

## PATIENT PROTECTION AND AFFORDABLE ACT “PPACA” – OBAMA CARE

The "Patient Protection and Affordable Care Act," commonly known as PPACA, was first introduced as a measure to deal with rising healthcare costs and numbers of uninsured.

The heart of PPACA consists of three provisions: guaranteed issue (insurers must offer coverage regardless of the applicant's health status or pre-existing conditions), community rating (insurers must offer policies within a given territory at the same price regardless of health status, age, gender, or other factors), and an individual mandate. The individual mandate assures that everyone has a minimum amount of coverage: those above a certain annual income are required to purchase coverage or incur a tax penalty; those who cannot afford it will have their coverage paid for by the government.

As PPACA continues to be implemented and challenged throughout the country, understanding the issues and implications for the international insurance industry and your business becomes all the more important.

We frequently receive questions about PPACA from producers and customers. Below are some frequently asked questions and answers to help you understand PPACA's impact on the international insurance business.

- [I am a U.S. Citizen. Am I eligible for your Global Medical Insurance \(GMI\) plan?](#)
- [What will my tax be if I am required to have PPACA coverage, but do not purchase it?](#)

### Tax Calculations:

Taxes begin in 2014 and rise in years following. In each year, the tax consists of the higher of a dollar amount or a percentage of household income. For a given household, the tax applies to each individual, up to a maximum of three. Following is the schedule of taxes:

- 2014: The higher of \$95 per person (up to 3 people, or \$285) OR 1.0% of taxable income.
- 2015: The higher of \$325 per person (up to 3 people, or \$975) OR 2.0% of taxable income.
- 2016: The higher of \$695 per person (up to 3 people, or \$2,085) OR 2.5% of taxable income.
- After 2016: The same as 2016, but adjusted annually for cost-of-living increases.

### Tax Examples

2014 - family of 2; taxable income = \$26,000;

**tax = \$260** because \$260 ( $\$26,000 \times 1\%$ ) is higher than \$190 ( $\$95 \times 2$  persons).

2014 - family of 3; taxable income = \$26,000;

**tax = \$285** because \$285 ( $\$95 \times 3$  persons) is higher than \$260 ( $\$26,000 \times 1\%$ ).

- [I am a Non-U.S. citizen covered under a Global Medical Insurance Plan. Does the individual mandate apply to me?](#)

Under PPACA, all U.S. citizens, nationals and resident aliens will be required to purchase minimum essential coverage (PPACA compliant coverage), **unless they are exempt.**

IMG's Global Medical Insurance Plan does not meet the definition of "minimum essential coverage" under PPACA. While your GMI plan for worldwide coverage will not be affected by PPACA, you should review the information below to see if you are exempt from the requirements of PPACA or not, and whether you will have to pay a tax penalty or not.

The [IRS provides a questions and answers page](#) on the individual mandate. Question 11 asks whether all individuals living in the U.S. are subject to the mandate. The answer is that U.S. citizens and permanent legal residents are subject to the mandate, as are "foreign nationals who are in the U.S. long enough during a calendar year to qualify as resident aliens for tax purposes." Thus, **non-resident aliens are not subject to the individual mandate**, even if they have to file a tax return.

### **Am I a Resident or Non-Resident Alien?**

The [IRS states that you are a non-resident alien](#) unless you meet either the green card test or the substantial presence test.

According to [IRS Publication 519, Tax Guide for Aliens](#), under the [green card test](#), green card holders are resident aliens for tax purposes. The [substantial presence test](#) uses a formula to count the number of days present in the U.S. over the past 3 years. Generally, you are a resident alien after six months of presence in the U.S. – **unless you are exempt.**

Exempt non-U.S. citizens include:

- A non-U.S. citizen who is not a permanent legal resident (the green card test) or has not been in the U.S. for 183 days over the last three year period.
- A non-U.S. citizen temporarily present in the United States as a foreign government-related individual under an "A" or "G" visa.
- A non-U.S. citizen teacher or trainee temporarily present in the United States under a "J" or "Q" visa.
- A non-U.S. citizen student temporarily present in the United States under an "F," "J," "M," or "Q" visa.
- A non-U.S. citizen professional athlete temporarily in the United States to compete in a charitable sports event; and
- Expatriate employees living outside of their home countries for six months or more of a year.
- A person who is required to, but does not have minimum essential coverage for up to three months during the year (only one three-month period allowed each year).

