

# Web Briefing: Understanding the Health Coverage and Affordability Provisions in the American Rescue Plan Act

March 25, 2021

**KFF**

Filling the need for trusted information on national health issues.

# Agenda

## Introduction

- **Larry Levitt**, Executive Vice President for Health Policy

## Presentations

- **Karen Pollitz**, Senior Fellow
- **Cynthia Cox**, Vice President and Director for the Program on the ACA
- **Rachel Garfield**, Vice President and Co-Director for the Program on Medicaid and the Uninsured

Audience Q&A – the panelists above will be joined by:

- **Usha Ranji**, Associate Director for Women's Health Policy
- **Robin Rudowitz**, Vice President and Co-Director for the Program on Medicaid and the Uninsured

# Provisions Improving Affordability of Private Coverage

- Increase premium tax credits for all income levels for 2021 and 2022
- Special subsidy enhancements for people receiving Unemployment Insurance (UI) in 2021
- Tax changes affecting people who received marketplace subsidies in 2020
- COBRA subsidies for April – September 2021

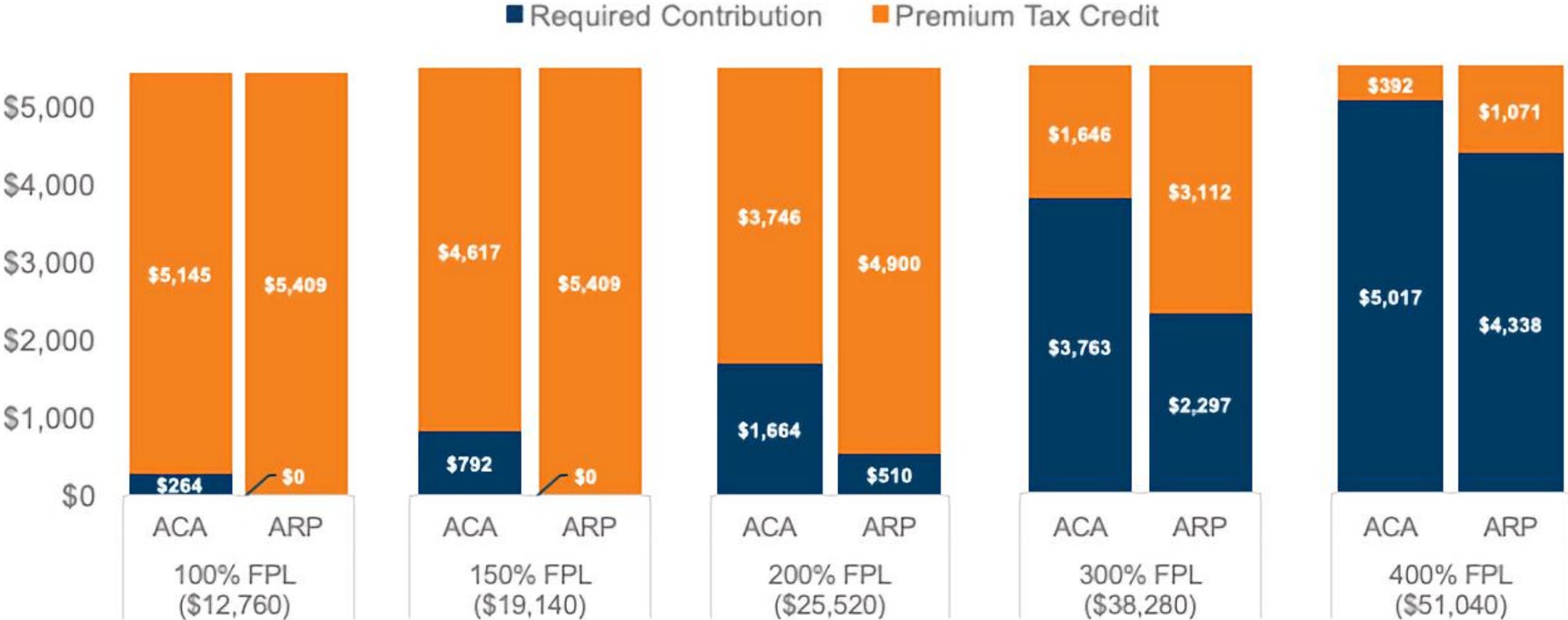
# Increases in Premium Tax Credits for 2021 and 2022

- PTC is tied to cost of benchmark (second lowest cost silver) plan
  - PTC amount = SLCSP premium minus individual contribution amount (% of household income)

Income as % FPL	Prior Law		Rescue Plan	
	Initial %age	Final %age	Initial %age	Final %age
Less than 133%	2.07	3.1	0.0	0.0
133% up to 150%	3.1	4.14	0.0	0.0
150% up to 200%	4.14	6.52	0.0	2.0
200% up to 250%	6.52	8.33	2.0	4.0
250% up to 300%	8.33	9.83	4.0	6.0
300% up to 400%	9.83	9.83	6.0	8.5
More than 400%	No limit	No limit	8.5	8.5

- People eligible for other MEC (Medicare, Medicaid, affordable/adequate employer coverage) are not eligible for marketplace subsidies

# Average Annual Benchmark Premium (\$5,409) Contribution and Tax Credit for a 40-year-old in 2021 Under ACA and ARP



Source: KFF, "Health Insurance Marketplace Calculator." Mar 10, 2021.



