THE AMERICAN RESCUE PLAN:

REPORT ON HEALTH CARE SAVINGS FOR THE 6TH DISTRICT OF MARYLAND

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HOUSE COMMITTEE ON OVERSIGHT AND REFORM
FOR REPRESENTATIVE DAVID TRONE

I. INTRODUCTION

At least 31 million Americans have gained access to affordable, high-quality health insurance as a direct result of the Patient Protection and Affordable Care Act (ACA) signed by President Obama in 2010. The ACA expanded health insurance coverage for millions by providing states with the option to expand their Medicaid eligibility and creating online Marketplaces for consumers to compare and purchase insurance with the support of tax credits and other financial assistance.[1]

The American Rescue Plan Act, signed into law by President Biden on March 11, 2021, builds on the ACA to reduce the cost of health insurance coverage and allow even more Americans to access affordable health care. For 2021 and 2022, the American Rescue Plan broadens eligibility for financial assistance to help pay for coverage through the federal Marketplace at HealthCare.gov and state-based Marketplaces, and the law lowers premiums for most people who currently have a Marketplace plan.[2]

Since enactment, the American Rescue Plan has, on average, lowered premiums for consumers with existing federal Marketplace plans by 40%. Over one-third of the consumers who have taken advantage of the new lower rates have selected plans with monthly premiums of $10 or less. For new consumers, the median deductible has fallen by 90%.[3]

Expanding access to affordable health care coverage helps families and communities to live healthier and more secure lives. This is particularly true for communities of color, who have historically experienced higher rates of uninsurance and underinsurance. People with health care coverage are more likely to get an early diagnosis and are better able to access treatment and prescription drugs.[4] People with insurance experience lower mortality rates and improved health outcomes.[5] The American Rescue Plan ensures more families have access to this vital lifeline.

II. HOW THE AMERICAN RESCUE PLAN EXPANDS ACCESS TO HEALTH CARE

Since the ACA's coverage provisions were implemented in 2014, the law has expanded affordable, quality health insurance to at least 31 million Americans. Over that time, the national uninsured rate has dropped from 14.5% to 9.2%, and the uninsured rate in every state and the District of Columbia has decreased. Seven states—California, Kentucky, New York, Oregon, Rhode Island, Washington, and West Virginia—reduced their uninsured rate by more than half.[6]

The coronavirus pandemic has led to job losses and increased economic instability for millions of Americans. The American Rescue Plan provides critical relief to families by reducing the cost of health insurance through more generous tax credits in these ways:

- The American Rescue Plan reduces the expected household premium contribution for plans purchased on the federal or state marketplaces for most people with a household income between 100% to 400% of the federal poverty level (FPL). For those between 100% and 150% FPL, the household contribution is lowered to zero.[7]

- The American Rescue Plan removes the household income eligibility limit of 400% FPL for certain households, allowing them to receive premium tax credits for the first time.[8]

Approximately 9 million people who are enrolled in a Marketplace plan already receive financial assistance to pay for their insurance plans. Under the American Rescue Plan, they will have the opportunity to choose between multiple plans with yearly premiums that will cost no more than 8.5% of their household income. Under this law, four out of five Marketplace enrollees will be able to find a plan for $10 or less per month, and over 50% will be able to obtain a Silver plan for $10 or less per month.[9]

As a result of the American Rescue Plan, approximately 14.9 million uninsured Americans will be able to access financial assistance to purchase health care coverage. Of those, an estimated 3.6 million people will be newly eligible for financial assistance, and an approximately 1.8 million uninsured people with incomes below 150% FPL will be eligible for zero-dollar Marketplace coverage. The remaining 9.5 million uninsured people whose income falls between 150% and 400% FPL could qualify for more generous financial assistance than previously offered under the ACA to reduce out-of-pocket costs for Marketplace premiums.[10]

III. THE IMPACT OF THE AMERICAN RESCUE PLAN ON MARYLAND'S 6TH CONGRESSIONAL DISTRICT

In Maryland's 6th Congressional District, there are an estimated 26,000 individuals who already purchase health insurance plans on the individual market—all of whom could realize significant savings under the American Rescue Plan.

There are also an estimated 21,000 uninsured individuals in the district who could access a $0 premium.[11] If everyone in the district with access to a $0 premium plan signed up for coverage, the number of uninsured people in the district would be reduced by 50%.

Benefits for Individuals and Families with Private Health Insurance

There are an estimated 26,000 people in the district who currently purchase health insurance on the individual market and could benefit from the American Rescue Plan. The average household could save approximately $3,100 in health insurance premiums annually.

