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THE VOICE FOR HEALTH CARE CONSUMERS

The American Rescue Plan Makes the Greatest Improvements to Health Coverage and Affordability in More than a Decade

Summary

The American Rescue Plan (ARP), which President Biden recently signed into law,[1] takes the most significant steps in more than a decade to lower families' health care costs and provide insurance to people who previously lacked it. These measures will help people obtain essential care during the coronavirus pandemic while protecting household financial security during the resulting serious economic downturn.

Implemented properly, this legislation promises the most consequential improvement to U.S. health coverage since the Affordable Care Act (ACA) became law more than a decade ago. The Congressional Budget Office (CBO) projects that between 1.9 million and 2.4 million uninsured people will gain coverage under the law's private insurance provisions alone.[2] And although the CBO did not estimate coverage gains that could result from the ARP's Medicaid improvements, if states respond to new and powerful financial incentives to expand Medicaid under the ACA and cover low-income adults, more than 2 million uninsured people would gain coverage and care.[3] An additional 9 million people who have private coverage through health insurance marketplaces will see their premium payments decline by an average of $50 per person per month, saving consumers more than $5 billion a year.[4]

To accomplish these and other important results, the American Rescue Plan takes many steps to make health care more affordable and extend both private and public health coverage:

- The ARP lowers consumers' private insurance costs and broadens the circle of private coverage through multiple measures:
  - Increasing the value of advance premium tax credits (APTCs) for people who buy coverage through the health insurance marketplace, and making the tax credits available to people across the income spectrum.
  - Providing financial assistance that lets people who rely on unemployment insurance buy marketplace plans with no premiums and low deductibles.
  - Forbidding the IRS from applying tax penalties to people who claimed APTCs in 2020 and were unable to accurately predict the amount they would earn by the end of that very difficult year.
  - Paying full premium costs for laid-off workers who have access to coverage offered by their former employer through the COBRA health insurance program.

- The ARP extends coverage through Medicaid and the Children's Health Insurance Program (CHIP) by taking steps that include the following:
  - Giving states significant new financial incentives to finally expand Medicaid under the ACA, providing health care to uninsured adults living in poverty.
  - Letting states guarantee women 12 months of continuous health coverage after giving birth.
  - Increasing federal funding for home- and community-based services.

Most of these measures are temporary. However, Families USA and our advocacy partners will work hard in the coming months to make many of these improvements permanent, while also advocating other changes needed to guarantee everyone in our country affordable, high-quality health coverage and care.

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Private Coverage Enhancements

The ARP makes coverage more affordable across the income spectrum by increasing the value of APTCs and offering them to more people

By strengthening APTCs, the American Rescue Plan addresses one of the most significant problems facing the individual health insurance market: affordability. The ACA provided financial assistance that helped millions of previously uninsured people obtain coverage. However, unaffordable costs remained the most commonly cited reason that people lacked insurance.[5] This was true of adults who were eligible for APTCs, as well as people who were ineligible because they had incomes above 400% of the federal poverty level (FPL).

After the ACA's passage, much discussion focused on the serious cost challenges facing older adults with incomes just above the cutoff point to be eligible for financial assistance: 400% of FPL, roughly $50,000 a year for an individual and $100,000 for a family of four in 2021. For example, before the ARP passed, a 60-year-old single adult with income at 400% of FPL received APTCs that limited their monthly cost to $418 for so-called "benchmark" coverage (the second-lowest cost silver-tier plan offered in the marketplace). If their income rose just $1 above the 400% FPL threshold, that same benchmark plan would have cost them $957 a month, based on national average premiums in 2021.[6]

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A shortcoming that was less widely known but that probably had an even greater overall impact involved high costs faced by people whose incomes qualified them for APTCs. Low-wage workers and other people with modest income often encountered financial difficulties that placed health insurance out of their reach despite federal assistance.[7] Accordingly, among adults under age 65 who qualified for marketplace coverage in 2019, lower income levels were associated with lower levels of enrollment:[8]

- Fully 65% of eligible adults with incomes at or below 200% of FPL were uninsured.
- 57% of eligible adults with incomes between 201% and 300% of FPL were uninsured.
- 50% of eligible adults with incomes between 301% and 400% of FPL were uninsured.
- 32% of adults who were ineligible for APTCs because of income above 400% of FPL were uninsured.

