

The ACA and Individuals: The Mandate and Medicaid

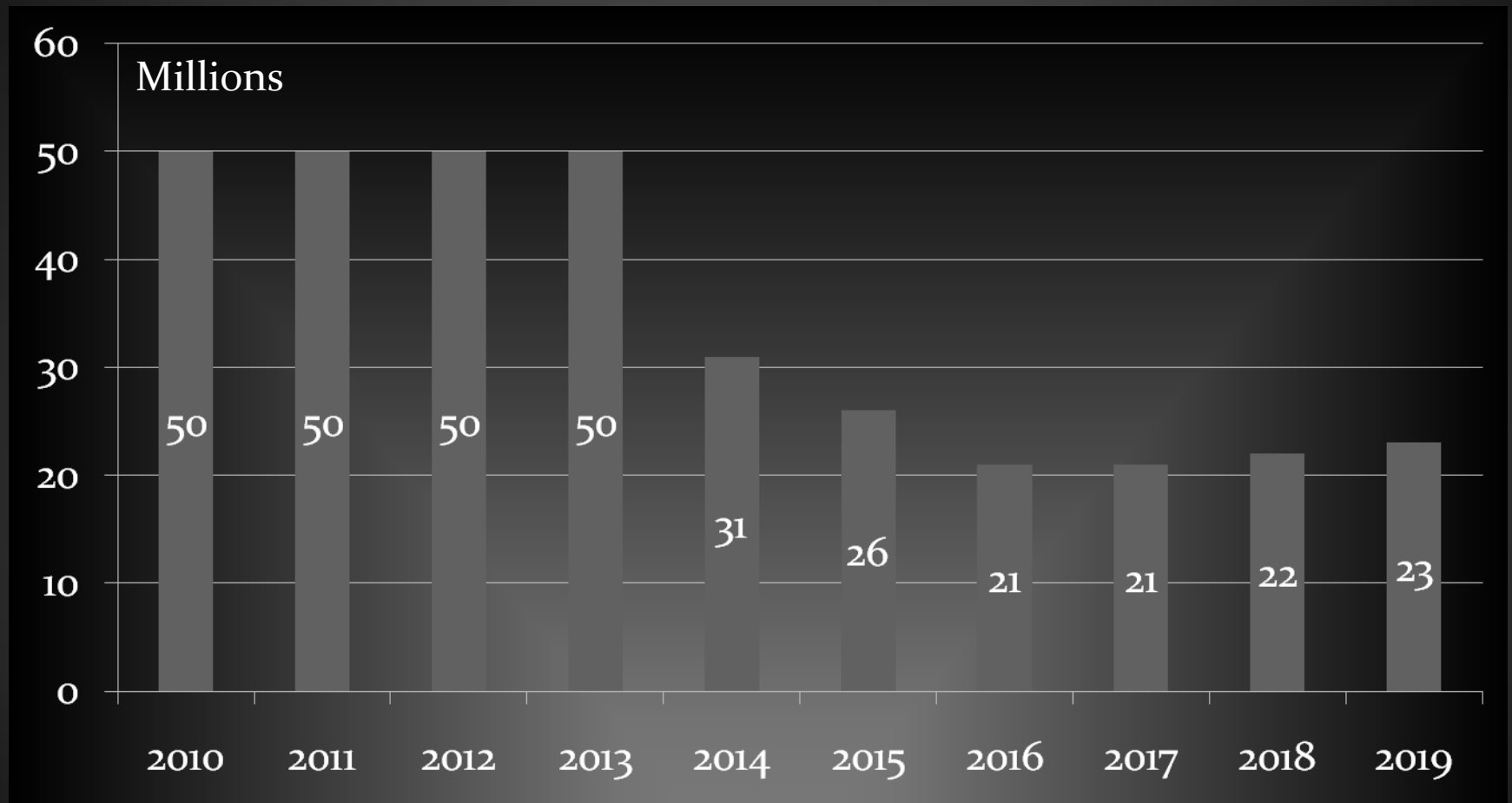
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Overview

- The Uninsured
- Individual Mandate
 - Penalties
 - Subsidies
 - Qualifying Coverage
- Medicaid Expansion
 - Coverage
 - Economic Benefits
 - State Concerns
- Discussion

The Uninsured



CBO, March 20, 2010, Table 4

Individual Mandate

- Requires most U.S. citizens and legal residents to have health insurance
 - Penalty for going without coverage
 - Subsidies for lower income people
 - Requires “qualifying” coverage
- Eliminates use of pre-existing conditions in insurance contracts

Why a Mandate?

