

House Legislation Would Lower Health Care Costs for Millions of Families in America

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KEY FINDINGS

On March 26, 2019, the chairs of three House committees with jurisdiction over core health care issues—Education and Labor, Energy and Commerce, and Ways and Means—jointly introduced legislation that would lower health care costs for millions of people. Dubbed the ‘Protecting Pre-Existing Conditions and Making Health Care More Affordable Act of 2019,’ the bill would:

- » Increase financial assistance for families who buy their own insurance without help from Medicaid, Medicare, or an employer;
- » Protect people with preexisting conditions by repealing Trump administration policies that sabotage the safe operation of insurance markets; and
- » Take other steps to help consumers understand and sign up for coverage.

Simply by increasing financial assistance to pay for private insurance, the House bill would:

- » Cut health premium costs by an average of 47 percent for 8.9 million people who buy private coverage on health insurance marketplaces with the aid of federal premium tax credits (PTCs);
- » Guarantee that any citizen or lawful resident can buy benchmark private insurance—that is, the second-lowest-cost silver-tier plan—at a cost of no more than 8.5 percent of income, saving significant amounts for many of the 10.8 million individually-insured consumers who have incomes too high for current PTCs; and
- » Cut average premium costs from 12 percent of income to 6.3 percent for more than 6 million people who are stuck in the infamous “family glitch,” which ignores the cost of dependent coverage in deciding who is eligible for PTCs because of health insurance offered by an employer.

ANALYSIS

In the 2020 presidential election and beyond, the country will debate the basic structure of American health insurance. Bold proposals are being advanced that would guarantee quality, affordable health coverage to everyone in this country.

America's families cannot afford to wait until this debate has run its course. The Affordable Care Act (ACA) led to huge net gains for consumers, but millions of people are still being charged more than they can afford. Committee leaders in the House thus introduced a strong and comprehensive piece of legislation that would take important steps to lift the financial burdens that far too many families must shoulder to obtain health coverage and care.

The contrast with the direction being chosen by the Trump administration could not be starker. Less than 24 hours before the House majority introduced its legislation, the Trump administration dramatically sharpened its legal position in the *Texas v. United States* case, now urging the complete judicial repeal of the ACA. The executive branch is seeking to take health coverage away from millions of people, dramatically raising their health care costs, and repealing hard-won protections for people with preexisting conditions. In sharp contrast, House leadership is seeking to lower health care costs, broaden the circle of coverage, and restore protections for people with preexisting conditions. The difference between these two basic approaches is breathtaking.

Increased federal financial assistance to help people afford private insurance

The House bill would increase premium tax credits (PTCs) for currently-eligible consumers

PTC amounts are the cost of benchmark coverage, minus a consumer premium payment that varies with income. Table 1 (page 3) shows how the House chairs' bill would change consumers' costs for benchmark coverage. Based on the income distribution of enrollees in marketplace coverage offered through healthcare.gov, the House chairs' bill would cut premium costs by 47 percent for the average family purchasing coverage with the [aid of PTCs](#). An estimated 8.9 million people would experience these savings, according to the most recently available data about [PTC-beneficiary enrollment nationwide](#).

House leadership is seeking to lower health care costs, broaden the circle of coverage, and restore protections for people with preexisting conditions

Table 1. How the House chairs' bill cuts health insurance costs for low-wage workers and moderate-income families

Federal poverty level (FPL)			Current consumer cost of benchmark plan			Consumer cost of benchmark plan under House chairs' bill			Savings from House chairs' bill		
FPL percentage	Single adult	4-person family	Percentage of income	Premium cost for a single adult	Premium cost for a 4-person family	Percentage of income	Premium cost for a single adult	Premium cost for a 4-person family	Relative drop in premiums	Single adult	4-person family
100%	\$12,490	\$25,750	2.08%	\$260	\$536	0%	\$0	\$0	n/a	\$260	\$536
133%	\$16,612	\$34,248	3.11%	\$517	\$1,065	1%	\$166	\$342	68%	\$351	\$723
150%	\$18,735	\$38,625	4.15%	\$778	\$1,603	2%	\$375	\$773	52%	\$403	\$830
200%	\$24,980	\$51,500	6.54%	\$1,634	\$3,368	4%	\$999	\$2,060	39%	\$634	\$1,308
250%	\$31,225	\$64,375	8.36%	\$2,610	\$5,382	6%	\$1,874	\$3,863	28%	\$737	\$1,519
300%	\$37,470	\$77,250	9.86%	\$3,695	\$7,617	7%	\$2,623	\$5,408	29%	\$1,072	\$2,209
400%	\$49,960	\$103,000	9.86%	\$4,926	\$10,156	8.5%	\$4,247	\$8,755	14%	\$679	\$1,401
500%	\$62,450	\$128,750	No limit	\$6,486*	\$19,844*	8.5%	\$5,308	\$10,944	82%/55%**	\$1,178	\$8,900

Source: Kaiser Family Foundation (KFF), 2018;¹ and Families USA analysis of 2017 American Community Survey (ACS) data.

