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Key Provisions in the American Rescue Plan: What does it mean for Tennessee?

The American Rescue Plan Act (ARPA) was enacted on March 11, 2021. ARPA contains many provisions meant to combat the health and economic effects of the COVID-19 pandemic. This write-up will cover ARPA's impact on Tennessee with regard to Medicaid and CHIP, the Affordable Care Act marketplace, nutrition benefits programs, Temporary Assistance for Needy Families, certain tax credits, eviction prevention and unemployment insurance.

I. Healthcare

A. Medicaid and the Children's Health Insurance Program ("CHIP")

1. Medicaid Expansion. ARPA contains incentives for states that have not already expanded Medicaid to do so. Tennessee is one of only twelve states that have not expanded Medicaid, which is known in Tennessee as "TennCare." Aside from ARPA, if Tennessee expands TennCare then the federal government will always pay for 90% of the cost. 300,000 working Tennesseans would gain health coverage. State officials estimate that Medicaid expansion would have already brought an additional $1.4 billion in federal funds into the state economy every year to support our health care infrastructure.[1] In 2014, then-Governor Bill Haslam made a deal under which Tennessee hospitals would pay the remaining 10% share. This would have made expansion free to Tennessee taxpayers, but it was rejected for fear that the federal government might pull back the money.[2]

ARPA dramatically increases the incentive for Tennessee to expand TennCare, and it's now clear that Congress is not about to take back the funding. The law adds almost $1.3 billion in additional federal funding for two years, *if* the state expands. After paying the state's 10% share of the cost of expansion, the state budget will net *$900 million* more than the cost of expansion over the span of two years.[3] If Tennessee opts to expand Medicaid, this increased funding would start the first calendar quarter that the state expands coverage. It would go for eight calendar quarters after that, but the funding would end if the state stops providing coverage to the expansion population before those eight quarters end.

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[1] Fiscal Review Committee, Tennessee General Assembly, Fiscal Note for SB 1029-HB143 (3/20/19), http://www.capitol.tn.gov/Bills/111/Fiscal/SB1029.pdf.

[2] https://www.tn.gov/former-governor-haslam/news/2014/12/15/haslam-announces-insure-tennessee-plan.html

[3] Kaiser Family Foundation, "New Incentive for States to Adopt the ACA Medicaid Expansion: Implications for State Spending" (3/17/21), https://www.kff.org/coronavirus-covid-19/issue-brief/new-incentive-for-states-to-adopt-the-aca-medicaid-expansion-implications-for-state-spending/.

2. Postpartum coverage for mothers. ARPA makes it easier for Tennessee to extend postpartum coverage for mothers enrolled in either TennCare or CoverKids. (CoverKids is Tennessee's version of the Children's Health Insurance Program, or "CHIP.") Currently the postpartum period for Medicaid or CHIP coverage is only 60 days. Under ARPA, states can choose to extend this from 60 days to 12 months. This option is available for the next five years and may be extended. If the state chooses to extend coverage for 12 months, it has to provide the same level of coverage that the individual would receive for the original 60 days.

States can choose to take this option starting April 1, 2022. Although this is almost a year away, pregnant people who are enrolled in Medicaid currently can remain enrolled beyond the 60-day period due to the maintenance of effort requirement.[4] A state analysis of maternal deaths has shown that such coverage would prevent many of Tennessee's maternal deaths. Physician groups and advocates for mothers and children have encouraged extending postpartum coverage, and Governor Lee's proposed FY 2021-22 budget includes funding for a three-year pilot program that extends postpartum TennCare coverage to 12 months.

3. Home and Community Based Services. States will also get increased funding for Home and Community Based Services (HCBS) through March 2022. States would receive an additional 7.35% in federal funding for HCBS services, which enable the frail elderly and people with disabilities to avoid institutionalization and continue living at home. This is particularly important given how COVID-19 dramatically impacted people living and working in congregate care facilities. The requirements to receive the money are: (1) the state must implement one or more activities to enhance, expand, or strengthen HCBS, and (2) the funds cannot supplant any funds currently being used for HCBS, they can only supplement existing funds.