Before the ARP, affordability problems among adults who were eligible for APTCs disproportionately affected people of color. For example, in 2019 43% of uninsured adults who were eligible for APTCs but not enrolled were African American or Latinx, compared to just 32% of uninsured adults who were ineligible for APTCs because of incomes above 400% of FPL.[9]

The APR addresses both of these problems for 2021 and 2022. First, it offers APTCs to previously ineligible people with incomes above 400% of FPL who, without APTCs, would be charged more than 8.5% of their income for benchmark coverage. Second, it increases ATPCs for currently eligible people – generally, citizens and lawfully present immigrants with incomes between 100% and 400% of FPL who are ineligible for Medicaid, CHIP, and employer-sponsored health insurance that the ACA classifies as affordable.

People who buy insurance without an employer's help are now guaranteed benchmark coverage that costs no more than 8.5% of their income, even if they earn more than 400% of FPL

Before the ARP, people with incomes above 400% of FPL were ineligible for APTCs, regardless of how much they had to pay for health insurance. The ARP eliminated that artificial upper limit. Now, regardless of income, people who earn too much for Medicaid and who buy insurance without an employer's assistance qualify for APTCs that lower their cost of benchmark coverage to 8.5% of income. For example, the 60-year-old described above, who earns slightly more than 400% of FPL and who buys benchmark coverage at national average cost, would pay $361 in monthly premiums rather than the full premium of $957. If their income rose by $250 a month, their health premium costs would increase by just $5 – instead of doubling the moment their earnings crossed the threshold of 400% of FPL.

People who are currently eligible for APTCs now qualify for additional financial assistance

People who previously qualified for APTCs will now get substantially more assistance than in the past. APTCs are the mechanism by which federal financial assistance is offered to people on a sliding scale based on income: They make up the difference between the full premium for "benchmark" silver coverage and the person's premium contribution, which is based on their income. The ARP lowers the amounts of people's premium contributions, increasing APTCs and making coverage more affordable.

Table 1 shows how these changes affect the cost of benchmark coverage for a single adult and a family of four at various income levels. For example:

- At 133% of FPL,
  - A single adult earning $1,063 a month will see their premium payments fall from $44 to $0.
  - A family of four earning $2,904 a month will see their payments fall from $90 to $0.
- At 200% of FPL,
  - A single adult earning $2,127 a month will see their premium payments drop from $139 to $43.
  - A family of four earning $4,367 a month will see their payments drop from $285 to $87.
- At 300% of FPL,
  - A single adult earning $3,190 a month will see their premium payments fall from $314 to $191.
  - A family of four earning $6,550 a month will see their premium payments fall from $644 to $393.

Table 1. Impact of the American Rescue Plan on People's Monthly Premium Payments for Benchmark Insurance, by Income as a Percentage of Federal Poverty Level (FPL) and Household Size

% of FPL	Percentage of Income Charged for Benchmark Insurance		Premium Payments for Benchmark Insurance for a Single Adult			Premium Payments for Benchmark Insurance for a Family of Four		
	Old	New	Monthly Income	Old Cost	New Cost	Monthly Income	Old Cost	New Cost
100%	2.07%	0.0%	$1,063	$22	$0	$2,183	$45	$0
133%	3.10%	0.0%	$1,414	$44	$0	$2,904	$90	$0
150%	4.14%	0.0%	$1,595	$66	$0	$3,275	$136	$0
200%	6.52%	2.0%	$2,127	$139	$43	$4,367	$285	$87
250%	8.33%	4.0%	$2,658	$221	$106	$5,458	$455	$218
300%	9.83%	6.0%	$3,190	$314	$191	$6,550	$644	$393
400%	9.83%	8.5%	$4,253	$418	$362	$8,733	$858	$742

Note: Benchmark insurance is the second-lowest-cost silver-tier qualified health plan available in the health insurance marketplace.

As noted earlier, an estimated 9 million people who currently receive APTCs will see their premium payments fall by an average of $50 per person per month, totaling approximately $5.4 billion a year. Half of them can now buy benchmark silver coverage for $10 a month or less, including 1.8 million very low-income people who will qualify for zero-premium coverage that has low or no deductibles.[10]

People who qualify for unemployment insurance in 2021 are guaranteed affordable marketplace coverage

Before the ARP, laid-off workers often had difficulty obtaining marketplace coverage. One factor limiting enrollment involves marketplace rules that assume stable, predictable incomes. For example:

- Marketplaces routinely use income tax records from several years in the past to verify financial eligibility for APTCs. When those records do not match workers' current incomes, as is usually the case for those who have just lost their jobs, marketplaces stop the enrollment process and try to find other ways to verify applicants' financial claims.
- APTC eligibility is based on the annual income an applicant expects to report when they file their income tax return the following year. Predicting how income will change throughout the coming months is inherently challenging, but it is almost impossible for those who have lost a job and are trying to find new employment, uncertain when the next job will start and what it will pay.
- Families whose income declines during the year do not get the level of financial assistance they need during the portion of the year when their incomes are low. Instead, APTC amounts are based on average income throughout the year.

