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CROSS-PRACTICE ISSUES

Alert No. 2021-CP-2

March 10, 2021

Congress Passes $1.9 Trillion Stimulus Through Budget Reconciliation

On Wednesday March 10, the U.S. Congress passed the *American Rescue Plan Act of 2021*, a $1.9 trillion stimulus package as part of the federal government's response to the impacts caused by the COVID-19 (coronavirus) pandemic. The legislation is largely one proposed by President Biden in January. Democratic lawmakers passed the legislation through the budget reconciliation process to avoid the 60-vote requirement in the Senate and therefore only a simple majority was needed. Some provisions, such as the federal minimum wage increase, were removed, while others were scaled back and others added during negotiations among the Senate Democrats. President Biden is expected to sign the legislation before the current unemployment benefits from the previous COVID-19 stimulus bill expires on March 14, 2021.

Select appropriated and other provisions include:

- A third round of direct payments of $1,400 to individuals making up to $75,000, or $2,800 for couples making under $150,000. The amounts phase out and cut off at $80,000 for individuals and $160,000 for couples.
- An extension of $300 unemployment benefits per week through September 6, 2021.
- $50 billion in additional funding for the Federal Emergency Management Agency (FEMA) to ramp up vaccine distribution.
- $47.8 billion for the Department of Health and Human Services (HHS) to be used towards testing for and monitoring the spread of COVID-19.
- $7.5 billion for HHS to be used towards planning, preparing for, promoting, distributing, administering, and monitoring COVID-19 vaccines.
- $8.5 billion for rural Medicaid and CHIP health providers towards COVID-19 expenses.

Select multiemployer pension provisions include:

- A special financial assistance program for financially troubled multiemployer plans. The program would provide lump sum payments to troubled plans and cover all benefits due through the year 2051 and does not require the funds to repay the funds it receives. Plans that receive this financial aid must reinstate benefits that were suspended and provide payments equal to the number of benefits previously suspended and are not eligible for a new suspension of plan benefits.
- A temporary delay of designation of multiemployer plans as endangered, critical, or critical and declining status.
- A temporary extension of the funding improvement and rehabilitation periods for multiemployer pension plans in critical and endangered status for 2020 or 2021.
- A special funding rule that allows a plan sponsor to separate investment losses experienced due to COVID-19 that occur in the two years after Feb. 29, 2020 from regular accounting. Those losses could then be amortized over 30 years.
- Another special funding rule that allows a multiemployer plan to change its asset valuation method to spread the difference between expected and actual returns for either or both for the two years after Feb. 29, 2020 over a period of 10 years. This provision also allows for an expanded valuation corridor. A plan sponsor could opt to use the expanded valuation corridor even if it does not use the expanded smoothing period. If either of these options are used, the plan must treat any resulting reduction in the

unfunded accrued liability as a separate experience amortization base, to be amortized over 30 years.

Select single-employer pension provisions:

- The option for sponsors of single employer pension plans to elect to reduce all shortfall amortization bases to zero for plan years 2019, 2020, 2021 or 2022 and all shortfall amortization installments determined with respect to those bases.
- Changes to the amortization period for funding shortfalls from 7 years to 15 years.
- An extension of pension plan interest rate smoothing measures, delaying the phase-out of the 5% corridor until 2026. Then it would increase by 5 percentage points each year until attaining 30% in 2030 where it will remain, with a 5% floor placed on 25-year interest rate averages.

Select health provisions include:

- For 2021 and 2022, Affordable Care Act (ACA) premium subsidies will be enhanced and extended. A greater share of premiums will be subsidized, and subsidies will be available to individuals above current income eligibility limits by capping their premiums at 8.5 percent of income.
- Individuals who lost their jobs and are eligible for unemployment insurance in 2021, would receive subsidies to cover the entire cost of their ACA marketplace insurance premiums, so long as they are not eligible for Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage.
- The federal government will subsidize 100 percent of the COBRA premiums through September 30, 2021 for workers who lost their job.

Select Medicaid provisions include:

- The Federal Medical Assistant Percentage (FMAP) will be increased for two years in states that newly expand Medicaid.
- Establishes a 100% FMAP for vaccines through one year after the end of the public health emergency (with option for vaccines and treatment for the uninsured at 100% FMAP).
- A five-year extension of coverage to women for 12 months after they give birth.
- The repeal of the federally mandated 100% cap on rebates that drug companies must pay Medicaid programs for drugs whose prices rise faster than inflation.
- An increase of the FMAP to 100% for two years for Medicaid beneficiaries who receive care through Urban Indian Organizations and Native Hawaiian Health Centers.
- An increase of the FMAP by 10% from Apr. 1, 2021 to Mar. 31, 2022 for home and community-based services if states expand or strengthen these services under Medicaid.
- An increase of the FMAP to 85% for mobile crisis intervention services for mental illness or substance use disorders if states choose to opt into covering these services.
- No FMAP increase for disproportionate share hospitals.

For more information on previously passed COVID-19 legislation, see the Academy alert here. For a budgetary analysis of the legislation, please refer to the Congressional Budget Office tabular information here.

If you have any questions regarding this ***Academy Alert***, please contact Devin Boerm, deputy director of public policy, (boerm@actuary.org, 202-785-7880).