



The American Rescue Plan: An Overview of Private Insurance Provisions

Jason Levitis, Manatt Health, and Georgetown University's Center on Health Insurance Reforms

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STATE
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Questions? Email Heather Howard at heatherh@Princeton.edu.

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Housekeeping Details

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After the webinar, the slides and a recording will be available at **www.shvs.org**.

COVID-19 Resources for States

State Health and Value Strategies has created an accessible one-stop source of COVID-19 information for states at www.shvs.org/covid19/. The webpage is designed to support states seeking to make coverage and essential services available to all of their residents, especially high-risk and vulnerable people, during the COVID-19 pandemic.

About Jason Levitis

Jason Levitis is principal at Levitis Strategies LLC, a healthcare consultancy focusing on the Affordable Care Act's tax provisions and state innovation waivers. He provides technical assistance to states in partnership with State Health and Value Strategies. He's also a nonresident fellow at the Brookings Institution and a senior fellow at Yale Law School's Solomon Center for Health Law and Policy. He served as Counselor and ACA Implementation Lead at the U.S. Treasury Department until January 2017.

About Manatt Health

Manatt Health, a division of Manatt, Phelps & Phillips, LLP, is an integrated legal and consulting practice with over 160 professionals in nine locations across the country. Manatt Health supports states, providers, and insurers with understanding and navigating the complex and rapidly evolving health care policy and regulatory landscape. Manatt Health brings deep subject matter expertise to its clients, helping them expand coverage, increase access, and create new ways of organizing, paying for, and delivering care. For more information, visit www.manatt.com/ManattHealth.aspx

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- A team of experts on private health insurance and health reform.
- Conduct research and policy analysis, provide technical assistance to federal and state policymakers, regulators, and consumer advocates.
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Agenda

- **Overview of the American Rescue Plan Act of 2021**

- **Explanation of Key Private Health Coverage Provisions**
 - **Broad-Based Premium Tax Credit (PTC) Expansion for 2021 and 2022**
 - **Additional PTC and Cost-Sharing Reduction (CSR) Expansions in 2021 Tied to Unemployment Insurance Benefits (UI)**
 - **Consolidated Omnibus Budget Reconciliation Act (COBRA) Subsidies in 2021**
 - **Funding for State-Based Marketplaces (SBMs) Upgrades**
 - **Relief from 2020 PTC Repayment**

- **Policy Considerations for States**



Overview of the American Rescue Plan Act of 2021

Level Setting: The American Rescue Plan

On March 11, President Biden signed the \$1.9 trillion American Rescue Plan (the Act), providing funding for COVID-19 response plans and enacting significant but temporary coverage policies.

Key Health Care Provisions Included in the American Rescue Plan:

Marketplace	COBRA	Medicaid/ Medicare	COVID-19 Vaccine, Testing, Tracing Funds	State/Locality Relief Funding	Other Funds for Health Care Initiatives
<ul style="list-style-type: none"> ✓ Temporary enhancements to the PTC and CSRs ✓ State-Based Marketplace (SBM) funding 	<ul style="list-style-type: none"> ✓ Temporary premium assistance for individuals who lose employer-sponsored coverage 	<ul style="list-style-type: none"> ✓ Enhanced federal match for states newly expanding Medicaid ✓ Postpartum coverage extension 	<ul style="list-style-type: none"> ✓ Funding to carry out the National Strategy for the COVID-19 Response and Pandemic Preparedness 	<ul style="list-style-type: none"> ✓ \$350 billion in fiscal relief for states, Tribal governments, territories, counties, cities, and localities 	<ul style="list-style-type: none"> ✓ Funding for mental health/substance use programs ✓ Other public health initiatives

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Major Economic Stimulus/Anti-Poverty Measures Included in the American Rescue Plan:

 The legislation also includes measures such as enhanced federal unemployment insurance, child tax credits, and stimulus checks for Americans that make under \$80,000 per year.

Sources: [H.R. 1319 American Rescue Plan Act of 2021](#).



Explanation of Key Private Health Insurance Provisions

Broad-Based PTC Expansion for 2021 and 2022

The Act substantially increases PTC amounts and extends eligibility above 400% of federal poverty level (FPL)

- The PTC has made coverage affordable for millions of Americans, but there is broad agreement that there was room for improvement on two fronts:
 1. It was not large enough to make coverage affordable for some who are eligible
 - For example, a family of four with \$90,000 in income had to pay almost \$9,000 in premiums for the year, despite getting the PTC
 2. It ended in a cliff at 400% of FPL, leaving an “unsubsidized” group with no help regardless of the premium they faced
 - For example, a 60-year-old couple with \$75,000 in income were ineligible and so had to pay the full premium of \$23,000 per year

Broad-Based PTC Expansion for 2021 and 2022

The Act substantially increases PTC amounts and extends eligibility above 400% of FPL

