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

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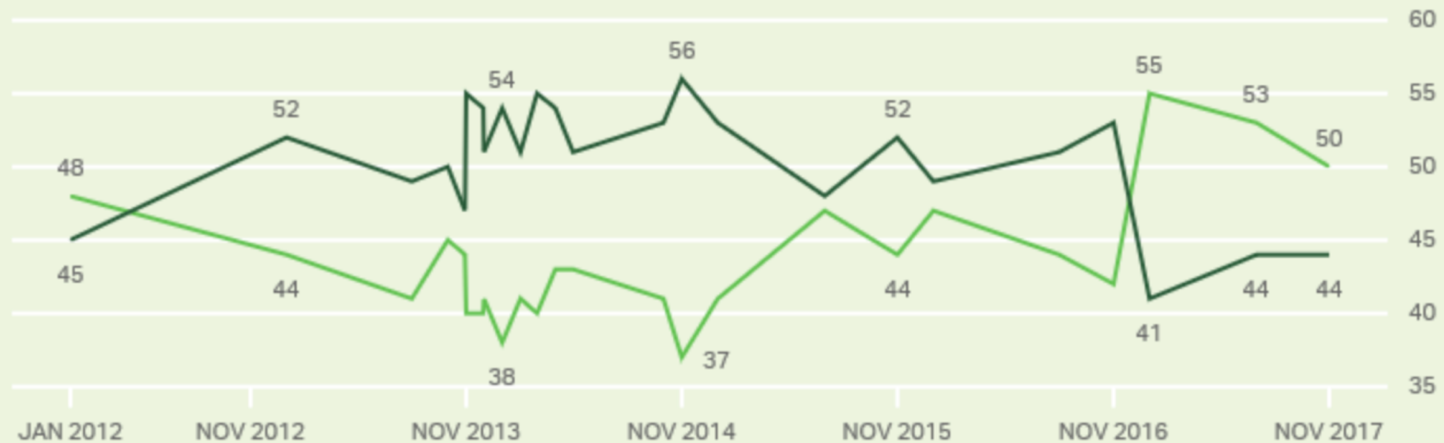
Make Obamacare Cool Again



Adverse Selection Death Spiral?

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)

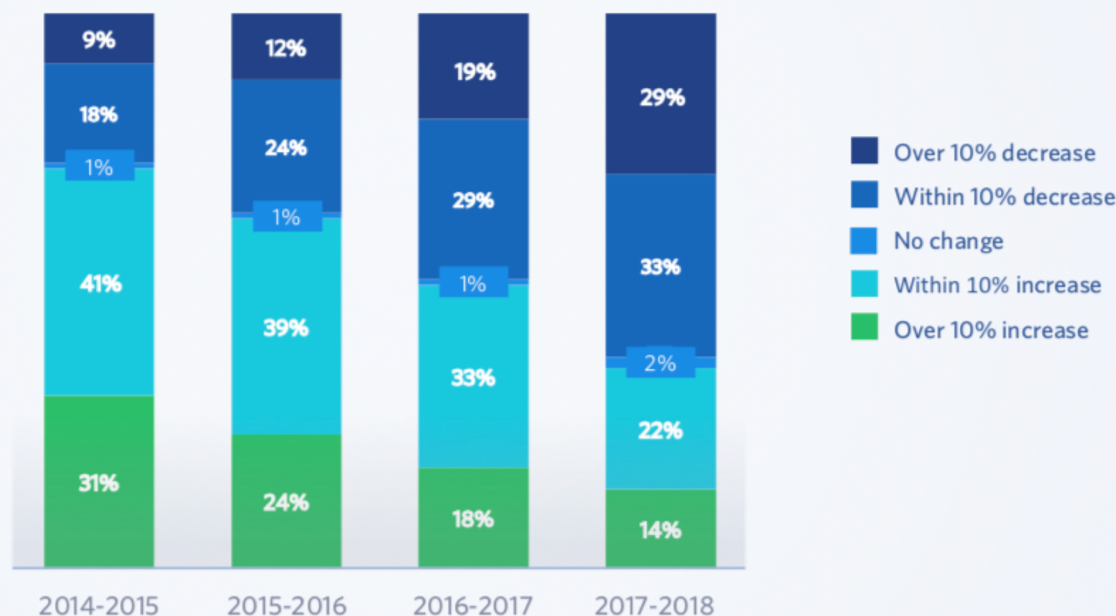
*Reminds me of media coverage of college tuition

