

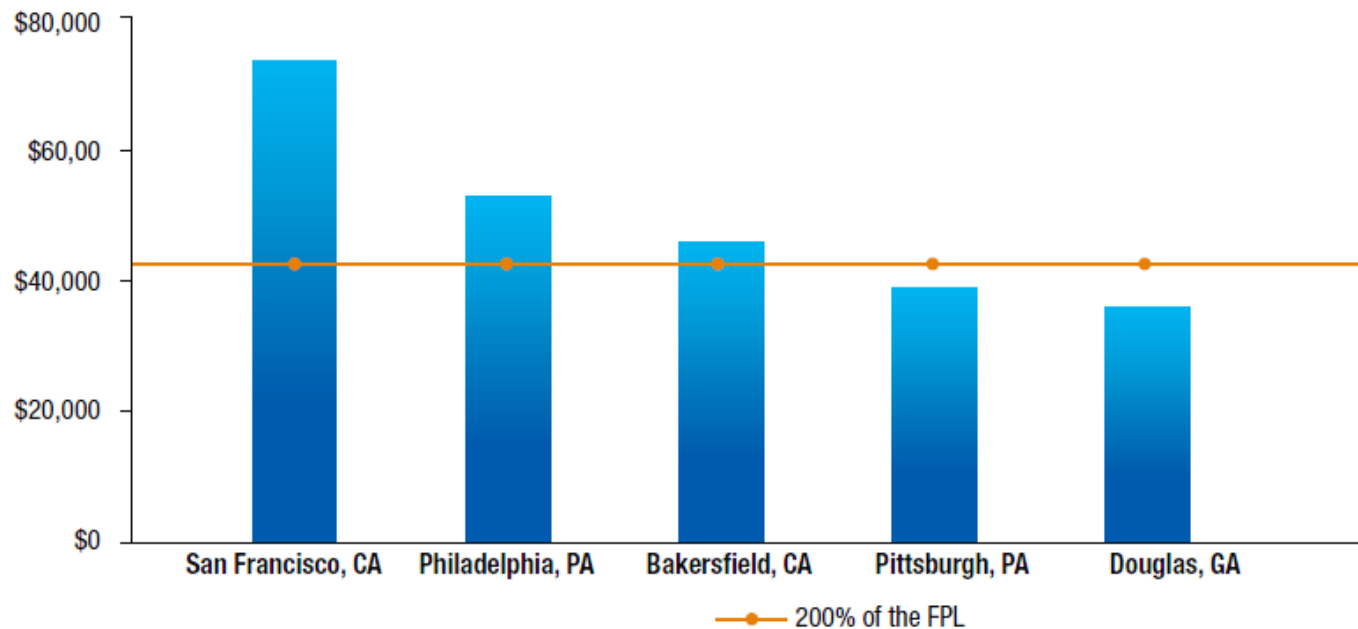
Putting Affordability into Context – Policy Considerations

National Academy for State Health Policy
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Income Needed for a Family of Four to Have Purchasing Power Equal to 200 Percent of the FPL Varies Across the Country

