1. Refresher on ACA’s insurance coverage provisions
2. Review of what happened
3. Issues, non-issues, and proposed solutions
   a. Issues and non-issues
   b. Proposed solutions
1. Refresher on ACA’s insurance coverage provisions
2. Review of what happened
3. Issues, non-issues, and proposed solutions
   a. Issues and non-issues
   b. Proposed solutions
Approval of the Affordable Care Act

Do you generally approve or disapprove of the 2010 Affordable Care Act, signed into law by President Obama that restructured the U.S. healthcare system?

GALLUP
Misplaced focus on list price*

- Recall that 85% of enrollees receive subsidy
- For these enrollees:
  - No effect on net-of-subsidy premium on benchmark plan
  - Ambiguous effect on premium of non-benchmark plan.
  - E.g., proportional premium increase (across all plans) will lower net-of-subsidy price of lowest cost silver plan and bronze plans, and raise net-subsidy price of higher cost silver and gold / platinum plans

Exceptions

- Death spiral of platinum plans (90% AV)
- Death spiral of broad network plans (see Shepard, 2016)

*Reminds me of media coverage of college tuition
A majority of subsidy-eligible consumers may see the net premium of the lowest-price silver plan in their county decline in 2018.

**Change in Silver Net Premium for Subsidy-Eligible Consumers**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 10% decrease</td>
<td>9%</td>
<td>12%</td>
<td>19%</td>
<td>29%</td>
</tr>
<tr>
<td>Within 10% decrease</td>
<td>18%</td>
<td>24%</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>No change</td>
<td>41%</td>
<td>39%</td>
<td>33%</td>
<td>22%</td>
</tr>
<tr>
<td>Within 10% increase</td>
<td>31%</td>
<td>24%</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>Over 10% increase</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

1. This includes only subsidy-eligible consumers (those with incomes below 400% of the federal poverty level), among consumers defined as eligible to purchase a qualified health plan (QHP). In cases where states change their eligibility requirements (e.g., via Medicaid expansion), we use the most recent set of eligibility determinations for all years (such that we are always comparing what a consistent population would observe).

2. On October 12, 2017, the Trump administration announced that it would not make cost-sharing reduction (CSR) payments to carriers. Most states instructed carriers to account for the loss of CSR funding in the 2018 plan year. However, the approaches vary—e.g., many states required carriers to load additional premium increases onto silver tier plans, while others asked insurers to spread additional premium increases across all metal tiers. Thus, there is variation in premium trends across states and metal tiers.

Enrollment Has Not Plummeted

Insurer Exits Are Concerning

Number of Marketplace Insurers for 2018

<table>
<thead>
<tr>
<th>Number of Insurers</th>
<th>1 insurer</th>
<th>2</th>
<th>3</th>
<th>4 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>23% of enrollees</td>
<td>24%</td>
<td>16%</td>
<td>37%</td>
<td></td>
</tr>
</tbody>
</table>

Insurer Exits Are Concerning

How bad is it?
- In 2018, 23% of enrollees (and 52% of counties) had one insurer
- Primarily a rural market issue

Markets seem to have stabilized
- Early data from 2019 suggest small expansion in plan offerings and small reduction in list prices
- However, not clear whether there will be entry in single-plan rural markets

SOURCES:
http://www.modernhealthcare.com/article/20180709/NEWS/180709925
Mandate Repeal: Likely Small But Nobody Knows

Mandate less financially important than subsidies
• At 250% FPL, family of 4 receives $7,975 subsidy for buying insurance; only faces $2,085 penalty for not having coverage

Few pay the penalty
• In 2015, 12 million tax filers claimed an exemption, and 6.7 million tax filers paid the penalty

Lots of confusion
• 40% did not know mandate was repealed, 21% thought repeal took effect immediately

Likely a small effect but nobody knows
Outline

1. Refresher on ACA’s insurance coverage provisions
2. Review of what happened
3. Issues, non-issues, and proposed solutions
   a. Issues and non-issues
   b. Proposed solutions
Re-Insurance