Net-of-Subsidy Premiums Have Been Declining

2 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

% of subsidy-eligible[1] consumers seeing a change in the net premium[2] (after subsidies) of the lowest-price silver plan in their county



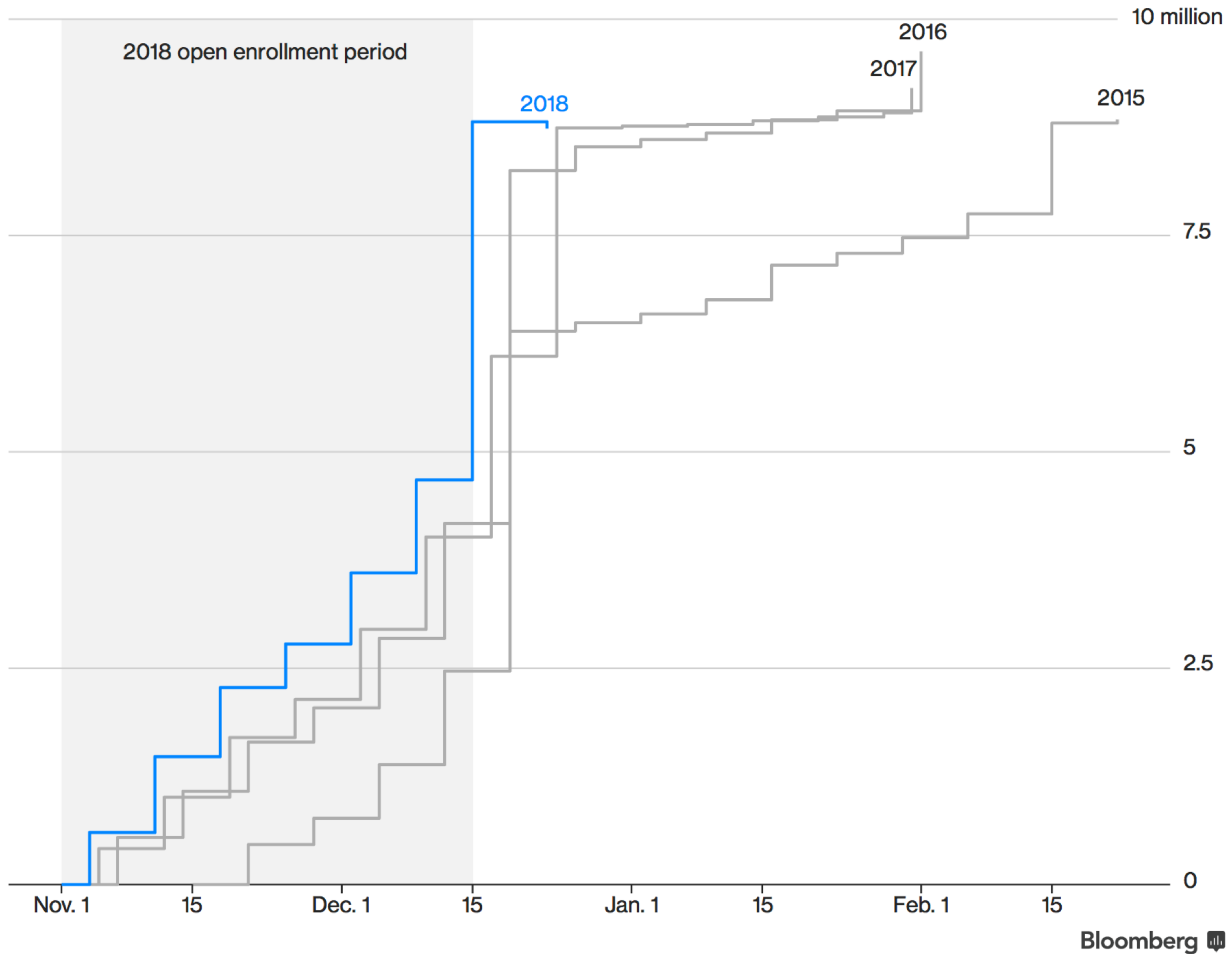
[1] This includes only subsidy-eligible consumers (those with incomes below 400% of the federal poverty level), among consumers defined as eligible to purchase a qualified health plan (QHP). In cases where states change their eligibility requirements (e.g., via Medicaid expansion) we use the most recent 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 -- for example, 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.