- Desire for everyone to have coverage.
- Adverse selection!



Penalties

- Phased-in Penalties
 - 2014 -- \$95/year or 1.0% of income
 - 2015 -- \$325/year or 2.0% of income
 - 2016 -- \$695/year or 2.5% of income
 - Up to 3 times these amounts for family penalties
 - Adjusted for cost of living after 2016
- Limited open enrollment period

Subsidies

- Refundable, advanceable premium credits to individuals and families with incomes between 100 and 400% of the Federal Poverty Level (FPL)

FPL	Maximum Percent of Income Spent on Premium
100 – 138%	2.0%
138 – 150%	3.0 to 4.0%
150 – 300%	4.9 to 9.5%
300 – 400%	9.5%

Federal Poverty Level – 2013

	100%	138%	150%	300%	400%
1 Person	\$11,490	\$15,856	\$17,235	\$34,470	\$45,960
2 People	\$15,510	\$21,404	\$23,265	\$46,530	\$62,040
3 People	\$19,530	\$26,951	\$29,295	\$58,590	\$78,120
4 People	\$23,550	\$32,499	\$35,325	\$70,650	\$94,200

Subsidy is Determined By:

- Family income
- Family size
- Premium of the second least expensive silver plan

Individual Exchange Subsidies

Income Level	2013 Federal Poverty Level (FPL) Income Range for a Family of Two	Maximum Percentage of Income to Be Paid for Insurance	Maximum Subsidy for a \$5,000 Silver Plan at the Midpoint of the FPL
100 to 138% FPL	\$15,510 - \$21,404	2.00	\$4,631
138 to 150% FPL	\$21,404 - \$23,265	3.00 to 4.00	\$4,219
150 to 200% FPL	\$23,265 - \$31,020	4.00 to 6.30	\$3,602
200 to 250% FPL	\$31,020 - \$38,775	6.30 to 8.05	\$2,496
250 to 300% FPL	\$38,775 - \$46,530	8.05 to 9.50	\$1,255
300 to 400% FPL	\$46,530 - \$62,040	9.50	No subsidy

Bigger Subsidies for Older Folks

	Age	Income	Maximum Share of Income Required to be Spent on Insurance	Maximum to Spend on Insurance	Silver Plan Premium per Month in Jefferson County, AL	Subsidy	Premium after Subsidy	Percent Reduction in Exchange Premium
Bob Younger	27	\$17,000	4%	\$57/month	\$212	\$155	\$57	73%
Mary Middle-Aged	50	\$17,000	4%	\$57/month	\$360	\$303	\$57	84%
Bob Younger	27	\$35,000	9.5%	\$277/month	\$212	\$0	no subsidy	----
Mary Middle-Aged	50	\$35,000	9.5%	\$277/month	\$360	\$83	\$277	23%

