

## **Five Steps to Affordable Coverage: Proposed Improvements to the Senate Finance Proposal**

**1. In the Senate Finance proposal: The subsidy levels are too low.** For example, people at 150 percent of the Federal Poverty Level (FPL) (\$27,465 for a family of three) would have to pay 5.5 percent of their income (or \$1,511) towards premiums or pay a penalty of \$750 per person. However, families with incomes this low are often struggling to pay for daily necessities and are too vulnerable to afford extra mandated costs. Medicaid already accounts for these hardships by exempting families below 150 percent FPL from paying premiums.

**Best solution: Increase subsidy levels.** Families earning up to 150 percent FPL should be exempt from premiums, and families between 150 - 400 percent FPL should pay face lower premiums than the current proposal requires.

**No-cost solution: Exempt the lowest-income families from the mandate, and reduce the penalty amounts for others.** The proposal exempts families up to 100 percent FPL from the mandate. This exemption should be expanded to families earning up to 150 percent FPL. Individuals below 200 percent FPL are also financially vulnerable; the penalties for failing to obtain coverage should be greatly reduced for these families. Although these solutions will not help these individuals obtain coverage, it will at least prevent them from facing punitive financial penalties for being unable to afford coverage.

**2. In the Senate Finance proposal: Low-income individuals who are offered expensive insurance through their employers will be left with no affordable option.** Individuals who are offered employer-sponsored coverage do not qualify for subsidies unless their coverage would cost more than 13 percent of their income. This standard is unfair – it subjects those with an offer of employer-sponsored coverage to a much harsher affordability standard, since those without an offer will qualify for subsidies and, depending on their income, get insurance for much less than 13 percent of their income. This standard would result in some very low-income individuals either spending up to 13 percent of their income on premiums or remaining uninsured and paying a harsh penalty.

**Best solution: Allow low-income individuals to qualify for premium assistance if their employer-sponsored insurance is unaffordable.** Low-wage workers are more likely to decline employer-sponsored insurance because they cannot afford their share of the premiums. Giving these workers access to assistance so their premiums equal what they would pay in the Exchange would help them afford coverage while also keeping them in their employer group and keeping the employer contribution “on the table.”

**No-cost solution: Exempt individuals from the mandate if their employer-sponsored insurance is unaffordable.** Rather than giving subsidies to individuals if their employer-sponsored coverage costs more than what someone at the same income level without employer-sponsored coverage is expected to pay, the proposal could simply exempt them from the individual mandate. This solution wouldn't help these individuals obtain insurance, but it would at least avoid subjecting them to the costly penalty if they cannot afford coverage through their employer.

**3. In the Senate Finance proposal: Older enrollees may face prohibitively high premiums.** The current proposal allows the oldest enrollees to be charged a premium five times higher than the amount the youngest enrollees pay for the same insurance plan.

**Best and no-cost solution: Narrow the age rate band.** Both the HELP Committee bill and the Tri-Committee House bills restrict age rating to a 2:1 rate band, meaning the oldest enrollees cannot be charged more than twice the amount the youngest enrollees are charged for the same plan. The Senate Finance Committee should adopt the same standard.

**4. In the Senate Finance proposal: The annual out-of-pocket caps would leave enrollees at risk for underinsurance.<sup>1</sup>**

**Best solution: Lower the out-of-pocket caps.** Individuals below 200 percent FPL should be protected from spending more than 5 percent of their income on out-of-pocket costs, and individuals above 200 percent FPL should be protected from spending more than 10 percent of their income on out-of-pocket costs. This would guarantee that subsidized individuals would not have to struggle with the financial hardships of underinsurance if they face a catastrophic illness or multiple chronic conditions.

**5. In the Senate Finance proposal: Low-income legal immigrants may not have any affordable options.** Subsidies are not available to anyone with an income below 100 percent FPL. Most people below 133 percent FPL would qualify for Medicaid. However, some legal immigrants do not qualify for Medicaid because of their immigration status. Those immigrants below 100 percent FPL would be exempt from the mandate, but would not have access to affordable coverage. Additionally, those immigrants below between 100 - 133 percent FPL who are offered unaffordable employer-sponsored coverage may not qualify for subsidies or Medicaid, but will face the individual mandate penalty if they fail to obtain coverage.

**Best solution: Offer subsidies to people below 100 percent FPL who do not qualify for Medicaid.** Alternatively, the legislation could require and subsidize states to cover all low-income legal immigrants on Medicaid.

**No-cost solution: Exempt from the mandate those between 100 - 133 percent FPL who do not qualify for Medicaid coverage.**

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<sup>1</sup> Individuals are underinsured if they spend more than 10% of their income on out-of-pocket costs OR if they are below 200% FPL and they spend more than 5% of their income on out-of-pocket costs.