SOURCE: McKinsey Center for US Health System Reform, McKinsey MPACT Model

McKinsey & Compa

Enrollment Has Not Plummeted

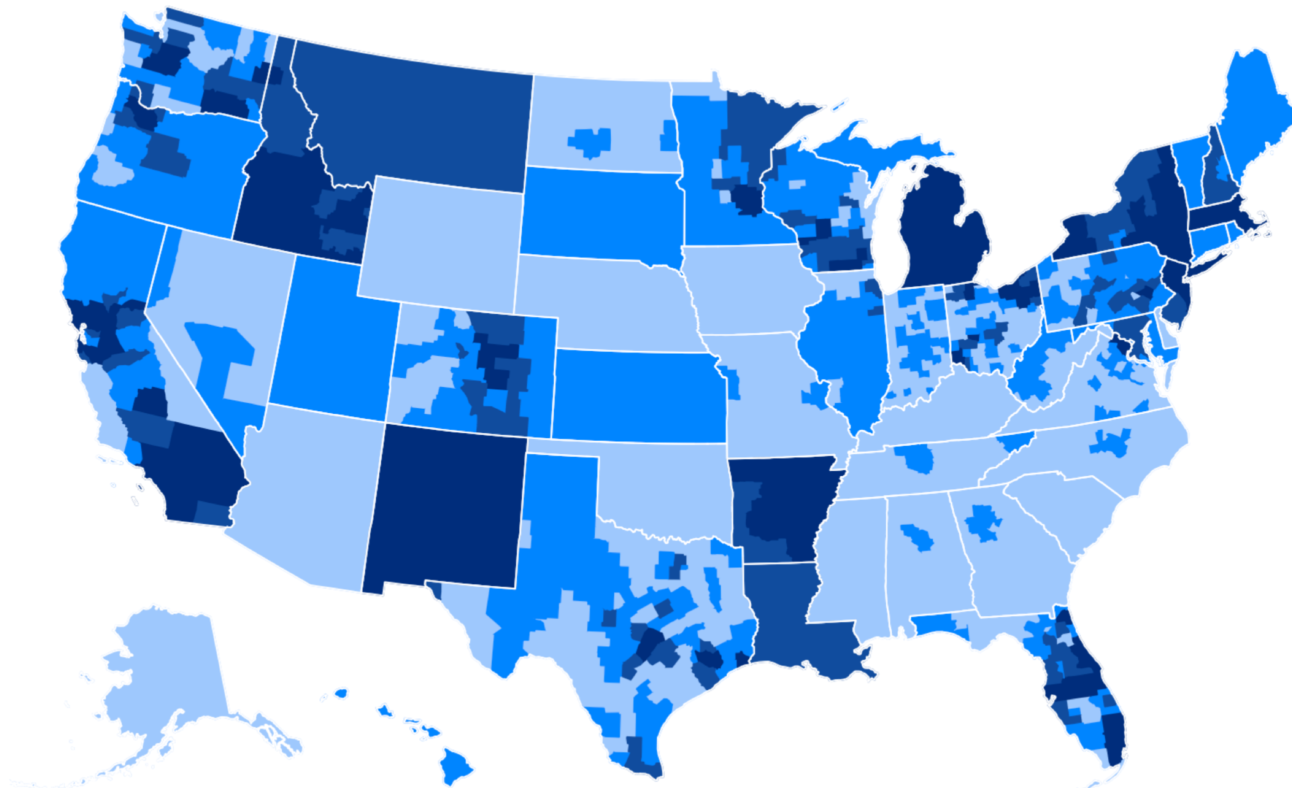


SOURCE: https://www.bloomberg.com/graphics/health-insurance-marketplaces-for-2018/

Insurer Exits Are Concerning

Number of Marketplace Insurers for 2018

1 insurer	2	3	4 or more
23% of enrollees	24%	16%	37%



Bloomberg

SOURCE: https://www.bloomberg.com/graphics/health-insurance-marketplaces-for-2018/

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:
https://www.kff.org/medicare/issue-brief/medicare-advantage-2018-data-spotlight-first-look/
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