4. Testing, Vaccines, and Treatment. The law also includes an option to cover people who do not have insurance for testing, vaccines, and treatment of COVID-19. For Medicaid enrollees, the ARPA requires Medicaid and CHIP to provide testing, vaccines, and treatment without any cost-sharing. This also applies to people enrolled in limited-scope Medicaid categories, like treatment for breast and cervical cancer.

5. Community-Based Mobile Crisis Intervention Services. ARPA includes an option for states to receive funding for mobile crisis intervention services to assist someone experiencing a mental health or substance use disorder crisis outside of a hospital. The law establishes certain requirements for a service to qualify under this statute, including training and certification requirements for the team staffing the mobile unit. If a state provides a service that meets the requirements, the federal government will pay 85% of the cost. The federal funds cannot replace

[4] https://www.kff.org/policy-watch/postpartum-coverage-extension-in-the-american-rescue-plan-act-of-2021/

any existing state funds for the service, and the state must maintain existing services in order to receive the additional funds.

B. The Health Insurance Marketplace

ARPA also has provisions that make health plans more accessible and affordable that are available through the online insurance Marketplace, known as healthcare.gov, that was established by the Affordable Care Act ("Obamacare"). ARPA reduces or eliminates premiums for many people with low to moderate incomes and provides new help to people with high incomes who have high premiums. This provision lowers premiums for most current Marketplace enrollees and will expand coverage to 1.3 million Americans who are otherwise uninsured.[5]

ARPA increases access to health insurance plans through the Marketplace by expanding who is eligible for a premium tax credit (PTC). Under the Affordable Care Act, households with an income between 100% and 400% of the federal poverty line could pay only a percentage of their premiums and receive a tax credit for the rest. ARPA expands eligibility for PTCs so that more people can pay a lower percentage or zero percent of their premium for a Marketplace plan.

First, ARPA reduces premiums to zero for households making between 100% and 150% of the federal poverty line. Also, if an individual receives unemployment insurance at any point during 2021, they are deemed to automatically qualify for a premium tax credit (PTC). Any income they receive over 133% of the poverty line will be disregarded for the purposes of the PTC. That means that anyone who receives unemployment insurance in 2021 can have their premiums subsidized in full.

Second, ARPA lowers the premium percentage that people would have to pay for a Marketplace plan across the board. Usually, households with an income above 400% of the federal poverty line are not eligible for a PTC. Under ARPA, however, households with an income over 400% of the federal poverty line only have to pay 8.5% of their premiums, and the rest is covered by a PTC.

A household's PTC is often calculated by what the household expects their income to be for the coming year. Sometimes if a household's income ends up being different than they expected, they have to repay some or all of the PTC they received. ARPA also eliminates this requirement for a person whose income turns out to be more than expected to pay back premium assistance at the end of the year.

[5] Congressional Budget Office, Cost Estimate (2/17/2021), https://www.cbo.gov/system/files/2021-02/hwaysandmeansreconciliation.pdf.

C. COBRA health coverage

COBRA is a 1985 federal law that gives individuals who lose their jobs the option to continue their employer's health insurance coverage for a limited amount of time. But it has been of limited benefit, because the unemployed person has to pay the premiums to continue the coverage. ARPA addresses that problem by assisting people who lose their job between the law's enactment and September 30, 2021, and who want to keep their coverage through COBRA. If a person loses their job or has their hours reduced between April 1 and September 30, 2021, they can enroll in COBRA coverage and have their premiums fully subsidized.

II. Nutrition

A. Supplemental Nutrition Assistance Program ("SNAP", formerly known as "food stamps")

ARPA extends through September 30, 2021, the 15% increase in SNAP benefits that Congress approved in 2020 at the beginning of the pandemic. The law also appropriates funds for the Secretary of Agriculture to make grants to states for each year from 2021 to 2023. 75% of these funds are to be allocated based on the share of households enrolled in SNAP in a state in the most recent 12-month period reported, and 25% is to be allocated based on the increase in the number of households enrolled in SNAP in the most recent 12-month period reported. The law also invests $25 million in modernizing SNAP technology related to the "electronic benefits transfer (EBT)" cards (similar to debit cards) that are used to issue SNAP benefits to families.

