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Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

RE: Comments on Proposed rule: Affordability of Employer Coverage, Federal Register Number 2022-07158

To whom it may concern:

The UC Berkeley Labor Center is a public service and outreach program of the UC Berkeley Institute for Research on Labor and Employment. Founded in 1964, the Labor Center conducts research and education on issues related to labor and employment, including research on improving Californians' access to affordable health care.

Much of our health care research uses the California Simulation of Insurance Markets, CalSIM, a microsimulation model co-developed with the UCLA Center for Health Policy Research that estimates health care coverage and affordability under various policy scenarios. CalSIM integrates data from the Medical Expenditures Panel Survey, the California Employer Health Benefits Survey, and the California Health Interview Survey to project future individual and family-level health care choices.

We submit this comment in response to the notice of proposed rule-making (NPRM), issued by the Internal Revenue Service and published in the Federal Register on April 6, 2022[1]. Under the proposed regulation, family members of workers paying more than 9.61% of the family's income for employer sponsored family health insurance (this could be coverage for the worker plus children, the worker plus their spouse, or for the whole family) would be eligible for subsidies on the ACA health insurance exchanges. Currently, family members are not eligible for subsidies if the worker's offer of self-only employer sponsored insurance (ESI) costs less than 9.61% of family income – which is true for most workers. These family members are caught in what is commonly referred to as the "family glitch". We used CalSIM to estimate how the proposed fix to the family glitch would impact affordability and coverage for Californians.

Over the past decade, ESI premiums have become more expensive relative to wages, increasing by 49% on average between 2008 and 2018 in California[2]. In 2020, 10% of California families paid $12,000 or more

[1] Internal Revenue Service, Proposed rule: Affordability of Employer Coverage, Federal Register Number 2022-07158, April 6, 2022.

[2] Lucia, L. and Graham-Squire, D. (2019) Health care costs under job-based plans have grown rapidly, while wages remained flat. (n.d.). UC Berkeley Labor Center. Retrieved June 2, 2022, from

for family ESI[3]. We estimate that families otherwise eligible for subsidies but for the family glitch dedicate 17% of income to ESI premiums, on average. The alternative, enrolling in unsubsidized benchmark plans on the exchange for family members and ESI for the worker only, would require nearly 22% of household income[4].

Many Californians are caught in the family glitch and roughly 2 in 5 of them would have new health coverage options under the fix. We estimate that 615,000 spouses and children of California workers fall into the glitch, most (80%) of whom have ESI that they may currently struggle to afford[5]. A smaller subset, 252,000, would be eligible for federal subsidies under the ACA to help defray the cost of insurance on the exchange. Subsidies are based on family income and whether exchange premiums exceed the required ACA contribution.

We estimate that 60,000 Californians will newly take up subsidized exchange coverage and just over half (34,000) will switch from their employer-sponsored family insurance. The others are either currently uninsured or enrolled in individual market coverage but not receiving subsidies[5].

California families projected to switch from ESI stand to save substantially. These families would recoup on average $2,400 after taxes each year ($800 per person)[5]. People who switch are most likely to be older adults (ages 45-64), have incomes less than 266% FPL, and are largely in families with two parents and kids. Proportionally fewer kids are eligible for subsidies because they qualify for Medicaid in California at a higher FPL threshold than do most adults[4].

If the subsidies in the 2021 American Rescue Plan Act were also to be extended, the projected number of newly subsidized Californians on the exchange would increase approximately 2.5-fold. In addition, families would save close to $4,400 annually, or $2,000 more than with ACA subsidies alone[4].

The proposed regulation would help tens of thousands of Californians save thousands annually on health insurance. Furthermore, it would extend the ACA goal of improving health care affordability to a group that is currently left out.

Sincerely,

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https://laborcenter.berkeley.edu/health-care-costs-under-job-based-plans-have-grown-rapidly-while-wages-remained-flat/

[3] Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2020 MedicalExpenditure Panel Survey- Insurance Component, Premium Distributions by State, 2020. https://meps.ahrq.gov/data_stats/summ_tables/insr/state/series_10/2020/ic20_xc_e.pdf

[4] CalSIM version 3.3

[5] Dietz, M., Challenor, T., Kadiyala, S. (2022) Fixing the Family Glitch in California: Projections from the California Simulation of Insurance Markets https://laborcenter.berkeley.edu/wp-content/uploads/2022/06/Family-Glitch-Fact-Sheet.pdf

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