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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

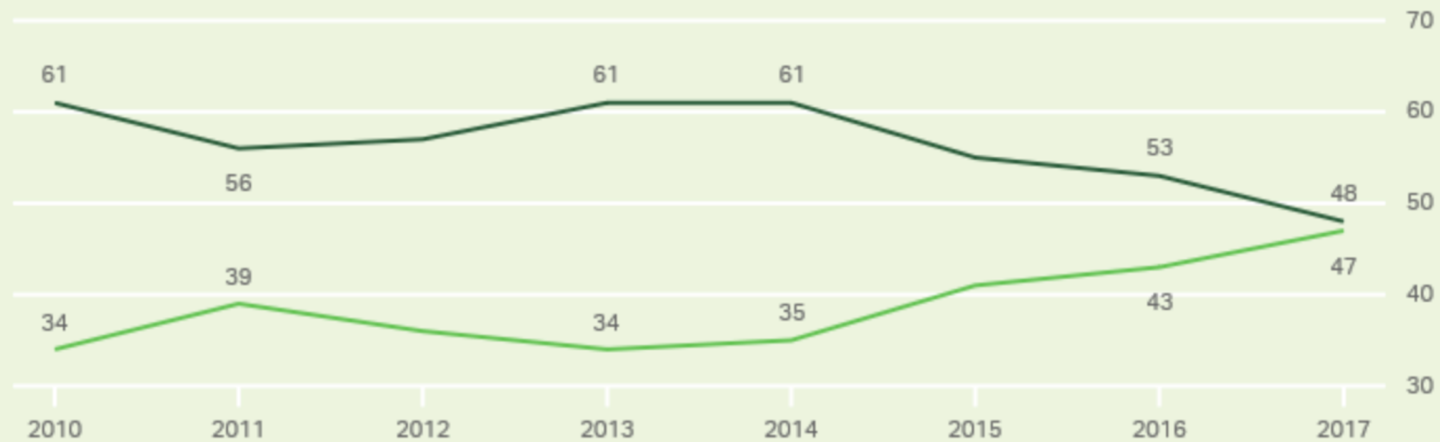
SOURCES:
https://www.kff.org/health-reform/fact-sheet/tracking-section-1332-state-innovation-waivers/
https://www.healthaffairs.org/do/10.1377/hblog20170712.061031/full/

Short-Term Plans

- 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:
https://www.kff.org/health-reform/issue-brief/understanding-short-term-limited-duration-health-insurance/

Growing Public Support for Government-Run System



Medicare / Medicaid Buy-In

- 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"
https://www.kff.org/medicare/issue-brief/medicare-for-all-and-public-plan-buy-in-proposals-overview-and-key-issues/