B. Women, Infants and Children ("WIC")

The law gives the Secretary of Agriculture authority to increase the cash-value voucher amount by $35 per month during a four-month period. States have to opt-in to receive these funds, and the four-month period starts on a date of the state agency's choosing (but cannot be later than July 2021). To receive the funds, states must notify the Secretary of Agriculture of their intent to use the increased amount and of the time period during which the increase will apply. ARPA also appropriates $390 million for improvements to WIC including waivers and flexibility, but those wavers cannot relate to the content of food packages.

C. Pandemic EBT ("P-EBT")

P-EBT benefits were authorized in March 2020 to provide nutrition assistance to low-income children who could no longer received free or reduced-price school meals, because the pandemic had closed their schools. The original law only provided assistance during the school year. ARPA amends the P-EBT program to apply to any school year in which there is a public health emergency declaration, and a summer period following a school year during which there was a public health emergency declaration. States must submit a plan to the Department of Agriculture in order to receive these funds, but they are currently waiting for more guidance from the federal government before doing so.

III. Temporary Assistance to Needy Families ("TANF") Emergency funds

TANF is administered in Tennessee by the Tennessee Department of Human Services (DHS)and is known as the Families First program. ARPA appropriates funds for the Department of Agriculture to allocate to states as pandemic emergency assistance. (To receive these funds, the state must notify the Secretary of Agriculture of their intention to use the funds by April 25, 2021. Tennessee has been allotted $12,994,779 under this provision.[6] A DHS official has said that Tennessee will elect to receive these funds, but we have not gotten an official decision yet.

IV. Tax Credits

A. Child Tax Credit

APRA increases the child tax credit to $3,000, or $3,600 for a child under 6 years old. The amount that a household receives is reduced by $50 for every $1,000 that their household income is above: (1) $150,000 for joint filers, (2) $112,500 for heads of household, or (3) $75,000 for single filers. The law also allows for the tax credit to be paid in advance in monthly installments. ***It is vitally important that families who are not accustomed to filing income tax returns because they don't owe taxes file understand the need to file a tax return now, in order to receive the tax credit.***

B. Earned Income Tax Credit ("EITC")

ARPA lowers the minimum age at which a person can qualify for the EITC with no qualifying children. Because of ARPA, the minimum age is now: (1) 18 for former foster youths or homeless youths, (2) 24 for students other than former foster/homeless, or (3) 19 for all other individuals. It also eliminates the maximum age to qualify. ARPA also increases the EITC from $543 to $1,502. For the purposes of calculating EITC, a taxpayer can substitute their 2019 income for their 2021 income if their 2019 income was higher.

V. Eviction Protection

ARPA appropriated funds for the federal government to allocate to states, local governments, and territories to prevent homelessness and housing instability. The funds must be used to help eligible households with rent, utilities, arrears, and related expenses for up to 18 months. To be eligible to receive funds, a household must: (1) have one or more members who qualifies for unemployment benefits or has experienced a loss in income due to COVID, (2) have one or more

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[6] https://www.acf.hhs.gov/sites/default/files/documents/ofa/State-pandemic-emergency-asssistance-fund-allotment-Table.pdf

members at risk of homelessness or housing instability, and (3) be a “low-income family” under the United States Housing Act of 1937. That statute defines a “low-income family” as a family with an income below 80% of the median income for their area.

VI. Unemployment Benefits

In March 2020, at the beginning of the pandemic, Congress enacted the CARES Act which included pandemic unemployment assistance. ARPA continues pandemic unemployment assistance until September 6, 2021. It also increases the maximum number of weeks that a person can receive pandemic unemployment benefits to 79 weeks.