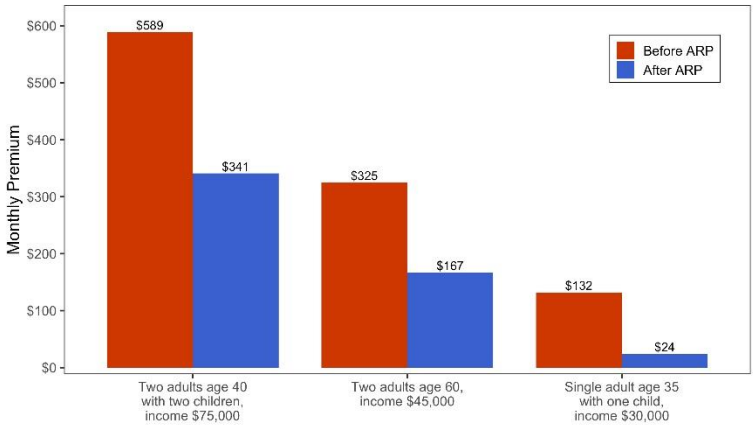
The estimated 18,000 individuals in the district who were already receiving ACA tax credits before the American Rescue Plan could benefit from larger credits as a result of the American Rescue Plan.[12] For example, as shown in Figure 1:[13]

- A family with two individuals age 40, two children, and a household income of $75,000 could see their monthly premiums for the benchmark Silver plan cut by over 40%, from $589 to $341, generating $2,976 in annual savings.

- An older couple age 60 with a household income of $45,000 could see their monthly premium cut nearly in half from $325 to $167, generating $1,896 in annual savings.

- A single-parent household with one adult age 35, one child, and a household income of $30,000 could see their monthly premium cut by over 80% from $132 to $24, generating $1,296 in annual savings.

Figure 1: Impact on Premiums for Households Eligible for Larger Subsidies

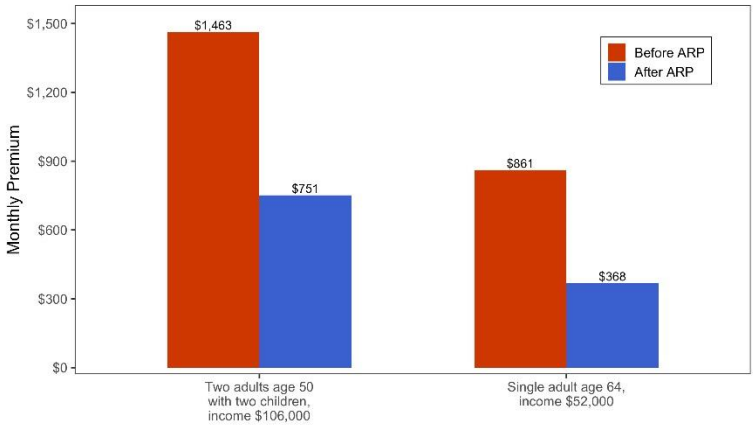


Others in the district who were previously not eligible to receive tax credits but now qualify under the American Rescue Plan could also benefit. Their savings could be substantial, especially for older adults, who have historically paid the highest premiums.[14] For example, as shown in Figure 2:[15]

- A family of four with two adults age 50, two children, and a household income of $106,000, could see their monthly premiums cut by 49% from $1,463 to $751, generating $8,544 in annual savings.

- A single individual age 64 who makes $52,000 could see monthly premiums cut by 57% from $861 to $368, generating $5,916 in annual savings.

Figure 2: Impact on Premiums for Households Newly Eligible for Subsidies



Benefits for Uninsured Individuals and Families

In the district, there are an estimated 25,000 individuals who do not currently have health insurance but are eligible for tax credits under the American Rescue Plan, including an estimated 21,000 who can now enroll in an ACA plan at no cost. Prior to passage of the American Rescue Plan, only 18,000 uninsured individuals in the district had access to a $0 plan.

If everyone with access to plans with $0 premiums enrolled in ACA plans, this would cut the uninsured rate in the district by up to 50%, reducing the rate of uninsured people to 3.3%.

Consumer Access to the Full Premium Tax Credits During 2021

Households in the district that were already receiving tax credits under the ACA will have their premiums automatically lowered. However, uninsured households and households that previously earned too much to receive tax credits will not receive the enhanced tax credits if they do not act by August 15, 2021.[16]

METHODOLOGY

This staff report estimates the potential benefits of the American Rescue Plan (ARP) by congressional district. This staff report draws on data from Public Use Files made available by the Centers for Medicare and Medicaid Services (CMS), the Census Bureau's American Community Survey, the Kaiser Family Foundation's "Health Insurance Marketplace Calculator"[17] and its "2021 Calculator – Before COVID-19 Relief,"[18] the Missouri Census Data Center, and the Robert Wood Johnson Foundation HIX Compare dataset.