These mismatches between marketplace coverage and the circumstances facing laid-off workers may be one reason why, historically under the ACA, only about 5% of eligible people took advantage of special enrollment periods to sign up for insurance after losing it when they were laid off.[11]

The ARP addresses this significant and rarely acknowledged problem by guaranteeing zero-premium, low-deductible insurance to laid-off workers who qualify for unemployment insurance (UI) in 2021. Based on data from December 2020 and January 2021, roughly 4 million uninsured adults rely on UI and thus would likely qualify for help. Nearly half (49%) are people of color, almost 2 in 5 (39%) have children under 18 living at home, and 3 out of 4 (76%) are working-class people, without any college degree.[12]

To obtain UI, a worker must prove that they are a citizen or lawfully present immigrant, unemployed through no fault of their own, and currently looking for work.[13] Under the ARP, people who qualify for or receive UI for any week that begins in 2021 can receive the marketplace's most generous level of APTCs throughout 2021. They are assumed to have income at 133% of FPL, which qualifies them for zero-premium silver coverage and cost-sharing reductions that raise their plan's actuarial value to 94%.[14] 94% actuarial value means they will have modest out of pocket costs: Deductibles for 94% actuarial value coverage average $177 in the federally facilitated marketplace in 2021.[15]

Several features of this new connection between UI and financial assistance with health coverage are important to highlight:

- APTCs now provide zero-premium, low-deductible marketplace coverage to people with UI whose incomes fall below poverty and are ineligible for Medicaid because their state refused to expand coverage under the ACA.
- APTCs for people with UI are not subject to any tax penalties based on unexpected income changes in 2021.
- These APTCs can be used to purchase coverage for the entire family – not just the person receiving UI payments.
- The ARP maintains a number of generally applicable eligibility requirements for APTCs:
  - If a person with UI qualifies for Medicaid or CHIP, they cannot receive APTCs.
  - If a person with UI is offered employer-sponsored insurance (for example, through a spouse's employer) that the ACA classifies as affordable, the UI beneficiary is ineligible for APTCs.

COBRA is available for 18 months, but before the ARP, few laid-off workers could afford to take advantage of it.

The ARP protects APTC beneficiaries from tax penalties

As explained earlier, APTC eligibility for a particular year is based on the annual income people expect to receive that year. When an APTC beneficiary files their tax return and their annual income turns out to be lower than expected, the beneficiary receives additional tax credits, which can translate into extra tax refunds. If their annual income is higher than expected, the beneficiary pays more in taxes to cover some or all of the excess ATPCs they received.

Income was particularly hard to predict for many households in 2020, as noted above. Accordingly, the ARP forbids the IRS from charging tax penalties that taxpayers would otherwise incur for the APTCs that helped them buy insurance in 2020.

The ARP guarantees full premium payments to cover the cost of COBRA insurance offered by former employers

COBRA is a health insurance program that serves workers whose employer-sponsored insurance (ESI) ends because of an involuntary job loss or reduction in hours. COBRA is available for 18 months, but before the ARP, few laid-off workers could afford to take advantage of it. To enroll, workers had to pay full ESI premiums, which in 2020 averaged $7,470 for coverage of one adult and $21,342 for families, plus a 2% administrative fee.[16] Federal COBRA coverage is limited to large firms, but most states have so-called "Mini-COBRA" laws that extend the benefit to workers at smaller companies and organizations.

Under the ARP, uninsured workers (and their dependents) who are offered COBRA coverage can receive it from April 1 through September 30, 2021, without making any premium payments. To qualify, the workers must meet the following requirements:

- They must be within their 18-month window of COBRA eligibility. As a practical matter, this means people who lost ESI since late in 2019 can receive help.
- They must not be offered Medicare or other ESI (for example, through a new employer or a spouse's employer).

Instead of the worker paying premiums, the federal government covers the cost of insurance by lowering the payroll taxes the insurer would otherwise owe. In the case of self-insured plans, the employer receives the payroll tax reduction that covers COBRA costs.

Medicaid Coverage Enhancements

The ARP has numerous provisions that improve and extend Medicaid coverage. Particularly noteworthy measures include incentives for states to expand Medicaid to cover poor adults, a new state option to offer 12 months of postpartum coverage to women, and increased funding for home- and community-based services in response to the pandemic.

