

The Affordable Care Act: Mandates, Exchanges, Medicaid . . . and All That

Satellite Conference and Live Webcast
Tuesday, October 22, 2013
12:00 – 1:30 p.m. Central Time

Produced by the Alabama Department of Public Health
Video Communications and Distance Learning Division

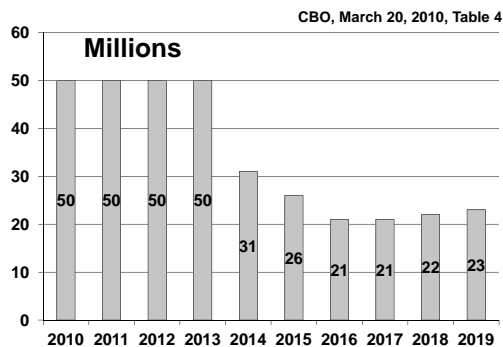
Faculty

Michael A. Morrisey, PhD
Professor
Department of Health Care
Organization and Policy
Director
Lister Hill Center for Health Policy
University of Alabama at Birmingham
School of Public Health

Overview

- Individual Mandate
- Employer Mandate
- Exchanges
- Medicaid Expansion
- Funding
- Discussion

The Uninsured



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

Penalties

- Adverse selection!
- Phased-in
 - 2014: \$95 / year or 1.0% of income
 - 2015: \$325 / year or 2.0% of income
 - 2016: \$695 / year or 2.5% of income

Penalties

- Up to 3 times these amounts for family penalties
- Adjusted for cost of living after 2016

Subsidies

- Refundable, advanceable premium credits to individuals and families with incomes between 100 and 400% of the Federal Poverty Level (FPL)
 - 100-138% FPL: 2% of income
 - 138-150% FPL: 3-4% of income
 - 150-300% FPL: 4-9.5% of income
 - 300-400% FPL: 9.5% of income

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

Individual Exchange Subsidies

Income Level	2013 Federal Poverty Level (FPL) Income Range for 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

Large Employer Mandate

- Employers with 50 or more full-time employees must provide health insurance or pay a penalty
 - “Pay or Play” mandate
 - Penalty of \$2,000 per worker
 - After the first 30

Large Employer Mandate

- Full-time is defined as 30 or more hours
- Most employer plans are “grandfathered”
- Implementation delayed until 2015

No Mandate for Small Employers

- Employers with <50 employees are **NOT** required to offer health insurance
- Two year subsidy available if <25 employees

Essential Health Benefits

- Ambulatory Patient Services
- Emergency Services
- Hospitalization
- Maternity and Newborn Care
- Mental Health and Substance Abuse Services
- Prescription Drugs

Essential Health Benefits

- Rehabilitative Services and Devices
- Laboratory Services
- Preventive and Wellness Services and Chronic Disease Management
- Pediatric Services
 - Including oral and vision care

Implementing Essential Benefits

- Benchmark Plan
 - In Alabama: BCBS Plan 320
 - All federal-default exchanges must use the largest small employer plan as the benchmark

Benefit Tiers

- Platinum
 - 90% of claims costs
- Gold
 - 80% of claims costs
- Silver
 - 70% of claims costs

Benefit Tiers

- Bronze
 - 60% of claims costs
- Within each tier plans will differ based on things like:
 - Deductibles
 - Copays
 - Network providers

Benefit Tiers

- Carriers must offer at least one Silver and one Gold plan

National Estimates of Enrollment

	2012	2014	Change
Individual Market			
Platinum, Gold, or Silver	13.1	20.3	7.2
Bronze or Catastrophic	19.5	24.7	5.2
Total Individual	32.6	45.0	12.4 (38%)

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

The Exchanges

- A marketplace in which individuals and small employers may purchase health insurance
- ACA requires a functioning individual and SHOP* exchange in each state as of January 1, 2014
 - * Small Business Health Options Program

Role of the Exchange

- **Market Facilitator: 45**
 - Accept all plans that are qualified
 - Serve as a neutral source of information
- **Selective Contractor: 6**
 - Contracts with a limited number of insurers
 - May require additional criteria

Role of the Exchange

- **Active Purchaser: 0**
 - Acts like a large purchaser of coverage
 - Much as a large employer might act

Functions of the Exchanges

- **Determine Eligibility**
 - Medicaid
 - ALL Kids
 - Exchange subsidies

Functions of the Exchanges

- Enrollment
 - Individuals
 - Small businesses
 - Particularly difficult
 - Disenrollment
 - Non-payment
 - Change in subsidy status

Functions of the Exchanges

- Plan Management
 - Certify plans
 - Quality rankings
 - Review marketing
 - Network adequacy

Functions of the Exchanges

- Consumer Assistance
 - Single application
 - Plan comparisons
 - Premium calculator
 - “Navigators”

Functions of the Exchanges

- Financial Management
 - Risk adjustment
 - Payment of plans
 - Exchange solvency

State or Federal Exchanges?

- Timing
 - Open enrollment begins 10/1/2013
 - Fully functioning on 1/1/2014
- Federal guidance
 - Slow to arrive
- Costs
 - State responsible for all costs of running the exchange in 2015

State or Federal Exchanges?