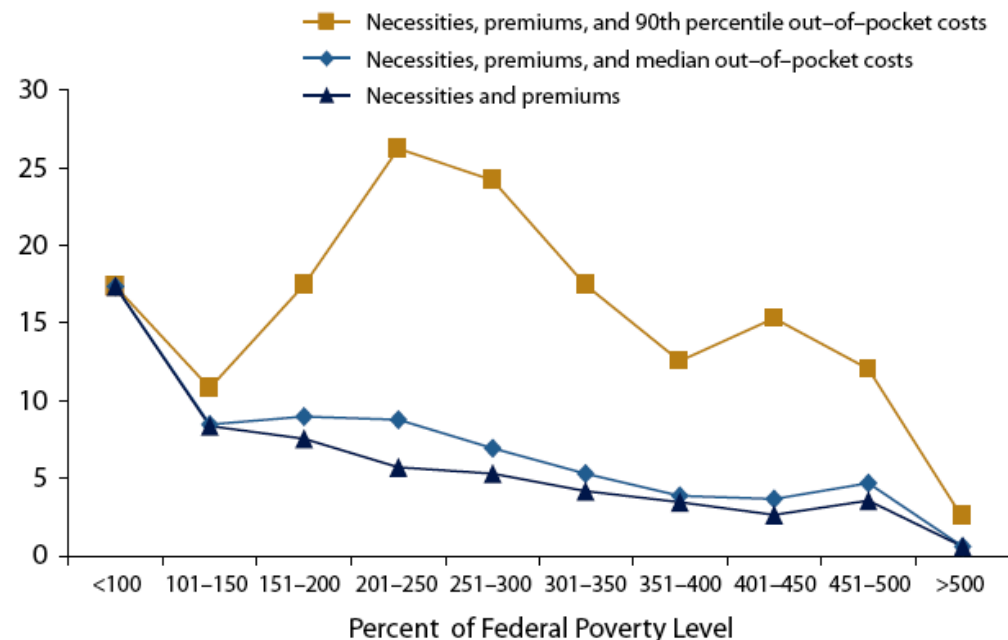


Source: Kenney, G. and Pelletier, P. "Setting Income Thresholds in Medicaid/SCHIP: Which Children Should Be Eligible?" Washington, DC: The Urban Institute. January 2009.



Percent of Households That Do Not Have Room in Budget for Health Care Varies by Income and Out of Pocket Costs

Percent of households that would lack room in budgets for premiums and median out-of-pocket costs



Source: Gruber, J. and Perry, I. "Realizing Health Reform's Potential: Will the Affordable Care Act Make Health Insurance Affordable?" Washington, DC: The Commonwealth Fund. April 2011.



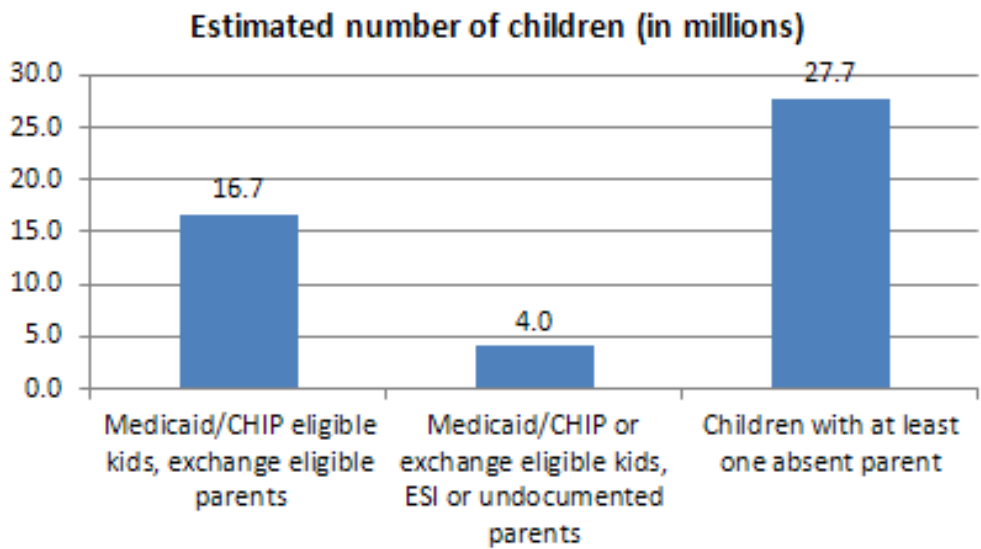
Massachusetts Reform Experience

- **Of those uninsured part of 2008 in Massachusetts (155,390 tax filers):**
 - Roughly 17% were deemed able to afford health insurance for the period they were uninsured.
 - 32% reported being uninsured for less than 3 months.
 - 30% reported income below 150% FPL.
 - 15% were deemed unable to afford health insurance.
- **Of those uninsured all of 2008 in Massachusetts (140,208 tax filers):**
 - Roughly 19% were deemed able to afford health insurance.
 - 63% reported income below 150% FPL.
 - 15% were deemed unable to afford health insurance.

Source: Massachusetts Department of Revenue. "Individual Mandate: 2008 Preliminary Data Analysis." Report from Massachusetts Department of Revenue. December 2009.