# Enhanced Subsidies for UI Recipients in 2021

- During 2021, people who receive or are approved to receive UI for even one week will be eligible for enhanced marketplace subsidies
  - Household income above 133% FPL will be disregarded in determining eligibility for marketplace subsidies
  - Eligible individuals will be able to enroll in a zero-premium silver plan with cost sharing subsidies
    - Average deductible in CSR plan for people with income 100-150% FPL this year is \$177
- Some adults in the Medicaid coverage gap (whose actual income is less than 100% FPL, and who live in non-expansion states) may be newly eligible for marketplace subsidies
  - The Rescue plan defines UI recipients as “applicable taxpayers” who otherwise would need to have income of at least 100% FPL to be eligible for marketplace subsidies.
- Most other marketplace subsidy eligibility rules still apply
  - UI recipients who are eligible for other job-based coverage that meets ACA standards will not be eligible for subsidies

# Tax Changes Affecting People Eligible for Premium Tax Credits in 2020

- Normally, amount of premium tax credit (PTC) for a year is determined at time of application, based on estimated annual income for the year
  - Premium tax credit recipients in a year must file federal tax return for that year, and reconcile actual income with amount they estimated when they applied for PTC
  - People who under-estimated income must repay some or all of the excess when they file
  - People who over-estimated income receive additional PTC as refundable tax credit when they file
- Under the Rescue Plan, for 2020 tax year, obligation to repay excess premium tax credit paid is forgiven
  - Economic uncertainty, changes in federal policy during 2020 made it harder for people to accurately estimate income
- Under the Rescue Plan, for 2020, first \$10,200 in UI benefits is exempt from federal income tax
  - UI recipients who received (or who were enrolled in marketplace plans and otherwise eligible to receive) premium tax credits in 2020 may be eligible for greater premium tax credit when they file

# COBRA Subsidy for 2021

- The Rescue Plan provides 100% COBRA premium subsidy for up to 6 months (April – September, 2021)
  - Subsidy-eligible individuals must have COBRA qualifying event of involuntary employment termination or reduction in hours worked. These people include:
    - Individuals who have qualifying event going forward
    - Individuals who already elected COBRA and have been paying premiums
    - Individuals who previously elected COBRA, then lapsed premiums, but otherwise remain eligible
    - COBRA-eligible individuals who have not elected COBRA but are still eligible to elect
      - COBRA election period is extended by up to 1 year during the national emergency\*
      - For late-electing individuals, COBRA and COBRA premiums are effective April 1, 2021
  - Subsidy ends prior to September 30 for eligible individuals whose COBRA eligibility ends earlier, or when they become eligible for other job-based health coverage
- Employers must notify individuals of opportunity to elect COBRA and subsidy
- Employers pays COBRA premium for the individual, reimbursed by credit against federal employment taxes



\* <https://www.dol.gov/agencies/ebsa/employers-and-advisers/plan-administration-and-compliance/disaster-relief/ebsa-disaster-relief-notice-2021-01>

# Implementation Issues and Questions

- **APTC premium enhancement**

- HealthCare.gov will reflect new subsidies by April 1\*
  - Increases will not be automatically applied; people must log in, update their account
  - People who apply, update in April will have new subsidies in effect May 1
  - Unclaimed PTC (including for January-April) payable when individuals file 2021 tax return
- HealthCare.gov special COVID enrollment period through August 15, new applicants; current enrollees can also change plans
- State-run marketplace implementation will vary

- **Enhanced marketplace subsidies for UI recipients**

- CMS expects HealthCare.gov changes to be implemented later (summer) \*

- **COBRA subsidy**

- Federal agency implementation pending
- Will marketplace SEP be available when COBRA subsidy ends?

- **2020 tax changes**

- Federal agency implementation pending; IRS developing worksheets, software changes for those who have not yet filed; taxpayers who already filed urged to not file amended returns at this time\*\*

\*: <https://www.cms.gov/newsroom/fact-sheets/american-rescue-plan-and-marketplace>

\*\* <https://www.irs.gov/newsroom/irs-statement-american-rescue-plan-act-of-2021>