	States
Federal-default	26
State-Based	18
Partnership	7

An Alabama Exchange

- Eligibility for Coverage
 - Individual Exchange: 500,000
 - SHOP Exchange: 600,000
- Take-up Rates (moderate estimate)
 - Individual Exchange: 60%
 - SHOP Exchange: 5%
- Combined enrollment: 330,000

– LMI Report to Alabama Dept of Insurance, November 2011

Estimated Administrative Costs Alabama Exchange Moderate Enrollment of 330,000 People, 2015

Budget Category	Estimated Annual Cost
Eligibility Determination	
Cost per enrollee	\$17.50
Total cost	\$5,775,000
Health plan enrollment	
Annual per enrollee	\$96.00
Total cost	\$31,680,000
Outreach and marketing	\$4,000,000
Exchange staff	\$2,750,000
Facilities	\$300,000
Total	
Aggregate	\$44,505,000
Per enrollee per month	\$11.24

Source: LMI report to the Alabama Dept of Insurance, Nov 2011

What Will Happen to Premiums?

- 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
California	\$260	\$420	61.6
Alabama	\$263	\$422	60.3%
National Average	\$314	\$413	31.4%
North Dakota	\$326	\$353	8.4
Maine	\$468	\$487	4.1
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)

Alabama Exchange Summary

- Federal-default Exchange
- Open enrollment: October 1, 2013
- 330,000 enrollees
- Average premiums may increase substantially
- Some will see lower premiums

Medicaid and 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 Line

Medicaid and the ACA

- 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 Expansion

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

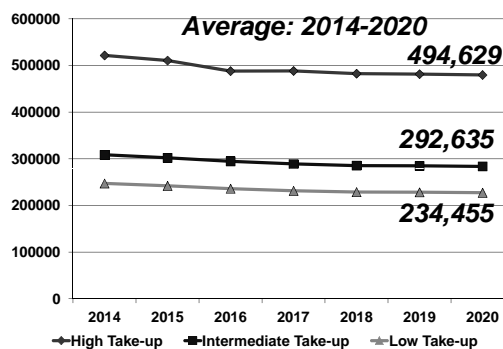
State Medicaid Decisions

Decision	States*
Participating	26
Leaning toward	1
Exploring alternative	4
Leaning against	6
Not Participating	13

*As of June 14, 2013, The Advisory Board Company

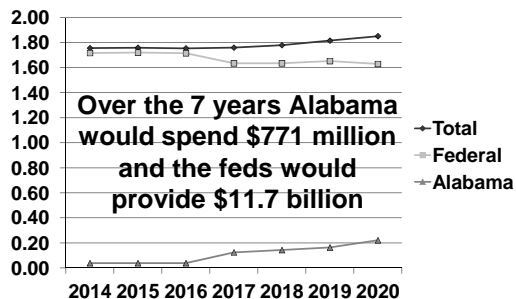
Governor Bentley has said Alabama will not expand its Medicaid program in its current form

New Alabama Medicaid Enrollment



Source: Becker & Morrisey (November, 2012)

Costs of Expansion in Billions (Intermediate Scenario)



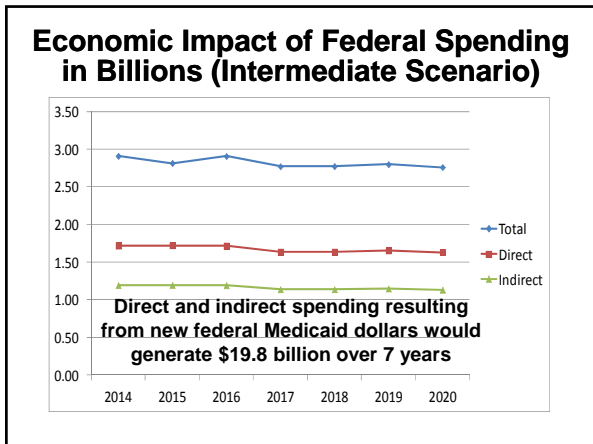
Source: Becker & Morrisey (November, 2012)

Economic Impact of Federal Spending

- Direct Spending
 - New federal spending generates income in Alabama

Economic Impact of Federal Spending

- Indirect Spending
 - New federal health spending generates additional spending in Alabama economy
 - IMPLAN Input-Output Model multipliers



Impact of Expansion on Alabama Tax Revenue

- New income generates new state and local tax revenue from personal and corporate income taxes, sales and property taxes, and other taxes
- Federation of Tax Administrators estimates Alabama’s tax burden as 8.6% of income

Alabama Program Costs and Tax Revenues

Intermediate Scenario (in millions)			
	2014	2020	Total
AL Program Costs	\$-39	\$-222	\$-771
AL Tax Revenue	\$250	\$237	\$1,706
Net	\$212	\$16	\$935

Alabama Program Costs and Tax Revenues

- Based on our intermediate scenario, between 2014 and 2020 Alabama will spend \$771 million on the expansion
- The new federal spending will generate \$1.7 billion in new tax revenue
 - A net budget gain of \$935 million

Alabama Program Costs and Tax Revenues

- In the process some 293,000 people will be newly enrolled in Medicaid

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

Exchanges in States that Don't Expand Medicaid

- 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

Exchanges in States that Don't Expand Medicaid

- HHS has said those with incomes <100% in states that do not expand Medicaid will not be required to buy coverage

Ten Year ACA Financials (in billions)

Spending		Revenue	
Exchanges	\$464	Medicare	
		-Medicare Advantage	- \$136
		-Reduce doctor fee updates	- \$196
		- Other	- \$123
Medicaid	\$434	Penalty Payments	\$ 69
Small Emp Credit	\$ 40	Cadillac Coverage Tax	\$ 32
		Fees on Manuf & Ins	\$107
		Part A tax	\$210
		Other Revenue	\$208
TOTAL	\$871	TOTAL	\$1,081
		Reduction in deficit	- \$143

CSO, March 20, 2010 - Table 2