

Applying for Marketplace Coverage

Facts about the Premium Tax Credit and your Montana VEBA HRA Plan

Health Insurance Marketplaces (also known as Exchanges) are organizations set up to provide alternative ways to buy health insurance. They offer a choice of different health plans, certify plans that participate and provide information to help consumers understand their coverage options.

Federal Premium Tax Credits (also known as subsidies) can be available to help individuals purchase coverage through a Marketplace. The subsidies are designed to make coverage more affordable by reducing premiums or other out-of-pocket health care costs.

You may qualify for the Premium Tax Credit if you purchase health insurance through a state or federal marketplace exchange. If you are eligible for the Premium Tax Credit, you can choose to take it in advance, which will lower your current out-of-pocket premium amount, or you can wait until you file your tax return. The Premium Tax Credit subsidizes a portion of the premiums you pay for health insurance purchased through a marketplace exchange. Go to www.irs.gov/uac/The-Premium-Tax-Credit for more information.

If you purchase insurance through a marketplace exchange and want to qualify for the Premium Tax Credit, you should know:

- 1. For any month during which you are claims-eligible and retain a positive account balance in your Montana VEBA account, you may not qualify for the Premium Tax Credit for that month unless you take certain action.** If you are claims-eligible and retain a positive VEBA account balance, you can deplete, limit, or forfeit your VEBA account, as described in more detail below, before taking the Premium Tax Credit in advance.
- 2. Premiums subsidized by the Premium Tax Credit may not be reimbursed from your Montana VEBA HRA account.** In other words, you cannot use your tax-free VEBA funds to reimburse premiums that are subsidized by the Premium Tax Credit. IRS rules do not permit you to receive two tax advantages on the same expense.

It is important to note, depending on your circumstances, you may not need to take any action at all. For example, if **any** of the following factors are true, then you are not eligible for the Premium Tax Credit and do not need to deplete, limit, or forfeit your VEBA account:

- You are eligible for coverage in an employer-sponsored group health plan that meets the affordability and minimum value requirements under federal health care reform law. (If you are not sure whether this applies to you, check with your employer);
- You are eligible for coverage under a governmental plan such as Medicaid, Medicare, CHIP, or TRICARE;
- Your total family income (including income from investments, retirement benefits, and social security) exceeds the maximum amount for eligibility for the Premium Tax Credit (400% of the federal poverty level);
- You are married but do not file a joint return; or
- You are claimed as a dependent on someone else's tax return.

What can I do if my Montana VEBA account is the only thing keeping me from becoming eligible for the Premium Tax Credit?

If you are claims-eligible and your VEBA coverage is the only reason you cannot qualify for the Premium Tax Credit, you may consider:

1. **Depleting up your VEBA account balance before taking the Premium Tax Credit.** You do not have to take the Premium Tax Credit right away. Instead, first you could deplete your VEBA account balance to reimburse your non- subsidized premiums (and any other qualified healthcare expenses). Then, you could begin taking the Premium Tax Credit in advance or wait and claim it on your tax return, but only for premiums you paid after using up your VEBA account.
2. **Electing Limited-Scope Coverage.** If you make this election, your VEBA account will reimburse only limited scope dental, vision, and long-term care expenses (subject to IRS limitations). VEBA Limited-Scope qualifies as an “excepted benefits plan” and is not considered “minimum essential coverage” under federal health care reform law. This election will remain in force with respect to any expenses you incur after the date you make the election and until you submit a change form, at which time you may convert your VEBA account back to full coverage for all types of qualified medical expenses and premiums.

The Limited-Scope Coverage Election Form is available online at www.Montana.rehnonline.com

3. **Electing to Forfeit Future Reimbursements.** In lieu of electing Limited-Scope Coverage, you have the right under the VEBA Plan and under federal health care reform law to permanently forfeit or give up all future reimbursements from any amounts currently held in your VEBA account or that may be contributed into your account prior to or during any period for which you receive the Premium Tax Credit. This election is permanent, this means that you are permanently giving up your account and forfeiting future contributions to and reimbursements from the VEBA Plan.

The Forfeiture of Future Reimbursements Election Form is available at www.Montana.rehnonline.com

Consider Your Options Carefully

Before making a decision, you should consider your options carefully and seek advice from a tax professional. The Montana VEBA HRA Plan and its agents do not give tax advice. The best decision may vary depending on your unique circumstances, including the amount of your VEBA account balance compared to the amount of your Premium Tax Credit.

For example, if you are eligible for a large Premium Tax Credit and have a small VEBA account balance, you may decide to quickly use up or forfeit your VEBA account balance in order to take advantage of the Premium Tax Credit. But, if you are only eligible for a small Premium Tax Credit and have a larger VEBA account balance, you may decide to either (1) elect Limited-Scope Coverage and take the Premium Tax Credit right away or (2) delay taking the Premium Tax Credit and continue to use your VEBA account for all of your out-of-pocket expenses and unsubsidized premiums until it runs out.

Keep in mind that if you take advance Premium Tax Credit payments without first depleting, limiting, or forfeiting your VEBA account as described above, you will likely be ineligible for the Premium Tax Credit and may be required to pay it back when you file your tax return for the year.