# Number of People Eligible for Marketplace Subsidies Before and After American Rescue Plan Act

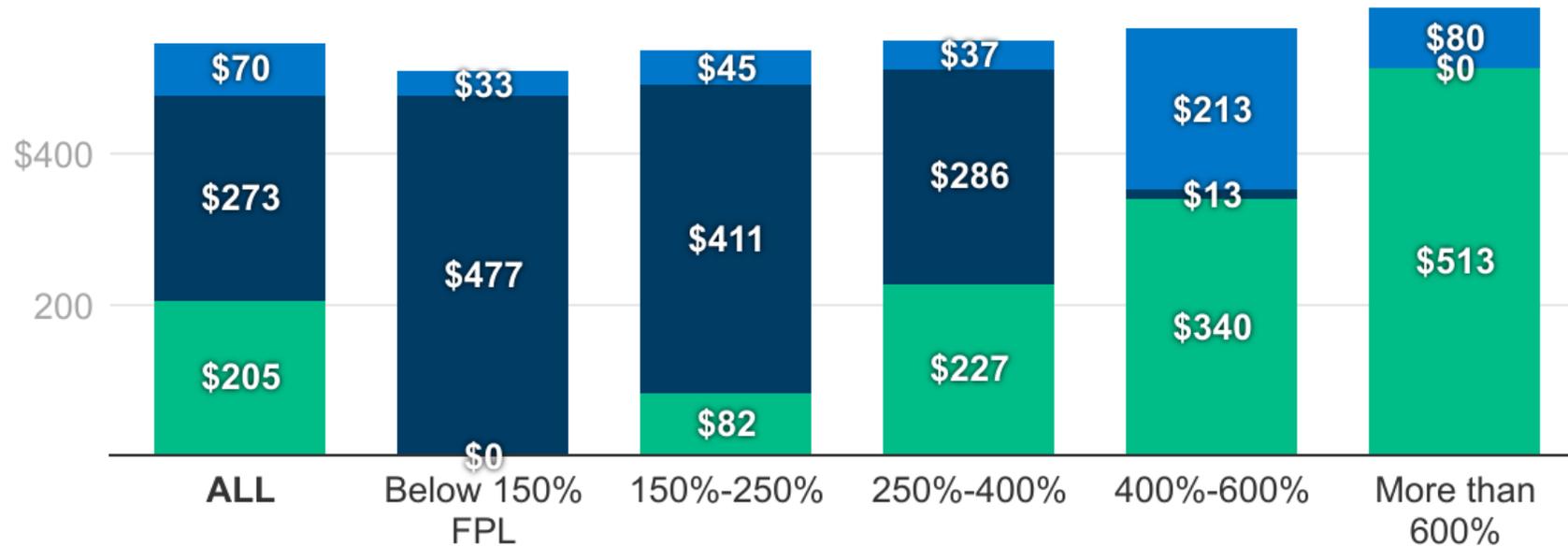
■ Below 150% FPL ■ 150%-250% ■ 250%-400% ■ 400%-600% ■ More Than 600%



NOTE: Prior to the ARPA, California was the only state to offer financial assistance to people making over 400% of poverty.  
SOURCE: KFF analysis of 2019 American Community Survey.

# Average Premium Cost and Subsidy Among Current Individual Market Enrollees Under American Rescue Plan Act

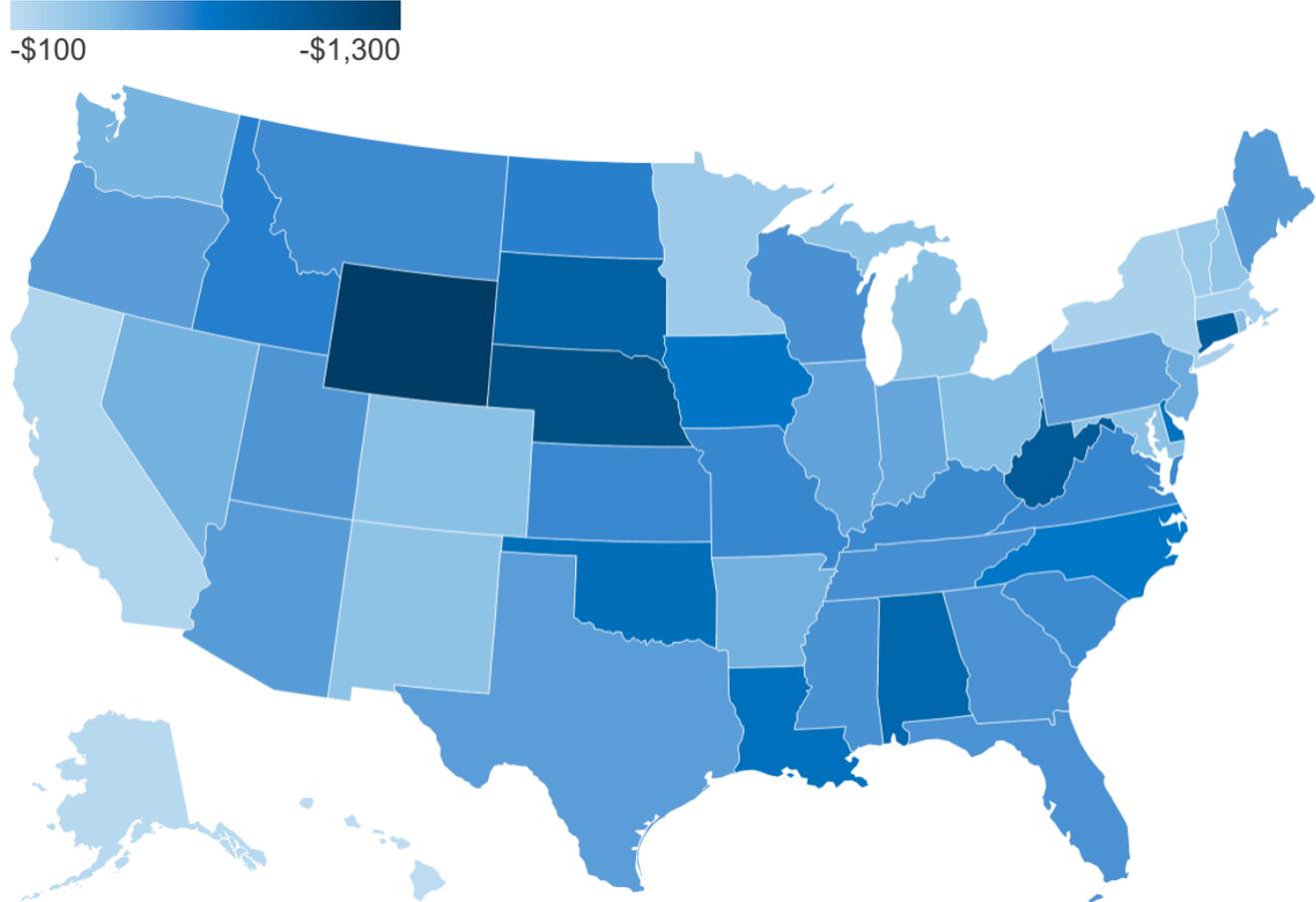
■ Enrollee Cost 
 ■ ACA Subsidy 
 ■ ARPA Subsidy



