

The Affordable Care Act: How Will It Help the Uninsured?

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www.itup.org

Chapman Law School Symposium

October 19, 2012



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Insure the Uninsured Project

About Us

ITUP is a non-partisan health policy think tank based in Santa Monica, CA.

Our mission is to work with state policy makers, counties, health plans, employers, unions, community groups, providers and other public and private entities to increase **coverage for California's uninsured.**

This mission is achieved through reports, data, regional workgroups, issue workgroups, an annual conference and technical assistance.

We are funded by generous grants from Blue Shield of California Foundation, The California Endowment, The California Wellness Foundation, L.A. Care Health Plan, Kaiser Foundation Hospitals, and the California HealthCare Foundation.

Federal Health Reform

The Facts

- Reduces the federal deficit by \$1.2T over 20 years
- Expands both the public *and* private insurance markets
- Offers assistance for lower- and middle-class families
- Reduces prescription drug costs for seniors
- Eliminates discrimination based on health status
- Subsidizes health care benefits for small employers
- Invests in primary care and prevention
- Aims to control rises in premiums



Source: sickismet.blogspot.com



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The U.S. Health Care System

High Cost, Low Quality

- 16.7% uninsured in 2009 (U.S. Census Bureau)
- More money spent per person than any other nation (World Health Organization)
 - Ranks 42nd in life expectancy, 37th in overall performance, and 72nd in overall level of health
- 6 in 10 bankruptcy filers claim high medical expenses (American Journal of Medicine)
- Lack of health insurance causes roughly 18,000 unnecessary deaths every year (Institute of Medicine)

Federal Health Reform

Goals & Provisions



Source: smilenpal.com

- **Goals**

- Expand coverage to 33 million individuals by 2019
 - 95% of U.S. population
- Bend the cost curve & improve outcomes

- **Provisions**

- Insurance Market Reforms
- Health Insurance Exchange
- Impact on Employers
- Seniors
- Medicaid Expansion
- Financing

Insurance Market Reforms

Timeline

September 23, 2010: May not **rescind coverage**, except for cases of fraud

Must provide recommended **preventive services** without cost-sharing (i.e. wellness visits, mammograms, colonoscopies, etc.)

Must provide coverage for **dependents** up to age 26

Cannot deny **coverage to children** based on pre-existing conditions

Banning lifetime/unreasonable **annual limits** on benefits

Requiring health plans to **report “medical loss ratios”** (MLRs) in individual and small group markets



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Insurance Market Reforms

Timeline

January 1, 2011: 80% and 85% **MLRs** in small group/individual and large group markets

January 1, 2014: **Guaranteed issue** and renewal (cannot deny coverage based on pre-existing conditions)

Exchanges must be fully operational

Individual mandate takes effect. Penalties for not purchasing adequate health coverage of \$95 or 1% of income in **2014**, \$395 or 2% of income in **2015** and \$695 or 2.5% of income in **2016** and thereafter

Source: California Healthcare Foundation (2010)



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Health Insurance Exchange

Orbitz for Health Insurance

Flight
 Hotel
 Car
 Activities
 Cruises

Flight + Hotel
 Flight + Car
 Hotel + Car
 Flight + Hotel + Car

Spring Hotel Deals
SAVE up to 40%
[See offers](#)

Round-trip One-way Multi-city

From City name or [airport](#)

Include airports within 80 miles

To City name or [airport](#)

Include airports within 80 miles

Leave

Return

Depart

Travelers ([Children or seniors?](#))
 Adult (18-64)

Flight preference
 I prefer non-stop flights



Find flights by:							
Stops	Price	Price	Price	Price	Price	Price	Price
Non-stop	\$571 total \$609	\$571 total \$609	\$571 total \$609	\$571 total \$609	\$571 total \$616	\$651 total \$689	\$3,217 total \$3,255
1 stop	\$571 total \$620	\$571 total \$616	\$1,874 total \$1,919		\$571 total \$622		\$2,262 total \$2,311
2+ stops							



Health Insurance Exchange

Logistics

- Virtual “marketplace” for purchasing health insurance
 - Plans compete on price and quality
 - Does **not** take health status into account

