

**Health Policy Institute of Ohio**

**Politics, Perceptions, and Five Years of the  
ACA:**

**The Affordable Care Act's Impact on  
Coverage and Access**

**September 29<sup>th</sup> , 2015**

**Robert Laszewski**

**Health Policy and Strategy Associates, LLC  
Washington, DC**

# **“Proportion of Americans Without Health Insurance Dropped in 2014”**

*The Washington Post* September 17, 2015

- **The Census Bureau reported that the number of those uninsured dropped by 8.8 million in 2014**
- **The share of those uninsured fell throughout the year fell from 13.3% in 2013 to 10.4% in 2014.**
- **About 1 in 6 people with incomes of \$25,000 or less had no coverage, compared with about 1 in 20 people earning \$100,000 or more.**

# **The Affordable Care Act (ACA) in the Individual Health Insurance Market**

## 2015 ACA Individual Market Enrollment

- 9.9 million enrolled and paid for coverage in the state and federal exchanges through June 30th.
- That is down from the 11.7 million that signed up by the end of February during the second open-enrollment.
- It appears the administration is on the way to blowing away their 2015 goal of 9.1 million.
- But to get to 75% of all subsidy eligible people signing up, the state and federal exchanges would need about 15 million by the end of 2016 when the “3Rs” health plan reinsurance program expires.

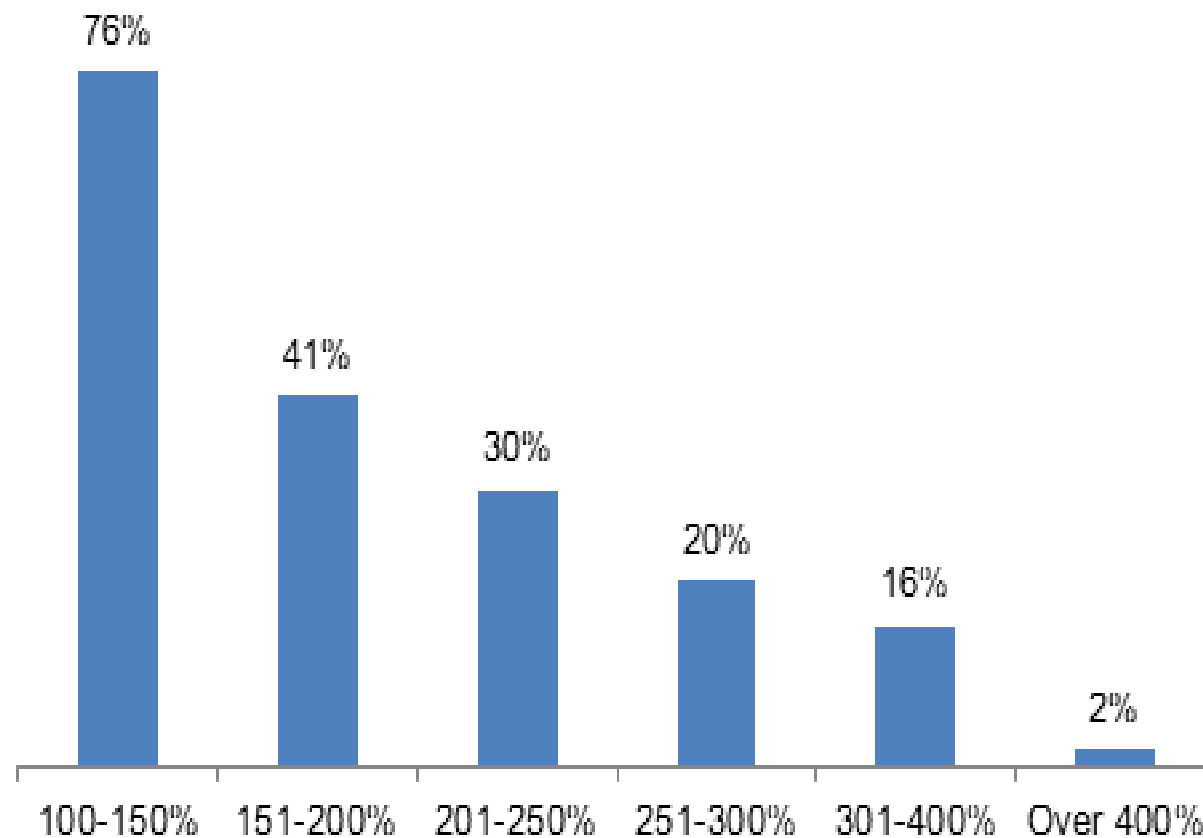
## 2015 Obamacare Enrollment...

- In May of 2013, the Congressional Budget Office (CBO) projected that an average of 13 million would be enrolled during 2015.
- The CBO also projected that 22 million would be enrolled on average during 2016.

# Plan Selections by Income

Source: Avalere from CMS Report

Percentage of Eligible Individuals Enrolled in Exchange Plans, by Income



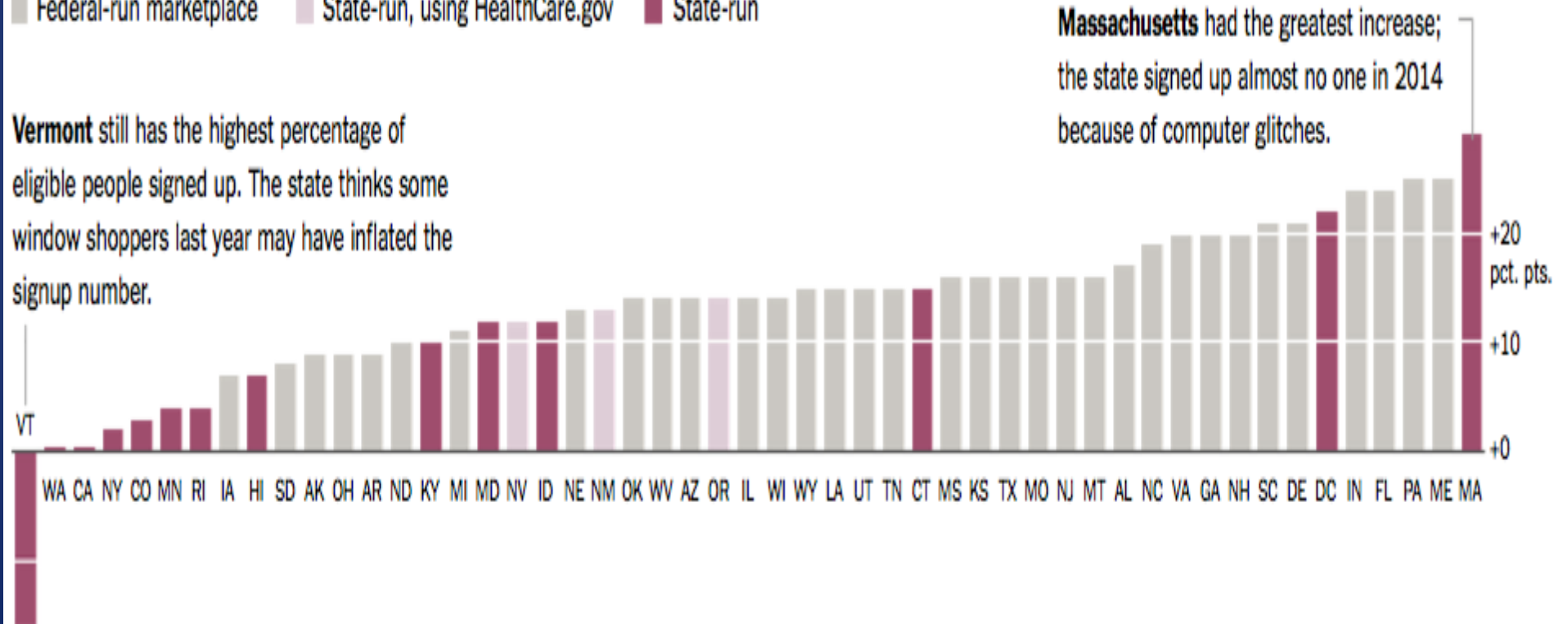
# Enrollment Running Out of Gas?

