Summary of the Family Coverage Act

The Affordable Care Act includes a number of provisions to help millions of Americans gain access to high-quality, affordable health insurance. At the same time, there remain a number of ways to make it stronger for individuals and families. For example, the law provides premium tax credits to help Americans purchase health insurance coverage when they do not have access to affordable job-based coverage. However, due to a glitch in the way the law is being interpreted by the IRS, many middle-class families are prohibited from receiving these tax credits, even when the cost of family coverage is simply unaffordable.

The Family Coverage Act will fix this glitch and help ensure that these families gain access to premium tax credits. The legislation does this by defining affordable job-based health coverage by what is affordable for a family, not just an individual employee. Unlike the current interpretation of the law, this definition is in line with what was intended by Congress, and would allow families that currently do not have access to affordable health coverage through an employer to access tax credits to buy their coverage.

The "family glitch." Under the Affordable Care Act, large employers are required to offer comprehensive, affordable health coverage to their employees. In interpreting this part of the law, the administration has made the determination that health insurance coverage is ñaffordableò if the employeesô share of premiums for *individual coverage*, rather than *family coverage*, is less than 9.5 percent of family income. If an employee has an offer of ñaffordableò health insurance coverage, the employee and his or her family are barred from receiving premium tax credits. This definition of ñaffordabilityò is often described as the ñfamily glitchò since it fails to consider the cost of coverage for the entire family.

This interpretation of the law affects millions of dependents, many of whom are children. The Government Accountability Office estimates that this definition of ñaffordabilityò potentially prevents 460,000 uninsured childrenð all of whom are ineligible for coverage through Medicaid or the Childrenõs Health Insurance Program (CHIP)ð from accessing tax credits. For these children, parents, and other dependents, their only options are to forego coverage or pay a disproportionate share of their income. These families deserve better.

The Solution. The Family Coverage Act fixes the glitch in the definition of ñaffordableò job-based coverage, and would allow an employeeõs dependents to access premium tax credits if the cost of family coverage offered by an employer is greater than 9.5 percent of household income. This change not only helps families but also brings the definition of ñaffordableò into alignment with the coverage intended by Congress and reflected in the rest of the Affordable Care Act. Although this change could be made by the Obama administration without legislation, the Family Coverage Act is a commonsense bill that would strengthen the ACA and help millions of Americans gain access to meaningful health insurance coverage.