



2022 Individual Shared Responsibility Penalty Calculation

August 25, 2021

Summary:

In support of the California statute requiring individuals to obtain health coverage, Covered California calculated the average bronze plan premium for the calendar year 2022 by applying an IRS methodology established with the initial implementation of the Affordable Care Act. In performing this calculation, Covered California used 2022 rate data from all qualified health plan (QHP) issuers. Following the procedure yielded the average bronze plan premium for the calendar year 2022, of \$301 per month for an individual. Consistent with the IRS procedure, the maximum monthly penalty for a taxpayer with a household of five or more non-exempt individuals who did not maintain minimum essential coverage would be equal to \$301 times five, or \$1,505.

Background:

Covered California is providing the preceding calculation to support the California Franchise Tax Board's implementation of the Individual Shared Responsibility Penalty according to Part 32 of the Revenue and Taxation Code.

Section 61015 of California's Revenue and Taxation Code establishes that the Individual Shared Responsibility Penalty imposed on a responsible individual for a taxable year shall be equal to the lesser of either (1) the sum of the monthly penalty amounts determined under subdivision (b) of Section 61015 or (2) "an amount equal to one-twelfth of the state average premium for qualified health plans that have a bronze level of coverage for the applicable household size involved, and are offered through the Exchange for plan years beginning the calendar year with or within which the taxable year ends, multiplied by the number of months in which a failure described in Section 61010 occurred."¹

The penalty amount language in the California statute closely mirrors the federal penalty that was enacted in 2010 in the Affordable Care Act (ACA), the dollar value of which was set to zero for calendar years beginning with 2019.

In 2014, following the implementation of the ACA, the Internal Revenue Service (IRS) released Revenue Procedure 2014-46, which describes the methodology the IRS used for tax years 2014 through 2018, when the federal penalty was in effect, to calculate average premiums for the bronze level of coverage. It is as follows:

"the monthly national average bronze plan premium is determined using a population-weighted average of the premium in each county or county equivalent that would be charged to a 21-year old individual who does not use tobacco." (Internal Revenue Service, Revenue Procedure 2014-46, pp. 4-5.)²

Further, the procedure caps the penalty a taxpayer will pay at a maximum of five individuals as follows:

"in determining a taxpayer's monthly national average bronze plan premium, the age-21 non-tobacco user premium described above is multiplied by the number of the individuals in the shared responsibility family, up to a maximum of five." (Internal Revenue Service, Revenue Procedure 2014-46, p. 5.)²

Methodology:

The following method was used by Covered California to calculate the 2022 monthly state average premium for qualified bronze level health plans by approximating the IRS revenue procedure.

The calculation utilizes 2022 rate data of all QHP issuers from Covered California's website (<https://hbex.coveredca.com/data-research>). The first table lists all 2022 Products by Zip Code by county and by rating region.³ The second table contains the 2022 Individual Product Prices for all Health Insurance Companies by rating region and by age.⁴ Combining the two tables produces a list of unique Bronze and Bronze HDHP (HDHP) plans with pricing for a 21-year-old in each county, which is used to ascertain the median bronze-level premium in each of California's 58 counties. As stated in the IRS protocol, the use of the median premium (as opposed to the county average premium) minimizes the impact of outliers.

Table 1. Median Bronze-Level Premium by County, 2022

County	County Median Rate	County	County Median Rate	County	County Median Rate	County	County Median Rate
Alameda	\$346.72	Kings	\$265.62	Placer	\$357.05	Sierra	\$349.69
Alpine	\$349.69	Lake	\$349.69	Plumas	\$349.69	Siskiyou	\$349.69
Amador	\$337.71	Lassen	\$349.69	Riverside	\$258.15	Solano	\$353.73
Butte	\$349.69	Los Angeles	\$256.03	Sacramento	\$357.05	Sonoma	\$353.73
Calaveras	\$349.69	Madera	\$265.62	San Benito	\$465.52	Stanislaus	\$312.36
Colusa	\$349.69	Marin	\$353.73	San Bernardino	\$258.15	Sutter	\$337.71
Contra Costa	\$353.96	Mariposa	\$305.28	San Diego	\$281.53	Tehama	\$349.69
Del Norte	\$349.69	Mendocino	\$349.69	San Francisco	\$380.18	Trinity	\$349.69
El Dorado	\$330.81	Merced	\$372.01	San Joaquin	\$312.36	Tulare	\$312.36
Fresno	\$265.62	Modoc	\$349.69	San Luis Obispo	\$365.93	Tuolumne	\$349.69
Glenn	\$349.69	Mono	\$409.13	San Mateo	\$416.74	Ventura	\$327.49
Humboldt	\$349.69	Monterey	\$465.52	Santa Barbara	\$365.93	Yolo	\$357.05
Imperial	\$363.01	Napa	\$353.73	Santa Clara	\$349.93	Yuba	\$337.71
Inyo	\$409.13	Nevada	\$349.69	Santa Cruz	\$460.81		
Kern	\$281.11	Orange	\$269.67	Shasta	\$349.69		