## Change in share of potential market enrolled, 2014-15

■ Federal-run marketplace   
 ■ State-run, using HealthCare.gov   
 ■ State-run

**Vermont** still has the highest percentage of eligible people signed up. The state thinks some window shoppers last year may have inflated the signup number.

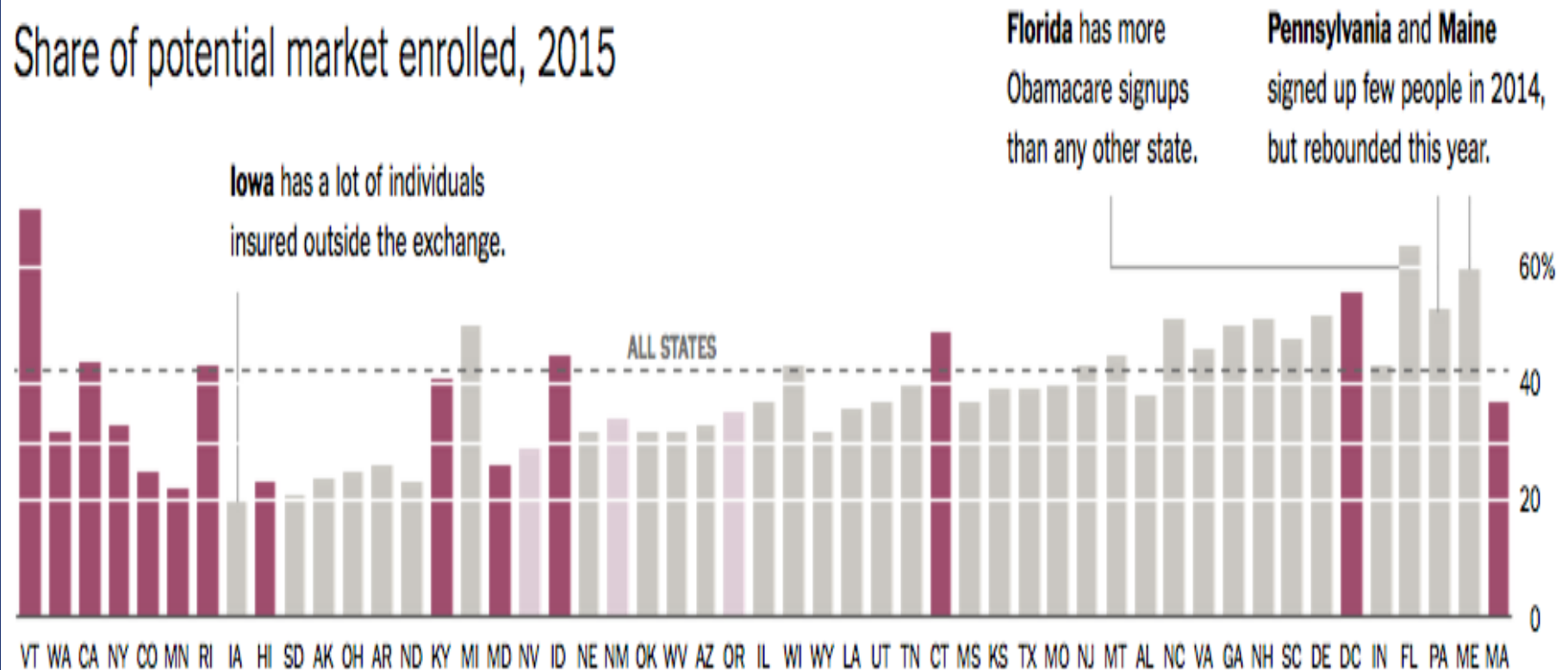
**Massachusetts** had the greatest increase; the state signed up almost no one in 2014 because of computer glitches.





# Most Eligible People Are Still Not Signing Up

Share of potential market enrolled, 2015



Sources: Department of Health and Human Services (enrollment); Kaiser Family Foundation (potential market estimates)