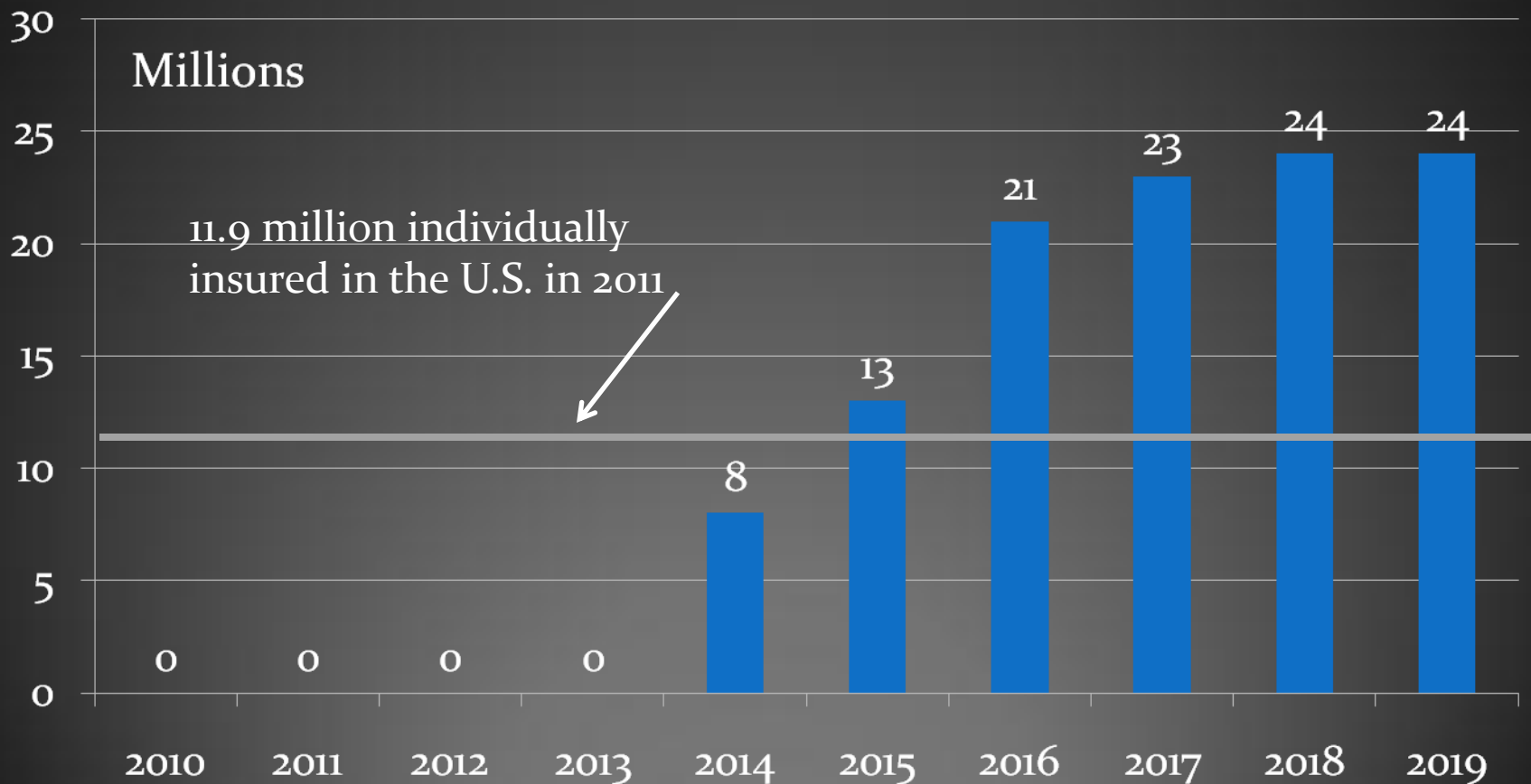
“Zero-Premium” Plans

- Bob Younger, with his \$17,000 income is eligible for a subsidy of \$212/month.
- If he buys the second least expensive silver plan he has to pay \$57/month.
- If he, **instead**, buys a bronze plan,
 - at \$184/month (Humana)
 - at \$170/month (BCBSAL)
 - He pays no out-of-pocket premium because the premium is less than the subsidy
- McKinsey (2013) 6-7 million may be eligible for zero-premium bronze plans; 1 million for zero-premium silver.

No Mandate for Small Employers

- Firms with <50 full-time workers are not subject to the employer mandate.
- If, a small firm currently offers coverage and has low income employees,
- The incentive may be to:
 - Drop employer-sponsored coverage
 - Gross-up wages
 - Help employees enroll in subsidized individual exchange

Enrollment in the Exchanges



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Essential Health Benefits

- Ambulatory Patient Services
- Emergency Services
- Hospitalization
- Maternity and Newborn Care
- Mental Health and Substance Abuse Services
- Prescription Drugs
- Rehabilitative Services and Devices
- Laboratory Services
- Preventive and Wellness Services and Chronic Disease Management
- Pediatric Services, including oral and vision care

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Implementing Essential Benefits

- Benchmark Plan
 - In Alabama: BCBS 320 Plan
 - In Georgia: BCBS HMO Urgent Care 60 Copay
- All federal-default exchanges must use the largest small employer plan in the state as the benchmark

Implications of “Essential” Benefits

- Benefits newly available for some
but more costly for others
- More complete coverage for some
but elimination of plans for others
 - Termination letters to those insured in 2013 whose plans did not provide essential benefits