The ARP gives states significant new incentives to expand Medicaid

Congress is offering a huge financial incentive to states that newly expand their Medicaid programs to adults with incomes up to 138% of FPL. For two years, states that newly extend Medicaid will receive a 5% increase in federal funds, referred to as their Federal Medical Assistance Percentage (FMAP) rate, for nearly all of their Medicaid expenditures. This increase is in addition to the 6.2% FMAP increase that is in place during the public health emergency.

Medicaid expansion is already a great deal for states. The federal government contributes 90% of the cost for the newly covered population. This new 5% FMAP sweetener turns a great deal into an amazing deal for the 12 remaining holdout states. Missouri and Oklahoma – states that are slated to implement expansion on July 1, 2021 – are also eligible for the incentive. The Congressional Budget Office[17] estimates that this FMAP increase will amount to a $16 billion incentive for states. Importantly, the two years of enhanced funding begins when a state implements expansion.

The ARP helps states guarantee women health coverage for 12 months after giving birth

The bill offers states the option to extend health coverage for women enrolled in Medicaid or CHIP for 12 months after they give birth, rather than the current 60-day limit. Before the ARP, states could apply for a Section 1115 waiver to receive federal funds to extend postpartum coverage beyond 60 days, but no state has received waiver approval. This ARP provision allows mothers to get the care they need to protect their health, as well as the health of their baby. However, this provision is temporary. States will have the option to extend this coverage for five years, starting no earlier than April 1, 2022.

The American Rescue Plan provides critical relief to millions of individuals and families who are struggling to meet their health needs during the current public health crisis and economic downturn.

The ARP increases funding for states to provide home- and community-based services

States will be eligible for increased Medicaid funding from the federal government for enhanced home- and community-based services (HCBS) from April 1, 2021, through March 31, 2022. This additional funding comes in the form of a targeted, 10% FMAP increase for HCBS, which include home health care, personal care, Programs of All-Inclusive Care for the Elderly, home- and community-based supports, case management and rehabilitation. To receive the additional funding, states must use those funds to "supplement, and not supplant" existing HCBS activities. This means that states will need to implement one or more activities that enhance, expand, or strengthen HCBS, such as increasing services, wages, or availability of personal protective equipment (PPE), in order to claim the 10% FMAP boost.*

* For more details about this HCBS funding opportunity, click here to read: "The Urgent Need to Better Support Home- and Community-Based Services During the COVID-19 Pandemic"

The ARP makes other improvements to Medicaid coverage

Other examples of how the ARP improves Medicaid include the following:

- Mandatory coverage of COVID–19 vaccines (including administration costs) and treatment under Medicaid and CHIP.
- State option to provide qualifying community-based mobile crisis intervention services for five years, starting April 1, 2022, with an 85% FMAP for the first three years.
- Extension of 100% FMAP to urban Indian health organizations and native Hawaiian health care systems for two years, starting April 1, 2021.
- Sunsetting the limit on maximum rebate amounts for single-source drugs and innovator multiple-source drugs starting in 2024.
- Funding for state strike teams for resident and employee safety in nursing facilities until one year after the end of the COVID-19 public health emergency.
- Special disproportionate share hospital funding during the COVID-19 public health emergency.

Conclusion

The American Rescue Plan provides critical relief to millions of individuals and families who are struggling to meet their health needs during the current public health crisis and economic downturn. Successful implementation of this landmark law is vitally important, but our work must not end there.

Many of the ARP's signature safeguards are temporary and require additional legislation to be extended permanently. Moreover, lawmakers must supplement the ARP's coverage improvements so that everyone in America is guaranteed affordable health care. Additional measures should include:

- Providing financial assistance that further lowers consumers' costs of health coverage and care.
- Implementing reforms that streamline, rationalize and automate enrollment in health coverage.
- Guaranteeing reliable funding for consumer assistance, including help with enrollment.
- Giving states options for providing their residents with additional health coverage and care.
- Eliminating barriers to coverage and care for historically marginalized and disadvantaged communities, including immigrants, people with disabilities, and communities of color.

It is time to finally complete our country's historic journey and ensure that all of us — no matter who we are or where we live — can count on the affordable, comprehensive, high-quality health care we need to thrive.

Endnotes

[1] Public Law No: 117-2.

[2] Congressional Budget Office (CBO), "Reconciliation Recommendations of the House Committee on Ways and Means, As Ordered Reported on February 10 and 11, 2021," *Cost Estimate* (February 15, 2021), https://www.cbo.gov/system/files/2021-02/hwaysandmeansreconciliation.pdf.

[3] Rachel Garfield, Kendal Orgera, and Anthony Damico, *The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid* (Kaiser Family Foundation, January 21, 2021), https://www.kff.org/medicaid/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/.

