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Governor

OFFICE OF AIDS  
AIDS DRUG ASSISTANCE PROGRAM

Management Memorandum  
Memorandum Number: 2015-01

DATE: February 5, 2015  
TO: ADAP ENROLLMENT WORKERS  
SUBJECT: OA-HIPP UPDATES REGARDING COVERED CALIFORNIA CLIENTS

The purpose of this memorandum is to inform you of several Office of AIDS Health Insurance Premium Payment (OA-HIPP) Program policy updates.

**Retroactive Covered California Payments**

For approved OA-HIPP applications with a Covered California health plan for 2015 coverage, OA-HIPP will pay retroactively back to the month coverage was effective if the applications are received by March 31, 2015. For applications that are received on or after April 1, 2015, OA-HIPP will pay for premiums starting the month the application is received.

**Advanced Premium Tax Credit (APTC) Reconciliation**

All individuals enrolled in a Covered California health plan in 2014 will have their APTC assessed for overpayment or underpayment by the Internal Revenue Service (IRS) based on their actual reported 2014 income. By January 31, 2015, individuals who received an APTC in 2014 will receive IRS Form 1095-A from Covered California. This form will include information on how much the individual received in APTC for the year. Then, when the client files federal taxes, he/she will need to fill out IRS Form 8962 to document the APTC dollar amount received and the actual APTC owed based on income and household size. Form 8962 will be used to indicate whether the individual owes the IRS money due to an APTC overpayment (the client received too much APTC) or will receive a refund due to an APTC underpayment (the client did not receive enough APTC).

Clients who had their Covered California health plan premiums paid for by OA-HIPP must submit their signed 2014 federal tax return and IRS Form 8962 (should be attached to the tax return) during their OA-HIPP re-enrollment or recertification, whichever comes first after April 15, 2015, in order to maintain OA-HIPP eligibility. Clients who submitted a tax extension (IRS Form 4868) will need to submit the IRS Form 4868 to OA-HIPP and must provide a copy of their tax return and Form 8962 by October 15, 2015.

If a client overestimated his/her 2014 income and thus did not receive enough APTC, he/she is due a net premium tax credit from the IRS. This means that OA-HIPP overpaid the monthly premium, therefore the net premium tax credit (Line 69 on IRS Form 1040) needs to be returned to OA-HIPP in the form of a cashier's check or money order, made payable to CDPH Insurance Assistance Section, and mailed to:

CDPH, Insurance Assistance Section  
P.O. Box 997426, MS 7704  
Sacramento, CA 95899-7426

If a client underestimated his/her 2014 income to Covered California and thus received too much APTC, he/she will owe the IRS money. The amount due will be indicated on Line 46 on IRS Form 1040. At this time OA-HIPP will not be able to assist clients with these tax liabilities. Once the Health Resources and Services Administration (HRSA) releases guidance on this issue, OA-HIPP will provide definite instruction.

Clients should be reporting changes in income to Covered California throughout the year to avoid underpayment or overpayment of APTC.

### **Tax Penalties and Exemptions**

Individuals who did not have minimum essential coverage in 2014, must pay a penalty of \$95 or 1% of their annual income, whichever is greater. However, some of these individuals may qualify for an exemption from the penalty. A full list of exemptions and how to apply for them can be found on the IRS website: <http://www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Exemptions>. Individuals will need to report coverage exemptions on IRS Form 8965 and attach this form to their federal tax return.

If you have any questions regarding anything covered in this memorandum, please contact Irina Banar at [irina.banar@cdph.ca.gov](mailto:irina.banar@cdph.ca.gov) or (916) 449-5882.

Thank you,



Niki Dhillon, ADAP Branch Chief  
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cc: ADAP Coordinators