BlueCross BlueShield of New Mexico

# Family Fix

## What is the family fix?

The "family glitch fix" refers to the IRS' 2013 interpretation of the firewall provision that based the affordability of a plan on the cost of employee-only coverage, rather than the cost of family coverage. In other words, this interpretation did not consider the additional premium costs for family-based coverage.

An estimated 5 million people, primarily low-income families, were affected by the family glitch. The 2013 interpretation was heavily criticized by a broad range of stakeholders.

The new IRS rule revises the 2013 interpretation and eliminates the family glitch by basing the affordability test for employees' family members on the premium cost for family coverage, rather than employee-only coverage. This change will allow millions of family members, primarily low-income women and children, to receive federal financial assistance toward the cost of premiums and deductibles.

Source: healthlaw.com

## What are the advantages of the family fix?

Consumers affected by the family glitch could be spending 15.8 percent of their income on average for their employer-based coverage according to one study.

By contrast, the ACA affordability threshold for employer coverage established through the fix in 2023 is 8.39 percent of income for 2024. An individual spending more than 8.39 percent of their income in premium contributions for their employer coverage is considered to have unaffordable coverage and is eligible for Marketplace subsidies.

With the family glitch fixed, many individuals and families have the option to buy health coverage through the Marketplace and are eligible for subsidies that they could not access before to help pay their monthly plan premiums.

## How does family fix work?

Under new federal regulations published this fall, the worker's required premium contributions for self-only coverage and for family coverage will be compared to the affordability threshold of 9.12 percent of household income.

If the cost of self-only coverage is affordable, but the cost for family coverage is not, the worker will not be eligible for Marketplace financial assistance. Their family members can apply for this assistance.

An employer's plan is not "affordable," as defined under ACA, if the employee must contribute more than about 9.5 percent of household income toward premiums. If an employer's plan is not affordable, an employee may qualify for premium tax credits through the Marketplace. The employer may face penalties under the employer mandate.

Individuals determined eligible for Marketplace premium tax credits can also apply for cost-sharing reductions if they enroll in a Silver plan and generally have a household income between 100 and 250 percent of the poverty level.

Source: healthlaw.com

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## Opportunities for all

### Benefits to the employer

- If a worker finds self-only coverage affordable but family coverage is expensive, they won't qualify for Marketplace financial assistance. However, their family members can still apply for this assistance.
- Provides flexibility to their employees to select the best plan for their family needs.
- Reduces employer monthly premiums for employees and/or dependents who choose split or full Marketplace coverage.

### Benefits to the employee

- Entire family offered flexibility to choose plans that suit needs
  - Split coverage
  - Marketplace coverage only
  - Employer coverage only
- Affordability on the total cost for family coverage.
- Premiums can be lowered by using premium tax credit and/or cost-saving reductions if eligible through the Marketplace.
- May be eligible for a 60-day SEP if the employer-sponsored coverage changes outside open enrollment.

### Benefits to the broker

- Assist potential members who would like to learn more about the fix. In addition, if the potential member does not have a Broker, becomes the BOR on the IFM policy.
- Easy to enroll via a customized Broker quote link from the On-Exchange Enrollment Solution, powered by HealthSherpa.

## Opportunities for all

### Split coverage Employer and Marketplace

- The employee could enroll in the affordable employer coverage, while their family members enroll in a Marketplace plan with premium tax credit and cost-sharing reduction, if otherwise eligible.

### Marketplace Coverage Only

- The employee could decline the affordable employer coverage and the whole family could enroll in a Marketplace plan.
- The family will pay full price for the employee's portion of the Marketplace plan premium, while the other family members' portion would be lowered by using APTC and/or CSRs if they are otherwise eligible.

### Employer Coverage only

- The whole family could enroll in the employee's offer of employer-sponsored coverage. While someone is enrolled in employer coverage, they are not eligible for the APTC or CSRs for a Marketplace plan.

## Have ICHRA questions or need support?

For more information contact BCBS_ICHRA@bcbsnm.com

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