



2024 Individual Shared Responsibility Penalty Calculation

September 1, 2023

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 2024 by applying an IRS methodology established with the initial implementation of the Affordable Care Act. In performing this calculation, Covered California used 2024 rate data from all qualified health plan (QHP) issuers. Following the procedure yielded the average bronze plan premium for the calendar year 2024, of \$348 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 \$348 times five, or \$1,740.

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 2024 monthly state average premium for qualified bronze level health plans by approximating the IRS revenue procedure.

The calculation utilizes 2024 rate data of all QHP issuers from Covered California’s website (<https://hbex.coveredca.com/data-research>). Using these data, we produce 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, 2024

County	County Median Rate	County	County Median Rate	County	County Median Rate	County	County Median Rate
Alameda	\$404.06	Kings	\$280.24	Placer	\$384.39	Sierra	\$445.73
Alpine	\$445.73	Lake	\$445.73	Plumas	\$445.73	Siskiyou	\$445.73
Amador	\$441.51	Lassen	\$445.73	Riverside	\$296.50	Solano	\$422.24
Butte	\$445.73	Los Angeles	\$278.46	Sacramento	\$384.39	Sonoma	\$422.24
Calaveras	\$445.73	Madera	\$280.24	San Benito	\$578.16	Stanislaus	\$356.55
Colusa	\$445.73	Marin	\$422.24	San Bernardino	\$296.50	Sutter	\$441.51
Contra Costa	\$441.69	Mariposa	\$356.55	San Diego	\$320.10	Tehama	\$445.73
Del Norte	\$445.73	Mendocino	\$445.73	San Francisco	\$414.63	Trinity	\$445.73
El Dorado	\$365.81	Merced	\$422.91	San Joaquin	\$356.55	Tulare	\$356.55
Fresno	\$280.24	Modoc	\$445.73	San Luis Obispo	\$455.69	Tuolumne	\$445.73
Glenn	\$445.73	Mono	\$522.87	San Mateo	\$481.36	Ventura	\$391.39
Humboldt	\$445.73	Monterey	\$578.16	Santa Barbara	\$455.69	Yolo	\$384.39
Imperial	\$413.34	Napa	\$422.24	Santa Clara	\$448.37	Yuba	\$441.51
Inyo	\$522.87	Nevada	\$445.73	Santa Cruz	\$573.36		
Kern	\$310.97	Orange	\$333.21	Shasta	\$445.73		

Considering differences in county population sizes, our subsequent step was calculating the population weight for each county. The California Department of Finance’s population estimate for January 2023 is used to determine the weight, which is derived by dividing the county’s population by the State total.³

Table 2. Population Weight by County, 2023

County	Population Weight	County	Population Weight	County	Population Weight	County	Population Weight
Alameda	0.042018	Kings	0.003878	Placer	0.010537	Sierra	0.000082
Alpine	0.00003	Lake	0.001715	Plumas	0.000488	Siskiyou	0.001118
Amador	0.001023	Lassen	0.000726	Riverside	0.06264	Solano	0.011396
Butte	0.00528	Los Angeles	0.250672	Sacramento	0.040381	Sonoma	0.01228
Calaveras	0.001153	Madera	0.004061	San Benito	0.001686	Stanislaus	0.01402
Colusa	0.000559	Marin	0.006496	San Bernardino	0.056036	Sutter	0.002541
Contra Costa	0.029472	Mariposa	0.000435	San Diego	0.083969	Tehama	0.001651
Del Norte	0.000683	Mendocino	0.00229	San Francisco	0.021358	Trinity	0.000409
El Dorado	0.004854	Merced	0.007328	San Joaquin	0.020189	Tulare	0.0122
Fresno	0.025976	Modoc	0.000219	San Luis Obispo	0.007148	Tuolumne	0.001402
Glenn	0.000735	Mono	0.000338	San Mateo	0.018943	Ventura	0.021203
Humboldt	0.003442	Monterey	0.011052	Santa Barbara	0.011314	Yolo	0.005672
Imperial	0.004609	Napa	0.003458	Santa Clara	0.048435	Yuba	0.002123

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 2024 of

\$348 (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 \$348 times five, or \$1,740.

¹ Rev. & Tax. Code, § 61015

<https://leginfo.legislature.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 State of California, Population Estimates for Cities, Counties, and the State, 2021-2023 with 2020 Census Benchmark. (Released: May 1, 2023) <<https://dof.ca.gov/Forecasting/Demographics/Estimates/e-4-population-estimates-for-cities-counties-and-the-state-2021-2023-with-2020-census-benchmark/>> (as of August 28, 2023).