- Alaska, Maine, Minnesota, New Jersey, Oregon, Wisconsin have used Section 1332 Waivers to set up re-insurance schemes

- Typically cover fraction of claims (e.g., 80%) above some level (e.g., $50K), with the details varying by state

- Not cheap: Alaska spent $55 million for 17K individuals; would cost $38 billion per year to scale up nationally

- Regressive: Does not affect net-of-subsidy premiums for <400% FPL; transfer to higher income enrollees

SOURCES:
• Until recently short-term plans limited to 3 months, with limits on renewability

• New Trump Administration rule allows people to stay on short-term plans for 364 days, with renewals for up to 3 years
  • However, many states have more restrictive limits

• Medically underwritten, no coverage for pre-existing conditions, no minimum essential benefits (e.g., no maternity coverage).
• Lower premiums ($124 per month vs. $400 for ACA plan)

• Concern about cream-skimming from ACA exchanges
• Probably won’t be disastrous but certainly won’t help

SOURCES:
Growing Public Support for Government-Run System

Americans Now Evenly Split on Support for Government-Run Health System

Which of the following approaches for providing healthcare in the United States would you prefer -- replacing the current healthcare system with a new government-run healthcare system, or maintaining the current system based mostly on private health insurance? 

- % Government-run system
- % System based on private insurance
Democrats have introduced a flurry of proposals
KFF buckets these proposals into 4 groups

1. Medicare-For-All: single national health insurance program
2. Public plan available on ACA marketplaces
3. Medicare buy-in for older individuals
4. Medicaid buy-in that states can offer to individuals through ACA marketplace

SOURCES: “Medicare-for-All and Public Plan Buy-In Proposals: Overview and Key Issues”
Proposal considered by CBO

- HHS administers public health insurance plan offered through exchanges
- Premiums are set to cover costs
- Provider payments set at Medicare+0% for hospitals Medicare+5% for physicians
  - Medicare pays roughly 60% of ESI rates; likely have smaller advantage vs. narrow network plans
- Note: Adverse selection into public plan would be (partially) offset by risk adjustment

CBO (November 2013)

- Reduces premiums 7-8%
- Increases coverage by 2 million (seems big)
- Public plan market share estimated at 35%
- Reduces exchange subsidies by $39B over 2016-2023 (both through direct and indirect “competitive” effects)

Marketplace is a right-of-center approach to expanding coverage. 

- Idea came out of Heritage Foundation, ACA was modeled on RomneyCare

Building well-functioning health insurance markets is hard; requires lots of tinkering to get right

For ACA Marketplaces to thrive, need both parties to be committed to success

Interesting to see if Republicans change course; already some evidence of this on pre-existing conditions

If they don’t, a government-run alternative is increasingly likely
Backup slides
### Cheat Sheet: Average Plan Characteristics

<table>
<thead>
<tr>
<th>Silver plans</th>
<th>Medical deductible</th>
<th>Medical OOP max</th>
<th>Inpatient facility coinsurance</th>
<th>Inpatient facility copay</th>
<th>Inpatient physician coinsurance</th>
<th>Inpatient physician copay</th>
</tr>
</thead>
<tbody>
<tr>
<td>70% AV individual</td>
<td>$ 4,033</td>
<td>$ 6,863</td>
<td>31%</td>
<td>$ 654</td>
<td>29%</td>
<td>$ 398</td>
</tr>
<tr>
<td>70% AV family of 4</td>
<td>$ 8,292</td>
<td>$ 13,725</td>
<td>31%</td>
<td>$ 654</td>
<td>29%</td>
<td>$ 398</td>
</tr>
<tr>
<td>87% AV individual</td>
<td>$ 764</td>
<td>$ 2,022</td>
<td>24%</td>
<td>$ 279</td>
<td>21%</td>
<td>$ 317</td>
</tr>
<tr>
<td>87% AV family of 4</td>
<td>$ 1,557</td>
<td>$ 4,045</td>
<td>24%</td>
<td>$ 279</td>
<td>21%</td>
<td>$ 317</td>
</tr>
</tbody>
</table>

Coinsurance and copay are conditional on being positive. Most plans have either coinsurance or copay.

