FACT SHEET
Fixing the Family Glitch in California: Projections from the California Simulation of Insurance Markets

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Many Californians struggle to afford job-based coverage, especially family coverage. In 2020, the median worker contribution for single coverage was $1,000 for single coverage and $4,500 for family coverage, but 10 percent of workers paid $12,000 or more for family coverage in California.[1] Under the original ACA regulations, workers whose coverage for themselves only cost more than 9.61% of household income (in 2022) could receive subsidies to enroll in Marketplace coverage, along with their family members. However, if coverage for the worker only was affordable no one in the family was eligible for subsidies, even if the cost of family coverage was unaffordable. The spouse and children of the worker are said to fall in the "family glitch"—unable to access subsidies in the individual market, and offered family coverage through an employer that was unaffordable. Proposed federal regulations[2] would fix the family glitch by extending subsidies to spouses and children offered unaffordable family coverage through an employer. The employee would still be excluded from subsidies if their cost for single coverage through their employer was affordable.

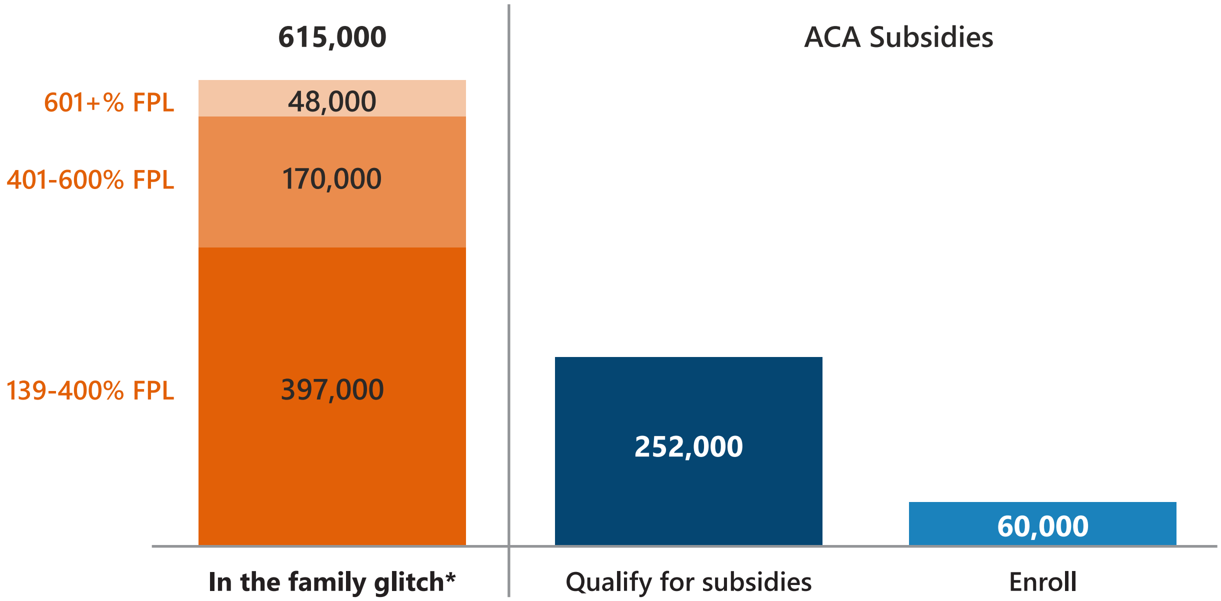
We use the California Simulations of Insurance Markets (CalSIM) model to project for 2023 how many people would fall into the family glitch in California, how many would be newly eligible for a positive dollar subsidy, and how many would enroll in Covered California with subsidies under the family glitch fix.

- 615,000 would be in the family glitch, meaning they are spouses or children of workers with an affordable offer of single coverage but the offer of job-based coverage that includes them is unaffordable; they are not otherwise eligible for or enrolled in Medi-Cal or other public health insurance; they are not undocumented; and they do not have their own offer of affordable single job-based coverage (i.e., from their own employer). Of these, we project 397,000 have incomes at or below the 400% Federal Poverty Level threshold for subsidies under the ACA. Most of the people in the family glitch (493,000 or 80%) are enrolled in employer sponsored coverage. We project that 235,000 (38%) are children age 18 and under.

- 252,000 would be eligible for a positive dollar subsidy because they would be income eligible for subsidies under the ACA[3] and would require a subsidy to keep their premium below the ACA maximum contribution as a percentage of income, taking into account how age, household composition, and region factor into premiums.

- 60,000 would enroll in Covered California with subsidies. The decision to enroll depends on comparing a family's costs for premiums and out-of-pocket expenses, as well as the family's preferences.

Exhibit 1. Projections of California spouses and children in the family glitch, qualifying for positive dollar subsidies under the fix, and enrolling in Covered California with subsidies under the fix, ACA subsidy scenario, 2023



* Adults 139+% FPL, or children 267+%; not otherwise eligible for Medi-Cal or other public insurance; not undocumented; have an unaffordable family offer of ESI through a parent or spouse and do not have their own affordable self-only ESI option

Source: CalSIM v3.3 ACA 2023

Of the 60,000 we project to newly enroll in Covered California with subsidies if the family glitch is fixed, 34,000 are otherwise enrolled in employer sponsored insurance, 21,000 are otherwise uninsured, and 6,000 are otherwise enrolled in the individual market without subsidies. Focusing on the 34,000 who are projected to switch from employer sponsored insurance, their households will, on average, see the share of family income spent on premiums decline from 17.55% of income to 10.73% of income, saving $3,356 per household per year ($1,179 per person). As a result of spending less money pre-tax on premiums for employer sponsored coverage, these families will pay an average of $1,002 more in taxes per year ($376 per person), resulting in net annual savings on premiums of $2,354 per household ($803 per person).

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[1] Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2020 Medical Expenditure 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

[2] Internal Revenue Service, Proposed Rule: Affordability of Employer Coverage for Family Members of Employees, Posted April 6, 2022. https://www.regulations.gov/document/IRS-2022-0006-0001

[3] For this analysis we assume only ACA level subsidies since additional state subsidies currently under consideration have not been finalized and American Rescue Plan subsidies are currently set to expire at the end of 2022.