Fact sheet

American Rescue Plan and the Marketplace

Mar 12, 2021 Affordable Care Act

The New Law

- President Biden signed the American Rescue Plan Act of 2021 (ARP) into law on March 11, 2021. ARP makes major improvements in access to and affordability of health coverage through the Marketplace by increasing eligibility for financial assistance to help pay for Marketplace coverage.
- The new law will lower premiums for most people who currently have a Marketplace health plan and expand access to financial assistance for more consumers.
- Under the new law, many people who buy their own health insurance directly through the Marketplace will become eligible to receive increased tax credits to reduce their premiums. Starting April 1, 2021, consumers enrolling in Marketplace coverage through HealthCare.gov will be able to take advantage of these increased savings and lower costs.
- Premiums after these new savings will decrease, on average, by $50 per person per month or by $85 per policy per month. Four out of five enrollees will be able find a plan for $10 or less/month after premium tax credits, and over 50% will be able to find a Silver plan for $10 or less.

Background on how premium tax credits work

- For consumers who are eligible for premium tax credits to help purchase a Marketplace plan, an individual or a family's tax credit amount is calculated based on the following factors:
  - Household's total expected income for the year
  - Total number of people in the household that file taxes together
  - The premium amount of the second-lowest cost Silver plan in the consumer's area in the Marketplace. This is the "benchmark" plan cost used to calculate premium tax credits. It's not related to which plan a consumer actually chooses to enroll in.

- The tax credit calculation uses a percentage of the household's income that they need to contribute (spend) on monthly health insurance premiums. This amount is limited based on how their household income compares to federal poverty levels (FPL).
- Prior to the American Rescue Plan, households had to contribute up to 9.83% of their income to pay for health insurance premiums to be eligible for tax credits based on the cost of the benchmark plan. Consumers can choose to enroll in plans that cost more or cost less than the benchmark plan, but the amount of their tax credit is based on this percentage of their income and the cost of the benchmark plan's monthly premium. Households with incomes greater than 400% FPL weren't eligible for tax credits to help reduce the cost of purchasing a Marketplace plan.
- After the coverage year, consumers who had a Marketplace plan with premium tax credits during the year will need to file their federal income tax return for that year and reconcile the amount of tax credits they received in advance with the final premium tax credit calculation as a part of their tax return. If their house income turns out to be higher than what they estimated on their Marketplace application, the household may need to pay back some or all of the excess premium tax credit they received in advance as a part of filing their tax return. Depending on the circumstances the amount owed back may be capped.

Lower costs and expanding access

Under the American Rescue Plan:

- Individuals and families may be eligible for a temporary increase in premium tax credits for this year, with no one paying more than 8.5% of their household income towards the cost of the benchmark plan or a less expensive plan. Meaning, many consumers will be eligible for higher tax credit amounts to help cover their Marketplace health plan premiums.
    - This new lower cap on the percentage of a family's household income that goes toward premiums addresses the "subsidy cliff" for those with household incomes above 400% of the federal poverty level (FPL). Instead of no premium tax credits for individuals and families making more than 400% FPL, the new law will make premium tax credits available to these families and caps how much of a family's household income the family needs to pay towards their premiums at 8.5%, based on the cost of the benchmark plan.
    - Some consumers making more than 400% FPL may not receive tax credits if the cost of the benchmark plan is less than the 8.5% of their household income that they need to contribute toward the premium.
    - When consumers enroll, they can choose a plan that is the same, costs more or costs

less than the benchmark plan. The 8.5% cap is used to calculate this increase in

premium tax credit amounts, but the cost of the plan a consumer chooses to enroll in may be higher or lower than the benchmark plan.

- Individuals and families get a temporary boost in their premium tax credits.
  - The law increases premium tax credits for all income brackets for coverage years beginning in 2021 and 2022. For 2021 and 2022, the law applies a new premium percentage owed by individuals and families at all household income levels.
  - Of note, most people across all household income levels will see lower premiums as a result of receiving more tax credits to reduce plan prices. Many consumers with household incomes from 100% to 150% FPL would have $0 premium plans (after tax credits) available to choose from when considering their options and selecting a plan.
- Taxpayers who receive unemployment compensation during any week beginning in 2021 may be eligible to receive premium tax credits to help pay for 2021 Marketplace coverage.