Children Facing Potentially Complex Coverage Situations

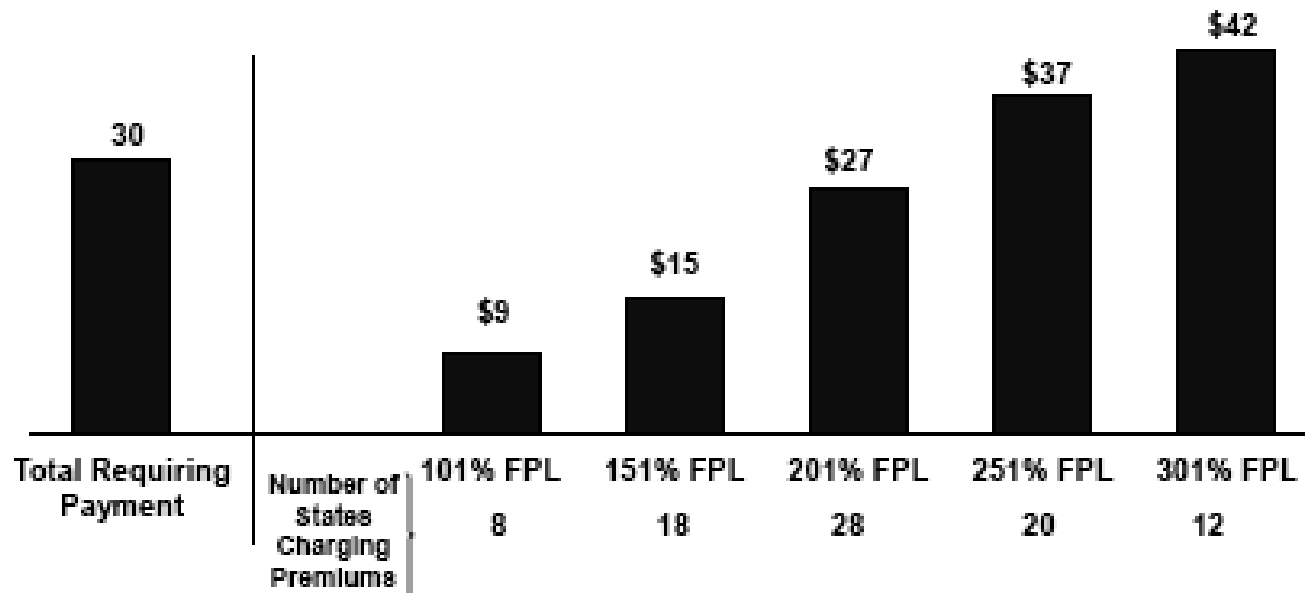


Notes: The total number of children facing complex coverage situations will be smaller than the sum of the three categories shown as children can fall into multiple categories.

Source: McMorro, S.; Kenney, G.; Coyer, C. "Addressing Coverage Challenges for Children Under the Affordable Care Act." Washington, DC: The Urban Institute. May 2011.



Among States with Premiums and Enrollment Fees in Children's Health Coverage Programs; Median Premiums at Specified Income Levels, January 2011

