



## Health Care Practice Tip March 2019

### March Health Practice Tip: Beware the Failure to Reconcile

Covered California has identified around 50,000 cases that are in danger of losing their premium assistance. This group of Covered California enrollees are presently getting premium assistance but failed to reconcile the amount of premium assistance they received with their actual income in the 2017 tax year. As a result of this failure to reconcile, Covered California is poised to terminate the APTCs this group is receiving this year.

Read on to learn more about failure to reconcile and 5 things you can do to help!

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#### **Background: What does “Failure to Reconcile” mean?**

Filing taxes is a condition of eligibility for advance premium tax credits (APTCs). A person who receives APTCs must file a federal income tax return for each calendar year that they received advanced premium tax credits.<sup>[1]</sup>

The term failure to reconcile actually includes any of these three circumstances. An individual either:

- received APTCs in calendar year, but did not file federal taxes for that year;
- filed a federal tax return for that year, but did not include IRS Form 8962; or
- requested an extension to file federal taxes that year, but did not end up filing.

The consequence of failing to reconcile in a year that a person received APTCs is that they will lose the APTCs they receive now.<sup>[2]</sup>

Losing APTCs means that they will have to start paying the full cost of their health plan, without financial help, if they want to stay enrolled in a Covered CA plan. The individual may also have to pay back to the IRS some or all of the premium tax credits they got for that year.

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<sup>[1]</sup> 26 C.F.R. § 1.6011-8; 10 C.C.R. § 6476(d)(2)(A)

<sup>[2]</sup> 10 C.C.R. § 6474

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#### **What is going to happen to people who failed to reconcile?**

Covered California is sending three notices before they take negative action. Do not ignore any of these letters!

First, they will send a “warning letter” that has the specific reasons that the recipient has been identified as a failure to reconcile case. It will say in bold letters at the top: **“URGENT: To keep your financial help, you must take action by {date}.”** Covered CA will send this letter from a secure vendor approved by the IRS.

Approximately 30 days later, Covered CA will re-examine which cases have still failed to reconcile and then send an “action letter.” This letter, also sent from a secure vendor, **will be in a slightly bigger envelope that will be pink.** The letter will say in bold letters at the top: **“Your financial help will end on {date}.”**

At the same time the “action letter” is mailed, Covered CA will also send an eligibility notice (known as the NOD01). The general eligibility notice will give all three possible failure to reconcile reasons. Because this is a general letter that is not tailored to the recipient’s circumstances, the “action letter” in the pink envelope will be more precise.

Around 30 days after the action letter, Covered CA will terminate APTCs for any remaining individuals/households/cases that have not resolved their failure to reconcile issue.

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### **What can affected consumers do to save their APTCs?**

1. **Ask for help immediately.** As soon as a consumer receives any of the letters listed above, they should immediately call Covered CA at 800-675-2607 (note this is different from the Covered CA Service Center general line). This is particularly important if they received the letters in error. Please note that because the exact reason for failing to reconcile is considered sensitive tax information, a Covered CA service center representative will not have access to that information.
2. **Self-attest to reconciling APTCs.** Calling Covered CA is especially important if the individual has filed taxes (whether on time or as a result of receiving the letter) because consumers can *self-attest* to filing taxes. Covered CA service center representatives can take a self-attestation to tax filing by phone; they do not need a confirmation letter from the IRS.
3. **Obtain a copy of their 1095-A forms, if they don't already have it.** Consumers can log into their CoveredCA.com account and download it from the "Documents and Correspondence" section. Make sure they download the IRS Form 1095-A for the correct year (2017). Or, they can call Covered CA to request a copy by mail. Please call 1-800-675-2607 (TTY: 888-889-4500).
4. **Get help reconciling their APTCs.** If the consumer did not properly reconcile, they may need to consult a tax preparer to file taxes for the 2017 tax year or amend taxes they already filed to include Form 8962.

To find a VITA tax preparer, visit <https://irs.treasury.gov/freetaxprep/> or call 800-906-9887.

To find a TCE tax preparer, visit the [AARP Foundation Tax-Aide site](#) or call 888-227-7669.

Free tax preparation is available through VITA tax clinics or Tax Counseling for the Elderly (TCE) program. VITA offers free tax help to persons who generally make \$55,000 or less, persons with disabilities, and limited English speaking taxpayers who need assistance in preparing their own tax returns. TCE offers free tax help for all taxpayers, particularly those who are 60 years of age and older.

5. **Contact a health advocate.** If you or your clients need additional help with Covered CA advocacy, please call the Health Consumer Alliance for free legal help at 888-804-3536.

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### **When will Covered California take action on the failure to reconcile group?**

As of the date of this Practice Tip, the IRS has not yet given Covered CA permission to start sending their series of letters. However, Covered CA will send the warning letters within a week of receiving the greenlight from the IRS. After that, there are 30 days between the warning letter and action letter. Then there are another 30 days between the action letter and the termination of APTCs. Although the time seems generous at first, do not delay in resolving any failure to reconcile issues.

For future years, Covered CA will build the failure to reconcile process in with the annual Covered CA renewals.

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*If you have any questions about this practice tip, please contact Cori Racela at [cracela@wclp.org](mailto:cracela@wclp.org).*

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