Insurance Coverage under the ACA:
Looking Back and Peering Ahead

Neale Mahoney
Professor of Economics and David G. Booth Faculty Fellow
University of Chicago Booth School of Business*

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*I thank Jake Gosselin and Hanbin Yang for outstanding research assistance.
Focus on insurance coverage provisions
• Nothing on taxes*
• Nothing on “bending the cost curve” (ACOs, IPAB)

Three sections
1. Refresher on ACA’s insurance coverage provisions
2. Review of what happened
3. Issues, non-issues, and proposed solutions

*Except if you, like Roberts, consider the mandate a tax
1. **Refresher on ACA’s insurance coverage provisions**
   a. Expanded Medicaid
   b. Established individual market (Marketplaces)
   c. Individual and employer mandates

2. Review of what happened

3. Issues, non-issues, and proposed solutions
Cheat Sheet: Federal Poverty Line

<table>
<thead>
<tr>
<th>Persons in Family/Household</th>
<th>100%</th>
<th>138%</th>
<th>250%</th>
<th>400%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$12,060</td>
<td>$16,643</td>
<td>$30,150</td>
<td>$48,240</td>
</tr>
<tr>
<td>2</td>
<td>$16,240</td>
<td>$22,411</td>
<td>$40,600</td>
<td>$64,960</td>
</tr>
<tr>
<td>3</td>
<td>$20,420</td>
<td>$28,180</td>
<td>$51,050</td>
<td>$81,680</td>
</tr>
<tr>
<td>4</td>
<td>$24,600</td>
<td>$33,948</td>
<td>$61,500</td>
<td>$98,400</td>
</tr>
</tbody>
</table>

FPL for continental USA in 2017 (applied to 2018 insurance coverage)
Pre-ACA Insurance Coverage

Medicaid also includes other public programs: CHIP, other state programs, Medicare and military-related coverage. The federal poverty level for a family of four in 2011 was $22,350. Numbers may not add to 100 due to rounding.

SOURCE: KCMU/Urban Institute analysis of 2012 ASEC Supplement to the CPS.
Medicaid Expansion: Covers Adults ≤138% FPL

Median Medicaid/CHIP Eligibility Thresholds, January 2013

- **Children**: 235%
- **Pregnant Women**: 185%
- **Working Parents**: 61%
- **Jobless Parents**: 37%
- **Childless Adults**: 0%

Minimum Medicaid Eligibility under Health Reform - 138% FPL ($24,344 for a family of 3 in 2012)

*SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2013.*
Federal Medical Assistance Percentage (FMAP): States were historically guaranteed at least 1-to-1 match from federal government

- Match rate higher for states with lower average personal income (topped out at 2.79-to-1 for Mississippi in 2015)

- Enhanced match rates: Under ACA, federal government would pay 100% of additional costs during 2014-2016. Federal match would phase down to 90% in 2020, where it would stay.

- Under the original law, states would have to expand Medicaid or risk losing all of their funding.

Marketplaces: Regulations

Pricing
• Guaranteed issue
• Modified community rating, limits price variation to geography, age (3:1 bands), and tobacco use (1.5:1 bands)

Essential health benefits
• Requires plans to cover certain “essential” health benefits

3Rs
• Risk adjustment (transfer across plans based on enrollee risk, permanent)
• Reinsurance (payments if enrollee cost exceeds threshold, 2014-2016)
• Risk corridors (limits upside and downside, 2014-2016).
Marketplaces: Subsidies

Eligibility
• Income between 100% and 400% FPL
• No other (affordable) coverage:
  • Affordable defined as employee contribution < 9.56% household income
• Citizen or legal resident

Premium Tax Credit

\[ PTC = \max\{\text{benchmark plan} - \% \text{ of income}, 0\} \]

where
• \text{benchmark plan} is second-lowest cost silver plan (70% AV)
• \% \text{ of income} increases from roughly 2 to 9.5% of income over FPL range

1. Net-of-subsidy price for benchmark plan does \underline{not} depend on list price
2. Full pass-through of incremental costs / savings for non-benchmark plans (intention was to not to distort intensive margin)
Net-of-Subsidy Premiums for Benchmark Plan in 2018

Monthly premium for single

Monthly premium for family of 4

## Table 4: Maximum Annual Limitation on Cost-Sharing

<table>
<thead>
<tr>
<th>Income (% Federal Poverty Level)</th>
<th>Actuarial Value of a silver plan</th>
<th>OOP Max for Individual/Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 100%</td>
<td>70%</td>
<td>$7,150 / $14,300 / $7,350 / $14,700</td>
</tr>
<tr>
<td>100% - 150%</td>
<td>94%</td>
<td>$2,350 / $4,700 / $2,450 / $4,900</td>
</tr>
<tr>
<td>150% - 200%</td>
<td>87%</td>
<td>$2,350 / $4,700 / $2,450 / $4,900</td>
</tr>
<tr>
<td>200% - 250%</td>
<td>73%</td>
<td>$5,700 / $11,400 / $5,850 / $11,700</td>
</tr>
<tr>
<td>Over 250%</td>
<td>70%</td>
<td>$7,150 / $14,300 / $7,350 / $14,700</td>
</tr>
</tbody>
</table>

SOURCE: “Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2018; Amendments to Special Enrollment Periods and the Consumer Operated and Oriented Plan Program,” Federal Register 81, no. 246 (December 22, 2016): 94058.
Individual Mandate

\[ \text{max}\{695 \times \text{adult} + 347.5 \times \text{children}, \quad 2.5\% \text{ of income}\} \]

up to a maximum $2,085 per year.

