

Policy At A Glance:

The American Rescue Plan Act of 2021 and Health Insurance Coverage

The American Rescue Plan Act of 2021 (H.R. 1319) includes provisions to help Americans obtain health insurance coverage. This brief provides an overview of these provisions.

Introduction

On March 11, 2021, President Joseph R. Biden signed into law the American Rescue Plan Act of 2021 (H.R. 1319), which is better known to the general public as the fifth COVID-19 relief package providing a third stimulus payment of \$1400 per eligible individual.¹ With a price tag totaling \$1.9 trillion, the law aimed to address “the continued impact of COVID-19 (i.e. coronavirus disease 2019) on the economy, public health, state and local governments, individuals, and businesses.”²

As such, the American Rescue Plan Act of 2021 (ARPA) contains many more provisions than the stimulus payment. Its provisions cover numerous areas ranging from COVID-19 vaccinations to childcare to programs for older Americans to mental health, to name a few.²

One important area addressed by the ARPA is the promotion of access to healthcare through more affordable health insurance coverage given that an estimated 12 million Americans lost their health insurance coverage during the pandemic.³ This policy brief reviews ARPA’s provisions that deal with health insurance coverage.

ARPA Timeline

- 2/24/2021** Introduced in the U.S. House of Representatives
- 2/27/2021** Passed in the House
- 3/6/2021** Passed in the U.S. Senate with amendment
- 3/10/2021** Amended version passed by the House
- 3/11/2021** Signed into law by the President as P.L. 117-2

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Expansion of Marketplace Premium Subsidies

The ARPA temporarily increases and expands eligibility for private health insurance plans purchased through the Affordable Care Act (ACA) Marketplace at every income level for taxable years 2021 and 2022. First of all, individuals and households with income up to 150% of the federal poverty level (FPL) can now enroll in benchmark silver plans (i.e. the second lowest cost silver plan in their area) for zero premium with greatly reduced deductibles.^{2,4} Prior to the ARPA, enrollees had to pay some percentage of their income for these plans, with the percentage graduated according to income levels (e.g., 2.07% for income at 100% FPL and 4.14% for income at 150% FPL).⁴

In addition, the ARPA increases the premium subsidies for those whose incomes are between 150% and 400% FPL such that the percent of the income they have to pay towards the Marketplace insurance premium is decreased.^{2,4} For example, those with income of 200% FPL were required to contribute \$1664 toward the cost of the benchmark Marketplace plan in 2021 prior to the ARPA but now need to contribute just \$510, which is more than a two-thirds reduction in premium cost.⁴

Furthermore, those with incomes above 400% FPL are now eligible for Marketplace premium subsidies for the first time. With the ARPA, those who earn more than 400% FPL will have their benchmark silver plan premium capped at 8.5% of their household income.^{2,4}

These changes are effective through the end of 2022.² Due to the COVID-19 public health emergency, people can enroll in or change Marketplace plans at HealthCare.gov through August 15, 2021.⁵ The Congressional Budget Office (CBO) estimates that about 1.7 million people would gain coverage through the Marketplace in 2022 as a result of the ARPA, with 1.3 million being those who were previously uninsured.⁶

What is a Health Insurance Marketplace?

Created by the Affordable Care Act (ACA), a Health Insurance Marketplace (also known as a Health Exchange) allows consumers to compare various health insurance plans available in their area, find out the amount of eligible tax credit (i.e. subsidy) for their insurance premiums, and enroll in plans, which are categorized as platinum, gold, silver or bronze. The federal Marketplace is available at HealthCare.gov while some states have their own Marketplaces (e.g., Covered California).⁷



Special Coverage Provisions for the Unemployed

Background Information

During the COVID-19 pandemic, many Americans lost their jobs as businesses shut down or decreased their workforce. According to reports by the United States Department of Labor, approximately 78 million initial jobless claims have been filed over the course of the pandemic.⁸ Those who lost their jobs during the pandemic have been eligible for the unemployment insurance (UI), which is a federally mandated program run by individual state governments in providing cash stipends to unemployed workers who meet certain eligibility requirements.⁹

Enhanced Marketplace Subsidies

The ARPA provides enhanced subsidies for Marketplace plans for those who receive or are approved to receive UI benefits during any week in 2021. For this group of Americans, household income in excess of 133% FPL will not be counted for the purpose of determining eligibility for Marketplace premium and cost sharing subsidies in 2021. In other words, those who receive UI at any time in 2021 will be eligible for a zero-premium benchmark silver plan with comprehensive cost sharing subsidies for 2021.^{2,4}

Furthermore, those receiving UI benefits will be considered “applicable taxpayers” during 2021 so that they can be eligible for Marketplace

subsidies even when their income falls below 100% FPL.^{2,4} (To be eligible for these subsidies under the ACA in normal circumstances, one must be an “applicable taxpayer,” which requires having an income of at least 100% FPL.⁴) With the special exception being made for 2021, those receiving UI benefits can qualify for the Marketplace subsidies no matter the amount of their income from the UI benefits.

Temporary COBRA Premium Subsidies

The ARPA also provides temporary subsidies to cover 100% of the monthly premium costs for COBRA, which stands for the Consolidated Omnibus Budget Reconciliation Act and is better known as the continuation of employer-sponsored health benefits for workers and their families for limited periods of time when the worker experiences voluntary or involuntary job loss, transition between jobs, death, divorce, etc.^{2,4,10} To be eligible for the subsidy, however, the COBRA qualifying event must be job loss or reduction in work hours. The subsidy can be applied no earlier than April 1, 2021, and ends when the individual is no longer eligible for COBRA or on September 30, 2021, whichever occurs first. COBRA premium subsidies will not be counted as income to the individual. Under the ARPA, the former employer will cover the COBRA premium for subsidy-eligible individuals and then get reimbursed by the federal government for the cost.^{2,4}

Conclusion

The COVID-19 pandemic affected health in multiple ways, and one important repercussion of the pandemic was the loss of employer-sponsored health insurance coverage due to job loss or reduction in work hours. The American Rescue Plan Act of 2021 addresses this important issue by temporarily extending subsidies for Americans to enroll in health insurance plans through the ACA Marketplace or through COBRA.

Although the subsidies are quite generous, they are temporary, intending to provide immediate relief during the acute phase of the pandemic. In order to ensure adequate healthcare coverage for all Americans, more systematic and lasting improvements need to be made in our economy and healthcare system as our country recovers from the pandemic, rebuilds the economy, and realigns its priorities to fortify the public health and healthcare infrastructures to better prepare for future pandemics or public health emergencies that may arise.

References

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Did you know?

For 2021, the national average for an individual's monthly health insurance premium for a benchmark silver plan in the ACA Marketplace is \$452 before applying any subsidy.¹¹



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