

Health Insurance Relief for Unemployed Individuals and Families

The Affordable Care Act (ACA) includes two important means of assistance for consumers to afford their health coverage through the ACA marketplaces – advance premium tax credits (APTC) to off-set the cost of monthly premiums and cost-sharing reduction (CSR) assistance to further limit consumer out-of-pocket costs. CSRs cap an individual's out-of-pocket maximum at \$2,700/ year, as opposed to \$6,500/ year without them. This legislation helps low-income consumers qualify for higher APTCs and access CSRs. Additionally, it eliminates the burden of repayment of excess APTCs for tax years 2021 and 2022 due to income fluctuations likely to result from the economic impacts of COVID-19.

The CARES Act included an additional \$600 weekly federal unemployment benefit, effective until July 31, 2020. For the purposes of determining Medicaid and CHIP eligibility, the \$600 weekly federal unemployment benefit does not count towards monthly income. However, it does count towards annual income, which affects eligibility for APTCs and CSRs for marketplace plans.

Increases Financial Assistance. In many states, a number of low-income, recently unemployed individuals, and their families may have incomes just slightly above the Medicaid and CHIP eligibility thresholds. As a result, these consumers will need to enroll in marketplace plans to receive health coverage. However, their eligibility for APTCs and CSRs will be more limited due to the \$600 weekly federal unemployment benefit being counted as annual income.

The legislation exempts the \$600 weekly federal unemployment benefit from annual income during this public health emergency, which will increase the amount of financial assistance unemployed consumers will qualify for, thereby lowering their monthly health insurance premium and/or out-of-pocket costs. This exemption would not apply to individuals who would move out of the coverage gap if the additional \$600 is counted towards their annual income. For example, individuals in some states may now qualify for an APTC because of the additional \$600 weekly federal unemployment benefit. This exemption would not apply to them.

Temporarily Eliminates the Burden of Excess APTC Repayment. When enrolling in a marketplace plan, consumers may elect to receive their APTC based on projected household income, which must be reconciled based on their actual income when they file their taxes.

Temporarily eliminating the repayment burden of excess APTCs will help unemployed consumers better manage what they may owe in the 2021 and 2022 tax seasons. Due to the uncertainty of employment during the COVID-19 public health emergency, it will be more difficult for people to estimate projected household income. For example, people who are laid off now may underestimate their annual income assuming they will not be able to restart work this year, receive an APTC, then start working again later this year and wind up with a higher annual income than they had expected. This series of events would result in the consumer having a tax bill to pay back the APTC next spring.

To address this, the legislation would eliminate excess APTC repayment for two years.