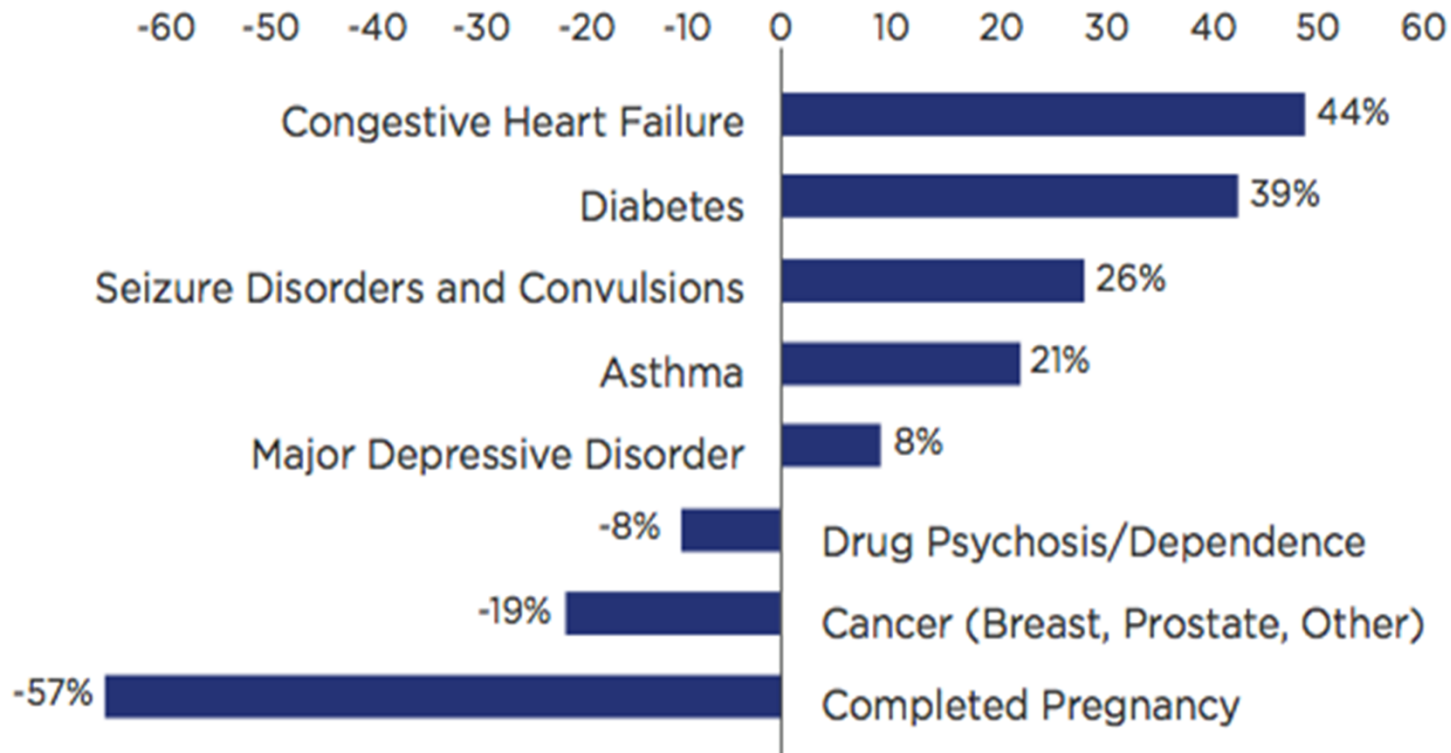
# **The Obamacare Exchange Population is Sicker, Older, and Poorer Than the Mainstream Market**

**“Understanding the Exchange Population: A Statistical  
Snapshot”**

**Truven Health Analytics**

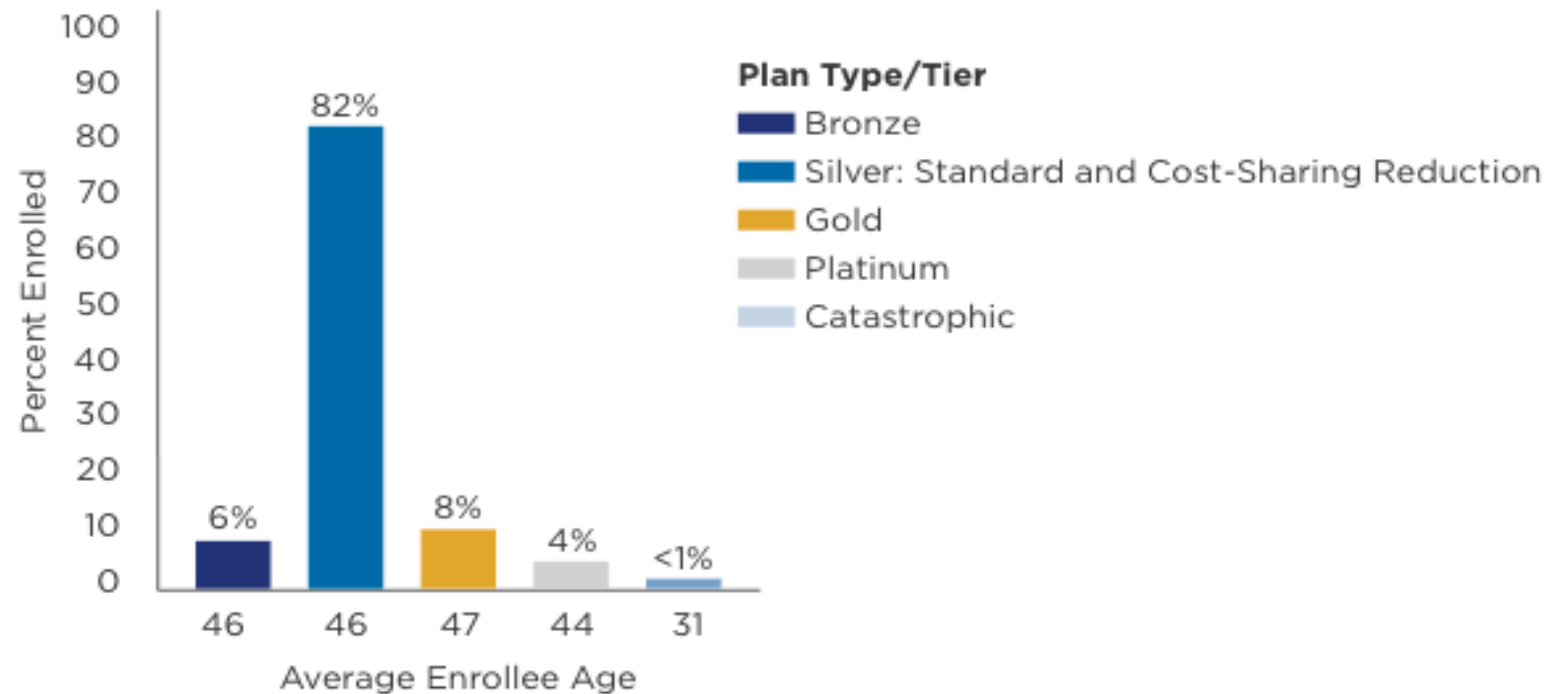
## Compared to the Off-Exchange Market Those On-Exchange “Have a Significantly Higher Prevalence of Common Chronic Conditions”

