



Eligibility Operations Memo 16-10
December 15, 2016

TO: MassHealth Eligibility Operations Staff

FROM: Amy Dybas, Deputy Chief Operating Officer for
Member Policy Implementation, Training, and Communications

RE: **Federal and State Health Insurance Requirements for Tax Year 2016**

Introduction

For tax year 2016, both **federal and state** regulations require Massachusetts residents to have health insurance that qualifies as **Minimum Essential Coverage (MEC)**. Individuals who do not meet these health insurance requirements may be responsible for penalties on their state and/or federal tax returns. For the Massachusetts health-care mandate, the Massachusetts Department of Revenue (DOR) is responsible for enforcing this requirement. The Internal Revenue Service (IRS) enforces federal health insurance requirements under the Affordable Care Act.

Minimum Essential Coverage

Minimum Essential Coverage (MEC) is the minimum level of benefits needed for taxpayers to be considered insured and avoid federal and state tax penalties. The following coverage types meet MEC.

- Standard
- CarePlus
- CommonHealth
- Family Assistance

State Requirements for Tax Year 2016—Form 1099-HC

Massachusetts regulations require MassHealth to furnish proof of insurance to its members who had Minimum Essential Coverage in 2016. MassHealth will issue each eligible individual a **Form 1099-HC**. This form shows each month the individual was covered in 2016. If all 12 months are marked covered, the individual was covered by MassHealth for the entire 2016 calendar year. If specific months are marked, the individual was covered by MassHealth only during the marked months.

MassHealth will issue **Form 1099-HC** to members who were covered in a MEC coverage type for at least **15 days** of any month during calendar year 2016. Form 1099-HC will be sent out at the individual level. In order for a member to receive this form, the following conditions must be met.

- Member must have income greater than 150% of the federal poverty level (FPL) at any point during calendar year 2016.
- Member must have a MEC coverage type for at least 15 days of any month during calendar year 2016.
- Member must have been at least 18 years old as of December 31, 2016.

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State Requirements for Tax Year 2016—Form 1099-HC (cont.)

*Note: Members with income **at or below 150% FPL** will not receive a Form 1099-HC from MassHealth.*

Federal Requirements for Tax Year 2016—Form 1095-B

Federal regulations under the Affordable Care Act require MassHealth to furnish proof of insurance to MassHealth members who had Minimum Essential Coverage in 2016. MassHealth will issue each eligible individual a **Form 1095-B**. This form shows each month the individual was covered in 2016. If all 12 months are marked covered, the individual was covered by MassHealth for the entire 2016 calendar year. If specific months are marked, the individual was covered by MassHealth only during the marked months.

MassHealth will issue **Form 1095-B** to members who were covered in a Minimum Essential Coverage aid category for **at least one day** of any month during calendar year 2016. Form 1095-B will be sent out at the individual level; each member of the household will receive this form.

Note: Some individuals will receive both the 1095-B and the 1099-HC. The information on the MA 1099-HC may differ from the 1095-B because of differences in federal and state rules regarding minimal essential coverage.

For Health Connector Members

Individuals enrolled in qualified health plans (QHP) through the Affordable Care Act will not receive **Form 1095-B**. They will be issued a different form called **Form 1095-A**.

Note: Individuals who received QHP and MassHealth benefits in 2016 may receive Form 1095-A, 1095-B, and the 1099-HC (if applicable).

If QHP recipients have questions about federal tax-filing requirements, they may call the IRS Call Center at 1-800-829-1040 or go to www.irs.gov. If individuals have questions about why they received **Form 1095-A** from the Health Connector, or if they need a duplicate copy of Form 1095-A, they should contact **Health Connector Customer Service** at 1-877-MA-ENROLL (1-877-623-6765) (TTY: 1-877-623-7773 for people who are deaf, hard of hearing, or speech disabled).

Responsibilities of MassHealth Enrollment Centers

If individuals have questions about why they received the Form MA 1099-HC or Form 1095-B from MassHealth, or if they need a duplicate copy of either form, they should contact the MassHealth Customer Service Center at 1-866-682-6745 (TTY: 1-800-497-4648 for people who are deaf, hard of hearing, or speech disabled).

If members have questions about whether they are required to fill out a federal tax return, or about how to complete federal tax returns with the information provided for 1099-HC and/or 1095-B, they may call the IRS Call Center at 1-800-829-1040 or go to www.irs.gov where they can obtain information about the tax penalty, instructions, and a sample Form 1095-B.

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Responsibilities of MassHealth Enrollment Centers *(cont.)*

For inquiries on how to calculate access to affordable insurance or on the appeals process, refer the member to the Schedule HC instructions in the Massachusetts tax form or on the DOR website at www.mass.gov/dor. The instructions are available wherever Massachusetts tax forms are available, such as public libraries and online.

For inquiries about the DOR online application, MassTaxConnect, refer the member to the DOR website (www.mass.gov/dor).

Tax Penalties and Permissible Lapse Periods—Form 1099-HC

There is no penalty for those with a lapse in coverage of three or fewer months during 2016. Taxpayers who lose but then resume their coverage within three or fewer consecutive calendar months will not be subject to penalties. Multiple and distinct lapses are permitted throughout the year. Taxpayers with four or more consecutive months without insurance will indicate on Schedule HC if they had access to affordable health insurance (either through an employer, the government, or on their own).

Taxpayers calculate access to affordable health insurance on Schedule HC. If insurance is deemed unaffordable, the health-care penalty does not apply. If insurance is deemed affordable, the health-care penalty applies. The taxpayer may appeal the penalty to the Health Connector. More information about the appeals process is available on the DOR website (www.mass.gov/dor).

Tax Penalties and Permissible Lapse Periods—Form 1095-B

In accordance with the Affordable Care Act's Individual Shared Responsibility Provision, members with a lapse in coverage of two months or less are not subject to a tax penalty. Those with a lapse in coverage of three or more consecutive months will incur a tax penalty for any month that the member did not have MEC. Members who do not qualify for a coverage exemption will need to make an individual, shared responsibility payment with their federal tax return.

Taxpayers may qualify for an exemption if they meet any of the following.

- The minimum amount they must pay for the annual premiums is more than eight percent of their household income.
- They have a gap in coverage that is less than three consecutive months.
- They qualify for an exemption for one of several other reasons, including having a hardship that prevents them from obtaining coverage or belonging to a group explicitly exempt from the requirement.

For more information about tax exemptions and the Shared Responsibility Provision, visit www.irs.gov/Affordable-Care-Act/Individuals-and-Families/Individual-Shared-Responsibility-Provision.

Questions

If you have any questions about this memo, please have your MEC designee contact the Policy Hotline.