AMA
AMERICAN MEDICAL ASSOCIATION

Improving the Health Insurance Marketplace

Improving health insurance affordability

The American Medical Association has long supported the provision of tax credits or other subsidies to individuals and families to help make health insurance affordable. To improve health insurance affordability in the implementation of the Patient Protection and Affordable Care Act (ACA), the AMA supports: making definitions of affordability consistent in ACA implementation, fixing the ACA's "family glitch," and supporting demonstration projects to improve the affordability of bronze plans that are offered on health insurance exchanges.

The Patient Protection and Affordable Care Act (ACA) contained several provisions to ensure the affordability of health insurance coverage, including the provision of premium and cost-sharing subsidies. However, inconsistencies in how affordable coverage has been defined in ACA implementation have left millions of Americans ineligible for premium tax credits to purchase coverage through health insurance exchanges. The AMA believes that opportunities exist to improve access to affordable coverage for those offered employer-sponsored coverage. Improvements can also be made to the affordability of coverage purchased through health insurance exchanges, especially regarding exchange plan deductibles and cost-sharing.

Patient Protection and Affordable Care Act provisions

- As outlined in the ACA, eligible individuals and families with incomes between 100 and 400 percent of the federal poverty level (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.

- Employees who are offered an employer plan only become eligible for premium credits if their plan 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 in 2016.

- The size of premium credits is tied to the second lowest cost silver plan in the geographic area and is set on a sliding scale such that the premium contributions are limited to certain percentages of income for a range of income levels.

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

- In addition, individuals and families with incomes between 100 and 250 percent FPL (133 and 250 percent FPL in Medicaid expansion states) also qualify for cost-sharing subsidies to reduce their cost-sharing amounts and annual cost-sharing limits. Cost-sharing subsidies leave patients with lower deductibles, out-of-pocket maximums, co-payments and other cost-sharing amounts. However, individuals eligible for cost-sharing subsidies forego such subsidies if they enroll in a bronze plan to save on premiums.

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Average deductibles and out-of-pocket limits by plan type Federally facilitated and partnership exchanges					
		Silver plan—by income			
	Standard silver plan	Above Medicaid to 150% FPL	150%–200% FPL	200%–250% FPL	Bronze plan
Deductible	$3,064	$221	$709	$2,491	$5,765
Out-of-pocket limit	$6,160	$874	$1,795	$4,850	$6,646

Different definitions of affordability in ACA implementation

- The definition of affordable coverage is not consistent within the ACA, with noteworthy differences between the definition pertaining to exemption from the individual mandate, and the definition pertaining to eligibility for premium and cost-sharing subsidies.
    - Individuals are exempt from the individual mandate if the lowest-priced coverage available to them would cost more than 8.13 percent of their household income in 2016, the threshold over which coverage is determined to be unaffordable.
    - Dependents are also exempt from the individual mandate if the premium of the lowest cost family coverage, including employer-sponsored coverage, is more than 8.13 percent of their household income.
    - Employees who are offered an employer plan become eligible for premium and cost-sharing subsidies only if their employee share of the premium exceeds 9.66 percent of income in 2016, the threshold over which coverage is determined to be unaffordable.
    - Coverage for family members of an employee is considered to be affordable as long as employee-only coverage is affordable. The employee-only definition of affordable coverage pertaining to employer-sponsored coverage, commonly referred to as ACA's "family glitch," does not take into consideration the cost of family-based coverage.

SPOTLIGHT: Why definitions matter

- The inconsistencies in how affordable coverage has been defined in ACA implementation has left millions of Americans ineligible for premium tax credits to purchase coverage through health insurance exchanges.
- For example, an employee whose employer-sponsored coverage has a premium equaling 9.25 percent of household income would be exempt from the individual mandate because his or her coverage would be deemed unaffordable with respect to application of the individual mandate. But at the same time they would not be eligible to receive premium and cost-sharing subsidies to purchase exchange coverage because their premium contribution for employer coverage would be considered affordable.
- Many employees and families remain ineligible to receive premium and cost-sharing subsidies to purchase exchange coverage because the cost of family coverage is not factored into eligibility for the subsidies. These employees would likely have to pay well over 9.66 percent of their income for family coverage. Again, the dependents of these employees would be exempt from the individual mandate if the premium of the employer-sponsored family coverage is more than 8.13 percent of their household income.

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Strategies to improve health insurance affordability

Make definitions of affordability consistent in ACA implementation

Aligning the definitions of affordability of coverage with respect to being exempt from the individual mandate (premium greater than 8.13 percent of income), and eligibility for premium tax credits if offered employer-sponsored coverage (premium greater than 9.66 percent of income), will prevent situations in which workers are ineligible for subsidized exchange coverage, despite only having access to employer-sponsored coverage with premiums high enough to make them exempt from the individual mandate. Therefore, the AMA supports changing the eligibility criteria for premium credits and cost-sharing subsidies, tying it to the level at which the premium of employer-sponsored coverage would qualify for exemption from the individual mandate. For example, in 2016 employees offered employer-sponsored coverage would be eligible for premium credits and cost-sharing subsidies if their premium is greater than 8.13 percent of income.

Fix the ACA's "family glitch"

The AMA supports legislation or regulation to fix the ACA's family glitch, thus determining the affordability of employer-sponsored coverage with respect to the cost of family-based or employee-only coverage, whichever is relevant. The ACA's family glitch has left many children and other family members ineligible for premium tax credits to purchase coverage on health insurance exchanges because the affordability of employer-sponsored coverage is only based on the cost of employee-only coverage, ignoring the cost of family coverage. The Agency for Healthcare Research and Quality has estimated that 10.5 million adults and children may fall within the family glitch. Without fixing the family glitch, there is the potential for affected workers and families to remain uninsured, especially considering that low-income families are disproportionately affected.

Support demonstration projects to improve bronze plan affordability

Individuals and families with incomes between 100 and 250 percent FPL (133 and 250 percent FPL in Medicaid expansion states)—the population eligible for cost-sharing subsidies—have a choice when selecting a health plan on the exchange. They can purchase a subsidized silver plan that due to cost-sharing subsidies has lower deductibles, out-of-pocket maximums, copayments and other cost-sharing amounts than would otherwise be available. Or, they can forego the cost-sharing subsidy and enroll in a bronze plan, which may have a lower premium, but much higher deductibles. The AMA is concerned that patients who forego cost-sharing subsidies by enrolling in a bronze plan may have difficulties affording any care they need, which can result in them avoiding or delaying needed care.

The AMA believes that there may be a role for health savings accounts (HSAs) to assist patients who forego cost-sharing subsidies by enrolling in a bronze plan. The AMA encourages the development of demonstration projects to allow individuals eligible for cost-sharing subsidies—who forego these subsidies by enrolling in a bronze plan—to have access to an HSA partially funded by an amount determined to be equivalent to the cost-sharing subsidy. Therefore, in cases when individuals forego cost-sharing subsidies by enrolling in a bronze plan, they would have some contributions in their HSAs to help finance the medical care they need. Unspent HSA funds will roll over from year to year, creating greater protection against high deductibles.

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