**Figure 4: Prevalence Rates of Specific Top Conditions, Exchange Compared to Off-Exchange**



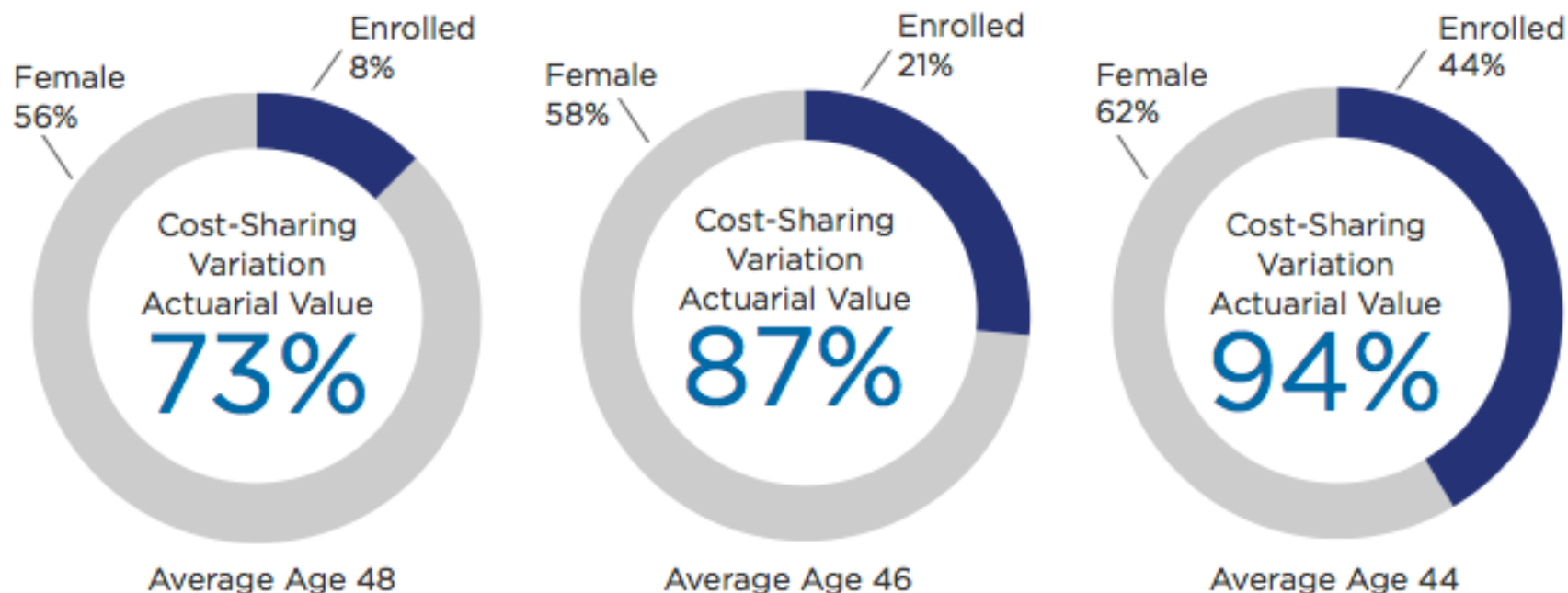
# The Exchange Population is Older

Figure 1: Age and Percent of Exchange Enrollees by Plan Type



## Most Exchange Members Are Poorer With 73% Enrolled in a Silver Cost Sharing Reduction (CSR) Plan and Most of Those (44%) Have a Plan That Pays 94% of Costs

**Figure 3: Average Age by Silver Plan Cost-Sharing Reduction**



\*Percentage of all members in our exchange population

## Many of the 2016 Rate Increases Have Been Surprisingly High

- Blue Cross of Texas reported collecting \$2.1 billion in premium on its 780,000 lives but paying \$2.5 billion in claims and, even after the government reinsurance payments losing \$400 million on Obamacare policies in 2014.
- Many of these increases have come from the biggest market share health plans with the most data.
- These increases are coming a year earlier than expected—the “3Rs” Obamacare reinsurance program runs through 2016.

## Biggest Market Share Players

- Maryland – Increases of 26% for CareFirst plans covering 80% of the market.
- Oregon – Moda with 52% market share is asking for a 25.6% increase.
- Tennessee – BCBS with 70% market share is asking for a 36.3% increase.
- Pennsylvania – Highmark originally asked for increases of 13.5% to 36.6% based upon paying out \$400 million more in claims than it collected in premiums and ended up cutting plan offerings that now cover 367,000 people.
- Medical Mutual of Ohio was approved for a 14.5% increase.



## **Biggest Market Share players:**

- **Georgia – Market leader Humana with 254,000 enrollees is asking for increases of 14.8% to 19.44%.**
- **In New York health plans had asked for an average increase of 12.5% and the state granted an average of 5.7%—the state's biggest plan was approved for a 13% increase.**
- **California's rate increases have averaged 4%.**
- **Connecticut – Anthem with a 33% share is asking for a 6.7% increase.**
- **Vermont – Where 75% of the eligible signed up Blue Cross is asking for an average 8.3% increase.**

