relative to the FPL for two persons ($14,570), and if unmarried, based on their individual incomes relative to the FPL for one person ($10,830). Because the FPL for the married couple is not twice that of a single person, but only 35% higher (i.e., $14,570/$10,830), premium support phases out at a faster rate for the married couple than for the unmarried couple, with equal incomes and combined (pre-subsidy) insurance plan costs. If married, the couple would be ineligible for premium support in the exchange once its income reaches $58,280 (i.e., 400% of the FPL), but if unmarried, premium support could potentially be retained until each individual's income reaches 400% for a single person ($43,320), or potentially until their combined income reaches $86,640 (which would be 595% FPL for a married couple).[24]

The FPL, as originally constructed, recognized that while two persons cannot live as cheaply as one, they can live more cheaply living together, than living apart. In other words, there are economic gains that result from "economies of scale" from living jointly, rather than apart. "Marriage penalties" can result to the extent that FPLs assign lower cost to each additional family member, regardless of whether that family member is a spouse, children, etc.[25] In addition, "marriage penalties" may result more directly from the definition of the economic unit to which the FPL, or other income criteria, is applied.[26] Following are two examples of other federal programs that illustrate how the definition of the economic unit can affect couples' eligibility.

Many federal programs use the FPL as the basis for determining eligibility, setting benefit levels, and phasing out benefits. For example, the Supplemental Nutrition Assistance Program (SNAP) (formerly named the Food Stamp program) counts *household* income for purposes of determining household income eligibility. *Households* with gross income above 100% of poverty are ineligible for the program, as are *households* with net income (after certain disregards) above 130% of poverty. With respect to SNAP, a married couple is treated the same as an unmarried couple, if living together in the same *household*. So, in this context, there is no inherent "marriage penalty" in SNAP, even though it uses the FPL. However, there is a potential "penalty" for two persons living apart, where one or both are receiving SNAP benefits, if they choose to live together, as their combined household income might make them ineligible for SNAP benefits. However, by living together, rather than separately, two individuals, whether married or unmarried, could benefit from implied economies of scale.

In contrast, the Earned Income Tax Credit (EITC) may be said to have a "marriage penalty," even though it does not use the FPL to scale benefits. This is because two unrelated unmarried individuals are treated as individuals under the tax code (single filers), whereas if married their incomes are combined and they are treated as married joint filers. With respect to the EITC, one or both individuals could be eligible for the EITC based on their individual earnings, if

[24] This assumes that the two members of the unmarried couple have individual incomes that are equal. For the married couple, it makes no difference how their income is split.

[25] The federal poverty guideline for an individual is $10,830, and $3,740 for each additional person.

[26] Because benefits under the exchanges will be scaled based on income relative to poverty, other types of individuals might find differences in their premiums depending on their living arrangements, other than just whether they're married or not. For example, the total premiums for a single parent with two older children (e.g., age 18 to 25) might differ depending on whether the children enroll separately, based on their individual income, or under the umbrella of a family policy, based on the parent's and children's combined income.

unmarried, but become ineligible, or receive a lesser benefit, if they were married, as the EITC would then be based on their combined earnings.

Figure 9 and **Figure 10** compare premiums under PPACA as a percentage of income for a married couple relative to an unmarried couple, in a medium-cost area, at age 30 and age 50, respectively. The figures show that premiums as a percentage of income would be higher for a married couple than if the couple were unmarried over the income range for which premium support would be provided, even though their incomes and insurance premiums are the same.[27]

In the illustrated example at age 30 (**Figure 9**), the difference in premiums between married and unmarried couples, and as a percentage of income, is much greater, as the married couple's premium subsidy phases out at a faster rate based on its income than it does for the unmarried couple based on its combined income. In the illustration, the married couple no longer receives premium support once its income exceeds $56,337, as at that point their premium as a percentage of income naturally falls below PPACA's 9.5% "affordability cap," and they are deemed to no longer need premium subsidy support. For the unmarried couple at the same combined income level, assuming their income is equally split, they are individually eligible for premium support of $326 each, based on their individual income ($28,168), and thereby would receive combined premium support of $652. In the example, the unmarried couple's combined premiums amount to 8.3% of their combined income, compared to 9.5% for their married counterpart.

