

Time to nix the “family glitch” and make these other ACA fixes

APR 21, 2021

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The American Rescue Plan Act (ARPA), the most recent pandemic relief package signed into law in March, included important provisions to strengthen the Affordable Care Act (ACA), representing the largest expansion in health insurance coverage in a decade. The Biden administration has also extended the special enrollment period for ACA marketplace coverage so consumers can take advantage of the enhanced premium subsidies included in ARPA.

COVID-19 continues to challenge us in new and unexpected ways. But the ACA improvements included in ARPA, albeit temporary in nature, provide us with a unique opportunity to fulfill the promise of the ACA to expand coverage of the uninsured.

While the ARPA made critical improvements to the ACA by making health insurance coverage more affordable for millions of people this year and next, some families were left behind. These families cannot afford the coverage offered to them by their employer, yet remain ineligible for financial assistance to purchase ACA marketplace plans. This unfortunate wrinkle, commonly called the ACA’s “family glitch,” was not corrected in the American Rescue Plan.

Fixing the family glitch represents a commonsense reform that can be accomplished through regulation or legislation. This correction will open the door to affordable ACA marketplace coverage for many families now experiencing extreme difficulties in affording their employer coverage, or who are uninsured. Taking this corrective action will help more than 5 million people affected by the family glitch, the majority of whom are children.

Defining the family glitch

At present, if employer-sponsored coverage offered to an employee is deemed affordable and meets minimum value standards, the employee, as well as their family members, are not eligible for financial assistance to purchase ACA marketplace coverage. As long as employees do not pay more than

9.83% of their household income toward a health plan premium, their employer coverage is considered affordable.

But—and this is where the family glitch comes in—the affordability of employer coverage is based on the premium for coverage for only the employee and ignores the cost of family coverage, which is typically much higher. Consider that last year, the average annual employee contribution required to obtain self-only health insurance was estimated at \$1,243, while the average employee contribution for family coverage was about 4.5 times higher, at nearly \$5,600.

In this way, the ACA's family glitch precludes premium and cost-sharing subsidies for many workers and their families to purchase coverage through the ACA marketplaces that would be much more affordable for them—even though they now pay far more than 9.83% of their household income to obtain family coverage.

In some cases, families affected by the glitch must make difficult financial decisions to afford their premiums and out-of-pocket costs while confronting other budgetary demands. In other cases, they may be forced to become or remain uninsured. That poses grave risks to their own health and the health of their families, since uninsured people are much more likely to forgo care that would identify preventable conditions and obtain treatment for chronic diseases that instead go undetected.

Additional actions are needed

Eliminating the family glitch is just one step we need to take to build upon the success of the ACA in reducing the number of uninsured Americans by 20 million, by extending coverage to millions more who have become or remain uninsured. Our AMA believes we must build upon the important improvements to the ACA contained in the American Rescue Plan, and make key changes, including eliminating the subsidy cliff and enhancing premium subsidies for ACA marketplace coverage, permanent.

We also encourage states that have yet done so to adopt the Medicaid expansion. These states are now eligible for additional, significant financial incentives to expand Medicaid due to provisions contained in both the American Rescue Plan and the Families First Coronavirus Response Act.

At present, more than 2 million people with incomes below the federal poverty level (\$12,880 for an individual and \$26,500 for a family of four) are ineligible to obtain Medicaid coverage, as well as premium subsidies, to purchase ACA marketplace coverage because they live in states that have not expanded Medicaid. Our AMA strongly encourages these states to fill the gaps in health coverage that now exist for many of their poorest residents.

Meaningful and affordable health care coverage is critically needed in our nation, and the need will persist long after the COVID-19 pandemic has passed. The steps outlined above will help eliminate longstanding inequities that have harmed historically marginalized and minoritized communities—in rural and urban areas alike—so that all of us can achieve our full health potential.