* Current-law estimated premium costs for an individual and family at 500% of FPL are based on the U.S. average cost of silver-tier coverage in 2019, as reported by KFF, for adults and children at the average ages (respectively 45 and 10), as shown by ACS data, for non-elderly adults and children receiving individual market coverage with incomes above 400% of the FPL, the maximum income-eligibility level for PTCs under current law.

**The percentage savings for people at 500% of FPL are 82% for a single individual and 55% for a family of four.

Middle-income consumers who now buy insurance without PTCs would be guaranteed access to benchmark silver coverage that costs no more than 8.5 percent of income

Today, consumers with incomes above 400 percent of the federal poverty level (FPL)—roughly \$50,000 a year for an individual—are ineligible for PTCs. For example, if a 60-year-old buying average-cost silver coverage has their income rise from 399 to 401 percent of FPL—in other words, from \$49,835 to \$50,085—their premium costs would nearly triple, shooting up from \$4,776 to \$12,190. The House chairs’ bill eliminates this predicament by providing PTCs that limit everyone’s cost of benchmark coverage to 8.5 percent of income. Under the bill, that same 60-year-old going from just under 400 percent of FPL to just over that level would see their premium costs increase by less than 1 percent, rising from [\\$4,236 to \\$4,257](#) (table 2). According to American Community Survey data from 2017, 10.8 million people under age 65 whose incomes are too high for PTCs buy individual coverage. They could see their costs decline dramatically, thanks to this feature of the House chairs’ bill.

The bill would end the infamous “family glitch”

PTCs are unavailable to consumers who are offered employer-sponsored insurance that is classified as “affordable,” meaning that it costs no more than 9.56 percent of income. Due to a peculiarity in statutory drafting often termed the “family glitch,” the cost of coverage to a family is based on charges for the employee, not the cost of family insurance. Even if dependent coverage is completely unaffordable, the entire family is ineligible for PTCs so long as the worker can afford to enroll in the employer’s plan. The Urban Institute found that more than 6 million people live in families denied PTC eligibility by the family glitch; and ending this arbitrary denial would reduce by almost half the premium costs paid by affected families, cutting those costs from an average of 12.0 percent of income to [6.3 percent](#). The House chairs’ bill would help these families by repealing the family glitch.

Table 2. The cost of average-premium benchmark coverage to a 60-year-old single adult just below and just above the current 400% FPL cap on PTC eligibility: current law vs. House chairs’ bill

Income		Consumer premium costs			
		Today		House chairs’ bill	
FPL	Dollars	% of income	\$	% of income	\$
399%	\$49,835	9.86%	\$4,776	8.5%	\$4,236
401%	\$50,085	No limit	\$12,190	8.5%	\$4,257

Source: KFF, 2018.

The bill would provide state grants to support further affordability improvements

The legislation would appropriate \$10 billion a year for grants that states could use for either:

- » reinsurance that lowers premiums for people ineligible for PTCs, or
- » financial assistance that supplements PTCs or cost-sharing reductions to further lower premiums or out-of-pocket costs for consumers.

Protecting people with preexisting conditions and stopping Trump administration sabotage

The bill strikes down numerous administration policies that have undermined protections for people with preexisting conditions, older adults, women, and others who rely on the individual market for health coverage and care.

The bill would prohibit substandard plans that endanger people who need health care

The Trump administration has authorized multiple forms of coverage that can discriminate against people with preexisting conditions, deny essential health benefits like prescription drugs and maternity care, refuse to cover catastrophic medical costs, and destabilize the consumer-protected market by luring young and healthy adults out of that market. Fighting back against this sabotage, the House chairs' bill repeals administration policies that permit the broad operation of such short-term, limited-duration insurance and association health plans.

The bill would protect essential health benefits

The Trump administration has authorized a rollback of essential health benefits. States and plans are allowed, under administration rules, to swap out one benefit for another, putting people with health problems at risk. The House chairs' bill would repeal that rule. It would also ensure that prescription drugs are covered broadly, with individual access to essential medicines guaranteed through an exceptions and appeals process. It would also protect children, people with disabilities, and others by covering habilitative services, which promote healthy functioning, at parity with rehabilitative services, which restore lost functioning.