NOTE: Premiums shown reflect the second-lowest cost silver plan. Average premiums in the chart rise with income because higher income enrollees tend to be older and thus have higher premiums on average. Prior to the ARPA, California was the only state to offer premium subsidies to people making over 400% of poverty.

SOURCE: KFF analysis of 2019 American Community Survey.

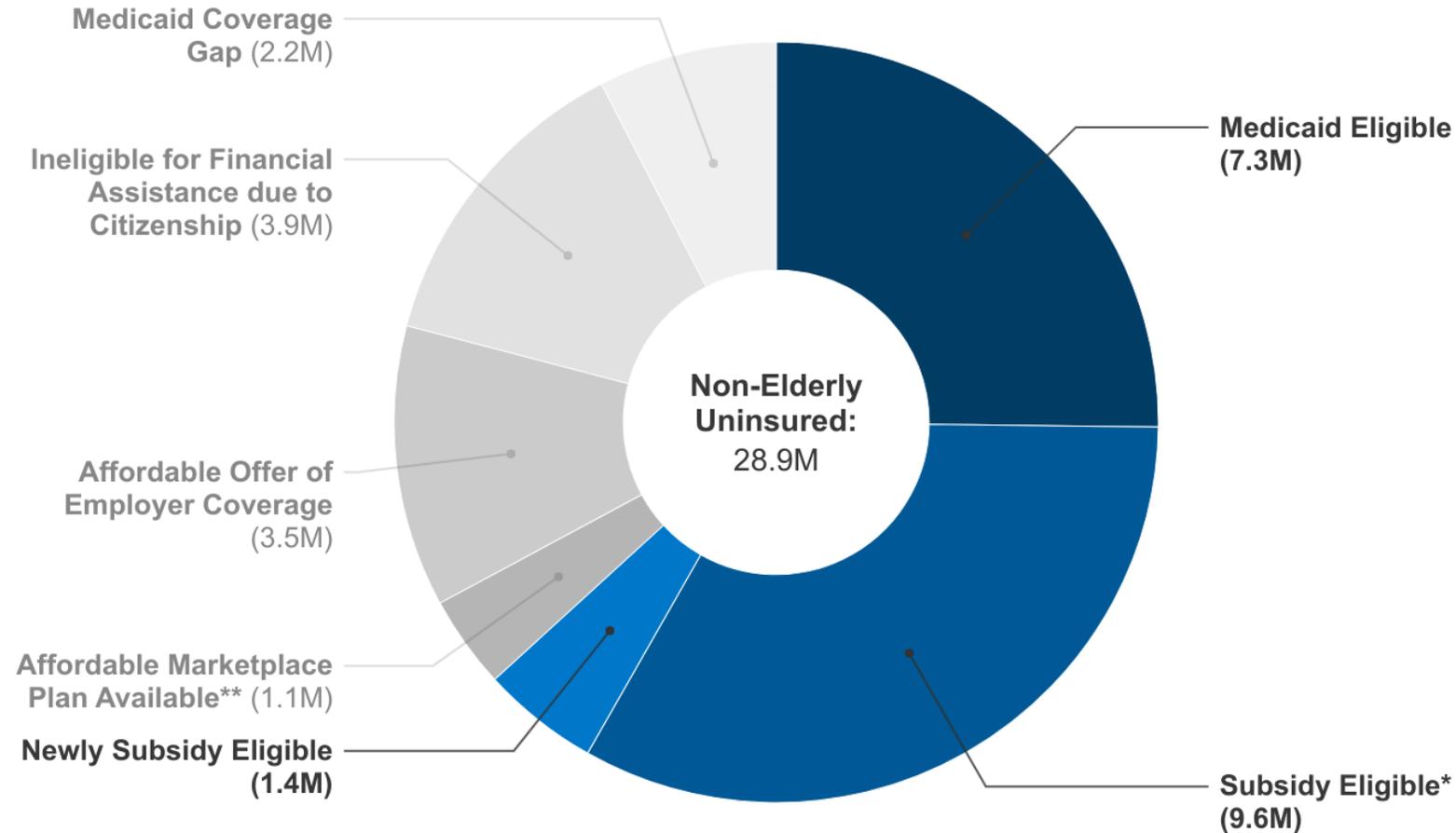
# Among People Newly Gaining Subsidies, Premium Savings Will Vary By Geography