Benefit Tiers

- *Platinum*
 - 90% of claims costs
- *Gold*
 - 80% of claims costs
- *Silver*
 - 70% of claims costs
- *Bronze*
 - 60% of claims costs
- Within each tier plans will differ based on things like:
 - Deductibles
 - Copays
 - Network providers

Carriers must offer at least one Silver & one Gold plan

Cost Sharing Subsidies

Federal Poverty Level	Subsidized Cost Sharing Under a Silver Plan	Full Silver Cost Sharing
100% - 150%	6%	30%
151% - 200%	13%	30%
200% - 250%	27%	30%
250%+	30%	30%

National Estimates of Enrollment by Plan-type

	Growth 2012-2014	Market Share 2014
Individual Market		
Platinum, Gold or Silver	55%	45%
Bronze or Catastrophic	27%	54%
Total Individual	38%	

Source: Data from Parente & Feldman (2013)
Analysis assumes all states expand Medicaid

What Will Happen to Premiums?

- Expand coverage
- Eliminate medical underwriting
- Eliminate gender differences
- Limit age differences

Estimates of Premiums

Average
per-
member
per-month
premiums
in 2017

State	Pre-PPACA	Post-PPACA	Percent Change
Ohio	\$223	\$403	80.9%
Wisconsin	\$258	\$464	80.0
Indiana	\$272	\$455	67.6
Maryland	\$284	\$473	66.6
Idaho	\$211	\$343	62.2
Alabama	\$263	\$422	60.3%
National Average	\$314	\$413	31.4%
Georgia	\$310	\$396	27.6%
New Jersey	\$481	\$474	-1.4
Rhode Island	\$587	\$548	-6.6
Vermont	\$587	\$514	-12.5%
Massachusetts	\$519	\$453	-12.8
New York	\$619	\$533	-13.9

Source: Society of Actuaries (2013)

Individual Mandate Summary

- Open enrollment: October 1, 2013
- Coverage began: January 1, 2014
- Perhaps 7 million enrollees nationwide
- Average premiums may increase substantially
- Some will see lower premiums
- State experiences will differ dramatically due to existing state underwriting rules and their interaction with the ACA

Medicaid & the ACA

- The ACA “required” the states to expand eligibility for Medicaid to all citizens and long time legal residents aged 19 through 64 with incomes below 138 percent of the Federal Poverty Level.