- Eligible for Purchase:
 - Individuals
 - Incomes between 133% and 400% FPL qualify for refundable tax credits
 - 133% FPL - \$14,484/year (individual), \$29,726/year (family of 4)
 - 400% FPL - \$43,560/year (individual), \$89,400/year (family of 4)
 - Caps premiums on sliding scale between 2% and 9.5% of income
 - Individual earning 133% FPL spends no more than \$290/year (2% of income)
 - Individual earning 400% FPL spends no more than \$4,138/year (9.5 percent of income)
 - Employers
 - 50-100 FTE in 2014, 100 FTE after 2016
 - Up to 50% premium subsidy for small, low-wage employers

Health Insurance Exchange

Logistics

- Exchange Provisions
 - 4 levels of benefits (+ catastrophic for young invincibles/financial hardship)
 - 60%-90% expected medical costs
 - Rating variation limitations
 - Age (3:1)
 - Geography
 - Family Size
 - Risk-adjustment mechanisms
 - States must have exchanges fully operative by January 1, 2014
- California will operate the “**California Health Benefit Exchange**”
 - Governed by a 5-member board
 - Independent, public entity
 - Financed by fees on participating insurers



Source: mybsoteam.com

Impact on Small Businesses

Challenges & Goals

- Small businesses face 10-18% higher premiums than large businesses, on average
- ACA's overall goals for small businesses:
 - Tax credits to expand coverage
 - Lower administrative costs
 - Lower premiums
 - Reduce job lock



Source: millionairesacts.com

Impact on Businesses

ACA Provisions

- **Tax Credits**

- Beginning March 23, 2010, tax credit of up to 35% of premiums for businesses who offer health insurance with 25 or less full-time employees and average wages of \$50,000 or less per year, tax credit is phased down based on employer size and employee wages.
 - Increases to 50% on January 1, 2014 (Exchange only)



Source:<http://www.planetmotivation.com/personal-finance.html>

- **Wellness Programs**

- Establishes a 5-year, \$200M grant program to small employers who initiate wellness programs.

- **Pay or Play Mandate**

- Large employers (50+ FTE) must offer insurance or pay a penalty ***only if*** one or more employees qualify for Exchange subsidies (2014).

- **Re-Insurance Program**

- Temporary re-insurance program for employers that provide benefits to retirees age 55-64 to help offset the costs of expensive health claims.



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Medicaid Expansion

Timeline

Pre-Reform: Medicaid (Medi-Cal in California) is a public health program for parents of dependant children who earn up to 100% FPL (income of **\$10,890/year** for an individual).

January 2014-2016: Federal government will pay 100% of the cost of covering parents and childless adults up to 133% FPL (income of **\$14,484/year** for an individual) for three years, 95% in **2017**, 94% in **2018**, 93% in **2019** and 90% thereafter.



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Financing Reform

Savings

CBO estimates the bill will cost **\$940B** over 10 years, but will actually reduce the deficit by **\$124B** in the first 10 years and by **\$1.2T** over 20 years

The bill is financed 1/2 by **savings** and 1/2 by new **fees & taxes**



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Financing

Who Pays?

- **High Income (\$210B between 2013 and 2019)**
 - 0.9% Medicare tax increase (2.35% total employee contribution) on individuals making more than \$200,000/year (\$250,000/year for a couple)
 - New tax of 3.8% on unearned income
- **Health Plans (\$32B between 2018 and 2020)**
 - 40% excise tax on insurers of employer sponsored health plans costing \$10,200+/year for an individual or \$27,000+/year, referred to as the “Cadillac tax”
- **Health Care Industries**
 - Drug manufacturers (\$16B between 2011 and 2019)
 - Health insurers (\$47B between 2011 and 2019)
 - Medical device manufacturers (2.9% excise tax beginning 2013)
- **Tanning Salons (\$2.7B between 2010 and 2019)**
 - 10% tax on indoor tanning services
- **Medicare (\$194B over 10 years)**
 - \$132B reduction to Medicare Advantage over 10 years
 - \$40B reduction in home health care payments over 10 years
 - \$22B in cuts to certain hospital payments over 10 years



Source: <http://pinellasnewsboy.com/2009/05/04/tax-credit-money-up-front-for-your-pinellas-county-home/>

