

REFORM *Update*

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The Centers for Medicare & Medicaid Services (CMS) released a question and answer bulletin on the individual shared responsibility requirement. This is often called the individual mandate. It requires individuals to secure health coverage or to pay a tax penalty. The details of the individual mandate were addressed in our *Reform Update* at http://www.mcgrawwentworth.com/Reform_Update/2013/Reform_Update_61.pdf.

The new CMS bulletin offers an additional hardship exemption to the tax penalty in 2014. It expressed concern that an individual could enroll for coverage through the Marketplace during the initial enrollment period, but still be subject to the individual penalty. The initial enrollment period runs from October 1, 2013 to March 31, 2014. For individuals who enroll in a plan during the first fifteen days of a month, coverage is effective as of the first day of the following month. For example, if an individual enrolls for coverage on March 3, 2014, coverage will be effective on April 1, 2014. If an individual enrolls between the 16th and the end of the month, however, coverage is effective as of the first of the month following the subsequent month. For example, if an individual enrolls on March 20, 2014, coverage will be effective on May 1, 2014.

The current rules permit for a three-month gap in coverage. If an individual goes without coverage for three months or less during a year, then the individual will not be subject to a tax penalty. This coverage gap allowance, however, would not extend to an individual who enrolls towards the end of the initial enrollment period when coverage is effective as of May 1, 2014. In order not to penalize an individual who enrolls during the initial enrollment period, an additional hardship exemption was created. If an individual enrolls in a plan through the Marketplace prior to the close of the initial enrollment period, then the individual will be able to claim a hardship exemption from the tax penalty for the months prior to the effective date of coverage in 2014. This hardship can be claimed when the individual files his or her 2014 tax return in 2015.

It is important to note that this exemption applies only to individuals who purchase individual coverage through their state Marketplace.

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