Enrollment by Congressional District

For states using HealthCare.gov, enrollment estimates are primarily based on CMS's 2021 Marketplace Open Enrollment Zip Code-Level Public Use Files. These files provide the number of enrollees in each zip code as of the end of the 2021 Marketplace Open Enrollment Period.[19] A crosswalk provided by the Missouri Census Data Center is used to map zip codes to congressional districts.[20] When a zip code is divided among multiple congressional districts, the enrollees are allocated to each district based on the share of the zip code residing in each district. When enrollment for one or more zip codes in a county is suppressed, the enrollment in the county's unsuppressed zip codes is first subtracted from the county's total enrollment.[21] The difference is then divided among the county's suppressed zip codes based on the number of people in each zip code who have individual (nongroup) health insurance and income below 400% FPL.[22]

ACA Marketplace Enrollees Who Received a Marketplace Subsidy as of December 2020

CMS provides data on the number of enrollees in each zip code who received a marketplace subsidy through HealthCare.gov as of December 2020.[23] District level estimates are then calculated using the same methodology used to estimate district enrollment in HealthCare.Gov.

Monthly Premiums for Selected Households

The estimated monthly premiums and annual savings for selected households in each district under the ARP were calculated using the Kaiser Family Foundation's "Health Insurance Marketplace Calculator"[24] and its "2021 Calculator – Before COVID-19 Relief."[25] For purposes of these estimates, all children are assumed to be under the age 14, and no household members use tobacco.

Average Household Savings

The estimated average savings are primarily based on five-year ACS data from 2015 to 2019. They were calculated according to a methodology set out in a March 2021 report by the Office of the Assistant Secretary for Planning and Evaluation (ASPE).[26] The following paragraphs briefly outline how the ASPE methodology was used to estimate these savings.

For each county, HIX Compare provides marketplace data on the pre-subsidy premium of the benchmark Silver plan for a single 27-year-old who does not use tobacco.[27] Each person in the county with individual health insurance is assumed to pay this rate, adjusted for the person's age using the state's age curve.[28] For congressional districts containing multiple counties, each person in the district with individual health insurance is assumed to pay the population-weighted average of the county benchmark plans, adjusted for age. Household premiums equal the sum of each household member's individual premium.

Each household's expected financial contribution towards the health insurance premium is determined based on the household income, household size, and insurance premium, according to the ACA's formula for the pre-ARP contribution and the ARP's formula for the post-ARP contribution. The average household savings in the district is the difference between the pre-ARP and post-ARP contribution, after applying the ACS's household weights.

Eligibility for Enhanced Tax credits and $0 or Low-Cost Premiums

To determine the number of individuals that could be eligible for enhanced tax credits under the ARP, each household's expected financial contribution is proportioned among its members according to their share of the household premium. Each individual's marketplace subsidy equals the difference between their contribution and the premium for the benchmark Silver plan in their congressional district. Each individual's pre- and post-ARP marketplace subsidy is compared to identify the number of people in the district who benefit from the ARP.

Each individual's post-ARP marketplace subsidy is also used to estimate the number of people in the district who are eligible for a $0 premium plan or the lowest-cost plan permitted under the state's regulations. It is assumed that $0 premium plans are available in states operating state-based exchanges that neither require nor prohibit plans from offering abortion services.

Scope of the Report

This staff report uses best available data to estimate the effects of the American Rescue Plan's enhanced marketplace tax credits. It does not account for those policies in the law that are designed to make health insurance more affordable specifically for individuals who have lost their jobs or had their work hours reduced. Nor does it account for every possible person who might be eligible for enhanced tax credits. For example, under the ACA, an individual with an offer of employer-sponsored insurance may receive premium tax credits if the offer is "unaffordable" and their income is below 400% FPL.[29] As a result of the American Rescue Plan, individuals with unaffordable offers of employer-sponsored insurance and income *above* 400% FPL may also be eligible for marketplace tax credits. However, the analysis does not account for some of these people.

The Committee's methodology differs from ASPE's in a number of ways that may lead to variations between estimates. For example, ASPE estimates premiums and APTC at the county level, while the Committee's estimates are at the district level. The Committee's analysis assumes all children to be under the age 14 and that no household members use tobacco, while

the ASPE analyses ages 0-17 and 65+ and did not make assumptions about tobacco use/non-use. Finally, ASPE used the 1-year 2019 ACS, rather than 5-year estimates.

