International Health Coverage and ACA

What U.S. Expats Need To Know

GeoBlue

When the Affordable Care Act (ACA) was implemented, many small employer groups discontinued their employee health insurance programs and directed their employees to the exchanges to find care. According to the Kaiser Family Foundation, the individual health insurance market grew 46% between December 31, 2013 and December 31, 2014. This megatrend may not have negatively impacted those needing traditional domestic coverage, but given the move towards globalization, the high percentage of individuals working and living abroad have found a considerable void in the marketplace. These individual expatriates need to understand the financial implications of the current requirement.

Meeting the Individual Mandate and the Shared Responsibility Payment

At this time, there are no individual expatriate plans sold to Americans that meet the definition of Minimum Essential Coverage (MEC) and thus meet the individual mandate. If there is a silver lining, it is that U.S. citizens working and living abroad who are outside the states for 330 days or more in a 12-month period are not required to maintain MEC. This population is deemed to have met the individual mandate. However, a large number of expatriates living or traveling extensively outside the United States do not meet that exact 330 day threshold and are likely to be subject to a tax penalty called the shared responsibility payment. Ironically, savvy expats now face the prospect of paying a penalty if they choose to select an international health insurance plan expressly geared to cover them at home and abroad. This is an unintended consequence of ACA, recognizing that the intent of the law was to ensure people maintained substantial medical coverage. Given that a lot of expatriate workers are high income wage earners, the shared responsibility payment in 2015 is likely to be 2% of income above the filing threshold (not to exceed the cost of buying a bronze level health plan) and can best be characterized as a surcharge based on lifestyle.

Is Retaining an ACA Compliant Domestic Health Plan a Viable Alternative?

In an effort to avoid the penalty, some expats have gone abroad with a domestic health plan that harshly restricts overseas coverage. This has resulted in increased financial burden and unexpected out-of-pocket expenses because of significant benefit gaps. Additionally, expats choosing this path are forced to deal with the inconvenience of managing issues with an insurer thousands of miles away: in a different time zone, with no understanding of the local health care or the relationships necessary to secure trusted care.

Coverage and network problems aside, most individual health insurance policies explicitly require that you meet the ongoing eligibility criteria for the policy. Eligibility hinges upon being a resident or living in the plan service area. Definitions can vary but if you no longer reside, live or work in the service area your coverage typically terminates after 60 days or based on the last billing cycle in which your eligibility changed. Excerpts from a sample policy of a popular health insurer located in California are illustrated below and reflect eligibility, change of address and policy termination language.

> *Who is Eligible for Coverage*
> *To be eligible for membership as a Subscriber under this Agreement, the applicant must:*
> *1. Reside in the Service Area;*
>
> *Notice of Changes*
> *The Subscriber is responsible to notify us of any changes that will affect his or her eligibility or that of Dependents for services or benefits under this Agreement. We must be notified of any changes as soon as possible but no later than within sixty (60) days of the event. This includes changes in address,…*
>
> *Termination of the Member*
> *Unless prohibited by law, the Member's coverage will terminate if any of the following occurs:*
> *2. The Member no longer meets the eligibility requirements for coverage under this Agreement.*
>
> *Effective Dates of Termination*
> *If the Member moves outside of the Service Area, or the Member is not located within the Service Area, coverage terminates for the Member and all covered Dependents at the end of the billing period that contains the date the Member failed to meet any of the conditions above regarding the Service Area.*
> *IMPORTANT: Termination of the Agreement automatically terminates all Your coverage as of the date of Termination, whether or not a specific condition was incurred prior to the Termination date.*

This language underscores the necessity to consider buying a comprehensive global health insurance policy that adequately protects you when you move abroad. Note, members are not forced to forfeit access to quality care in the United States, if they include the U.S. coverage area when selecting a plan. When choosing to include U.S. home country coverage be sure to read the sample policy to understand if there are any limitations related to length of stay; traveling for the purpose of seeking care and any special exclusions for existing medical conditions that manifested prior to arrival back in the states.

What is the Bottom Line?

American expats need to carefully consider their healthcare options balancing both financial and emotional risk. The expense of the shared responsibility payment is minimal when you consider the alternative of finding yourself injured or ill overseas, and uninsured. For assistance understanding your options, contact your Agent or GeoBlue.