**SOURCE:** Authors calculations based on 2018 plan data from [https://www.healthcare.gov/health-plan-information-2018/](https://www.healthcare.gov/health-plan-information-2018/)
## Clawback Limits

<table>
<thead>
<tr>
<th>Income (% Federal Poverty Level)</th>
<th>Maximum repayment amount for a single individual</th>
<th>Maximum repayment amount for couples and families</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 200% FPL</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>200% - less than 300% FPL</td>
<td>$775</td>
<td>$1,550</td>
</tr>
<tr>
<td>300% - less than 400% FPL</td>
<td>$1,300</td>
<td>$2,600</td>
</tr>
<tr>
<td>400% FPL or greater</td>
<td>Full Amount</td>
<td>Full Amount</td>
</tr>
</tbody>
</table>

### ACA Marketplaces: Eligibility Details

<table>
<thead>
<tr>
<th>FPL</th>
<th>Income for single ($)</th>
<th>Income for family of 4 ($)</th>
<th>Premium Cap</th>
<th>Monthly premium for single ($)</th>
<th>Monthly premium for family of 4 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>12,060</td>
<td>24,600</td>
<td>2.01%</td>
<td>20.20</td>
<td>41.21</td>
</tr>
<tr>
<td>133%</td>
<td>16,040</td>
<td>32,718</td>
<td>2.01%</td>
<td>26.87</td>
<td>54.80</td>
</tr>
<tr>
<td>133%</td>
<td>16,040</td>
<td>32,718</td>
<td>3.02%</td>
<td>40.37</td>
<td>82.34</td>
</tr>
<tr>
<td>150%</td>
<td>18,090</td>
<td>36,900</td>
<td>4.03%</td>
<td>60.75</td>
<td>123.92</td>
</tr>
<tr>
<td>200%</td>
<td>24,120</td>
<td>49,200</td>
<td>6.34%</td>
<td>127.43</td>
<td>259.94</td>
</tr>
<tr>
<td>250%</td>
<td>30,150</td>
<td>61,500</td>
<td>8.10%</td>
<td>203.51</td>
<td>415.13</td>
</tr>
<tr>
<td>300%</td>
<td>36,180</td>
<td>73,800</td>
<td>9.56%</td>
<td>288.23</td>
<td>587.94</td>
</tr>
<tr>
<td>400%</td>
<td>48,240</td>
<td>98,400</td>
<td>9.56%</td>
<td>384.31</td>
<td>783.92</td>
</tr>
</tbody>
</table>

Based on CPS data, Moriya, Selden, and Simon (2016) and Mathur, Slovov, and Strain (2016) found no effects of ACA on part-time work.

Kaestner et al. (NBER Working Paper 2015) found no effects on usual hours of work and probability of full-time work for a sample of 22-64 year olds with a high school degree or less.

Levy, Buchmueller, and Nikpay (2015) found no evidence to suggest either an increase in part-time work or an increased probability of retirement among those 55-64 years of age in states that expanded Medicaid versus those that did not.

However, Even and Macpherson (2016) found significant increase in involuntary part-time employment using data 1994-2015 CPS data on non-elderly workers without a college degree.
Few pay the penalty

- In 2015, 12 million tax filers claimed an exemption, and 6.7 million tax filers paid the penalty

<table>
<thead>
<tr>
<th></th>
<th>Individual</th>
<th>Family of 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>250% FPL</td>
<td>$30,150</td>
<td>$61,500</td>
</tr>
<tr>
<td>Average list premium*</td>
<td>$4,328</td>
<td>$12,957</td>
</tr>
<tr>
<td>Net of subsidy premium</td>
<td>$2,442</td>
<td>$4,982</td>
</tr>
<tr>
<td>Mandate penalty</td>
<td>$754</td>
<td>$2,085</td>
</tr>
<tr>
<td>Net of mandate &quot;price&quot; increase with 33% mandate payment rate**</td>
<td>11.3%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Net of mandate &quot;price&quot; increase with 33% mandate payment rate, 2X MSFF***</td>
<td>25.6%</td>
<td>38.2%</td>
</tr>
</tbody>
</table>