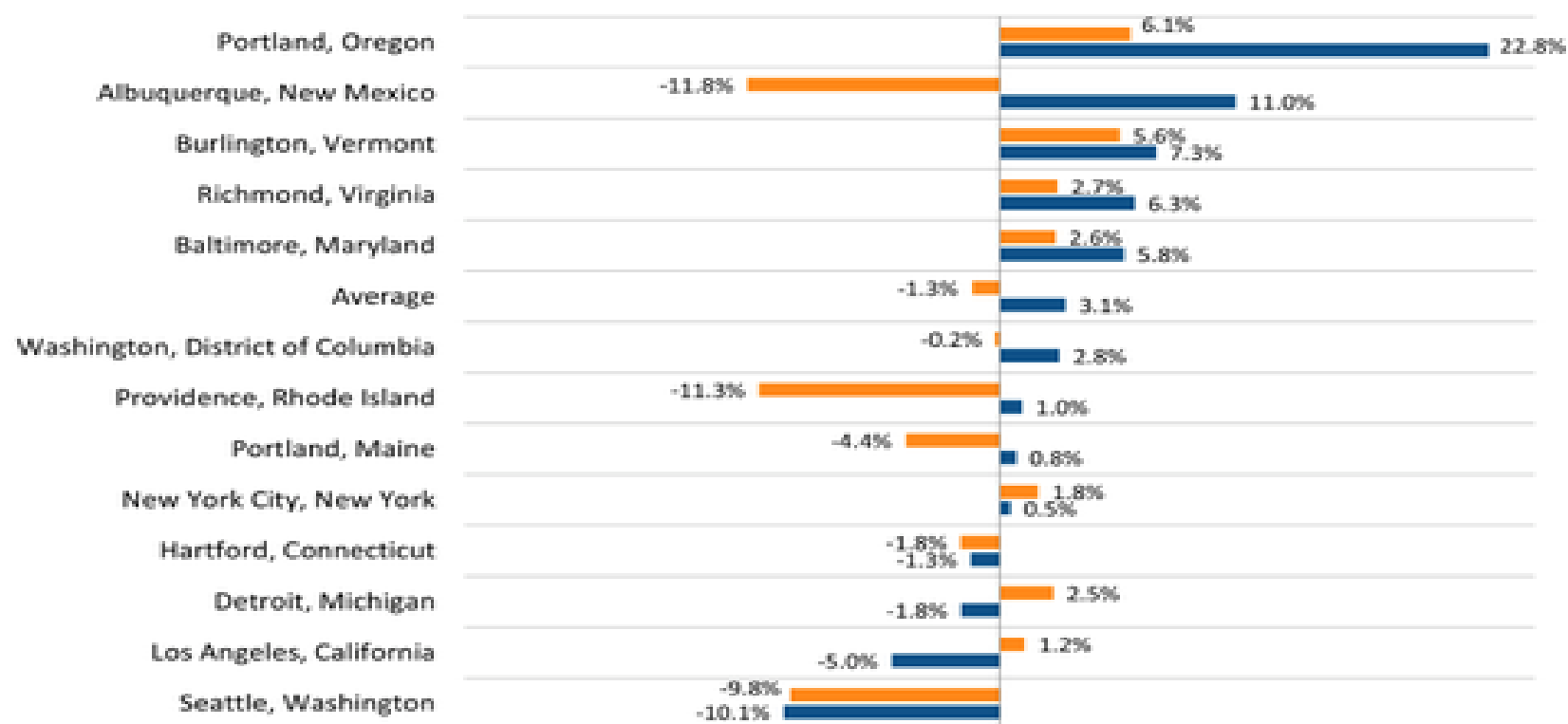


# Average 2016 Premium Increase for ACA Marketplace Benchmark Silver Plans Up 3.1% in 13 Cities

## Silver Premium Percent Change from Previous Year

Second-lowest priced silver plan change, in a major city in 12 states and the District of Columbia, where 2016 data are available

2015 2016



Source: Kaiser Family Foundation analysis of premium data from Healthcare.gov and insurer rate filings to state regulators.



Silver Premium Percent Change from Previous Year

## Will The Cadillac Tax Be Repealed?

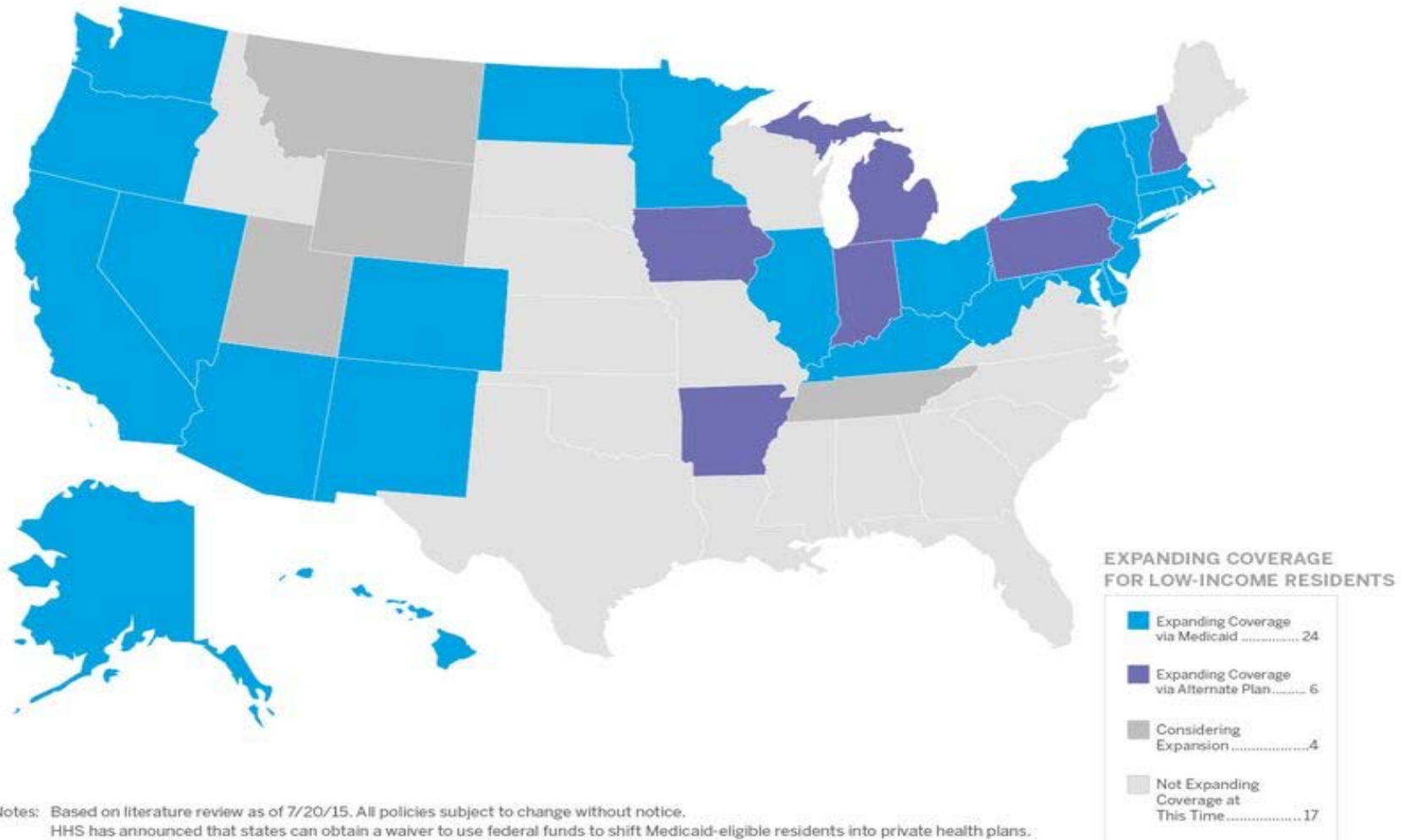
- Starting in 2018, employer-provided health plans whose costs exceed \$10,200 individual and \$27,500 family (indexed in future years for basic inflation) will trigger a 40% excise tax on the value of the benefits above this level.
- By 2018, 48% of large employers surveyed by the National Business Coalition on Health will have at least one plan exceed the limits—by 2020 72%.
- The Kaiser Family Foundation found that 25% of all employers (big and small) will have at least one plan that will exceed the cap in 2018.

## Will The Cadillac Tax Be Repealed?

- But it would cost \$87 billion over ten years in lost tax revenue to repeal it.
- A bill might also include the repeal of the 2.3% medical device tax would cost another \$30 billion in lost revenue.
- President Obama has already said he would veto a “Cadillac Tax” repeal.
- Republicans will want more than just fixing some of the most unpopular parts of the new health law.