Map shows average decrease in monthly benchmark premium for 60-year-old with \$55,000 Income (430% of Poverty) under ARPA, by State  
Source: KFF, "Impact of Key Provisions of the American Rescue Plan Act of 2021 COVID-19 Relief on Marketplace Premiums" March 15, 2021



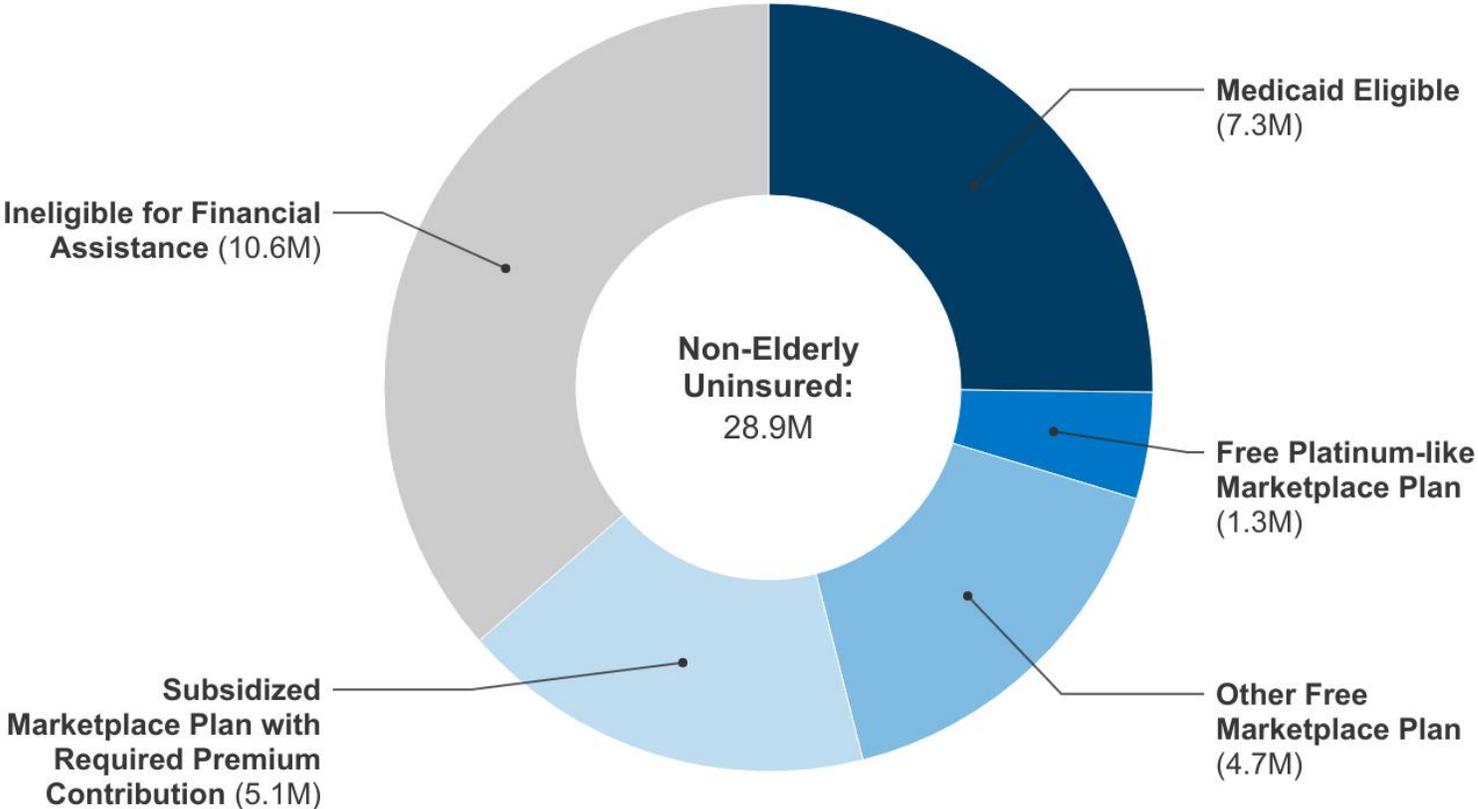
# Distribution of Eligibility for ACA Health Coverage Among the Non-Elderly Uninsured



