Health Insurance Premium Fairness Act

Sponsored by Rep. Mike Levin and Rep. Linda Sánchez

Endorsed by: Protect Our Care, Alliance for Retired Americans, Families USA, Justice in Aging, National Committee to Preserve Social Security & Medicare, Social Security Works, Center for Medicare Advocacy, Protect Our Care California, and California Alliance for Retired Americans

The *Health Insurance Premium Fairness Act* would close a loophole that penalizes married couples when one spouse ages into Medicare and the other spouse remains on an Affordable Care Act (ACA) marketplace plan.

➢ Background

The ACA created a refundable premium tax credit for purchasing health insurance through the marketplace. To qualify for the tax credit, individuals must have an annual household income between 100% and 400% of the federal poverty line and must not be eligible to receive any government-sponsored or employer-sponsored health insurance. The credit caps how much a person pays towards their premium at a percentage of their household income.[1]

The premium tax credit is calculated as: $\frac{\text{Premium tax credit percentage x total household income}}{12}$

For example, if a couple made $60,000 in 2023 and had no dependents, they would fall at roughly 300% of the federal poverty line.[2] Under current rates, this couple would pay no more than 6% of their income towards their marketplace plan, which would equal a monthly premium of $300.[3]

However, when one member of the couple turns 65 and enrolls in Medicare, their household premiums could go up. For the same couple that made $60,000 in 2023 with no dependents, $300 would be the maximum premium solely for the individual receiving premium tax credits. The premium tax credit calculation would not take into account the premiums that the second person is paying for Medicare. For example, if the second person's Medicare premiums are $200, the couple could now be paying up to $500 in total household monthly premiums.

➢ Legislation

This bill would adjust the premium tax credit formula for households with members who are enrolled in Medicare. Specifically, it would subtract the aggregate amount of specified Medicare premiums paid by the household from the maximum premium paid by the household for a marketplace plan. In the above example, the $200 in Medicare premiums would be subtracted from $300, coming out to a maximum of $100 that the individual on a marketplace plan would pay for premiums. This ensures the household continues to pay no more than 6% of their income or $300 total in monthly premiums, as intended under the ACA.

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[1] Kaiser Family Foundation, https://www.kff.org/faqs/faqs-health-insurance-marketplace-and-the-aca/how-do-the-premium-tax-credits-work/

[2] HHS, https://aspe.hhs.gov/sites/default/files/documents/1c92a9207f3ed5915ca020d58fe77696/detailed-guidelines-2023.pdf

[3] 26 USC 36B