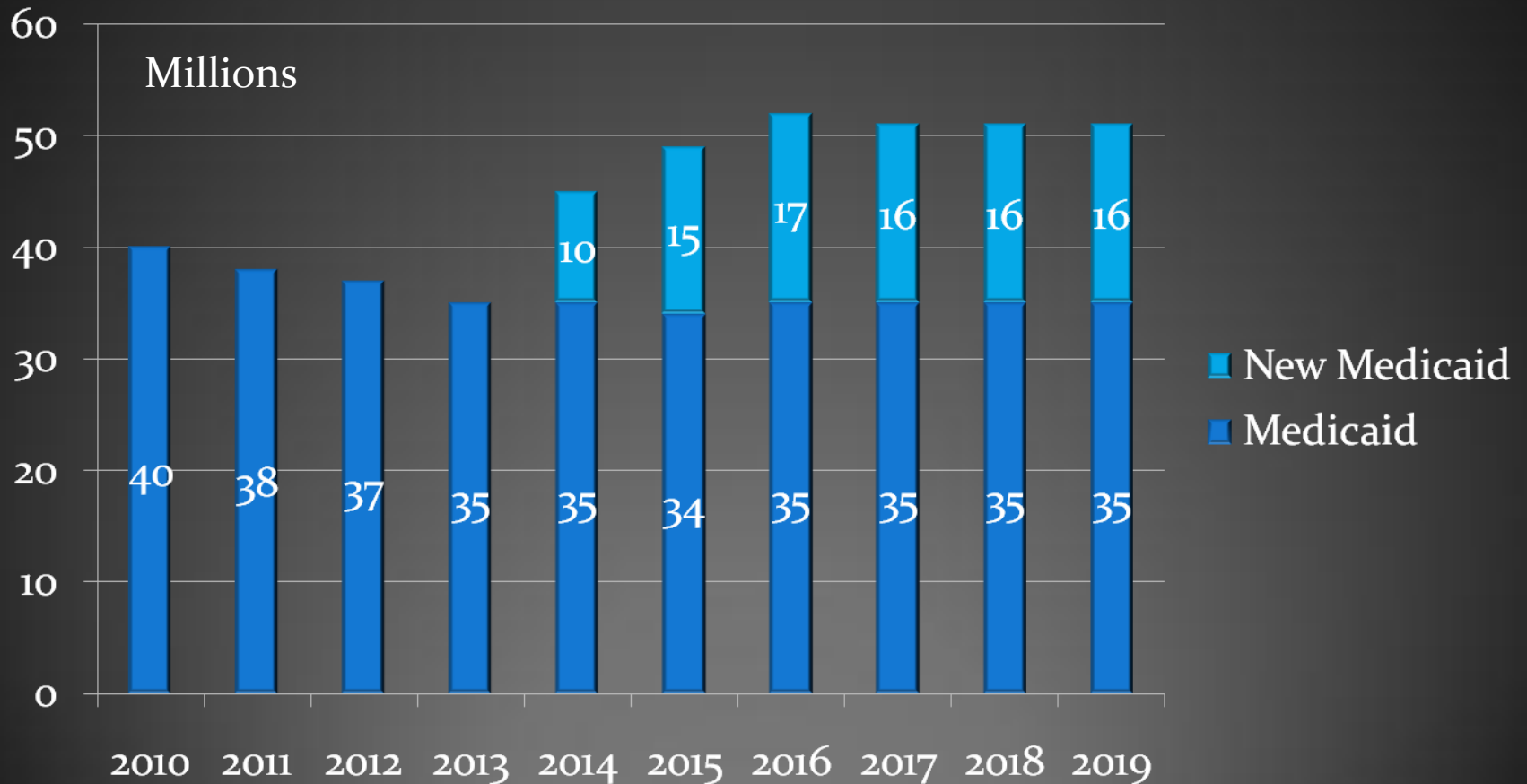
SCOTUS Decision

- Concluded that requiring Medicaid expansion at the cost of losing all federal Medicaid funding was a “gun to the head” of the states and unconstitutional