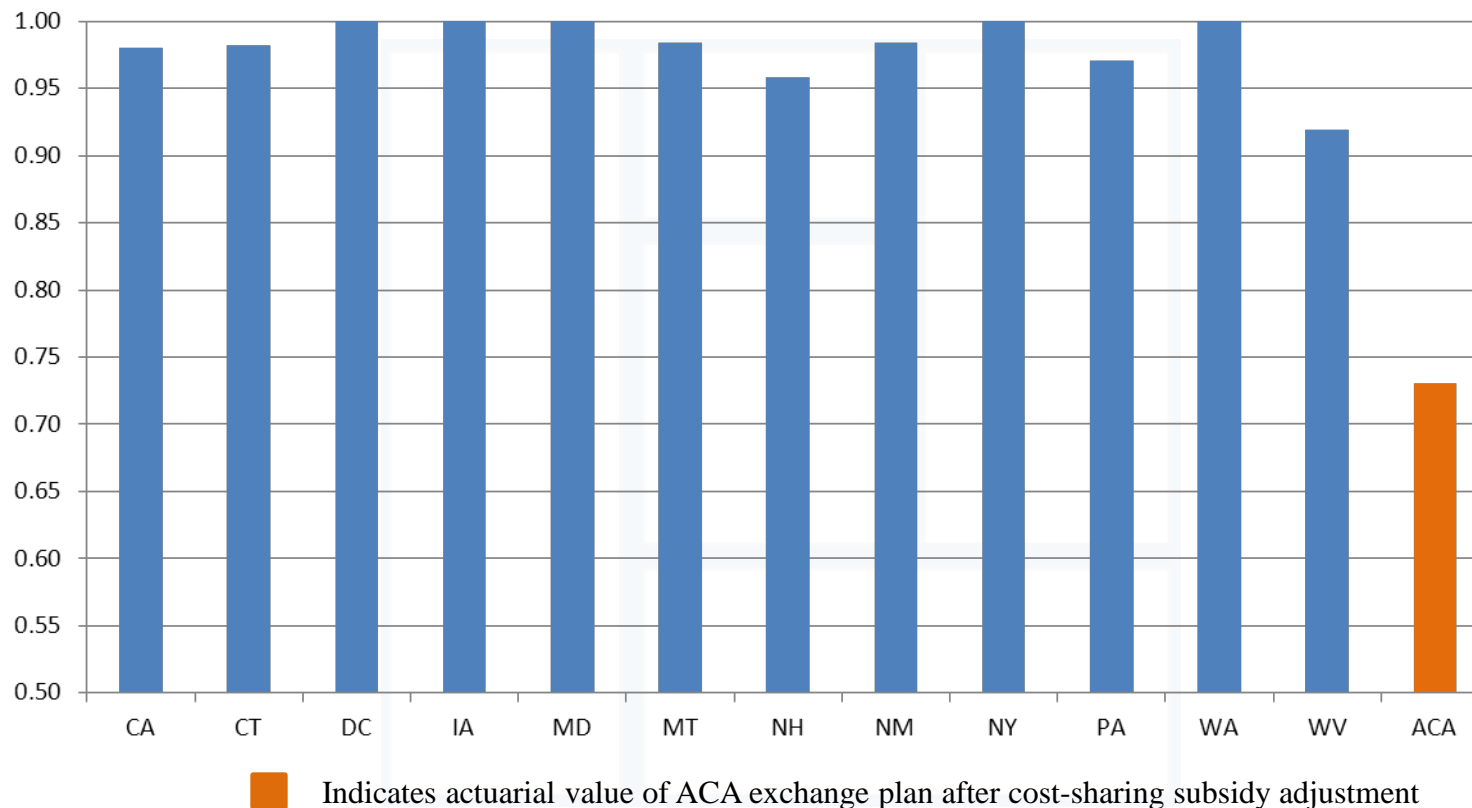


Notes: Premiums listed at 201%, 251%, and 301%, include states whose upper income levels are 200%, 250%, and 300% respectively. Does not include states that charge annual enrollment fees.

Source: Heberlein, M; Brooks, T.; Guyer, J.; Artiga, S.; and Stephens, J. "Holding Steady, Looking Ahead: Annual Findings of a 50-State Survey of Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and CHIP, 2010-2011." Washington, DC: Kaiser Commission on Medicaid and the Uninsured. January 2011.



Actuarial Value for Children in 12 State CHIP Programs in 2010 at 225% FPL



Source: Watson Wyatt Worldwide. "Actuarial Study: Implications of Health Care Reform for Children Currently Enrolled in CHIP Programs." September 25th, 2009.