The bill would give families' hands-on help in signing up for meaningful coverage

The Trump administration dramatically reduced funding for consumer assistance and changed its nature to make it much less helpful to consumers. For example, the administration repealed the requirement for exchanges to work with community groups skilled in helping vulnerable consumers sign up for coverage; eliminated the duty to provide in-person help by maintaining a physical presence in the state; discriminated against agencies that help people sign up for Medicaid and the Children's Health Insurance Program, not just private insurance; and required programs to equip themselves to inform consumers about substandard forms of coverage that do not meet many people's needs, such as association health plans and short-term, limited-duration insurance.

The House chairs' bill would repeal all of these harsh policies. In addition, to restore large cutbacks made by the Trump administration, the House chairs' bill would take two further steps:

- » requiring the federal exchange to use \$100 million of user fees, levied annually on health insurers offering coverage through that exchange, to provide consumer assistance; and
- » appropriating an additional \$100 million a year for outreach and educational assistance, including work focused on hard-to-reach populations. Such assistance would be forbidden from promoting substandard plans that fail to provide full consumer protections.

The bill would repeal administration policy that allows harmful state waivers

The Trump administration has released guidance that would substantially enhance states' authority to obtain waivers of consumer protections in the individual market. This guidance greatly loosened statutory "guardrails" aimed at preventing losses in coverage, increases in consumer costs, and cuts to covered benefits. The House chairs' bill would repeal that guidance, restoring the safeguards originally intended by Congress.

The bill would require the Trump administration to account for its spending of insurance company user fees

Before President Trump took office, the lion's share of insurer user fees paid for public education and consumer assistance. Since then, those two functions have been substantially curtailed, but user fees continue to be charged. Some of these revenues financed videos supporting Republican efforts to

repeal the ACA, but it is unclear how the bulk of these fees were spent. The House chairs' bill would require the administration to provide a detailed accounting of those expenditures.

Taking other steps to improve affordability and access to quality coverage and care

The bill would require each exchange to make standardized benefit options available

These options make it easier for consumers to compare plans and make choices that meet their needs. Standardized plans would also be required to offer pre-deductible coverage of services like primary care and generic drugs. Such coverage lowers many consumers' health care costs and improves access to care in high-deductible plans.

The bill would fund health insurance education programs for consumers

It would appropriate \$100 million a year for this purpose, from fiscal year (FY) 2020 through 2022.

The bill would fund state innovations to increase enrollment

The bill would appropriate \$200 million a year, from FY 2020 through 2022, to streamline enrollment into individual and small-group coverage, including through automatic enrollment strategies for PTC beneficiaries, with the ability to opt-out rather than opt-in to coverage. Funds could also be used for information technology investments that streamline enrollment; implementation of state individual mandates; and state feasibility studies for developing comprehensive enrollment plans.

The bill would fund the establishment of new state-based marketplaces

The legislation would appropriate \$200 million for grants to plan and establish new state-based marketplaces. Each state's grant would last for two years, and no grants could be awarded after December 31, 2022.

Conclusion

Recent weeks have erased any remaining questions about the Trump administration's core objectives when it comes to affordable health care. In both its budget proposal for 2020 and its new position in the *Texas v. United States* lawsuit, the Trump administration has made clear its continuing commitment to reversing the past decade's hard-won gains. Policies being advanced by the administration would take insurance away from tens of millions of people, leaving them stranded without any source of coverage to help pay

medical bills. Through legislation or judicial fiat, the administration would repeal the safeguards that now protect families who most need health care, including people with preexisting conditions.

The House Chairs' bill goes in the opposite direction. The legislation would lower health care costs for millions of families, growing rather than slashing the ranks of those who have high-quality, affordable health insurance. The bill would reaffirm current legal commitments to protect people with preexisting conditions and overturn the Trump administration's efforts to weaken or repeal those protections. The legislation would lower health care costs and improve the quality and security of health coverage, especially for women, older adults, and people with chronic health conditions. The House legislation deserves strong, bipartisan support, both on its own terms and as a repudiation of the shocking goals being pursued by the Trump administration.

Endnotes

¹ Kaiser Family Foundation (KFF), *Health Insurance Marketplace Calculator* (San Francisco: KFF, November 2018). Available at <https://www.kff.org/interactive/subsidy-calculator/>.



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