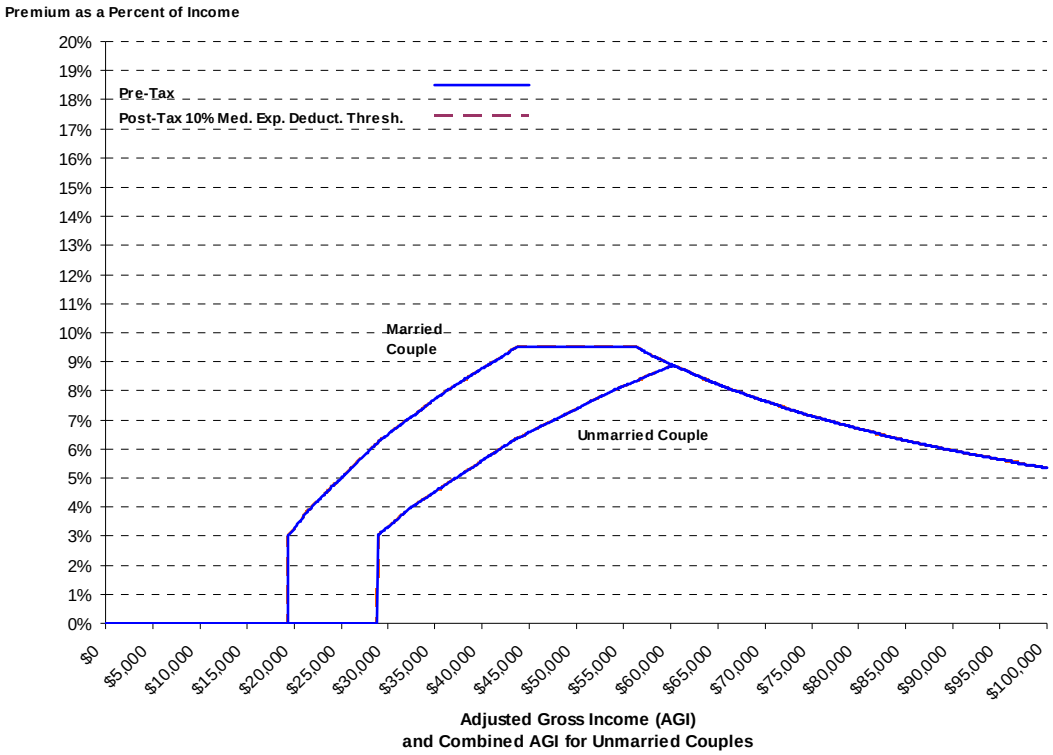
The "marriage penalty" effect increases to the extent premiums exceed the 9.5% "affordability cap" at the point at which a married couple no longer qualifies for premium support (i.e., 400% of poverty, or $58,280). For example, for the 50-year-old couple depicted in **Figure 10**, at an income level just below $58,280 (i.e., 400% of poverty for the married couple) their premium as a percentage of income is at the 9.5% cap if they are married and 8.6% if they are unmarried. However, the married couple loses premium subsidy support once its income reaches $58,280, and its premium nearly doubles, amounting to 18.6% of its income. In contrast, the unmarried couple continues to be eligible for premium support, at the same combined income level and plan cost as their married counterpart; their combined premiums amount to 8.6% of their combined income—less than half that of the married couple. In the example, both members of the unmarried couple would continue to receive premium support until their individual income reaches $43,320 (400% of the FPL for a single individual), which amounts to a combined income of $86,640. At that, and higher, combined income levels, the unmarried and married couples' premiums are identical, since neither would then qualify for premium credits.

[27] For the 30-year-old couple, if they're married, $5,352 for a single+1 policy, and if they're unmarried, each with a $2,676 single policy, amounting to $5,352 combined. For the 50-year-old couple, if they're married, $10,586 for a single+1 policy, and if they're unmarried, each with a $5,428 single policy, amounting to $10,586 combined. The figures assume the two members of the unmarried couple have equal income. Results would differ if their income were split unequally. For the married couple, it makes no difference as to how their income is split.

Figure 9. PPACA: Pre- and Post-Tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income, Comparison of Two Couples Age 30 (Married and Unmarried) in a Medium-Cost Area

Based on Illustrative Annual Insurance Plan Costs—

Married Single+1: $5,352, Unmarried Couple: $5,352 ($2,676 Each)



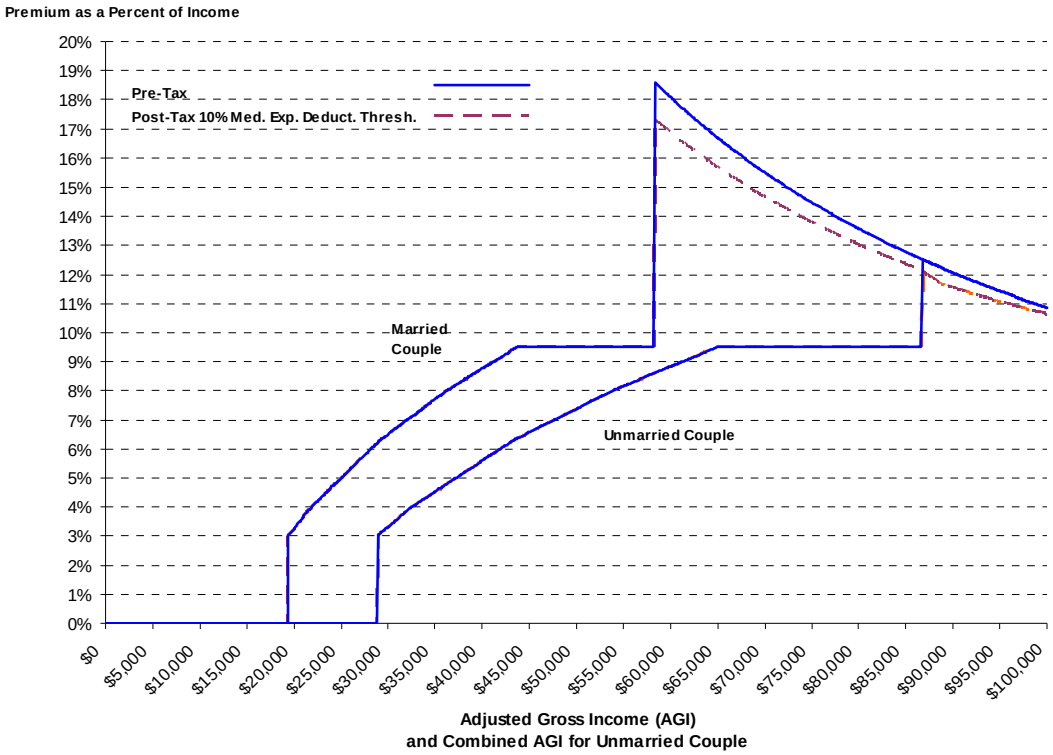
Source: Prepared by CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