Public Plan on ACA Marketplaces

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)

SOURCES: “Options for Reducing the Deficit: 2014-2023: Health Option 2”. November 13, 2013. https://www.cbo.gov/budget-options/2013/44890

Concluding Thought

- 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 <u>both</u> 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

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

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/

Clawback Limits

Table 3: Repayment Amounts under Current Law by Income Level for 2018		
Income (% Federal Poverty Level)	**Maximum repayment amount for a single individual**	**Maximum repayment amount for couples and families**
Less than 200% FPL	$300	$600
200% - less than 300% FPL	$775	$1,550
300% - less than 400% FPL	$1,300	$2,600
400% FPL or greater	Full Amount	Full Amount

Source: Internal Revenue Service, Revenue Procedure 2017-58.

ACA Marketplaces: Eligibility Details

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

SOURCE: https://www.kff.org/health-reform/issue-brief/explaining-health-care-reform-questions-about-health/

Research on Labor Market Effects

- 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.

Mandate Repeal: Nobody Knows

Few pay the penalty

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

	Individual	Family of 4
250% FPL	$30,150	$61,500
Average list premium*	$4,328	$12,957
Net of subsidy premium	$2,442	$4,982
Mandate penalty	$754	$2,085
Net of mandate "price" increase with 33% mandate payment rate**	11.3%	16.0%
Net of mandate "price" increase with 33% mandate payment rate, 2X MSFF***	25.6%	38.2%

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
SOURCES: https://www.nytimes.com/interactive/2017/11/28/us/politics/obamacare-individual-mandate-penalty-maps.html
https://www.kff.org/interactive/subsidy-calculator-2017/

Mandate Repeal: Insurance Coverage

Table 2.

Effects of Repealing the Individual Mandate on Health Insurance Coverage for People Under Age 65

Millions of People, by Calendar Year

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Change in Coverage Under the Policy										
Medicaid[a]	0	-1	-2	-4	-4	-4	-4	-5	-5	-5
Nongroup coverage, including marketplaces	0	-3	-4	-5	-5	-5	-5	-5	-5	-5
Employment-based coverage	0	*	-1	-2	-2	-3	-3	-3	-2	-2
Other coverage[b]	0	*	*	*	*	*	*	*	*	*
Uninsured	0	4	7	12	12	12	12	13	13	13

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

SOURCE: https://www.cbo.gov/publication/52142

Mandate Repeal: Budgetary Effects

Table 1.