ENDNOTES

[1] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Health Coverage Under the Affordable Care Act: Enrollment Trends and State Estimates* (June 5, 2021) (HP-2021-13) (online at https://aspe.hhs.gov/system/files/pdf/265671/ASPE%20Issue%20Brief-ACA-Related%20Coverage%20by%20State.pdf).

[2] Changes to premium tax credits apply retroactively for coverage beginning January 2021 and last for two calendar years. Premium tax credits have been available through the Healthcare.gov Marketplace since April 1, 2021, and will be available for the rest of the year.

[3] Centers for Medicare and Medicaid Services, *2021 Marketplace Special Enrollment Period Report* (Jul. 14, 2021) (online at www.cms.gov/newsroom/fact-sheets/2021-marketplace-special-enrollment-period-report-3).

[4] American Hospital Association, *The Importance of Health Coverage* (Oct. 2019) (online at www.aha.org/system/files/media/file/2019/10/report-importance-of-health-coverage_1.pdf).

[5] *Id.*

[6] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, *Health Coverage Under the Affordable Care Act: Enrollment Trends and State Estimates* (June 5, 2021) (HP-2021-13) (online at https://aspe.hhs.gov/system/files/pdf/265671/ASPE%20Issue%20Brief-ACA-Related%20Coverage%20by%20State.pdf).

[7] The ARP premium tax credits are available to people with household incomes of between 100% to 400% FPL in non-Medicaid expansion states, and between 138% to 400% FPL in Medicaid expansion states. *See* Department of Health and Human Services, Assistant Secretary for Planning and Evaluation Office of Health Policy, *Access to Marketplace Plans with Low Premiums on the Federal Platform Part II: Availability Among Uninsured Non-Elderly Adults Under the American Rescue Plan* (Apr. 1, 2021) (HP-2021-08) (online at https://aspe.hhs.gov/pdf-report/access-to-low-premiums-issue-brief-part-II).

[8] Households with an income above 400% FPL who are paying more than 8.5% of their income towards the benchmark plan will be newly eligible for subsidies. Department of Health and Human Services, Assistant Secretary for Planning and Evaluation Office of Health Policy, *Access to Marketplace Plans with Low Premiums on the Federal Platform Part II: Availability Among Uninsured Non-Elderly Adults Under the American Rescue Plan* (Apr. 1, 2021) (HP-2021-08) (online at https://aspe.hhs.gov/pdf-report/access-to-low-premiums-issue-brief-part-II).

[9] Before the American Rescue Plan, 69% of enrollees were able to find a plan for $10 or less per month, and 14 percent were able to find a Silver plan for $10 or less per month. Department of Health and Human Services, *Fact Sheet: The American Rescue Plan: Reduces Health Care Costs, Expands Access to Insurance Coverage and Addresses Health Care Disparities* (Mar. 12, 2021) (online at www.hhs.gov/about/news/2021/03/12/fact-sheet-american-rescue-plan-reduces-health-care-costs-expands-access-insurance-coverage.html).

[10] *Id.*

[11] Under the ACA, any exchange plan that covers abortion services is required to charge consumers at least a nominal amount for those services. In states where plans cover abortion services, consumers are charged this nominal amount for plans that would otherwise have $0 premiums as a result of the American Rescue Plan's tax credit provisions. In states operating state-based exchanges that neither require nor prohibit plans from offering abortion services, for which ASPE does not collect data, it is assumed that $0 premium plans are available. Kaiser Family Foundation, *Coverage for Abortion Services in Medicaid, Marketplace Plans, and Private Plans* (June 2019) (online at https://files.kff.org/attachment/issue-brief-coverage-for-abortion-services-in-medicaid-marketplace-plans-and-private-plans#page=5); Guttmacher Institute, *Regulating Insurance Coverage of Abortion* (July 1, 2021) (online at www.guttmacher.org/state-policy/explore/regulating-insurance-coverage-abortion).

[12] The amount of premium savings a household receives will receive depends on the size of the family, the age of the family members, the income of the family, and whether family members use tobacco. New York and Vermont do not adjust for age. These states, along with California, the District of Columbia, Massachusetts, New Jersey, and Rhode Island, also do not adjust for tobacco use.

[13] All estimates are for households living in Washington County (zip code: 21740).

[14] Prior to passage of the American Rescue Plan, households could face a premium "cliff" if their income exceeded 400% of the federal poverty level, which made them ineligible for subsidies that capped their health insurance premiums at no more than 9.83% of household income. For a person age 64 earning 401% FPL, the average unsubsidized premium was nearly 25% of household income prior to passage of the American Rescue Plan. Under the American Rescue Plan, households with an income above 400% FPL who are paying more than 8.5% of their income towards the benchmark plan will be newly eligible for subsidies. *See How the American Rescue Plan Will Improve Affordability of Private Health Coverage*, Kaiser Family Foundation, (Mar. 17, 2021) (online at www.kff.org/health-reform/issue-brief/how-the-american-rescue-plan-will-improve-affordability-of-private-health-coverage).

