The Affordable Care Act: What it did

Health Economics

Bill Evans

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Brief outline

- Patient Protection and Affordable Care Act
- Signed into law March 23, 2010
- Large-scale reform of health care sector
- Modeled after MA health reform
- Mainly attacked the un-insurance issue
  - Little effort to deal with prices, expenditures, etc.
- Holes in coverage generated by EPHI, the law tried to fill in the holes

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What we are doing in the section?

- Outline the ACA
- Think about from an economic perspective
  - What is the goal?
  - Do they make economic sense?
  - Some likely behavioral responses?
- Survey some of the empirical evidence on the impact
- Tie many topics together in this one section

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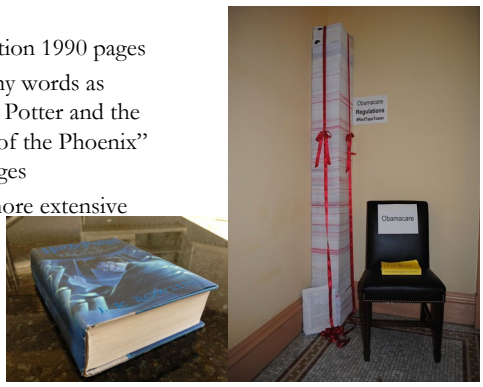
Caveat: limited talk

- Legislation 1990 pages
- As many words as "Harry Potter and the Order of the Phoenix" 870 Pages
- Regs more extensive



Little History

- MA Health Reform, Gov Mitt Romney, 2006
- John Edwards
  - NC Senator
  - John Kerry Running mate in 2004
  - Ran for Dem. nomination in 2008
  - Proposed broad-based HC reform
- Pres. Obama
  - After running against the Edwards plan in the primaries, essentially adopted it

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Expansion of coverage

- Individual mandate
- Employer mandate
- Insurance exchanges
  - State and federal
  - High subsidies or low income
- Medicaid expansion
- Will not talk about some more minor aspects (e.g., dependent coverage up to age 26)

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Individual Mandate

- Individuals must have coverage or subject to fine
- Must have qualified insurance – so benefit levels must be specified
  - This generated the problems for ND and other religious organizations
- Purpose of the mandate – allow community rating and guarantee issue
  - Recall from previous discussion what these are

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- Community rating
  - Premiums based on age – 3/1 ratio oldest to youngest
  - Can base it on tobacco consumption
  - Cannot base it on race or gender
- Insurers must spend 80-85% of premiums on health care costs
- Four tiers of plans

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Fines in 2017 for NOT having ins.

- $695/adult and $347.50/child
- or 2.5% of yearly income
- Maximum fine is cost of a bronze plan
- Adjusted for inflation annually

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Supreme Court Challenge: Student Presentation

Paige and Meghan

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Repeal

- Tax cut and job act of 2017
- Signed into law by Trump 12/22/17
- Major reform of tax code
- Significant change in individual mandate
- Did not repeal but set the fine to $0 starting in 2019

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Table 1: Examining Enrollees' Planned Responses to Mandate Repeal

Survey	Population	Share of Enrollees Dropping Coverage Without Mandate		
		Survey Estimate	CBO December 2017 Estimates	
			2019	2027
Collins et al. (2018)	All insured, ages 19-64	5%	2%	5%
Kirzinger et al. (2018)	Individual market enrollees, ages 18-64	7%	18%	28%
Hsu et al. (2018)	Individual market enrollees in California, adults	18%	18%	28%

Notes: Collins et al. (2018) and Kirzinger et al. (2018) ask about how mandate repeal will change respondents' insurance coverage decisions for 2019. Hsu et al. (2018) ask whether enrollees would have purchased coverage in 2017 without the individual mandate. For the Collins et al. study, the CBO columns report the projected reduction in the overall number of insured individuals as percentage of enrollment in CBO's September 2017 baseline. For the other two studies, the CBO columns report the corresponding estimates for individual market enrollment only, consistent with the populations examined in those studies.

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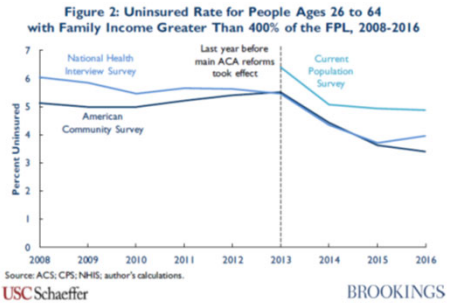

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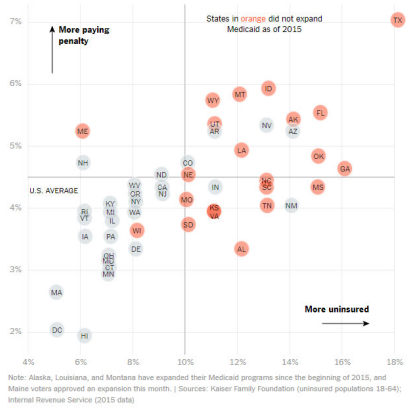

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Exchanges

- If you require someone to own insurance, they need to have a place to purchase group coverage
- Exchanges were the answer
- State-run entities that provide
  - Group coverage
  - Community rating
  - Guarantee issue
- Most potential "game changer" of ACA – maybe most butchered as well