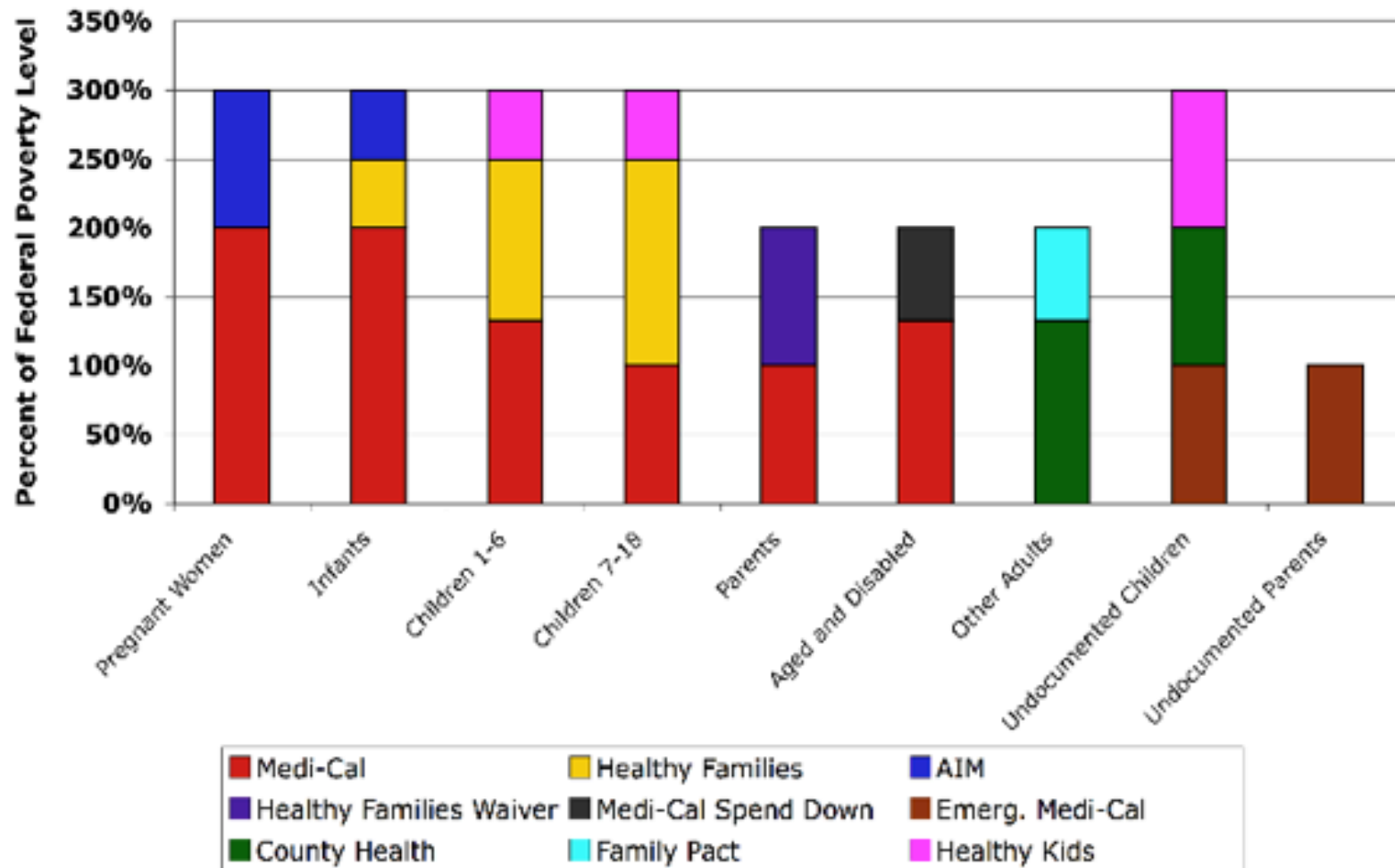


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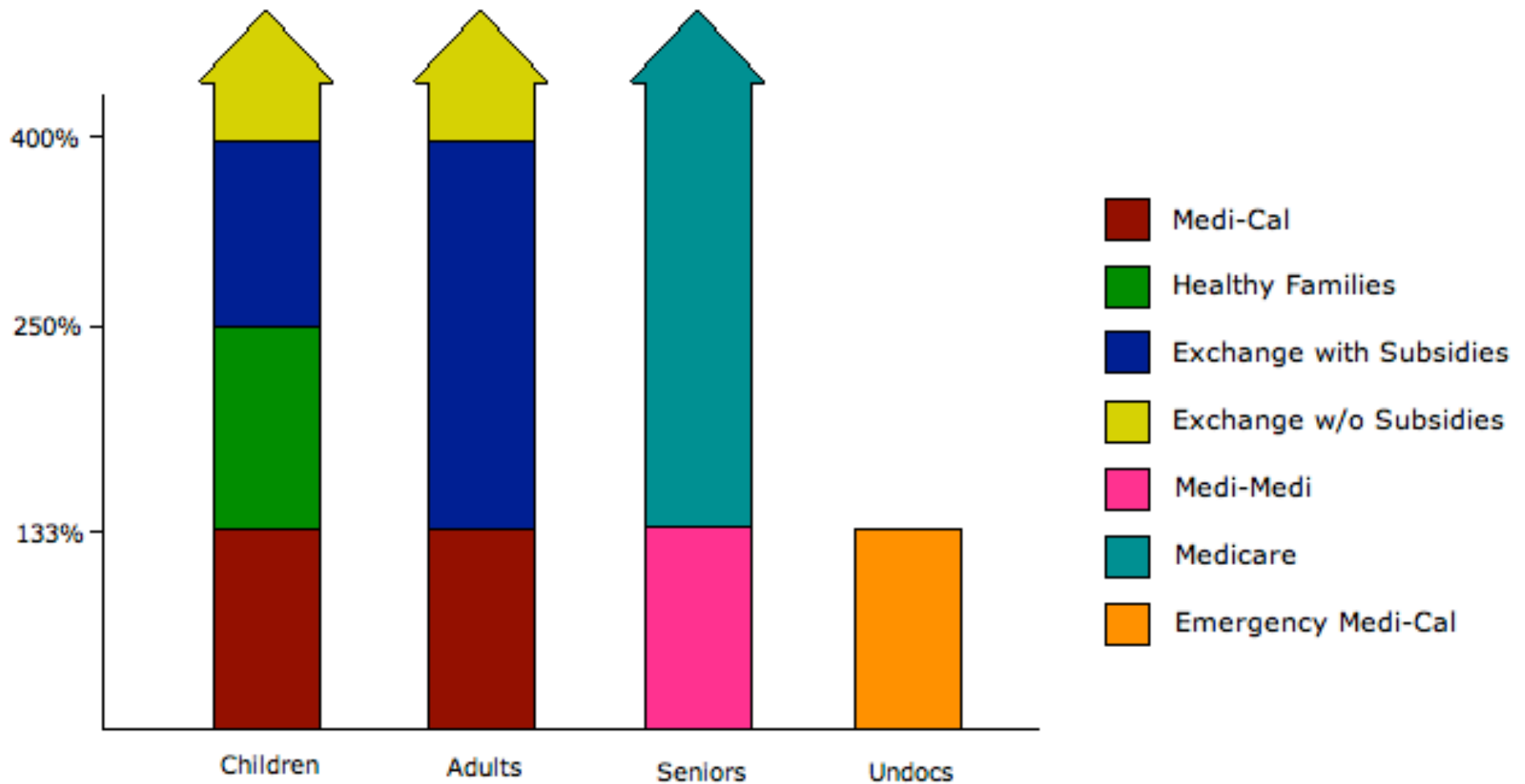
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Health Coverage

Current System



Expanding Coverage System in 2014





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What does this mean
for you?

Impacts by Population

- **All (religious and financial exemptions)**
 - Must have health insurance or pay a fee (2014)
- **Young Adult**
 - Under 26: Can enroll in parent's insurance (now)
 - Under 30: Eligible to purchase catastrophic insurance (2014)
- **Adult with a Pre-Existing Condition**
 - Might be eligible for PCIP (now)
 - Cannot be denied health insurance (2014)
 - Premiums will not vary based on condition in (2014)
- **Child with a Pre-Existing Condition**
 - Cannot be denied health insurance (now)
 - Premiums will not vary based on condition (2014)
- **Middle Income Adults (up to \$89,000/year for a family of four)**
 - Might be eligible for subsidies in the Exchange (2014)
- **Small Business Owner**
 - Might be eligible for 35% tax credits (now)
 - Might be eligible for 50% tax credit (2014)

ACA Impact Thus Far

- Children cannot be denied coverage for pre-existing condition
 - Adults cannot be denied for pre-existing conditions starting January 2014
- 3 million young adults (18-26) under parents' coverage (US Census Bureau)
 - Uninsured rate among young adults fell from 33% to 27.9% between 2010 and 2011 (CDC National Health Interview Survey)
- Total uninsured decreased from 16.3% to 15.7%
- 12.8 million Americans received \$1.1 billion in rebates from insurance companies this summer due to 80/20 rule (U.S. Department of Health and Human Services)



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For resources and additional information
we are available at:

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