NOTE: \*Subsidy Eligible population includes people who qualified for premium tax credits prior to the passage of the American Rescue Plan Act of 2021 and people in MN or NY who qualify for a Basic Health Plan. \*\*People with an Affordable Marketplace Plan Available are those whose unsubsidized benchmark premium is less than 8.5% of their household income without a tax credit, making them ineligible for financial assistance. People in this group tend to be relatively high income.

SOURCE: KFF analysis of 2019 American Community Survey.

# At Least Half of the Uninsured Population in the U.S. is Now Eligible for Zero or Near-Zero Premium Medicaid, Marketplace Plans



Source: KFF, “How the American Rescue Plan Act Affects Subsidies for Marketplace Shoppers and People Who Are Uninsured” March 26, 2021

Notes: Analysis does not reflect additional subsidies available to people with unemployment insurance, so the actual number of people eligible for free Marketplace plans is likely greater.



# KFF Interactives Allow Comparison of Premiums and Subsidies Under ACA and ARPA

## Health Insurance Marketplace Calculator

Financial Help for Health Insurance Coverage through Marketplaces

Published: Mar 10, 2021

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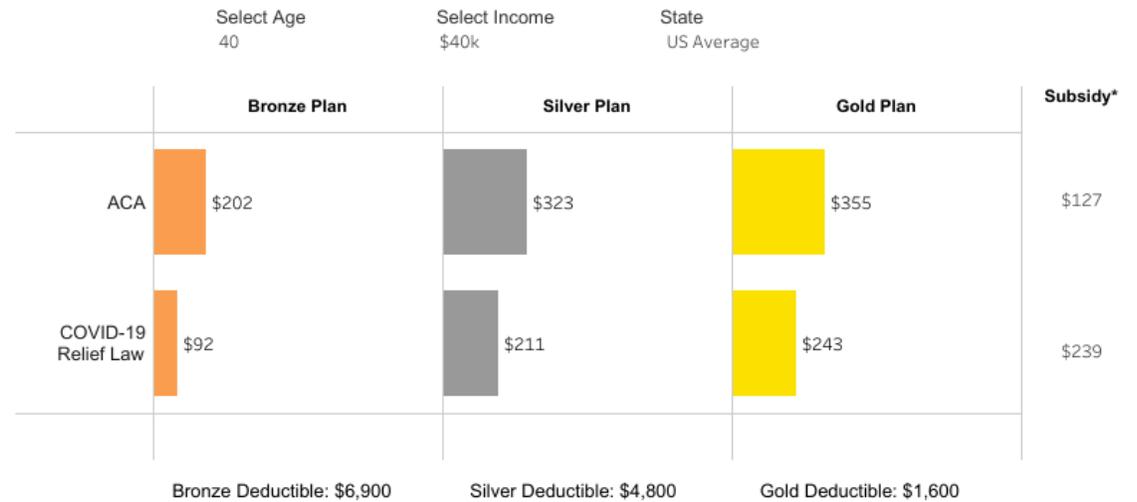
**ABOUT THIS TOOL** +

Enter Information About Your Household

<p>1. Select a State <span style="float: right;">US Average ?</span></p> <p>Enter your zip code <input style="width: 100%;" type="text"/></p> <p>2. Enter income as <span style="float: right;">2021 Dollar ?</span></p> <p>3. Enter annual income (dollars) <input style="width: 100%;" type="text"/> ?</p> <p>4. Is coverage available from your or your spouse's job? <span style="float: right;">No ?</span></p> <p>5. Number of people in family <span style="float: right;">1 ?</span></p>	<p>6. Number of adults (21 to 64) enrolling in Marketplace coverage <span style="float: right;">No Adults ?</span></p> <p>Age? <span style="float: right;">21 ?</span> Uses Tobacco? <span style="float: right;">No ?</span></p> <p>7. Number of children (20 and younger) enrolling in Marketplace coverage <span style="float: right;">No Children ?</span></p> <p>8. Have you received or were you approved to receive unemployment compensation at any point in 2021? <span style="float: right;">No ?</span></p>
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**Premium Payments After Subsidies under ACA and COVID-19 Relief Law**



NOTE: \*ACA premiums and subsidies account for additional financial assistance provided to enrollees in California, Vermont, and Massachusetts. This table shows the weighted-average premiums for the lowest-cost bronze plan, the second-lowest cost silver plan, and the lowest-cost gold plan based on premiums in effect in 2021.  
 SOURCE: KFF analysis of data from Healthcare.gov, Massachusetts Health Connector, and HIX Compare from the Robert Wood Jo..