Here are some [Alien Residence examples](#) to assist you.

IMG's short-term international travel medical products are not a substitute for minimum essential coverage that you may need to have under PPACA. If you are a U.S. citizen, national

or legal resident alien in the U.S., you will need to maintain minimum essential coverage unless you are exempt. Exemptions include:

- Individuals not residing in the U.S.
- Non-U.S. citizens who are “non-resident aliens” (for U.S. income tax purposes). See [Am I a Resident or Non-Resident Alien?](#)
- Individuals with a coverage gap of less than 3 months
- Individuals who cannot afford coverage (i.e. required contribution exceeds 8% of household income)
- Individuals with a religious conscience exemption (applies only to certain faiths)
- Members of a health care sharing ministry
- Incarcerated individuals
- Individuals with income below the tax filing threshold; and
- Members of Indian tribes.

You will not need PPACA coverage for short-term travel to the U.S., unless you are considered an “alien lawfully present” in the U.S. See [I am a Non-U.S. citizen covered under a Global Medical Insurance Plan.](#)

In general, PPACA does not govern short-term limited duration insurance, like IMG’s [short-term travel medical insurance programs](#).

However please understand that under PPACA, as of January 1, 2014, extensions of short-term coverage will be limited to less than 12 months to meet the definition of a short-term limited duration plan.

- [I am an individual residing outside of my home country and covered under an employer group plan. Does PPACA apply to me?](#)

On March 8, 2013, the Departments of Labor, Health and Human Services and Treasury issued a Frequently Asked Question (FAQ) announcing that, for expatriate plans, compliance with most PPACA provisions is being delayed until January 1, 2016. The relief from compliance applies for plan years 2014 and 2015 on plans that meet the following definition:

“Insured group health plans with plan years ending on or before December 31, 2015, in which enrollment is limited to individuals residing outside of their home country for at least six months of the plan year and any covered dependents.”

- [I am a non-U.S. citizen and an international student. Will PPACA’s individual mandate affect my IMG plan?](#)

As non-resident aliens, international students on F, J, M and Q visas (and certain family members of students) are not subject to the individual mandate for their first 5 years in the U.S. All other J categories (teacher, trainee, work and travel, au pair, high school, etc.) are not subject to the individual mandate for 2 years (out of the past six).

Since international students are not subject to the mandate, they are not required to purchase a plan that meets PPACA requirements and can purchase an appropriate IMG plan.

## International Students – Exempt as Non-Resident Aliens

Under the IRS [international student exemption](#), anyone “temporarily in the United States on an “F”, “J”, “M”, or “Q” visa for the primary purpose of studying at an accredited academic institution or vocational school (and certain family members of students), and who substantially complies with the requirements of that visa,” is exempt from being treated as a resident alien, and is therefore **exempt from the individual mandate as a non-resident alien**.

That exemption applies for 5 years. After 5 years, a student is no longer exempt, and the substantial presence test must be applied. See examples at <http://www.irs.gov/Individuals/International-Taxpayers/Alien-Residency-Examples>.

Even after 5 years in the U.S., an international student may continue to be a non-resident alien for tax purposes under the [“Closer Connection” exception](#) if they can prove that they still have a closer connection to their home country than to the U.S.

## The Individual Mandate and Alien / Non-Alien Status

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- [Is my insurance plan with IMG considered “health insurance coverage” under PPACA?](#)  
No. Under PPACA, the term “health insurance coverage” means insurance benefits offered by a “health insurance issuer,” which is an insurance company that is licensed to engage in the business of insurance in a State of the U.S. and which is subject to State law that regulates insurance. IMG’s international plans are underwritten by Sirius International Insurance Corporation, a Swedish insurance company, for persons that are not eligible for or required to purchase a PPACA plan. If you are now eligible for or required to purchase a PPACA plan and the PPACA plan application asks you whether you currently have “health insurance coverage,” you should answer that question “No.”