- Section 9661 of the Act addresses both issues
 1. It increases PTC for those currently eligible by reducing the share of income consumers are expected to contribute towards the premium
 - The family of four with \$90,000 in income saves almost \$2,500 per year
 2. It extends PTC eligibility above 400% of FPL, capping the expected contribution at 8.5% of income
 - The 60-year-old couple with \$75,000 in income saves more than \$16,000
- These changes are effective for all of 2021 and 2022
- The Congressional Budget Office ([CBO](#)) expects this provision will cost \$34 billion and reduce net premium for most Marketplace enrollees. It will also increase Marketplace enrollment by 1.7 million people in 2022, of which 60% will have incomes under 400% of FPL

Broad-Based PTC Expansion for 2021 and 2022

The PTC increases at every income level

The Consumer's Expected Contributions as a Share of Income under the Act and Prior Law

Income Range (% of FPL)	Range of Expected Contributions for 2021 under Prior Law	Range of Expected Contributions for 2021 and 2022 under the Act
100% – 133%	2.07%	0%
133% – 150%	3.10% – 4.14%	0%
150% – 200%	4.14% – 6.52%	0% – 2%
200% – 250%	6.53% – 8.33%	2.0% – 4.0%
250% – 300%	8.33% – 9.83%	4.0% – 6.0%
300% – 400%	9.83%	6% – 8.5%
400% and higher	N/A	8.5%

The expected contribution (technically referred to as the “applicable percentage”) is the share of a consumer’s income they must generally pay towards a benchmark (2nd-lowest cost silver) plan with the PTC. Within the ranges shown the expected contributions increase linearly.

Broad-Based PTC Expansion for 2021 and 2022

The cliff at 400% of FPL is eliminated

60-Year-Old's Expected Contribution for a Benchmark Silver Plan



Note: Figures are based on national averages; excludes Hawaii and Alaska because of different FPL levels.
 Source: [Kaiser Family Foundation](#)

Broad-Based PTC Expansion for 2021 and 2022

Net Marketplace premiums decline for families of all sorts

Examples of Premium Savings

	Monthly marketplace premium payment		
	Current law	House proposal	Difference
45-year-old individual			
\$18,000 (141% FPL*)	\$54	\$0	-\$54
\$30,000 (235% FPL)	\$195	\$85	-\$110
\$45,000 (352% FPL)	\$369	\$274	-\$95
\$60,000 (470% FPL)**	\$511	\$425	-\$86
60-year-old couple			
\$30,000 (174% FPL)	\$132	\$24	-\$108
\$45,000 (261% FPL)	\$325	\$167	-\$158
\$60,000 (348% FPL)	\$492	\$360	-\$132
\$75,000 (435% FPL)**	\$1,920	\$531	-\$1,389
Family of four***			
\$45,000 (171% FPL)	\$193	\$32	-\$161
\$60,000 (229% FPL)	\$379	\$158	-\$221
\$90,000 (343% FPL)	\$737	\$531	-\$206
\$120,000 (458% FPL)**	\$1,445	\$850	-\$595

** Current-law examples for those with income over 400% of FPL are based on the national average benchmark premium adjusted for age where appropriate.

*** The sample family includes two 40-year-old adults, a 10-year-old child, and a 5-year-old child.

Source: [Center on Budget and Policy Priorities](#)

Additional PTC and CSR Expansions in 2021 Tied to Unemployment Insurance Benefits (UI)

The Act also provides free, high-value coverage to anyone receiving UI in 2021

- Millions of Americans are receiving UI after losing jobs due to the pandemic
- The Act gives this group access to the most generous PTC and CSR levels
- Under Sections 9663 and 2305 of the Act, income over 133% of FPL is disregarded in calculating PTC and CSRs for UI recipients
- As a result, they receive:
 - PTC covering the full premium with no expected contribution
 - A silver plan variant with a 94% actuarial value (AV)
- Also, they are eligible for PTC even if their income is below 100% of FPL, providing a partial fix to the Medicaid expansion gap

Additional PTC and CSR Expansions in 2021 Tied to Unemployment Insurance Benefits

The Act also provides free, high-value coverage to anyone receiving UI in 2021

- To qualify, an individual must receive, or be found eligible to receive, UI for at least one week of 2021, as substantiated under rules to be drafted by the Treasury Department and IRS
- If an individual qualifies, the provision applies for all of 2021 (though CSRs may not apply retroactively)
- The income disregard does not apply for purposes of the affordability of employer-sponsored coverage, or for Medicaid eligibility
- [CBO](#) estimated that the PTC increase alone would cost \$4.5 billion and help 1.4 million people, including 500,000 new Marketplace enrollees

