Federal Policy Updates

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Overview: Federal Policy Updates

Key federal policy changes are in process and/or currently under debate that will have significant implications for Health Connector members.

Administrative	Congressional
• "Family glitch" fix • 2023 Notice of Benefit and Payment Parameters	• Uncertainty re: extension of the enhanced premium subsidies via the American Rescue Plan Act (ARPA)

Federal Rulemaking re: Marketplace Policy

"Family Glitch" Fix – Policy Background

A recently proposed rule from US Treasury and IRS would fix the long-standing "family glitch" issue that has barred many households from eligibility for ACA premium tax credits.

- The ACA has historically been interpreted to find not only an employee but also their family members ineligible for ACA premium tax credits if self-only coverage for the employee is affordable as defined by the ACA, even if family coverage is not
- Nationally, an estimated 5.1 million people (mostly children of low-income workers) fall into the family glitch and are thus barred from enrolling in subsidized marketplace coverage. Many of these families go on to purchase health insurance (either through a family member's job or the Marketplace) but pay high portions of their income towards premiums
- In Massachusetts, this affects both individuals and families that would qualify for "APTC only" coverage, as well as ConnectorCare eligibility, since ConnectorCare eligibility is conditional on federal rules governing APTC eligibility
- On April 5th, Treasury and IRS issued a proposed rule that adjusts the definition of affordable employer-sponsored coverage for an employee's family to reflect the cost of covering the worker's whole family rather than just the individual worker

"Family Glitch" Fix – Implementation and Impacts

The Health Connector and other Marketplaces are proceeding towards implementation of this change.

- Estimates for the number of Massachusetts residents that will be newly eligible for ACA premium tax credits are roughly 44,000 residents, per an Urban Institute analysis
- The Health Connector is working with the HIX team and Optum on an implementation pathway and currently anticipate being ready to implement changes this fall once the rule is finalized
- The system change itself will allow individuals in the HIX to report family premiums and have family members become newly eligible for APTC if their employer sponsored insurance (ESI) offer did not meet the affordability threshold for the full family
- CCA is exploring outreach and education opportunities to ensure that residents not currently enrolled in CCA may be eligible for this new benefit.

2023 Notice of Benefit and Payment Parameters

CMS recently finalized the 2023 Notice of Benefit and Payment Parameters, which is the annual rule that sets Marketplace and ACA commercial market policy.

- The 2023 rule introduced a number of new initiatives and policies for Marketplaces and ACA commercial market policy of importance to the Health Connector
- There were two topics in proposed rule that CCA had expressed concerns about in its comment letter: (1) the requirement that state Marketplaces prorate premiums and APTC for partial-month coverage, and (2) new requirements related to improper payment audits. Neither of these proposals was finalized
- HHS reversed flexibility in the allowable *de minimis* variation in the actuarial value of plans at each metal tier, which required the Health Connector to adjust the parameters of its “Low Gold” offering for 2023

American Rescue Plan Premium Subsidies

American Rescue Plan Premium Subsidies

American Rescue Plan Act (ARPA) enhanced federal subsidies are slated to expire at the end of 2022. As of early June 2022, no firm legislative vehicle for extension has yet emerged. Hundreds of thousands of Massachusetts residents that currently have health coverage through the Health Connector will face significant premium increases if this relief is not extended.

Key takeaways:

- Unless Congress takes prompt action to extend these enhanced premium subsidies beyond 2022, nearly 200,000 current Health Connector enrollees will see premium increases in 2023 renewal materials this fall
- Losing these enhanced subsidies will make for less affordable coverage options as hundreds of thousands of residents are expected to migrate from Medicaid coverage to Marketplace coverage upon the end of the Federal Public Health Emergency (PHE) which may occur around the same time
- System preparations for the 2023 plan year begin several months in advance. To avoid consumer disruption and confusion, the Health Connector would ideally need to know by the end of July whether ARPA subsidies will expire or if Congress will act to extend them

Background

ARPA was signed into law in March 2021 and represents the most significant federal expansion of coverage and affordability since the ACA was passed. Through 2021 and 2022, ARPA increased affordability for hundreds of thousands low- and moderate-income residents across the country. Approximately two-thirds of Health Connector members had lower premiums on their bills than they would have without ARPA.

ARPA Affordability Provisions

Massachusetts Resident Impact

APTC Generosity

Expansion of APTC generosity under 400 percent FPL

ARPA expanded federal ACA premium subsidy generosity for individuals with income under 400 percent of the federal poverty level (FPL) (about $51,000 for an individual or $105,000 for a family of four) through 2021 and 2022.

Increased affordability for low-income residents in ConnectorCare and APTC-only plans

APTC Eligibility

New APTC eligibility over 400 percent FPL

ARPA removed the “cap” on receiving premium subsidies for 2021 and 2022, making premium help available to qualifying moderate income households with incomes above 400 percent FPL for the first time, ensuring that have access to a plan that is no more than 8.5 percent of their household income on health insurance premiums.

