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House Bill Would Make Significant Progress on Health Care Affordability and Coverage

By Aviva Aron-Dine

House legislation introduced today would lower health insurance premiums by hundreds or thousands of dollars per year for more than 13 million people and extend coverage to millions more. The bill, introduced by Reps. Frank Pallone, Richard Neal, and Bobby Scott (chairs of the three committees with jurisdiction over major health care programs), would substantially improve financial assistance for people purchasing coverage through the Affordable Care Act (ACA) marketplaces, strengthen protections for people with pre-existing health conditions, and reverse Trump Administration actions that have made it harder for people to learn about and enroll in coverage.

Making coverage more affordable. The bill, the Protecting Pre-Existing Conditions and Making Health Care More Affordable Act of 2019, would guarantee almost all consumers an option to purchase health insurance for less than 10 percent of their income. It would make coverage more affordable for low-, moderate-, and middle-income individual market consumers, reducing premiums for more than 13 million people.[1]

- **The bill would make financial assistance more adequate for low- and moderate-income people.** While people with incomes below 400 percent of the poverty line are already eligible for premium tax credits that help them afford marketplace coverage, data suggest that low- and moderate-income people still face the greatest challenges affording coverage and care.[2] The new bill would increase premium tax credits, thereby reducing premiums, for these consumers. For example:

[1] By expanding financial assistance, providing funding for reinsurance, and increasing funding for outreach (which disproportionately increases enrollment among healthier people, lowering premiums), the bill would reduce premiums for the 13.4 million consumers purchasing ACA-compliant individual market coverage. (See Ashley Semanskee, Larry Levitt, and Cynthia Cox, "Data Note: Changes in Enrollment in the Individual Health Insurance Market," Kaiser Family Foundation, July 31, 2018, https://www.kff.org/health-reform/issue-brief/data-note-changes-in-enrollment-in-the-individual-health-insurance-market/.) In addition, as explained below, the bill would reduce premiums for some people with employer coverage by allowing them to instead purchase individual market coverage with financial assistance.

[2] Aviva Aron-Dine and Matt Broaddus, "Improving ACA Subsidies for Low- and Moderate-Income Consumers Is Key to Increasing Coverage," Center on Budget and Policy Priorities, March 21, 2019, https://www.cbpp.org/research/health/improving-aca-subsidies-for-low-and-moderate-income-consumers-is-key-to-increasing.

- A family of four making $50,000 would pay $165 rather than $271 per month for benchmark coverage (4.0 instead of 6.5 percent of income).[3] Thanks to (existing) cost-sharing assistance, the plans available to them have deductibles averaging about $850.
- A family of four making $75,000 would see their premiums fall by $178 per month. A typical family would be able to purchase a gold plan (for which deductibles average about $1,500) for about $550 per month (less than 9 percent of income).[4]

- **The bill would eliminate the income cap on premium tax credits.** That means that people with incomes over 400 percent of the federal poverty line (about $50,000 for a single person, about $100,000 for a family of four) would receive financial assistance if benchmark premiums exceed 8.5 percent of their incomes. This change would be especially important to middle-income people, older people, and others with especially high premium burdens. For example:
  - The bill would cut premiums almost in half, by $750 per month, for a typical family of four making $110,000. Instead of paying $1,529 per month in premiums for benchmark coverage, or 17 percent of their income, the family would pay $779, or 8.5 percent of their income, with the premium tax credit making up the difference.
  - The bill would cut premiums more than in half, by $662 per month, for a typical 60-year-old making $50,000. Instead of paying $1,016 per month in premiums for benchmark coverage, or 24 percent of income, the consumer would pay $354, or 8.5 percent of income.

  Premium tax credits under the bill would automatically phase out at higher income levels, because premiums are generally less than 8.5 percent of income for high-income people.[5]

- **The bill would allow families whose out-of-pocket premiums for employer-sponsored coverage exceed 9.86 percent of income to instead purchase individual market**

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[3] Examples assume consumers face the national average marketplace benchmark premium. The family of four is composed of two 40-year-old parents, a 5-year-old, and a 10-year-old. The benchmark plan is the second-lowest-cost silver tier plan offered where the consumer lives.

[4] Calculations are based on the national average cost of the benchmark plan and the lowest-cost gold plan, available at https://www.kff.org/health-reform/state-indicator/average-marketplace-premiums-by-metal-tier/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D. Data on average deductibles by metal level are from https://www.kff.org/health-reform/fact-sheet/cost-sharing-for-plans-offered-in-the-federal-marketplace-for-2019/.

[5] For example, premium tax credits would phase out at an income of about $215,000 for a family of four facing the national average benchmark premium, because $1,529 per month (the national average benchmark premium) is less than 8.5 percent of income for those with incomes above $215,000. Notably, subsidies for middle-income individual market consumers would be similar to the tax benefits the federal government already provides to middle-income people with employer plans, for whom tax subsidies cover about 40 percent of (combined employer and employee) premiums, on average. See Aviva Aron-Dine, "Making Health Insurance More Affordable for Middle-Income Individual Market Consumers," Center on Budget and Policy Priorities, March 21, 2019, https://www.cbpp.org/research/health/making-health-insurance-more-affordable-for-middle-income-individual-market.

coverage with financial assistance. Currently, people with offers of employer coverage are ineligible for premium tax credits if the premium they would pay for *self-only* coverage is less than 9.86 percent of income. The bill would base affordability determinations for families on the amount they would pay for *family* coverage (fixing the so-called "family glitch").[6]

Expanding coverage. The bill would make lower-cost coverage available to all 12 million of the marketplace-eligible uninsured (40 percent of those who remain uninsured despite coverage gains under the ACA), as well as to some of the 2.7 million uninsured who are currently ineligible for marketplace subsidies due to an offer of employer coverage. Millions of people would gain coverage as a result.[7]

Notably, under the bill, premium obligations for low- and moderate-income consumers would be reduced to levels more similar to what such consumers already pay in Massachusetts, a state that offers substantial supplemental assistance on top of the ACA's subsidies. Massachusetts has the lowest non-elderly uninsured rate in the nation and the lowest uninsured rate among people with incomes between 138 and 400 percent of the poverty line (5.1 percent, compared to a national average of 12.6 percent).