Relief from 2020 PTC Repayment

The Act forgives excess advance PTC payments made in 2020

- The pandemic and related changes in eligibility rules made it difficult to accurately predict income and calculate advance PTC amounts (APTC) for 2020
- Section 9662 of the Act forgives any excess 2020 APTC owed back under reconciliation
- To qualify, consumers must reconcile APTC by completing Form 8962 as usual
- [CBO](#) estimates the cost at \$6.3 billion
- Given that tax filing season is underway, there are questions about how this relief will be provided
- Some people have already filed and made repayments and are owed a refund by the IRS
- Others still need to file, but forms and tax software may take time to be updated
- The IRS is expected to release guidance shortly on what consumers should do
- Marketplaces can share this information with their 2020 enrollees

COBRA Subsidies in 2021

The Act gives former employees another fully subsidized coverage option in 2021

- Section 9501 of the Act provides federal subsidies to cover 100% of COBRA subsidies for up to six months of 2021 (April 1 – Sept. 30)
- Must be currently eligible for COBRA (lost job/reduction of hours in last 18 months)
 - Remain eligible if you did not elect or discontinued COBRA at an earlier point
- Employers must provide notice and open enrollment to eligible former employees not now enrolled in COBRA
 - Subsidies are retroactive to April 1 if signed up for within 60 days of notice
- A majority of states have “mini-COBRA” laws for small businesses (federal COBRA is for businesses with 20 or more employees)
- CBO estimated that an 85% COBRA subsidy would increase COBRA enrollment by 2.2 million people (annualized basis) and cost \$7.8 billion

Funding for SBM Upgrades

The Act establishes a grant program for State-Based Marketplace (SBM) modernization

- Section 2801 provides \$20 million in grants for SBMs to modernize or upgrade any system, program or technology to ensure compliance with Act requirements
- Includes 15 SBMs with their own technology platforms and 6 SBMs that rely on Healthcare.gov
- The U.S. Department of Health and Human Services (HHS) will determine an application process for funds available through September 2022
- The Biden Administration has already made new investments in consumer outreach for Healthcare.gov, which currently supports 36 states



Policy Considerations for States

State Implementation Considerations

The Act will require states to examine a number of state-level policy issues

- Enhancing consumer outreach and education, especially to off-Marketplace, uninsured, and UI populations (though Federally Facilitated Marketplace (FFM) states will be supplementing federal efforts)
- Updating mini-COBRA rules to ensure they work with the COBRA subsidy
- Navigating 2022 rate setting given the altered policy landscape
- Considering options to mitigate deductible resets amidst likely churn among coverage options
- Reexamining other policy initiatives that are in place or under consideration. For example, broad-based state premium subsidies and state reinsurance programs may become lower priority while the broad-based PTC expansion is in place

Opportunities for Consumers

The Act creates multiple opportunities for consumers in different circumstances to receive better and more affordable coverage

- **Marketplace Enrollees**
 - Likely eligible for new or larger subsidies
 - May want to switch plans to take advantage of increased APTC or UI-linked CSR
- **COBRA Enrollees** should see their premiums drop to zero through September 2021
- **The Uninsured**
 - Likely eligible for Marketplace subsidies that make coverage free or quite affordable
 - May also be eligible for COBRA subsidies
 - Those eligible for both should compare premiums and cost-sharing and consider continuity with current coverage and post-September
- **Off-Marketplace Individual Market Enrollees**
 - Likely eligible for large (or full) subsidies for similar coverage on the Marketplace
 - Should switch as soon as possible to avoid leaving money on the table

Given the short duration of the expanded subsidies, the last two categories are key priorities. Marketplace enrollees can receive expanded PTC on the back end, but each month spent uninsured or off-Marketplace is a month that will never be subsidized.

Federal and Marketplace Implementation Considerations

Providing these new benefits requires federal and state partners to work through guidance and implementation issues

- **PTC and CSR Expansions**
 - Updating Marketplace eligibility systems
 - Rules on UI substantiation and other issues
 - Decisions about setting APTC for current enrollees
 - Contacting current enrollees
- **COBRA Subsidy**
 - Rules for mini-COBRA and other issues
 - Model notices for employers
- **Special Enrollment Periods (SEPs)**
 - Rules under existing SEPs for off-Marketplace enrollees and switching plans
 - Potential extensions beyond May 15
 - COBRA subsidy expiration

Additional Resources

- KFF calculator for 2021 PTC and net premiums under the American Rescue Plan:
 - <https://www.kff.org/interactive/subsidy-calculator/>
- KFF calculator for 2021 PTC and net premiums *before* the American Rescue Plan:
 - <https://www.kff.org/interactive/subsidy-calculator-2021-before-covid-relief/>
- GetInsured calculator for the impact of the broad-based PTC increase:
 - <https://mypremiumsubsidy.com/screener/american-rescue-plan.html#/>

Discussion

The slides and a recording of the webinar will be available at www.shvs.org after the webinar

Thank You

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