NOTES:
*Average premiums are benchmark plan in 2017. Individual is 40-year-old non-smoker and family is 40-year-old non-smoking couple with 2 children.
**Net of mandate “price” is net of subsidy premium – mandate penalty
***Moral suasion fudge factor

## Table 2.
### Effects of Repealing the Individual Mandate on Health Insurance Coverage for People Under Age 65

**Millions of People, by Calendar Year**

<table>
<thead>
<tr>
<th>Change in Coverage Under the Policy</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0</td>
<td>-1</td>
<td>-2</td>
<td>-4</td>
<td>-4</td>
<td>-4</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
</tr>
<tr>
<td>Nongroup coverage, including marketplaces</td>
<td>0</td>
<td>-3</td>
<td>-4</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
<td>-5</td>
</tr>
<tr>
<td>Employment-based coverage</td>
<td>0</td>
<td>*</td>
<td>-1</td>
<td>-2</td>
<td>-3</td>
<td>-3</td>
<td>-3</td>
<td>-3</td>
<td>-2</td>
<td>-2</td>
</tr>
<tr>
<td>Other coverage&lt;sup&gt;b&lt;/sup&gt;</td>
<td>0</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Uninsured</td>
<td>0</td>
<td>4</td>
<td>7</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
</tbody>
</table>

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

SOURCE: https://www.cbo.gov/publication/52142
### Table 1

**Estimate of the Net Budgetary Effects of Repealing the Individual Mandate**

**Billions of Dollars, by Fiscal Year**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Subsidies for Coverage Through Marketplaces and Related Spending and Revenues</td>
<td>0</td>
<td>-4</td>
<td>-9</td>
<td>-19</td>
<td>-23</td>
<td>-24</td>
<td>-25</td>
<td>-26</td>
<td>-27</td>
<td>-28</td>
<td>-185</td>
</tr>
<tr>
<td>Medicaid</td>
<td>0</td>
<td>-5</td>
<td>-9</td>
<td>-16</td>
<td>-20</td>
<td>-22</td>
<td>-24</td>
<td>-26</td>
<td>-28</td>
<td>-29</td>
<td>-179</td>
</tr>
<tr>
<td>Change in Small-Employer Tax Credits</td>
<td>0</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Change in Penalty Payments by Employers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>1</td>
</tr>
<tr>
<td>Change in Penalty Payments by Uninsured People</td>
<td>0</td>
<td>*</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>43</td>
</tr>
<tr>
<td>Medicare</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>44</td>
</tr>
<tr>
<td>Other Effects on Revenues and Outlays</td>
<td>0</td>
<td>*</td>
<td>-2</td>
<td>-6</td>
<td>-8</td>
<td>-8</td>
<td>-9</td>
<td>-9</td>
<td>-10</td>
<td>-10</td>
<td>-62</td>
</tr>
<tr>
<td>Total Effect on the Deficit</td>
<td>0</td>
<td>-8</td>
<td>-13</td>
<td>-33</td>
<td>-40</td>
<td>-44</td>
<td>-47</td>
<td>-49</td>
<td>-51</td>
<td>-54</td>
<td>-338</td>
</tr>
</tbody>
</table>

**Memorandum:**

| Total Change in Direct Spending | 0    | -7   | -14  | -30  | -36  | -40  | -42  | -44  | -46  | -49  | -307            |
| Total Change in Revenues | 0    | 1    | -2   | 3    | 4    | 4    | 5    | 5    | 6    | 6    | 31              |

**SOURCE:** https://www.cbo.gov/publication/52142
Cost-Sharing Reduction Payments

- Insurers are required to offer CSR to consumers with incomes up to 250% FPL
- Obama Administration reimbursed insurers despite unclear legal authority
- House sued Obama Administration to stop payments (appeal pending)
- 10/12/2017: Trump Administration halts CSR payments
- Currently multiple lawsuits challenging the legality of Trump Administration decision

SOURCES: