

## **What does the American Rescue Plan Act Mean for Affordable Health Coverage and Enhanced Medicaid services in Massachusetts?**

**March 23, 2021**

The American Rescue Plan Act (ARPA) signed by President Biden on March 11, 2021 is the most significant (albeit temporary) expansion of affordable health care coverage since the Affordable Care Act. It redefines affordable Marketplace<sup>1</sup> coverage for 2021 and 2022 and extends premium tax credits for the first time to people with income over 400 percent of the poverty level. The Act also provides that people who received just one week of unemployment compensation in 2021 will be financially eligible for Marketplace coverage with no premium contribution. And for people who received help paying for Marketplace coverage in 2020, the ARPA waives repayment of any excess in the amount they received. The Act temporarily subsidizes 100 percent of the premium costs of COBRA continuation coverage for qualifying individuals, and it gives the 12 states that have not yet expanded Medicaid under the ACA, added incentives to expand. It also creates significant new options for enhanced Medicaid services for pregnant women and people with disabilities. This Memo is a first pass at what the ARPA mean for affordable health coverage and enhanced Medicaid services in Massachusetts.

### **Many of the 212,000 people currently enrolled in a health plan through the Health Connector with help paying the costs will see lower premium contributions starting in April.**

In April, the Health Connector will use information already on file to recalculate the premium contributions of those people already enrolled and getting help with costs of 2021 coverage. As of March 1, 2021, there were 194,000 people with income of 300 percent of the poverty level or less enrolled in ConnectorCare plans with reduced premiums, no deductible, and copayments set on a sliding scale by income, plus 18,000 people with income over 300 percent but not over 400 percent of poverty enrolled in private plans at a reduced premium. The Health Connector will also recalculate benefits for individuals who were found eligible for help paying for coverage in 2021 but have not yet enrolled.

We don't yet know how many people will benefit from reduced premium charges. However, the Table below compares the affordability schedule used to calculate federal premium tax credits prior to the ARPA with the schedule enacted by the ARPA for 2021 (and 2022). It also shows how these percentages compare to the schedule used to set premium contributions for

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<sup>1</sup> The Health Connector is the Massachusetts "Marketplace;" it's also sometimes called an "Exchange."

ConnectorCare members who qualify for an added state subsidy. The added state subsidies set a flat amount for the lowest cost premium for all individuals within certain income tiers; this results in people at the low end of the income tier paying a higher percent of income than those at the higher end of the tier. Under the ARPA, the federal subsidy alone (the premium tax credit) will lower some premiums without the need for any added state premium subsidy.

Premium Costs as a Percent of Income 2021				
Income as % of poverty level	Lowest cost federal premium before ARPA	Lowest cost federal premium after ARPA	Lowest cost ConnectorCare Premium pre-ARPA for Household of One	
<133%	2.07	0	≤133%	0
133<150%	3.10-4.14	0	133≤150%	0
150<200%	4.14-6.52	0-2.0	150≤200%	2.88-2.16
200<250%	6.52-8.33	2.0-4.0	200≤250%	4.18-3.35
250<300%	8.33-9.83	4.0-6.0	250≤300%	5.0-4.17
300≤400%	9.83	6.0-8.5	300≤400%	9.83
Over 400%	Not eligible	8.5	Over 400%	Not eligible

**Many of the almost 59,000 people enrolled in Health Connector plans at full cost with no financial help, may now qualify for help reducing their premium costs, but some may first need to supply additional information.**

Some of the people enrolled in unsubsidized plans may have applied for help and not qualified because their income exceeded 400 percent of poverty. These people will not have to reapply. In May, the Health Connector will use information already on file to see if they now qualify for help with premium costs. Others may not have applied for financial help, and they will have to reapply or update their applications for health coverage to supply information about their expected annual income and tax filing status in 2021 in order to qualify for help with premium costs.

Help with premium costs is through a federal premium tax credit that is calculated for each month in which a person was enrolled in a qualifying private plan through the Health Connector. Individuals can apply for help paying for qualifying coverage in advance during the current year or wait to apply for their premium tax credit when they file their taxes in the following year. People applying for help in the current year, don't have to take the full amount of the tax credit in advance, they can choose how much to apply to their current premium costs, and they can

receive any additional amount they may be entitled to when they file their tax return the following year.

The percentages shown in the Table above are applied to the costs of a benchmark plan available through the Health Connector in order to calculate the premium tax credit. The costs of the benchmark plan vary by age, geography and other factors. However, an individual eligible for a premium tax credit may apply the tax credit to any plan available through the Health Connector (except a catastrophic plan); they are not limited to the benchmark plan. The actual percent of income they are paying for coverage may be more or less than the percentage shown in the Table depending on whether they choose to enroll in a plan that costs more or less than the benchmark plan.

The Health Connector supplies this example: *A 45 year old in Nantucket with 2021 estimated annual income of \$51,678 is now paying \$650.91 per month for an unsubsidized private plan through the Health Connector. Under the ARPA, she will be able to remain in the same plan for a monthly premium contribution of \$366.05 per month with \$284.86 paid directly to the health plan on her behalf as an advance premium tax credit.*

### **Uninsured individuals with no access to other affordable coverage now have until July 23, 2021 to apply for help paying for health insurance through the Health Connector.**

There are still an estimated 200,000-250,000 uninsured people in Massachusetts. To enable people who are currently uninsured to take advantage of new affordable coverage options under the ARPA, the Health Connector has extended its “open enrollment” period until July 23, 2021. People must apply, be found eligible, select a health plan, and pay the first month’s premium (if any premium is due) by the 23d of the month in order to have coverage starting the first of the following month. The sooner anyone without insurance applies, the sooner their coverage can begin. Coverage is not retroactive. We don’t yet know when the Health Connector will be ready to implement an important new benefit for people with unemployment income discussed below, but it probably will make sense for anyone who is uninsured to apply for help with coverage as soon as they can.

### **People who received one week or more of unemployment compensation in 2021 may qualify for ConnectorCare Plan Type 2A with no premium contribution, no deductible and modest copayments regardless of their income in 2021.**

One of the most significant features of the ARPA for people who were unemployed in 2021 is a provision that anyone who received at least one week of unemployment compensation in 2021 will be treated as if their 2021 income were 133 percent of the poverty level. At 133 percent of the poverty level, they would be eligible for coverage with no premium contribution, and can

enroll in a ConnectorCare plan with no deductible and only modest copayments. This will be true regardless of what their actual income for 2021 may be. There were over 150,000 new and continuing claimants filing for unemployment benefits for the week ending March 13, 2021. The Health Connector has not yet announced when it will have made the system changes needed to implement this feature of the ARPA.<sup>2</sup>

## **Some people enrolled through the Health Connector in 2020 will see more benefits when they file their 2020 federal tax return.**

Repayment of excess tax credits waived in 2020. Another important feature of the ARPA was a provision waiving recovery of excess premium tax credits in 2020. People who were enrolled in ConnectorCare or received advance premium tax credits for other coverage from the Health Connector in 2020 must file Form 8962 with their 2020 taxes to “reconcile” the amount of the tax credit they received in advance based on their estimated 2020 income with the amount they are due based on the actual 2020 income shown on their 2020 return. In recognition of how unpredictable income was for many people in 2020, the ARPA waives recovery for any excess payment. The IRS has asked taxpayers who already filed their 2020 tax return not to file an amended return, but to wait for further guidance.

Potentially higher premium tax credits for certain individuals with Unemployment Compensation income in 2020. With a few exceptions, premium tax credits are based on the estimated amount of a person’s adjusted gross income. In 2020, all forms of unemployment compensation were taxable and included in income. However, the ARPA now creates a new 2020 deduction from gross income for up to \$10,200 in unemployment compensation. In addition to the other benefits of this new income deduction, some taxpayers who were enrolled in coverage through the Health Connector in 2020 and had 2020 unemployment compensation income may now qualify for a higher 2020 premium tax credit based on the deduction of a portion of their unemployment compensation from their 2020 income. Again, the IRS has asked taxpayers who already filed their 2020 tax return not to file an amended return, but to wait for further guidance.

More information on Premium Tax Credits and the ARPA:

- [The American Rescue Plan Act](#), Sections 9661-9663 (Premium Tax Credits); 9042 (unemployment deduction)
- Massachusetts Health Connector, [Frequently Asked Questions about the American Rescue Plan and Health Coverage through the Massachusetts Health Connector](#)

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<sup>2</sup> The ARPA also includes funding to help state-based Marketplaces with the added costs of system changes and outreach needed to implement its provisions.

- Massachusetts Health Connector Board Meeting, [Policy Updates, March 11, 2021](#)
- IRS, [The Premium Tax Credit: The Basics](#)
- Center on Budget and Policy Priorities, [FAQ: Changes to the Marketplace in the American Rescue Plan](#)

## **People qualifying for COBRA continuation coverage will be able to enroll with no premium contribution from April 1 until Sept. 30, 2021**

Another significant provision in ARPA provides a 100 percent subsidy for the premium costs of COBRA continuation coverage. The 100 percent subsidy begins April 1, 2021 and runs through September 30, 2021. The premiums are to be paid by employers who can recover these payments via a refundable tax credit on their quarterly payroll taxes. COBRA continuation coverage enables employees and qualified family members to remain temporarily enrolled in employer-sponsored coverage after a lay off or another qualifying event, but ordinarily the former employee must assume the full premium cost with no employer contribution. Former employees may benefit from being charged the group rate and from being able to continue with the same plan and provider network, but the cost can be prohibitive. The 100 percent subsidy makes COBRA a feasible option for many.

For individuals who may be eligible for either ConnectorCare or the 100 percent COBRA subsidy, they will need to make a careful examination of the eligibility criteria, out of pocket costs, provider network and duration of subsidized coverage in order to make the best choice for themselves and their families. The COBRA subsidy will temporarily cover the full premium cost but the former employee will still be subject to the deductibles, coinsurance and copayments of the employer-sponsored plan. It is also important to bear in mind that some individuals eligible for the COBRA 100 percent subsidy may not be eligible for ConnectorCare such as work-authorized immigrants under the DACA program, and qualifying individuals who are eligible for coverage under a spouse's employer-sponsored plan even if it is only affordable for the spouse.