Considering differences in county population sizes, our subsequent step was calculating the population weight for each county. The California Department of Finance' population estimate for January 2021 is used to determine the weight, which is derived by dividing the county's population by the State total.⁵

Table 2. Population Weight by County, 2021

County	Population Weight	County	Population Weight	County	Population Weight	County	Population Weight
Alameda	0.041974	Kings	0.003865	Placer	0.010262	Sierra	0.000081
Alpine	0.000029	Lake	0.001620	Plumas	0.000459	Siskiyou	0.001123
Amador	0.000947	Lassen	0.000699	Riverside	0.062190	Solano	0.011111
Butte	0.005135	Los Angeles	0.254504	Sacramento	0.039553	Sonoma	0.012269
Calaveras	0.001141	Madera	0.004015	San Benito	0.001610	Stanislaus	0.014087
Colusa	0.000564	Marin	0.006531	San Bernardino	0.055133	Sutter	0.002566
Contra Costa	0.029236	Mariposa	0.000457	San Diego	0.084005	Tehama	0.001656
Del Norte	0.000683	Mendocino	0.002196	San Francisco	0.022171	Trinity	0.000343
El Dorado	0.004950	Merced	0.007217	San Joaquin	0.019853	Tulare	0.012206
Fresno	0.026014	Modoc	0.000240	San Luis Obispo	0.006871	Tuolumne	0.001355
Glenn	0.000752	Mono	0.000337	San Mateo	0.019390	Ventura	0.021163
Humboldt	0.003315	Monterey	0.011081	Santa Barbara	0.011178	Yolo	0.005511
Imperial	0.004714	Napa	0.003487	Santa Clara	0.049007	Yuba	0.002012
Inyo	0.000470	Nevada	0.002470	Santa Cruz	0.006616		
Kern	0.023164	Orange	0.079909	Shasta	0.004505		

With the population weight and median rate determined for each county in the state, the weighted rate for each county is calculated by multiplying the two statistics together. Once complete, the summation of the outputs produces the average bronze plan premium for the calendar year 2022 of \$301 (rounded to the nearest dollar) per month for an individual. Consistent with the IRS procedure, the maximum monthly penalty for a taxpayer with a household of five or more non-exempt individuals who did not maintain minimum essential coverage would be equal to \$301 times five, or \$1,505.

¹ Rev. & Tax. Code, § 61015

<https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=RTC&division=2.&title=&part=32.&chapter=&article=> (as of September 30, 2020).

² Internal Revenue Service, Rev. Proc. 2014-46 (2014) <<https://www.irs.gov/pub/irs-drop/rp-14-46.pdf>> (as of September 30, 2020).

³ Covered California, 2022 Products by Zip Code <<https://hbex.coveredca.com/data-research/library/2022-products-by-zip-code.xlsx>> (as of August 18, 2021).

⁴ Covered California, 2022 Individual Product Prices for all Health Insurance Companies (Date Published: July 28, 2021)<<https://hbex.coveredca.com/data-research/library/2022-Individual-Product-Prices-for-all-Health-Insurance-Companies.xlsx>> (as of August 18, 2021)

⁵ State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2021, with 2010 Benchmark. (Released: May 7, 2021)
<https://www.dof.ca.gov/Forecasting/Demographics/Estimates/e-4/2010-21/documents/E-4_2021InternetVersion.xlsx> (as of August 18, 2021).