Affordable Care Act
Family Glitch
What it means for you

December 06, 2022
Joe DeMartino, Agent, Raleigh
A short trip back in time

Brief history of the ACA

- The Affordable Care Act was passed in 2010
- No more pre-existing conditions
- Essential health benefits in all plans
- Premiums based on location and age
- Subsidies for those without access to group health plans subject to income limits began in 2014
  - Sliding scale from 100% - 400% FPL with cliffs on each end
- A number of adjustments over the years changed certain special enrollment periods and capped premiums
But one big problem remained
Known as the “Family Glitch”

• Originally subsidies were not available to family members unless the lowest employee-only rate was considered unaffordable (above ~9.5%)

• Example – lowest employee only rate of $100/mo. and annual income of $40,000 = 3%
  – Considered affordable

• But I have a family and the family rate is $500/month = 15% of household income (spouse isn’t working)
  – Not affordable, but no subsidy

• We have a glitch
But one big problem remained

Known as the “Family Glitch”
New rules effective 1/1/2023

If the family rate is over 9.12% of household income

- Now if the cost of the lowest offered group plan exceeds 9.12% of family income the other family members may qualify for a subsidy on a Marketplace plan.

- If both spouses are offered group plans, both plans need to be over 9.12%

- Does not apply to employees – only family members

- Will result in split plans among family members

- Marketplace plans may have higher deductible and out of pocket limits than group plans subject to income limits
Timing

• Does not have to coincide with group renewal

• But must be during the annual open enrollment period – ends Jan. 15th

• Or during a special enrollment period
Examples

- One working spouse with family
  - Lowest employee only rate of $100/mo. and annual household income of $40,000 = 3% - Affordable
  - Family rate is $700/month = 21% of household income – Not Affordable
  - Non-working spouse and children are eligible for a subsidy on a Marketplace plan

- Two working spouses with family
  - Each spouse earns $30,000 and is offered similar plans ($100/$500/$700/month)
  - Each employee has affordable coverage - $1,200/$60,000 = 2%
  - Neither plan is affordable for the children - $6,000/$60,000 = 10% - Not affordable
  - Each spouse obtains employer coverage and children qualify for subsidized Marketplace plan
Resources


- https://www.cbpp.org/blog/more-families-will-spend-less-on-health-care-premiums-thanks-to-a-fix-for-the-family-glitch

- Get a quote - https://www.healthsherpa.com/?_agent_id=joe-demartino

- Joe DeMartino – Marsh & McLennan Agency – 919-325-4750 or joe.demartino@marshmma.com
This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Marsh & McLennan Agency, LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as consultants and are not to be relied upon as actuarial, accounting, tax or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially affected if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change. MarshMMA.com