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Exchanges

- States could establish exchanges or residents could purchase from Federal exchange
- Many states did not bother
- Individuals could purchase as well as small firms for their employees
- Purchases were heavily subsidized by Feds for low income families
- Vehicle for individual/small group market to purchase group coverage

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Types

- State-based
- Federally-run
- Federally-facilitated
  - Healthcare.gov
- State-partnership exchange
  - Run like federally-facilitated but states inform, advertise, etc.
- Bifurcated exchange

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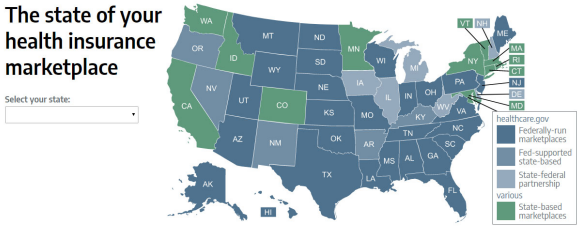

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Subsidy

- Based on adjusted gross income
- 1040EZ
  - Income + interest income + unemployment ins.
- Subsidy declines with income
- Returned as advanced refundable tax credit
  - Even if you don't pay taxes (income too low) you get the tax credit

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Subsidies in 2018 (Family of 4)

Income Level FPL	Top end income	Premium Max %	Premium Max $	Savings
<133%	$33,382	2.03%	$ 677	$12,323
133-150	$37,650	3.05-4.07%	$1,532	$11,468
150-200	$50,200	4.07-6.41%	$3,217	$ 9,873
200-250	$62,750	6.41-8.18%	$5,132	$ 7,868
250-300	$75,300	8.18-9.66%	$7,274	$ 5,726
300-400	$100,400	9.66%	$9,699	$ 3,301

FPL is $25,100; Average family plan is assumed to be $13,000

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How have the exchanges performed: Student Presentation

Noel, Thomas, Deesha

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Prior Medicaid laws

- States not required to participate in Medicaid but all do
- Required to cover low income children, pregnant women, parents of dependent children, disabled, elderly
  - Ex: children up top 100% of FPL were covered
  - States could raise the limit, many did

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- States could provide Medicaid to childless adults below an income threshold
- Median threshold for this group was 61% of FPL

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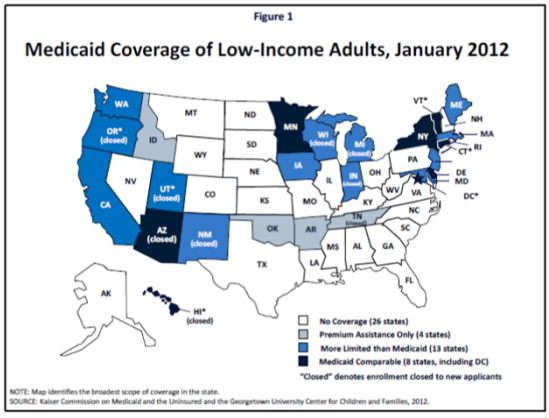
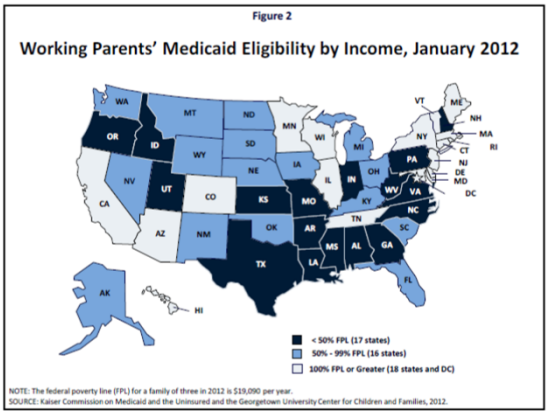
Figure 1

Medicaid Coverage of Low-Income Adults, January 2012



NOTE: Map identifies the broadest scope of coverage in the state.
SOURCE: Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2012.



Medicaid Expansions

- Anyone with income <133% FPL would be eligible for Medicaid
  - 5% income set-aside to real level is 138% FPL
- Expansions started in 2014
- Feds guaranteed to pay
  - 100% expansion until 2016, dropping to 90% in 2020
- If states did not expand, they lost all their Medicaid funding

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Medicaid Court Challenge: Student Presentation

Jonathan, Gillian and Michael

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Court Challenge

- 26 states filed suit in Federal court
- 12 states filed friends of the court briefs in favor of the law
- Argument: By threatening to take away all Medicaid funding if states did not expand, the ACA was coercive.

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Employer mandate

- Firms with 50 or more "full time equivalents" required to provide affordable, valued, health insurance
  - Policy pay 60% of health costs
  - Employee costs of premium cannot exceed 9.5% of income (for workers < 400% FPL)
- Must provide to FT workers and their dependents
  - FT defined as ≥ 30 hours/week

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Fines

- Either $3,480 per worker not covered, or
- Up to a max of $2,320 (employees – 30)

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Goal

- Firms pay their "fair share"?
- What does act imply about incidence of health insurance?
- What do you think?
- Does the act encourage part-time work?

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