

Improving the Health Insurance Marketplace

Health insurance subsidies

The AMA proposal for covering the uninsured and expanding choice advocates for the promotion of individually selected and owned health insurance using refundable and advanceable tax credits that are inversely related to income so that patients with the lowest incomes will receive the largest credits. These individual tax credits or other subsidies would allow patients to purchase coverage of their own choosing.

The AMA believes that a system of individually owned health insurance, supported by the provision of direct subsidies, helps to reform the individual health insurance marketplace by increasing the health coverage choices for individuals and families.

For more than a decade, the American Medical Association (AMA) has supported the provision of refundable and advanceable tax credits that are inversely related to income to individuals and families for the purchase of health insurance. The provision of tax credits facilitates individual choice of health insurance—key to the success of the individual health insurance marketplace.

Key features of tax credits for the purchase of health insurance

- Tax credits are subtracted directly from an individual's income tax bill, after all other calculations regarding tax brackets, deductions, etc., are made. A tax credit reduces the recipient's tax liability dollar for dollar.
- Tax credits can be refundable so that even those who owe little or no income tax can still benefit from the subsidy.
- Tax credits can be "advanceable" so that recipients can use the credit toward insurance premium payments without waiting to file income taxes.
- Tax credits can target assistance toward those most likely to be uninsured—people with lower incomes.

Therefore, tax credits can help make health insurance affordable for individuals and families with incomes

below 133 percent of the federal poverty level (FPL) who reside in states that do not implement the Medicaid expansion outlined in the ACA.

Patient Protection and Affordable Care Act provisions

- As outlined in the Patient Protection and Affordable Care Act (ACA), Public Law 111-148, eligible individuals and families with incomes between 100 and 400 percent FPL are being provided with refundable and advanceable premium credits to purchase insurance through health insurance exchanges (see "Health insurance exchanges" in this series). Eligible individuals and families include those with incomes between 100 percent and 133 percent FPL who reside in states that do not implement the Medicaid expansion outlined in the ACA. Cost-sharing subsidies are also provided to these individuals and families to reduce their cost-sharing amounts and annual cost-sharing limits.
- Individuals eligible for premium credits and costsharing subsidies to purchase coverage on health insurance exchanges include U.S. citizens, legal immigrants, and employees who are offered an employer plan that does not have an actuarial value of at least 60 percent or if the employee share of the premium exceeds 9.66 percent of income.

Maximum premium contributions for individuals eligible for premium credits

Income level	Premium contribution limit
Up to 133% FPL	2.03% of income
133–150% FPL	3.05–4.07% of income
150–200% FPL	4.07–6.41% of income
200–250% FPL	6.41–8.18% of income
250–300% FPL	8.18–9.66% of income
300–400% FPL	9.66% of income

Strategies to foster healthy markets

The AMA supports the provision of tax credits or other subsidies to individuals and families to help make health insurance affordable. To ensure that subsidies work in a fair and efficient manner, the size of subsidies should be refundable, inversely related to income and large enough to enable recipients to afford health insurance. Subsidies should be advanceable for those with low incomes, and should be fixed-dollar amounts for a given income and family structure, independent of health insurance expenditures.

Of course, tax credits or other subsidies should be contingent on the purchase of health insurance, so that those who do not obtain health insurance forfeit their credit. Subsidies for families should be contingent on each family member having health insurance.

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