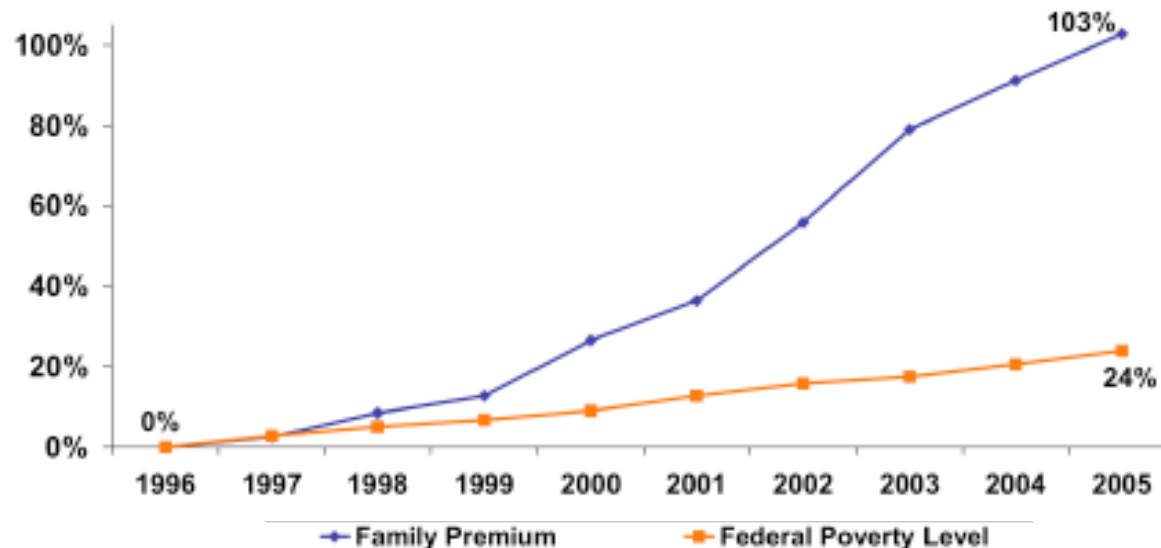


Reconciliation Policies

- The ACA allows families to receive subsidies as an advance payment, preventing families from bearing the full cost of premium payments up front.
 - At tax filing, if verified income differs from that which was used to determine advance subsidy payments, a portion of the advanced payment may have to be returned.
- Repayments are capped at different amounts for different income levels, ranging from \$600 for a family below 200% FPL to \$3,500 for a family at 500% FPL. Beyond 500% FPL, the full difference must be repaid.
 - Income can vary greatly from year to year, and the risk of having to pay back subsidies in a lump sum could discourage participation in the exchanges.



Private Premiums for Families have historically Grown Much Faster Than the Poverty Level

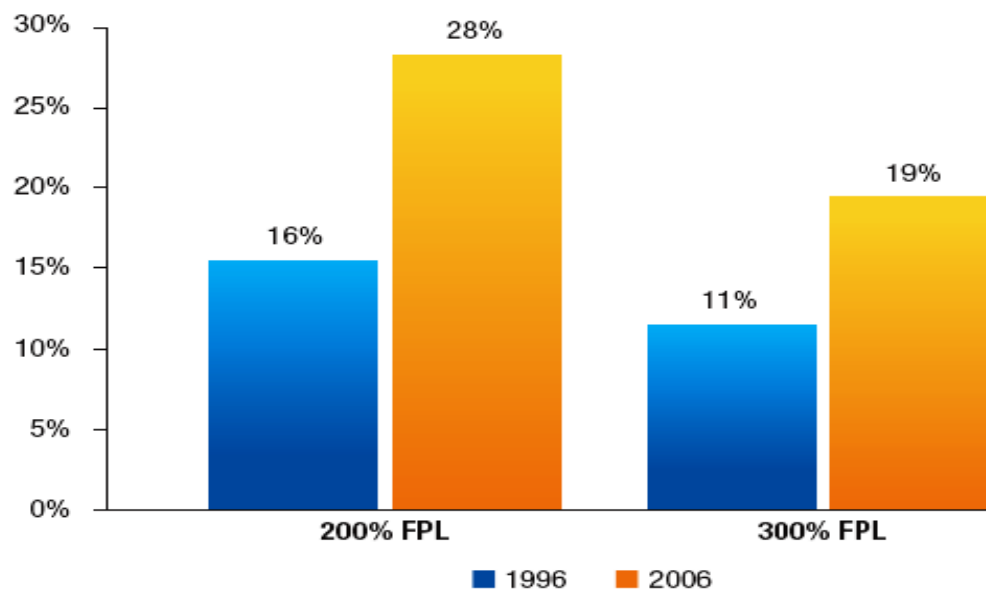


Note: This data represents the cumulative growth in employee premium contributions for employer-sponsored family coverage and the federal poverty level for a family of three.

Source: Mann, C. and Odeh, M. "The Growing Health Insurance Affordability Gap For Children and Families." Washington, DC: The Center for Children and Families. October 2007.



Changes in the Total ESI Premium for Family Coverage Relative to the Federal Poverty Level



Note: Share of income evaluated for families earning exactly 200% and exactly 300% of the FPL.

Source: Kenney, G. and Pelletier, P. "Setting Income Thresholds in Medicaid/SCHIP: Which Children Should Be Eligible?" Washington, DC: The Urban Institute. January 2009.



Coverage may grow less affordable

- Subsidies limit premium contributions to a specified percentage of income, on a sliding scale based on income level, starting in 2014.
 - Premium contributions by individuals will increase annually between 2014-2018 to reflect the excess of premium growth over the rate of income growth.
- Cost-Sharing subsidies are designed to increase the actuarial value of health plans to a specified level for various income tiers. With this structure, cost-sharing burdens on individuals will represent a growing percentage of income if health care cost growth exceeds income growth.



Policies that could affect Affordability for families

- Subsidies available for child only policies
- Subsidies for families that need to obtain coverage from multiple places
- How subsidy eligibility is defined for family coverage
- Whether and how states use Basic Health Plan Option



Policies that could affect Affordability

- Federal funds available to support CHIP and MOE
- Those that lower repayment risk (e.g., related to subsidy determination, continuous eligibility etc.)
- Key to identify and adopt policies/programmatic changes that reduce rate of growth of health care costs to be more consistent with GDP growth