Notes: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums would likely vary among health insurance exchanges based on a wide range of factors. Persons and families with incomes of 400% of poverty and above would be ineligible for premium subsidy support, and their pre-tax premiums would be the same they faced prior to PPACA (absent other effects the law might have on reducing the price of health insurance). Net post-tax premiums are based on PPACA's excess medical expense deduction threshold of 10.0%. Under this example, gross premiums are below the 10% excess medical expense deduction threshold at all income levels. PPACA premium credits will not become available until 2014. The figure illustrates the effect of PPACA premium credits as if they were in effect today.

Figure 10. PPACA: Pre- and Post-Tax Out-of-Pocket Premiums as a Percentage of Adjusted Gross Income, Comparison of Two Couples Age 50 (Married and Unmarried) in a Medium-Cost Area

Based on Illustrative Annual Insurance Plan Costs—

Married Single+1: $10,856, Unmarried Couple: $10,856 ($5,428 Each)



Source: Prepared CRS based on Kaiser Family Foundation (KFF) illustrative health insurance premiums, for plans with an estimated actuarial value of 70%, in 2009.

Notes: Estimates are for illustration only, based on illustrated KFF health insurance premiums. Actual premiums would likely vary among health insurance exchanges based on a wide range of factors. Persons and families with incomes of 400% of poverty and above would be ineligible for premium subsidy support, and their pre-tax premiums would be the same they faced prior to PPACA (absent other effects the law might have on reducing the price of health insurance). Net post-tax premiums are on based PPACA's excess medical expense deduction threshold of 10.0%. PPACA premium credits will not become available until 2014. The figure illustrates the effect of PPACA premium credits as if they were in effect today.

Conclusion

Relative affordability of health insurance premiums individuals and families might face within health insurance exchanges will likely vary from exchange to exchange based on a host of factors. The examples shown in this report are for illustration only, depicting a range by which premiums might reasonably be expected to vary.

PPACA will directly improve health insurance affordability for individuals and families with income up to 400% of poverty, by ensuring that no individual or family would pay more than 9.5% of their income for a health insurance plan with an actuarial value of 70% (not including the impact of cost-sharing subsidies). Additionally, PPACA will extend Medicaid coverage to 133% of poverty, which will permit individuals to enroll with relatively little or no premiums and cost-

sharing. Persons and families with incomes of 400% of poverty and above will be ineligible for premium subsidy support, and their premiums will be the same they would have faced before PPACA (absent other effects the law might have on reducing the price of health insurance). Individuals and families who are younger and/or who live in lower-cost areas, as opposed to higher-cost areas, may be able to find plans offered in the exchange costing 9.5% or less of income at some income ranges below 400% of poverty. Others might face exchange premiums that well exceed 9.5% of income, but due to PPACA's premium subsidy support their premiums will be capped until their income reaches 400% of poverty. At that point, enrollees might incur abrupt, and in some cases substantial, increases in their health insurance premiums. Additionally, PPACA raises the excess medical expense deduction threshold from 7.5% to 10.0% of AGI. Consequently, some individuals and families may find their post-tax insurance premiums to be higher after PPACA than before, all other things being equal.

PPACA phases out premium support subsidies based on individuals' or families' income relative to poverty. Because the FPL for the married couple is not twice that of a single person, but only 35% higher (i.e., $14,570/$10,830), premium support under PPACA phases out at a faster rate relative to *income* for a married couple than it does for a single person, even though the phase-out rate relative to the *FPL* is the same. The structure of the phase-out results in what some might describe as a "marriage penalty." One or both individuals in a couple who are unmarried might be eligible for premium support subsidies based on their individual incomes, but if they married they might not, based on their combined income; if found eligible, the premium subsidy they might receive as a married couple could be less than the combined premium subsidies they might receive as an unmarried couple.

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