New savings opportunities for moderate-income Health Connector enrollees over 400 percent FPL

ARPA Savings for Massachusetts Residents to Date

In Massachusetts, the new and expanded ARPA subsidies enabled state residents to save hundreds of dollars per month on Health Connector plans. Enrollment in plans with APTCs nearly doubled.

- All subsidized enrollees are receiving more tax credits as a result of ARPA. Overall, members in APTC-only plans are receiving $42 million more in APTCs as a result of the ARPA while ConnectorCare members are receiving $158 million more
- The additional premium support drove Massachusetts' strong performance compared to other state Exchanges during OE22 with 28,000 newly enrolled members and robust retention of existing members (92 percent)
- Enrollment in plans with APTC-only has nearly doubled since March 2021, from 17,700 to 34,100 members. There was also 76 percent increase in the proportion of new members enrolled in a health plan with APTCs during OE22

Spotlight on Pre-Medicare Adults

- The ARP also addressed significant affordability challenges among 55- to 64-year-old, pre-Medicare eligible adults in the individual market who were not eligible for subsidies and left to pay the full commercial premium of a health plan.
- Because of the ARP, pre-Medicare adults are now saving thousands of dollars on health insurance each year.

ARPA Impacts for 55-64-year-olds earning $52,000/year enrolled in the lowest-cost Silver plan

	55-year-old in Chelsea	64-year-old in Pittsfield	55-year-old in Hyannis	64-year-old on Martha's Vineyard
Monthly Costs Before ARP	$543/month	$694/ month	$588/ month	$902/ month
Monthly Costs After ARP	$339/month	$283/month	$352/month	$268/month
Annual ARP Savings	$2,448	$4,932	$2,832	$7,608

Impact on the Ground: Premium Reductions for MA Residents Resulting from ARPA Premium Subsidies Expansion

	43-year-old in Great Barrington	43-year-old in Framingham	43-year-old in Quincy	43-year-old in Fall River
Annual income	$48,000	$52,000	$48,000	$52,000
Monthly premium before ARPA	$426	$390	$390	$379
Monthly premium after ARPA	$261	$348	$292	$348
Annual savings	$1,980	$504	$1,176	$372

Note: Estimates for lowest cost Silver plan.

Member Voices

Approximately 70 percent of Health Connector members earning below 400 percent FPL reported that ARP subsidies were very or extremely helpful to them, reducing cost burdens in other aspects of their lives.

Members consistently report how this premium relief has made it easier for them to handle other rising costs in their household budgets – like childcare, transportation, housing, and food.

"I am saving a little over $10 a month. It may not appear to be a lot to some, but to me during these difficult times every penny counts! Costs of food and other things have gone up so even if it's just $10 saved, it's $10 I can allocate to other things that I also need."

"The American Rescue Plan helped me tremendously. I was struggling paying high rent, high insurance of $498.00 a month plus dental Insurance, bills, food, and personal protective equipment. I know I would not be able to pay insurance without the help of The American Rescue Plan. I thank the American Rescue for helping me. I can use the extra money for transportation back and forth to work. Thank you."

We have been struggling to pay bills. My husband is retired, and I am self-employed. The reduction of our monthly premium has been a Godsend. We are grateful"

Impact of Possible ARPA Subsidy Expiration

The expiration of ARPA premium affordability measures at the end of 2022 coupled with loss of Medicaid protections at the end of the federal PHE may make for a particular affordability challenge for residents, particularly during a time of rising costs of household essentials.

- If the enhanced premiums expire, members will see big premium increases as they are still struggling with other high costs. Over **200,000 enrollees** from Massachusetts will see reduced or eliminated financial support without the expanded premium help from the ARP
- On average, residents covered through the Health Connector will feel the following estimated increases on top of medical trend:
  - A low-income ConnectorCare member will pay **$24 more per member per month**
  - Middle-income residents who had never qualified for subsidies before ARPA but do now will pay **$143 more per member per month**
  - Middle income members between 55 and 64 are expected to face **$200 to $600 per member per month increases**
- Additionally, the Health Connector will be less affordable for people transitioning from the Medicaid program after the PHE ends, which may be particularly challenging in light of the rising costs of household essentials (e.g., groceries, gas, housing, childcare)

Next Steps

Unless Congress takes action to extend these enhanced premium subsidies beyond 2022, residents currently enrolled in the Health Connector will learn of the premium increases in early fall 2022.

- System preparations for the 2023 plan year begin several months in advance and the Health Connector will need to know soon if ARPA subsidies will expire or if Congress will act to extend them
  - The Health Connector would need to know the status of ARPA subsidies by August in order to correctly execute Open Enrollment 2023 preliminary eligibility and by September in order to accurately notify members of premium rates for the next year
  - Ideally, the status of the ARPA subsidies would be finalized in July
- We will update the Board with further developments as they become available.

Staff will continue to keep the Board apprised of implementation of recent rulemaking.

- Staff will also ensure that technical implementation is paired with appropriate outreach and education to ensure that the public benefits of new rules are widely available and utilized by eligible residents
- Staff will continue to monitor activity on a rule currently pending at the Office of Management and Budget (OMB) on ACA Section 1557 (nondiscrimination policy)