[4] U.S. Department of Health and Human Services (HHS), "The American Rescue Plan: Reduces Health Care Costs, Expands Access to Insurance Coverage and Addresses Health Care Disparities," *Fact Sheet*, March 12, 2020, https://www.hhs.gov/sites/default/files/fact-sheet-hhs-american-rescue-plan-health-insurance-coverage.pdf.

[5] Jennifer Tolbert, Kendal Orgera, and Anthony Damic, *Key Facts about the Uninsured Population* (Kaiser Family Foundation, November 6, 2020), https://www.kff.org/uninsured/issue-brief/key-facts-about-the-uninsured-population/.

[6] See Kaiser Family Foundation, "Health Insurance Marketplace Calculator," March 10, 2021, https://www.kff.org/interactive/subsidy-calculator/#state=&zip=&income-type=percent&income=900&employer-coverage=0&people=1&alternate-plan-family=&adult-count=1&adults%5B0%5D%5Bage%5D=60&adults%5B0%5D%5Btobacco%5D=0&child-count=0.

[7] Stan Dorn, *How States Can Use New Revenue to Lower Consumer Costs for Individual Health Insurance* (National Center for Coverage Innovation at Families USA, March 2020), https://familiesusa.org/wp-content/uploads/2020/03/COV_How-States-Individual-Market_Report_03-13-20a.pdf.

[8] National Center for Coverage Innovation at Families USA analysis of American Community Survey (ACS) data, 2019, using IPUMS USA, University of Minnesota, www.ipums.org. Note: Individuals were counted as eligible for marketplace coverage if: (1) their income was above either 138% or 100% of FPL, depending on whether their state of residence had expanded Medicaid adult eligibility by January 1, 2019; (2) they reported on the ACS that they were either uninsured or had purchased individual market coverage; and (3) they were either U.S. citizens or lawful permanent residents. Lawful permanent residence was imputed based on results published by the Urban Institute in estimating the characteristics of individuals remaining uninsured under the ACA. Linda J. Blumberg, Michael Karpman, Matthew Buettgens, and Patricia Solleveld. *Who Are the Remaining Uninsured, and What Do Their Characteristics Tell Us About How to Reach Them?* (Urban Institute, March 2016) https://www.urban.org/sites/default/files/publication/79051/2000691-Who-Are-The-Remaining-Uninsured-And-What-Do-Their-Characteristics-Tell-Us-About_How-To_Reach_Them.pdf. The estimates in the body of the report do not correct for reporting errors. They also do not attempt to impute offers of employer-sponsored coverage, which can preclude eligibility for advance premium tax credits.

[9] National Center for Coverage Innovation at Families USA analysis of 2019 ACS data, using IPUMS USA, University of Minnesota, www.ipums.org.

[10] HHS, The American Rescue Plan: Reduces Health Care Costs, Expands Access to Insurance Coverage and Addresses Health Care Disparities, op cit.

[11] Stan Dorn, *Helping Special Enrollment Periods Work under the Affordable Care Act* (Urban Institute, June 2016), https://www.urban.org/sites/default/files/publication/81806/2000834-Helping-Special-Enrollment-Periods-Work-Under-the-Affordable-Care-Act.pdf.

[12] Stan Dorn and Rebecca Dorn, *Congress Can Provide Millions of Uninsured Workers with Health Care by Connecting Unemployment Insurance Beneficiaries with Health Insurance Premium Tax Credits* (Families USA, February 2021), https://www.familiesusa.org/wp-content/uploads/2021/02/COV2021-32-Congress-Health-Care-Insurance-Beneficiaries-Tax-Credits_Analysis_LayoutB.pdf.

[13] Other requirements apply as well.

[14] "Actuarial value" is the percentage of covered claims the insurance would pay if all eligible people enrolled in the plan.

[15] Kaiser Family Foundation, *Cost-Sharing for Plans Offered in the Federal Marketplace, 2014-2021*, (Kaiser Family Foundation, January 15, 2021), https://www.kff.org/slideshow/cost-sharing-for-plans-offered-in-the-federal-marketplace/.

[16] Kaiser Family Foundation, *Employer Health Benefits: 2020 Summary of Findings* (Kaiser Family Foundation, October 2020), http://files.kff.org/attachment/Summary-of-Findings-Employer-Health-Benefits-2020.pdf.

[17] Congressional Budget Office, Reconciliation Recommendations of the House Committee on Energy and Commerce, February 14, 2021, https://www.cbo.gov/system/files/2021-02/EnergyandCommerceReconciliationEstimate.pdf

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