# The Medicaid Expansion

Where the **States** Stand on Medicaid Expansion  
29 States, DC, Expanding Coverage—July 20, 2015



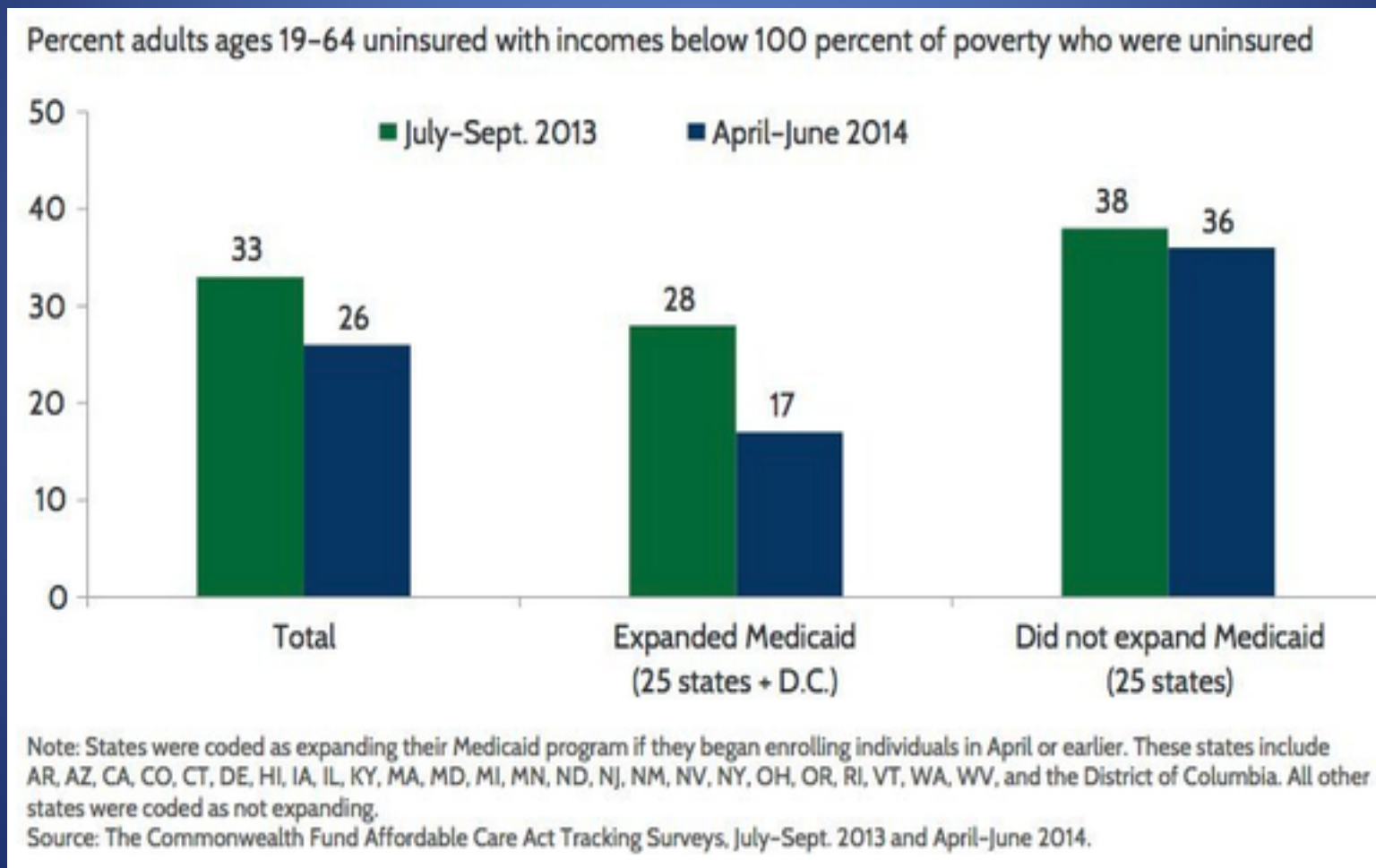
Notes: Based on literature review as of 7/20/15. All policies subject to change without notice.  
HHS has announced that states can obtain a waiver to use federal funds to shift Medicaid-eligible residents into private health plans.  
The District of Columbia plans to participate in Medicaid expansion and will operate its own exchange.

# The Medicaid Expansion

- So far, 29 states and DC have expanded Medicaid.
- The Obamacare Medicaid expansion pays 100% of a state's costs for the expansion through 2016 and then begins to reduce that support to 90% by 2020.
- Expect to see the state's share of the cost of the Medicaid expansion will become a huge budget issue in many of these expansion states.
- California has enrolled 2.3 million—they had expected to enroll 800,000. Washington state has doubled its first estimate, Oregon has exceeded its estimate by 73%, and Kentucky has doubled its first estimate.



## Rate of Uninsured in States That Expanded Medicaid Compared to Those Who Did Not



**Are the ACA's Accountable Care Organizations  
the Answer to Controlling Medicare Costs and  
Improving Quality?**



## Early Accountable Care Results

- The Obama administration has set a goal of having half of Medicare spending tied to performance systems by the end of 2018.
- In 2014, Medicare paid \$60 billion to 353 ACOs covering 6 millions seniors.
- 45% of ACOs cost the government more than their budget.
- After paying bonuses to the ACOs that saved money, the program cost \$3 million more than projected.
- Only 7% of ACOs were willing to go at risk for being over budget in 2014.

## Early Accountable Care Results...

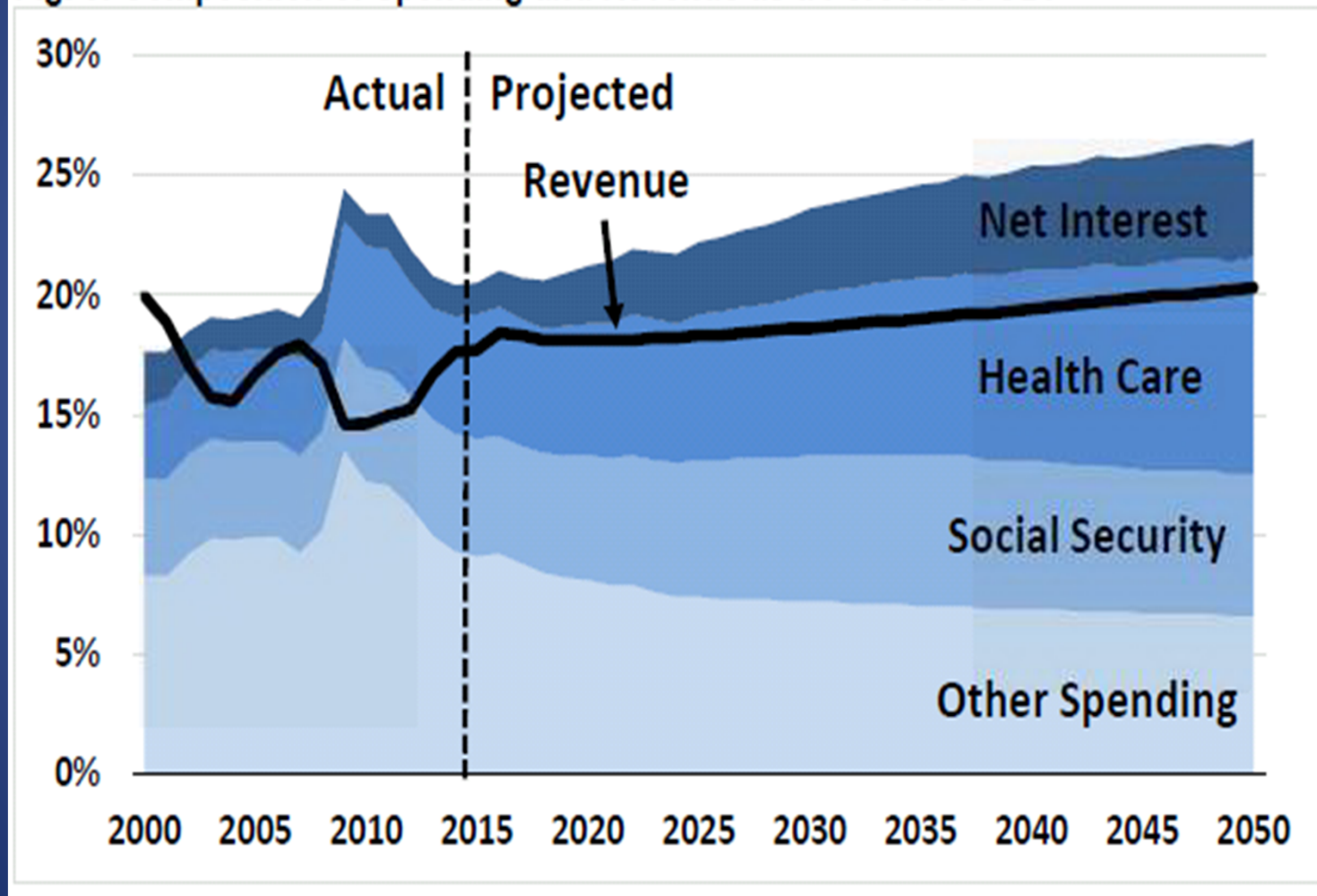
- **Provider risk aversion so widespread that Medicare has given provider organizations six years to participate without a downside.**
- **In 2014, 196 ACOs saved Medicare money, while 157 ACOs cost more than expected.**
- **Medicare lost money on ACOs in 2014 because they paid bonuses out to 97 ACOs while only three had to repay losses because they were under the two-sided risk program.**
- **The number of ACOs taking downside risk has shrunk from 32 at the start to 19 now.**