Making This Work for You

- *When will the extra tax credits be available on HealthCare.gov?*

Increased premium tax credits based on the lower income contribution percentage along with expanding tax credit access to consumers with household incomes above 400%, will be available through HealthCare.gov starting on April 1. This means that new consumers and current enrollees who submit an application and select a plan on or after April 1 will receive the increased premium tax credits for 2021 Marketplace coverage.

Extra tax credits for consumers receiving unemployment compensation will be available starting this summer.

- *If I'm currently enrolled in a Marketplace plan, how do I receive the additional tax credits/lower premiums?*

Current enrollees, including those who recently enrolled through the 2021 Special Enrollment Period, can update their applications and enrollments in order to get new eligibility results starting April 1. You will need to reselect your current plan in order for the changes to take effect to reduce your premiums for the remainder of the year.

While the 2021 SEP opportunity is available through May 15, current enrollees can decide during the SEP opportunity if they may want to change to a new plan for the rest of the year. You should consider how much you've already paid toward your deductible when deciding whether or not a change in plan makes sense for you. When you change plans,

the amount you've paid already towards meeting your prior plan's deductible may be reset to zero, and you would need to start over paying out of pocket expenses to reach the deductible on your new plan. If you have made significant payments toward your deductible, check with your insurance company to see how it might impact you and what options are available to keep credit toward what you have already paid.

- *If I live in a state that operates its own Marketplace, what should I do?*

Visit your State Marketplace website or call center for more information about when these additional savings will be available through your Marketplace.

- *If I'm currently enrolled through the Marketplace, what will happen if I don't come back in?*

Consumers who enrolled in Marketplace plans prior to April 1 have the choice of waiting until they file their taxes next year in 2022 to receive the additional premium tax credit amount when they file and reconcile their 2021 taxes. However, we recommend all enrollees come in, update their application, and review their plan options during the 2021 Special Enrollment Period through May 15 because you may be able to choose a plan with lower out of pocket costs for the same price or less than what you are currently paying.

- *If I don't have coverage, when should I apply?*

Consumers who need coverage starting April 1 should still apply and select a plan by the end of March through the Special Enrollment Period (SEP) so coverage can start April 1. Then to get the added benefits, you should come back after April 1, submit your application again, and reselect your plan to have increased tax credits applied to your coverage for May 1 forward.

- *If I am already paying a very low premium, or no premium, should I take any action?*

Consumers who are already paying low or no premiums may find plans with more generous cost-sharing and lower out of pocket costs, and benefit from changing plans. Premiums after tax credits will decrease, on average, by $50 per person per month. Four out of five enrollees will be able to find a plan for $10 or less/month with premium tax credits, and over 50% will be able to find a Silver plan for $10 or less with tax credits.

Meaning, you may be able to find plans with lower out of pocket expenses and lower deductibles for a similar premium to what you're currently paying.

- *If I'm receiving unemployment compensation, should I wait to apply?*

You should apply and select a plan by the end of March in order to enroll in coverage starting April 1. After April 1, you can come back in to update your application and confirm your current plan with the updated tax credits. Later this year, you may be able to receive another increase in the premium tax credits available to you. HealthCare.gov will have more information available in the summer once these additional savings are available for consumers who have received unemployment compensation during 2021. At that time, you can come back to HealthCare.gov to update your application and current plan with more tax credits to reduce your premiums for the remainder of the year.

- *Will HealthCare.gov automatically update premium tax credits on behalf of current enrollees?*

If consumers don't take action, they'll still receive the additional benefit as part of their premium tax credit when filing their federal income tax return next year. Beginning on April 1, consumers must come back to HealthCare.gov to update their application in order to receive these increased tax credits this year. However, we are also exploring whether tax credits can be updated on behalf of consumers during 2021.

###