The bill would further reduce uninsured rates by reversing Trump Administration actions that have made it harder for people to learn about and enroll in coverage. The Trump Administration has cut funding for advertising and outreach that lets consumers know about their coverage options by 90 percent and has cut funding for in-person assistance that helps consumers enroll by more than 80 percent. Reversing these cuts would increase coverage by up to 1 million people, according to experts' estimates.[8]

Protecting people with pre-existing conditions. The ACA put in place crucial protections for people with pre-existing health conditions. It prohibits insurers from denying coverage or charging higher premiums based on health status, prohibits annual and lifetime limits on coverage, and requires plans to cover essential health benefits such as prescription drugs, mental health care, and substance use treatment. The Trump Administration has sought various ways around the protections, but the new bill would reverse these actions:

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[6] This change, in combination with the bill's changes to financial assistance, means that almost all consumers would be guaranteed an option to purchase coverage for less than 10 percent of income. Exceptions are people in the coverage gap in states that have not expanded Medicaid, undocumented immigrants, and certain special cases (for example, a couple in which one person is paying Medicare premiums while the other is purchasing marketplace coverage).

[7] Estimates of the bill's impact on coverage are not available; however, RAND researchers estimated that a similarly structured but much less generous set of tax credit improvements would cause about 2.5 million people to gain coverage. Gains from this proposal would be substantially larger. Jodi Liu and Christine Eibner, "Expanding Enrollment Without the Individual Mandate: Options to Bring More People Into the Individual Market," Commonwealth Fund, August 2018, https://www.commonwealthfund.org/sites/default/files/2018-08/Liu_expanding_enrollment_without_mandate.pdf.

[8] Joshua Peck, "Trump's ad cuts will cost a minimum of 1.1 million Obamacare enrollments," Get America Covered, October 23, 2017, https://medium.com/get-america-covered/trumps-ad-cuts-will-cost-a-minimum-of-1-1-million-obamacare-enrollments-9334f35c1626; and Peter V. Lee *et al.*, "Marketing Matters: Lessons from California to Promote Stability and Lower Costs in National and State Individual Insurance Markets," Covered California, September, 2017, http://hbex.coveredca.com/data-research/library/CoveredCA_Marketing_Matters_9-17.pdf.

- **It would reverse the Administration's expansion of short-term health plans.** These plans are exempt from the ACA's protections. They can and do deny coverage or charge higher premiums based on health status, exclude key benefits, and impose annual limits.[9]
- **It would reverse the Administration's expansion of association health plans.** These plans are also exempt from many ACA protections. That lets them structure benefits and premiums to attract healthier-than-average firms and individuals, increasing premiums for people with pre-existing conditions who continue to purchase ACA coverage in the individual or small group markets.[10]
- **It would revoke Administration guidance encouraging states to seek waivers directly and indirectly undermining pre-existing conditions protections.[11]**
- **It would undo Administration changes that weaken standards for what individual market plans have to cover.[12]**

While Congressional Budget Office estimates are not yet available, the bill would likely cost at least several hundred billion dollars over ten years. Offsets could include a range of Medicare payment reforms included in both the Trump and Obama budgets; creating a public option that would put downward pressure on ACA individual market prices, which would reduce federal costs for premium tax credits for those already eligible;[13] and/or rolling back even a modest portion of the 2017 tax bill, which will cost nearly $2 trillion over ten years. Notably, the 2017 tax bill cut $314 billion over ten years from health programs by repealing the ACA's individual mandate penalty, leading fewer people to sign up for subsidized coverage. Undoing tax cuts worth that amount could likely cover much of the cost of the new proposal's affordability improvements and coverage expansions.

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[9] Sarah Lueck, "Key Flaws of Short-Term Health Plans Pose Risks to Consumers," Center on Budget and Policy Priorities, September 20, 2018, https://www.cbpp.org/research/health/key-flaws-of-short-term-health-plans-pose-risks-to-consumers.

[10] Sarah Lueck, "Association Health Plan Expansion Likely to Hurt Consumers, State Insurance Markets," Center on Budget and Policy Priorities, March 7, 2019, https://www.cbpp.org/research/health/association-health-plan-expansion-likely-to-hurt-consumers-state-insurance-markets.

[11] Sarah Lueck, "Commentary: Trump Administration Rules on Health Waivers Weaken Pre-Existing Condition Protections," Center on Budget and Policy Priorities, November 2, 2018, https://www.cbpp.org/health/commentary-trump-administration-rules-on-health-waivers-weaken-pre-existing-condition.

[12] Sarah Lueck, Tara Straw, and Shelby Gonzales, "Health Care Rule Changes Will Harm Consumers," Center on Budget and Policy Priorities, April 12, 2018, https://www.cbpp.org/research/health/health-care-rule-changes-will-harm-consumers.

[13] While recent estimates are not available, in 2013 the Congressional Budget Office estimated that a public option would save $158 billion over ten years.