# Why the Poor ACO Performance Early in the Program

- These ACOs are in the early years of significant change.
- The early years see investments in infrastructure and new care models that participants are still learning to use.
- The ACO business model is far different than traditional business models.
- The ACOs that did generate savings were more often in markets long seen as having the most variation in spending and over-capitalized health care delivery markets—Texas, Florida, New York, and New Jersey.
- No “in-network” control—seniors can go to any provider.

# The CBO's June 2015 Long-Term Budget Outlook

Fig. 3: Composition of Spending and Revenue as a Percent of GDP



## Repeal and Replace?

- CBO: Health law repeal would raise federal deficits by \$137 billion over ten years.
- Repeal would actually raise deficits by \$353 billion over ten years but the CBO offset that with “dynamic scoring” results that would have repeal increase growth and workforce participation.
- Ending insurance subsidies and Medicaid expansion would save the \$1.66 trillion cost of those subsidies between 2016 and 2025.
- Cuts to Medicare under Obamacare now save \$879 billion over ten years and would be lost under full repeal.



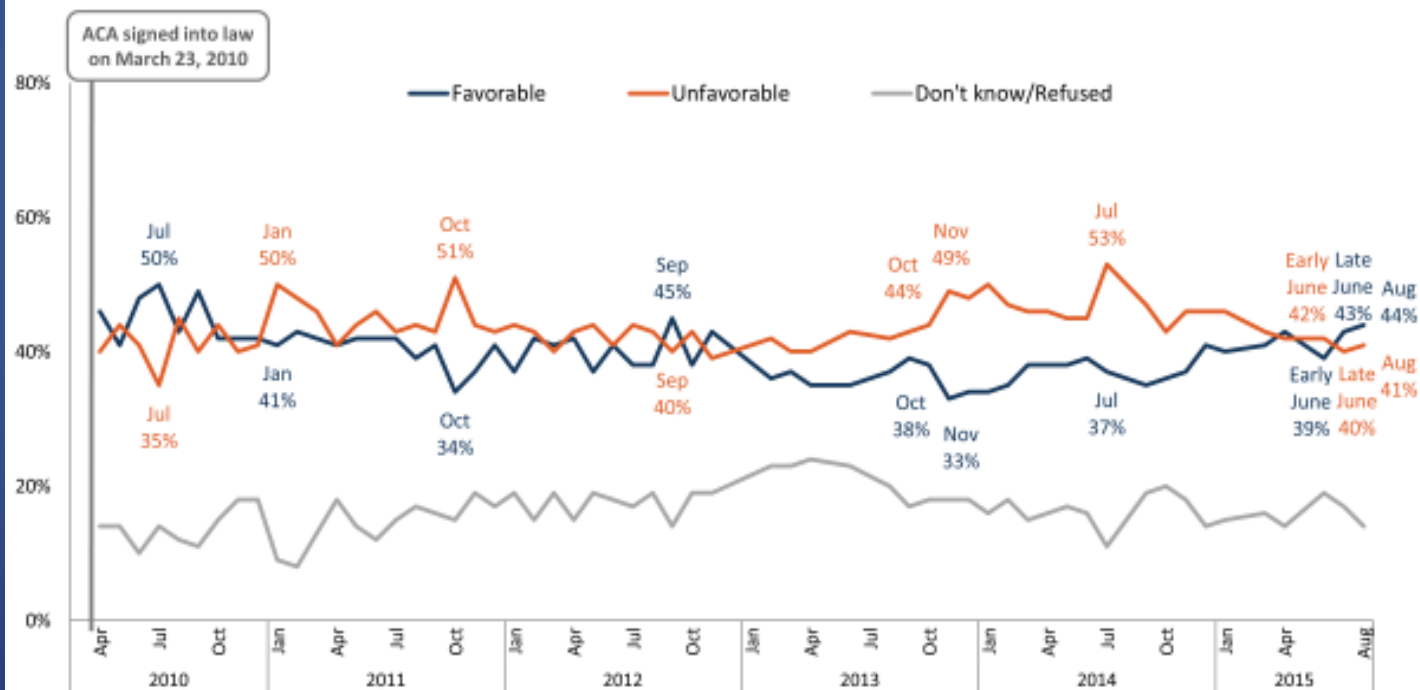
## Repeal and Replace?

- Tax increases under Obamacare such as the “Cadillac” tax, individual mandate penalties, and employer penalties are estimated to increase revenue by \$502 billion over ten years and would be lost under repeal.
- Netting out these gains and losses plus other impacts on revenues and expenses leaves an increase to the deficit of \$353 billion over ten years.

# “Obamacare’s” Public Approval/Disapproval Roller Coaster

## Public’s View Of The Law Remains Divided

As you may know, a health reform bill was signed into law in 2010. Given what you know about the health reform law, do you have a generally favorable or generally unfavorable opinion of it?