KFF Health Insurance Marketplace Calculator available at: <https://www.kff.org/interactive/subsidy-calculator/>

KFF ACA vs. ARPA Premium Interactive available at: <https://www.kff.org/report-section/impact-of-key-provisions-of-the-american-rescue-plan-act-of-2021-covid-19-relief-on-marketplace-premiums-premium-interactive/>



# The American Rescue Plan Act includes a range of provisions to increase Medicaid coverage and benefits.

## **Coverage provisions:**

- Temporary 5 percentage point increase in regular federal matching rate to encourage states that have not yet adopted the ACA Medicaid expansion to do so, available for 2 years after expansion takes effect
- New state option to extend Medicaid coverage for post-partum women from the current 60 days to a full year, available for 5 years starting April 2022

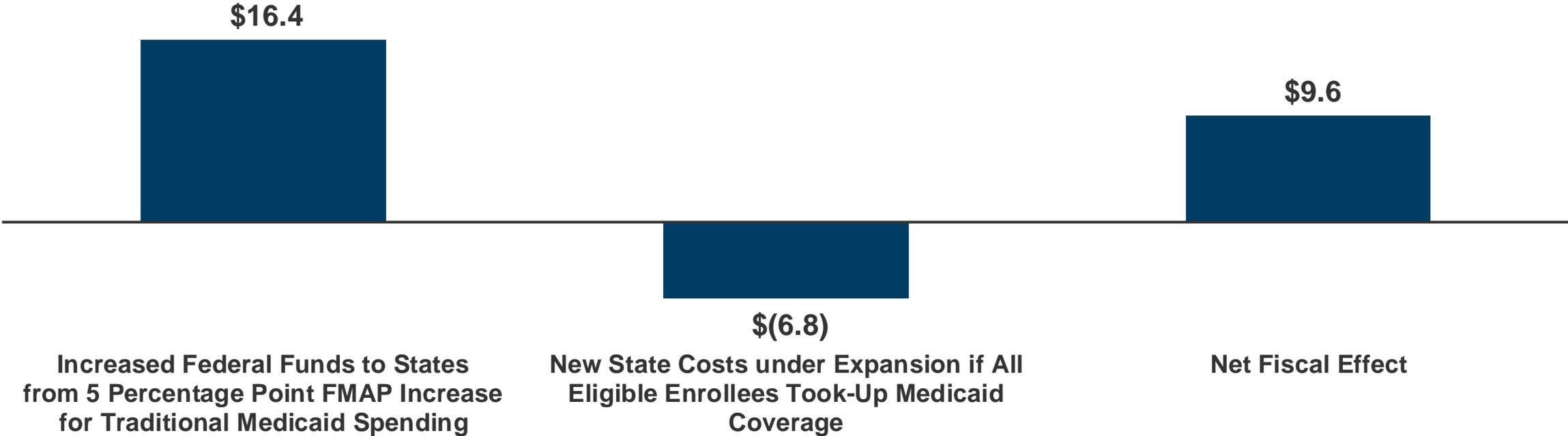
## **Benefits provisions:**

- 10 percentage point increase in federal matching funds for Medicaid home and community-based services (HCBS), available for 1 year starting April 2021
- Coverage of COVID-19 vaccines and administration without cost-sharing for Medicaid enrollees, with 100% federal matching funds
- Increased federal funds for community-based mobile crisis intervention services for mental health or substance use crisis and strike teams for certified nursing facilities with COVID-19 cases

NOTES: ARPA also includes provisions related to Medicaid financing of services received through Urban Indian health care organizations or Native Hawaiian health systems; elimination of rebate cap for prescription drugs; changes to calculations of state disproportionate share hospital (DSH) allotments; and provider relief fund payments to rural Medicaid and Medicare providers.

# New financial incentive for states to implement the ACA expansion would more than offset new state costs.

*Cumulative Fiscal Impact of a 5 Percentage Point Increase in FMAP, FYs 2022 – 2023  
In Billions*