The federal Department of Labor has until April 10, 2021 to produce model notices for employers and plan administrators to use in notifying COBRA eligible individuals about the 100

percent subsidy and new opportunities to enroll, and employers have until May 31, 2021 to provide notice. More guidance should be forthcoming from federal and state regulators soon.

More information:

- [The American Rescue Plan Act](#), Section 9051 (COBRA)
- Information on US Dept of Labor website (not yet updated with ARPA information): [COBRA](#) (employer with 20 or more employees)
- Information on Massachusetts Dept. of Insurance website (not yet updated with ARPA information): [Mini-COBRA](#) (small employer with 2-19 employees)
- Georgetown Health Policy Institute, Center for Children and Families, [American Rescue Plan: Health Coverage Provisions Explained](#)

## **The Medicaid agency has new options to enhance services for MassHealth members**

The Medicaid provisions in the ARPA create new incentives to expand coverage for the 12 states that have not yet expanded Medicaid coverage under the ACA, make several payment adjustments such as lifting a cap on certain maximum drug rebates, expand required COVID-19 coverage and create several new options for states including the following:

### **New state option for 12 month postpartum eligibility extension**

The American Rescue Plan gives states an option to extend postpartum eligibility for full Medicaid coverage from 60 days to 12 months. This option goes into effect April 1, 2022, and would remain available for five years. Currently, MassHealth covers all pregnant members for only 60 days after the end of their pregnancy. By electing this new option, MassHealth would receive federal funding to cover a 12 month postpartum period for all but the undocumented population.

Expanding postpartum coverage would address the steady rising maternal mortality rate in the U.S. The maternal mortality rate disproportionately impacts communities of color; the rate of pregnancy-related deaths for Black and Indigenous people is 2-3x higher than for non-Hispanic

white people. A majority of pregnancy-related deaths are preventable, and a significant percentage occurs between 60 days and 12 months postpartum.

MassHealth announced just today that is applying for an amendment to the 1115 demonstration to expand postpartum coverage to 12 months in advance of the 2022 state plan option and to obtain federal reimbursement for all pregnant women regardless of immigration status. Expanding MassHealth postpartum coverage for all pregnant women is also the subject of two pending bills in the current state legislative session. (HD2470- Representative Miranda; SD1929- Senator Lovely).

### **New state option for community-based mobile crisis intervention services**

The American Rescue Plan offers states a new option to provide community-based mobile crisis intervention services with an increased federal matching rate of 85% for the first three years. This option will be available to states for 5 years, starting April 1, 2022. The covered services must be provided by a multidisciplinary team to Medicaid enrollees experiencing a mental health or substance use disorder crisis outside of a facility setting. The multidisciplinary team must be trained in trauma-informed care, de-escalation strategies, and harm reduction. These crisis intervention services must be available 24 hours a day, every day of the year. This option is intended to help people who experience a mental health or substance use disorder crisis avoid hospitalization, incarceration, or police-involved escalation that we know disproportionately impacts people of color.

### **New state option for increased federal funding for home and community based services**

The American Rescue Plan offers states a 10 percentage point increase in federal funding for enhancing home and community based services (HCBS) provided to Medicaid beneficiaries with long-term service and support needs. This includes funding for Medicaid home health, personal care, self-directed assistance, all types of HCBS waiver programs, PACE, case management, and rehabilitation services. This increased funding will be available for one year, starting April 1, 2021, and it appears that it can be used to offer increased eligibility, benefits, provider rates, and to add other services. This increased funding for home and community based services provides an opportunity for Massachusetts to expand and improve Medicaid services and support the home-based work force to enable more people to live independently in the community.

### **Expanding required coverage of COVID-19 testing, treatment and vaccines**

The ARPA expands on the requirements of the Families First Coronavirus Response Act regarding Medicaid coverage of COVID-19 testing, treatment and vaccine administration at no cost to members. It provides for 100 percent federal Medicaid reimbursement for the costs of vaccine administration until one year after the public health emergency ends. It also clarifies that COVID-19 coverage including vaccine administration extends to all forms of Medicaid including emergency Medicaid (MassHealth Limited). Before the American Rescue Plan, MassHealth had been covering COVID-19 testing and treatment for MassHealth Limited

members but directing providers to bill the federal government directly for the costs of vaccine administration. Now in compliance with ARPA, providers can bill MassHealth for vaccine administration for MassHealth Limited members too. (See [Provider Bulletin 312](#)) Providers are instructed to continue billing the federal government directly for the costs of vaccine administration for Health Safety Net only patients and other uninsured people.

More information:

- [The American Rescue Plan Act](#), Sections 9811-9822 including Sections 9811 and 9821 (COVID 19), 9812 and 9821 (postpartum coverage), 9813 (mobile crisis intervention), and 9817 (HCBS).
- Kaiser Family Foundation, [Medicaid Provisions in the American Rescue Plan](#)

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