- Phased in over 2014-2016
- Lots of exemptions (financial hardship, religious objections, coverage caps of up to 3 months)
- With quasi-linear utility, mandate is equivalent to additional subsidy
- CBO coverage model scaled up mandate by 2x “moral suasion fudge factor”
Applies to employers with 50+ full-time employees (FTE) who offer coverage to less than 95% of FTE and dependent children

**Coverage requirement:** Penalty triggered if at least one FTE receives subsidy on Marketplace.
- Penalty 2,320 X (FTE – 30)

**Affordability requirement:** Penalty triggered if FTE does not have affordable coverage (AV of 60% and employee contribution of less than 9.69% of income) and receives subsidy on Marketplace
- Penalty 3,480 X (FTE receiving subsidy)
- Penalty cannot be larger than that from not offering coverage

*For large firms, roughly $2K penalty for not providing affordable health insurance*
1. Refresher on ACA’s insurance coverage provisions
2. Review of what happened
   a. Medicaid
   b. Marketplaces
3. Issues, non-issues, and proposed solutions
Enhanced match rates: Under ACA, federal government would pay 100% of additional costs during 2014-2016. Federal match would phase down to 90% in 2020, where it would stay.

Under the original law, states would have to expand Medicaid or risk losing all of their funding.

In NFIB v. Sebelius, SCOTUS ruled the threat of losing all funding as unconstitutionally coercive, or “a gun to the head” as Roberts wrote in his majority opinion.

States could not expand Medicaid and not risk inframarginal funding.
Two-Thirds of States Expand Medicaid

Medicaid Enrollment

Enrollees (million)

Year

Projected

SOURCE: Quarterly Medicaid Enrollment and Expenditure Reports and Congressional Budget Office (CBO) Reports
Medicaid Enrollment

![Graph showing Medicaid enrollment trends from 2010 to 2016. The graph includes two lines: one for projected enrollment and another for projected enrollment after SCOTUS.](image)

**Source:** Quarterly Medicaid Enrollment and Expenditure Reports and Congressional Budget Office (CBO) Reports
Medicaid Enrollment

SOURCE: Quarterly Medicaid Enrollment and Expenditure Reports and Congressional Budget Office (CBO) Reports
The System is down at the moment.
We're working to resolve the issue as soon as possible. Please try again later.

Please include the reference ID below if you wish to contact us at 1-800-318-2596 for support.
Reference ID: 0.cd372f17.1380630458.1580ebf
Roughly 85% of enrollees receive subsidy. Fairly constant over time

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Rise of Narrow Network Plans

- **Broad**: More than 70% of hospitals
- **Narrow**: Between 30% and 70% of hospitals
- **Ultra-narrow**: No more than 30% of hospitals

SOURCE: McKinsey & Company, “Hospital networks: Perspective from four years of the individual market exchanges”, May 2017
Withdrawal of Household Name Insurers

- Exits 31 states in 2016/2017 transition (remains partially in New York, Nevada, and Virginia)

- Exits entirely (13 States) in 2017/2018 transition

- Exits entirely (11 states) in 2017/2018 transition
Success of Plans with Experience in Medicaid Managed Care

- 0.6 million Marketplace enrollees in 2017
- Narrow networks (Southern CA plans exclude UCLA, Cedars-Sinai)
- Profitable (compared to large losses at many plans)

1.2 million Marketplace enrollees in 2017
- Low premium, high deductible, narrow network plans

Reductions in Plan Choice

CONSUMER CHOICE OF CARRIERS
% of consumers\(^1\) seeing a given number of carriers in their county\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>1 carrier</th>
<th>2 carriers</th>
<th>3-4 carriers</th>
<th>5+ carriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7%</td>
<td>18%</td>
<td>42%</td>
<td>34%</td>
</tr>
<tr>
<td>2015</td>
<td>2%</td>
<td>8%</td>
<td>32%</td>
<td>57%</td>
</tr>
<tr>
<td>2016</td>
<td>2%</td>
<td>13%</td>
<td>34%</td>
<td>51%</td>
</tr>
<tr>
<td>2017</td>
<td>19%</td>
<td>22%</td>
<td>37%</td>
<td>34%</td>
</tr>
<tr>
<td>2018</td>
<td>26%</td>
<td>25%</td>
<td>34%</td>
<td>15%</td>
</tr>
</tbody>
</table>

\(^1\) Defined as the population eligible to purchase a qualified health plan (QHP).
\(^2\) Counting carriers that offer at least 1 silver plan at a parent company level.

SOURCE: McKinsey Center for US Health System Reform, McKinsey MPACT Model
Labor Market Effects

Employer Mandate

- 7/2013: Delayed from 2014 to 2015
- 2/2014: Raised threshold to 100+ FTE and eased coverage requirement to 70% in 2015 and 95% in 2016.