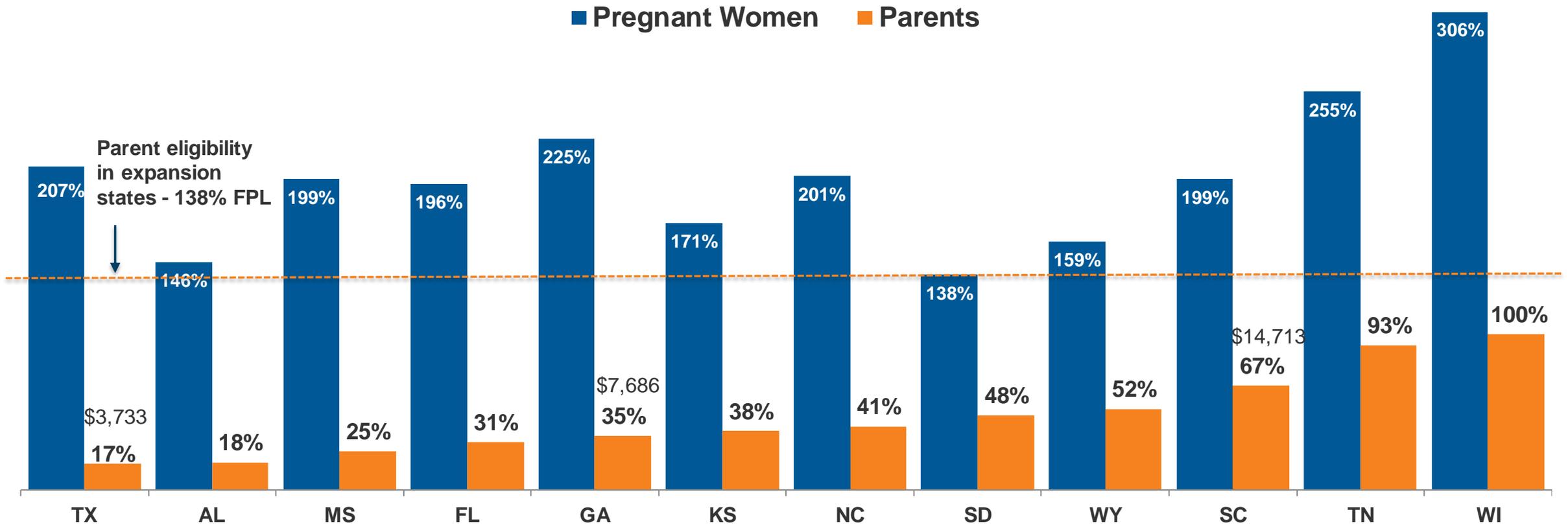
NOTES: Figure excludes data for OK and MO because these states were scheduled to implement the expansion in July 2021 and thus do not face new state costs under the policy change. We do not calculate new state costs for expansion for WI because the state currently provides Medicaid eligibility to childless adults earning up to the poverty level under a state waiver, at the regular FMAP; thus, even with additional costs due to covering currently marketplace-eligible people, the state would likely see fiscal gain under expansion by moving waiver enrollees from the regular state match to the 90% expansion match.

SOURCE: KFF estimates and analysis.



# Medicaid eligibility is much more restrictive for parents than pregnant women, particularly in states that have not expanded Medicaid

Medicaid eligibility thresholds for pregnant women compared to parents, 2021



NOTE: For pregnant women, reflects highest eligibility limit for pregnant women under Medicaid, CHIP, or the unborn child option. For "Parents," eligibility limits calculated as a percent of the Federal Poverty Level (FPL) & are calculated based on a family of three for parents. In 2021, the FPL was \$21,960 for a family of three. Thresholds include the standard five percentage point of the FPL disregard.

SOURCE: Based on national survey conducted by KFF with the Georgetown University Center for Children and Families, 2021.



States could fund a range of initiatives with increased federal Medicaid HCBS funds.

### Support HCBS provider workforce

- Increased direct care worker payment rates
- Paid sick leave
- Hazard, overtime, or shift differential pay
- New worker recruitment
- Retainer payments to preserve provider network

### Offer new or expanded HCBS benefits

- Emergency supplies and personal protective equipment
- Assistive technology
- Mental health/rehab services
- Transition costs from institutional setting to individual home

### Serve more HCBS enrollees

- Continue services for people removed from waiting lists during public health emergency
- Increase overall HCBS enrollment

# Key Questions Looking Ahead

- How many/which states will take up new coverage options?
- How will states expand or build on their HCBS programs? Other benefits?
- How will the time limited federal funds affect take up?
- How will broader state fiscal conditions and changes in enrollment due to economic conditions play into state decisions?
- Will these provisions be used as building blocks for future coverage and benefits expansions?

# Related Resources

- [FAQS: Health Insurance Marketplace and the ACA](#), featuring new content covering changes in the American Rescue Plan Act, available in both English and Spanish
- [Health Insurance Marketplace Calculator](#), updated with subsidy changes in the American Rescue Plan Act
- [How the American Rescue Plan will Improve Affordability of Private Health Coverage](#)
- [Medicaid Provisions in the American Rescue Plan Act](#)
- [How the American Rescue Plan Act Affects Subsidies for Marketplace Shoppers and People Who Are Uninsured](#)
- [New Incentive for States to Adopt the ACA Medicaid Expansion: Implications for State Spending](#)
- [Potential Impact of Additional Federal Funds for Medicaid HCBS for Seniors and People with Disabilities](#)
- [Postpartum Coverage Extension in the American Rescue Plan Act of 2021](#)

# Contact Information and Additional Resources

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An archived version of the webinar will be posted online later today. We will notify attendees by email when it is available.

For more analysis of the American Rescue Plan Act, visit our website:

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