Glitching Out

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This week, the Biden Administration dropped its final rule addressing the Affordable Care Act's (ACA) so-called "family glitch." Avid Weekly Checkup readers will recall this rule was first proposed back in April as part of the Biden Administration's ongoing efforts to march the ACA closer and closer to universal coverage. **What's more, this rule is costly with minimum coverage benefits.**

First, a bit of background: **The "family glitch" is the name for a strange loophole in ACA subsidy rules. Essentially, if employer-sponsored coverage costs an individual 9.5 percent or more of their annual income, that individual would qualify for premium tax credit (PTC) subsidies to purchase insurance on the ACA Exchanges.** Yet this 9.5 percent threshold did not apply to employer-sponsored family coverage; if that family coverage exceeded the 9.5 percent threshold, but individual coverage did not, the employee's family would not receive PTCs. **In 2013, the Obama Administration embraced this interpretation of the threshold rule, which this writer is sure had nothing to do with the fact that this interpretation would cushion the Congressional Budget Office (CBO) score and make the ACA more politically palatable for moderate Democrats.**

Special interest groups on the left have been pushing for this "fix" for years, arguing that the glitch was unfair to families. **This writer is not going to argue that it is good for families to be uninsured, but there's a reason the Obama Administration went with the previous interpretation: Extending that coverage is expensive. How expensive?** Estimates vary. Treasury's own analysis pinned it at $38 billion over 10 years. A 2020 CBO report pegged it at around $45 billion. But hey, 5.1 million people could get coverage! Surely, it's worth it, right?

Maybe not. Back in April, as our previous Weekly Checkup noted, only 200,000 people will gain insurance from this rule, while another million will migrate from employer-sponsored insurance to ACA coverage. **The new analysis from Treasury (page 74 of 86) estimates that the new rule will increase "PTC-subsidized Exchange coverage by approximately 1 million" people. But that doesn't mean 1 million new people will be covered.** If the previous estimate is anything to go by, the vast majority of those people will have already had some form of coverage.

This rule has the same problem the rest of the ACA has: It doesn't address any of the systemic costs making American health care so expensive (such as hospital consolidation or burdensome drug approval processes). Instead, the new rule would only provide subsidies for people who, for the most part, already had access to coverage. Those subsidies, especially if left unpaired with systemic cost fixes, will likely further inflate prices down the road, giving the left more of an excuse to further subsidize coverage, and so on and so forth. **We all want more affordable health care, but shoveling more subsidy fuel on the price inflation fire isn't going to do the trick.**