[15] All estimates are for households living in Washington County (zip code: 21740).

[16] Madeline O'Brien and Sabrina Corlette, *State Action Related to COVID-19 Relief: Expanding Access to Affordable Coverage Options*, Center on Health Insurance Reforms, Georgetown University McCourt School of Public Policy (June 28, 2021) (online at https://doi.org/10.26099/csa1-7z12).

[17] Kaiser Family Foundation, *Health Insurance Marketplace Calculator* (online at www.kff.org/interactive/subsidy-calculator) (accessed on July 26, 2021).

[18] Kaiser Family Foundation, *2021 Calculator – Before COVID-19 Relief* (online at www.kff.org/interactive/subsidy-calculator-2021-before-covid-relief) (accessed on July 26, 2021).

[19] Centers for Medicare and Medicaid Services, *2021 Marketplace Open Enrollment Period Public Use Files* (online at www.cms.gov/research-statistics-data-systems/marketplace-products/2021-marketplace-open-enrollment-period-public-use-files) (accessed on July 23, 2021). For the 36 states using HealthCare.gov, the open enrollment period ran from November 1, 2020, to December 15, 2020, and includes late Marketplace activity, which ended on December 21, 2020.

[20] Missouri Census Data Center, *MABLE/Geocorr18 Version 1.0: Geographic Correspondence Engine* (online at http://mcdc.missouri.edu/applications/geocorr2018.html) (accessed on Feb. 8, 2021).

[21] Centers for Medicare and Medicaid Services, *2021 Open Enrollment Period County-Level Public Use File* (online at www.cms.gov/files/zip/2021-oep-county-level-public-use-file.zip) (accessed on July 23, 2021). The CMS public use files also contain enrollment numbers for each county for states using the Healthcare.gov federal Marketplace.

[22] This proportion is estimated using the American Community Survey. Census Bureau, *Private Health Insurance by Ratio of Income to Poverty Level in the Past 12 Months by Age* (Table C27017) (online at https://data.census.gov/cedsci/table?q=C27017%20&g=0100000US.50016&tid=ACSDT1Y2019.C27017) (accessed on June 29, 2021).

[23]Centers for Medicare and Medicaid Services, *2021 Open Enrollment Period State-Level Public Use File* (accessed on July 23, 2021) (online at www.cms.gov/files/zip/2021-oep-state-level-public-use-file.zip).

[24] Kaiser Family Foundation, *Health Insurance Marketplace Calculator* (online at www.kff.org/interactive/subsidy-calculator) (accessed on July 26, 2021).

[25] Kaiser Family Foundation, *2021 Calculator – Before COVID-19 Relief* (online at www.kff.org/interactive/subsidy-calculator-2021-before-covid-relief) (accessed on July 26, 2021).

[26] Department of Health and Human Services, Assistant Secretary for Planning and Evaluation Office of Health Policy, *Access to Marketplace Plans with Low Premiums on the Federal Platform Part I: Availability Among Uninsured Non-Elderly Adults and HealthCare.gov Enrollees Prior to the American Rescue Plan* (Mar. 29 2021) (HP-2021-07) (online at https://aspe.hhs.gov/system/files/pdf/265291/low-premium-plans-issue-brief.pdf). *See* Department of Health and Human Services, Assistant Secretary for Planning and Evaluation Office of Health Policy, *Research Brief: Nearly 5 in 10 Uninsured Single Young Adults Eligible for the Health Insurance Marketplace Could Pay $50 or Less Per Month for Coverage in 2014* (October 28, 2013) (online at https://aspe.hhs.gov/system/files/pdf/180316/rb_uninsuredyoungadults.pdf).

[27] HIXCompare, *Individual Market: Current Version* (online at https://hixcompare.org/individual-markets.html) (accessed on July 19, 2021). The benchmark Silver plan is the second-lowest cost plan in the county.

[28] Centers for Medicare and Medicaid Services, *2018 State Specific Age Curve Variations* (June 31, 2017) (online at https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Downloads/StateSpecAgeCrv053117.pdf).

[29] Employer-sponsored insurance is considered "unaffordable" if the self-only plan costs at least 9.83% of an employee's household income. *See* Healthcare.gov, *Affordable Coverage* (online at www.healthcare.gov/glossary/affordable-coverage) (accessed on July 19, 2021).