NOTE: Data not collected for Dec 2012, Jan 2013, May 2013, Jul 2013, Aug 2014, Feb 2015, and May 2015.

SOURCE: Kaiser Family Foundation Health Tracking Polls

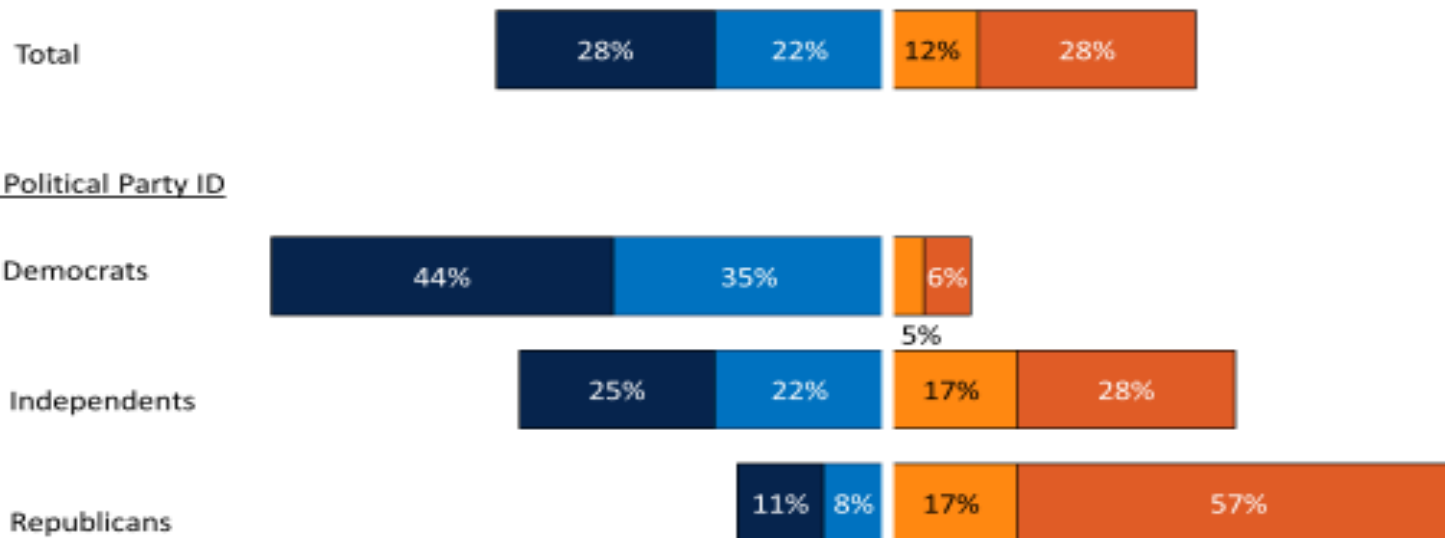


# The Partisan Divide Over the ACA

## Partisan Differences In Opinion Of Next Steps For ACA

What would you like to see Congress do when it comes to the health care law?

- Expand what the law does
- Move forward with implementing the law as it is
- Scale back what the law does
- Repeal the entire law



NOTE: None of these/something else (Vol.) and Don't know/Refused responses not shown.  
SOURCE: Kaiser Family Foundation Health Tracking Poll (conducted August 6-11, 2015)

## Hillary Clinton's Health Proposals

- "I will defend the Affordable Care Act, but as president I want to go further," Clinton said. "I want to strengthen the Affordable Care Act, because the truth is, it couldn't and it didn't solve all of our problems."
- Lower the ACA's out-of-pocket costs by providing three sick visits not subject to deductibles.
- A refundable tax credit of up to \$2,500 individual/\$5,000 family for out-of-pocket costs that exceed 5% of their income.

Clinton...

- **Provide states that don't have the power to regulate insurance rates a federal regulatory fallback.**
- **Vigorously enforce antitrust laws to protect consumers against health industry consolidation and mergers.**
- **Continue the shift away from fee-for-service toward value based care that would include incentives for providers and payers to coordinate care (ACOs) as well as bundled episodes of care.**
- **Allow Medicare to negotiate drug prices.**

## Clinton...

- Deny tax brakes to drug companies for consumer advertising and require those getting federal funds to reinvest a minimum amount in research.
- Encourage generic drugs by lowering the amount of time companies have patent protection.
- Cap out-of-pocket drug costs at \$250 a month for what insurers can charge consumers for chronic or serious conditions.
- Allow Americans to import drugs from abroad.

**A Republican Alternative to Obamacare:**

**The Hatch, Upton, Burr Plan**

## **"The Patient Choice, Affordability, Responsibility, and Empowerment Act"**

- **A full repeal and replacement of Obamacare**
- **No individual or employer mandate.**
- **No lifetime limits, coverage for children to age-26, and guaranteed renewability.**
- **Age rating would expand from the current 3:1 to 5:1.**
- **Guaranteed insurability only if the consumer remains continuously insured for 18-months.**
- **States would be allowed to use default enrollments to increase participation.**



## The Hatch, Upton, Burr Plan...

- Encourage states to develop high risk pools for those who lost guaranteed insurability.
- Eliminate health plan benefit mandates thereby making plans more affordable.
- Tax credits by age but only for those up to 300% of poverty. Here are the tax credits available for those making up to 200% of poverty:

Age	Individual	Family
18-34	\$1,970	\$4,290
35-49	\$3,190	\$8,330
50-64	\$4,690	\$11,110

## The Hatch, Upton, Burr Plan...

- Eliminate the state and federal Obamacare insurance exchanges.
- Carriers could offer insurance across state lines.
- Cap the individual exclusion for employer-provided health insurance at \$12,000 for a single person and \$32,000 for a family (indexed at CPI+1%). The Obamacare “Cadillac” tax threshold is \$10,220/\$27,500 starting in 2018.
- Medical Malpractice reform that would cap damages and encourage state experimentation with alternative dispute resolution systems.

## The Hatch, Upton, Burr Plan...

- Repealing the Medicaid expansion and providing the former funding levels for pregnant women, low-income children, and low-income families in the form of a “capped allotment” to the states which would be indexed at CPI+1%.
- Making mainstream commercial plans available to those who would lose their Obamacare Medicaid benefits using the standard tax credit subsidies.
- For example, a family of four making \$30,313 a year (125% of poverty) with the parents age-34 would receive \$4,290 in a tax credit.

## Five Years Later

- The number of those who are uninsured is down—particularly in the states that expanded Medicaid.
- After two individual market open-enrollments and three years of rate actions the jury is still out over whether this is the *Affordable* Care Act.
- In the insurance exchanges, the ACA is working well for the poorest who have been the ones who have disproportionately signed up.
- Likely no “repeal and replace” on the horizon but an imperative to fix what we have.
- The longer-term federal budget deficits lurk over the entire health care landscape.