Medicaid *(assuming all states participate)*

138% of FPL for those 19 to 64



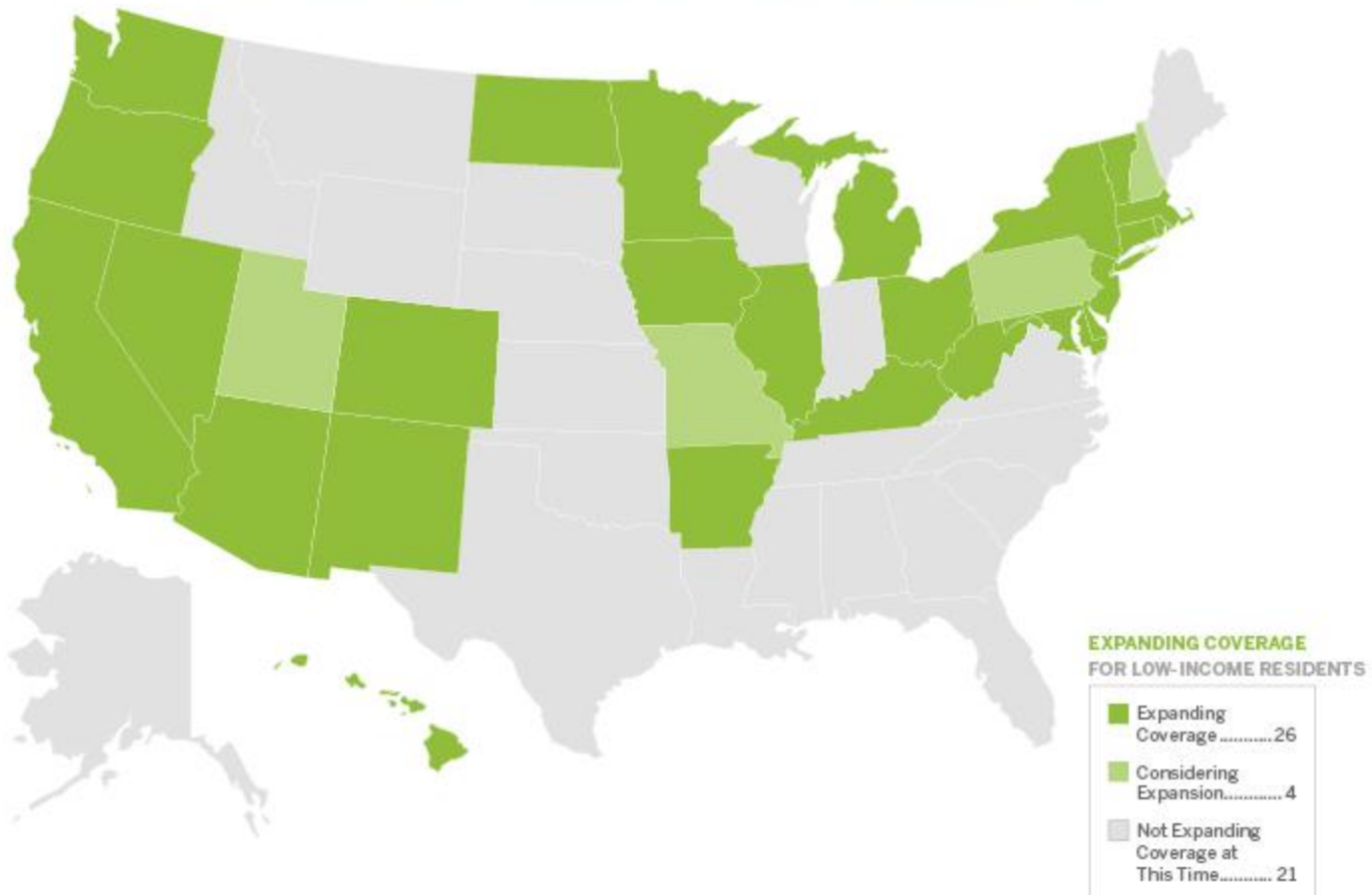
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Medicaid Expansion

- States now have the option to expand with substantial financial incentives:
 - Federal match for the expansion:
 - 2014 100%
 - 2015 100%
 - 2016 100%
 - 2017 95%
 - 2018 94%
 - 2019 93%
 - 2020 90%

Where the **States** Stand on Medicaid Expansion

25 States, DC, Expanding Medicaid—November 6, 2013



Notes: Based on literature review as of 11/6/13. All policies subject to change without notice.

HHS has announced that states can obtain a waiver to use federal funds to shift Medicaid-eligible residents into private health plans.
The District of Columbia plans to participate in Medicaid expansion and will operate its own exchange.

Two State Expansions: 2014-2020

	Alabama	Mississippi
People Covered: Newly on Medicaid	292,635	217,111
Cost:		
Federal	\$11,710 million	\$ 8,689 million
State	\$ 771 million	\$ 579 million
Economic Impact:		
Direct & Indirect Spending	\$19,837 million	\$14,134 million
New Jobs	30,000	20,000
Tax Revenue:		
All Tax Jurisdictions	\$1,706 million	\$1,427 million
Net Tax Revenue:		
Tax Rev – Medicaid Spending	\$ 935 million	\$ 848 million

Sources: Becker & Morrissey (2012, 2013), Addy et al. (2013)

Reasons Not to Expand

- The state doesn't have the money
- Concern that the federal government won't continue to pay 90 percent of the medical costs
- The ACA was a bad idea and the country can't afford it

Lowest Income People in States that Don't Expand Medicaid

- No Medicaid and no subsidies
 - Medicaid expansion was to cover people aged 19 to 64 with incomes below 138% of FPL
 - ACA only allows those with incomes above 100% of the FPL to be eligible for subsidies within the exchange
 - HHS has said those with incomes <100% in states that do not expand Medicaid will not be required to buy coverage

Medicaid Expansion

- Currently only 26 states expanding
- The poorest adults are the ones not getting coverage
- From the state perspective, substantial economic development foregone
- But some good reasons not to expand

The ACA

- Expands insurance coverage
 - Optimistically by 30 million people
 - But unlikely to meet that goal
- The bulk of the expansion is to come from Medicaid
- Mandates and exchanges have the potential to change the nature of health insurance provision over time

Questions

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