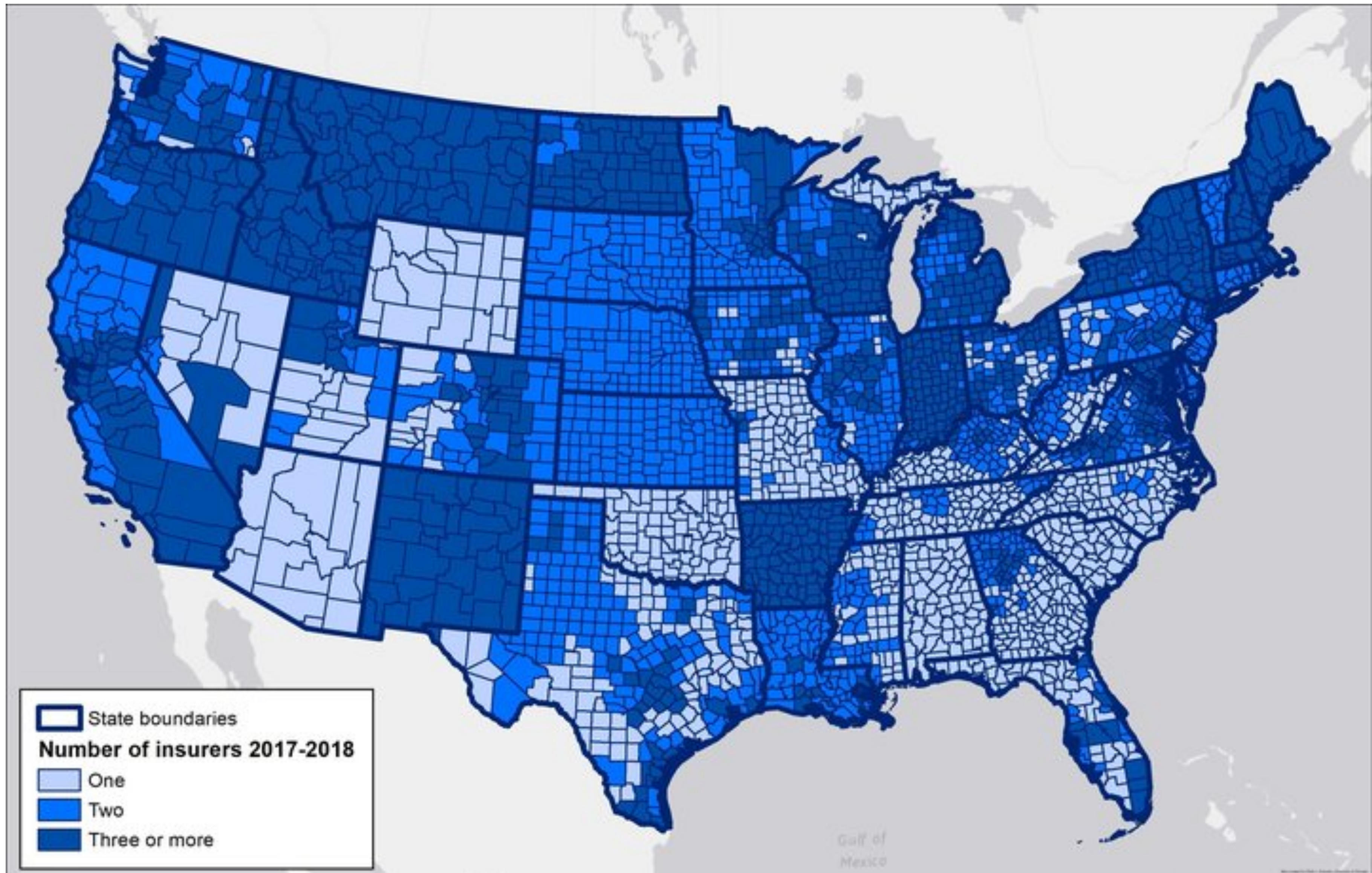
Estimate of the Net Budgetary Effects of Repealing the Individual Mandate

Billions of Dollars, by Fiscal Year

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total, 2018–2027
Change in Subsidies for Coverage Through Marketplaces and Related Spending and Revenues[a,b]	0	-4	-9	-19	-23	-24	-25	-26	-27	-28	-185
Medicaid	0	-5	-9	-16	-20	-22	-24	-26	-28	-29	-179
Change in Small-Employer Tax Credits[b,c]	0	*	*	*	*	*	*	*	*	*	*
Change in Penalty Payments by Employers[c]	0	0	0	*	*	*	*	*	*	*	1
Change in Penalty Payments by Uninsured People	0	*	5	5	5	5	5	6	6	6	43
Medicare[d]	0	1	2	4	5	5	5	6	7	7	44
Other Effects on Revenues and Outlays[e]	0	*	-2	-6	-8	-8	-9	-9	-10	-10	-62
Total Effect on the Deficit	**0**	**-8**	**-13**	**-33**	**-40**	**-44**	**-47**	**-49**	**-51**	**-54**	**-338**
Memorandum:											
Total Change in Direct Spending	0	-7	-14	-30	-36	-40	-42	-44	-46	-49	-307
Total Change in Revenues[f]	0	1	-2	3	4	4	5	5	6	6	31

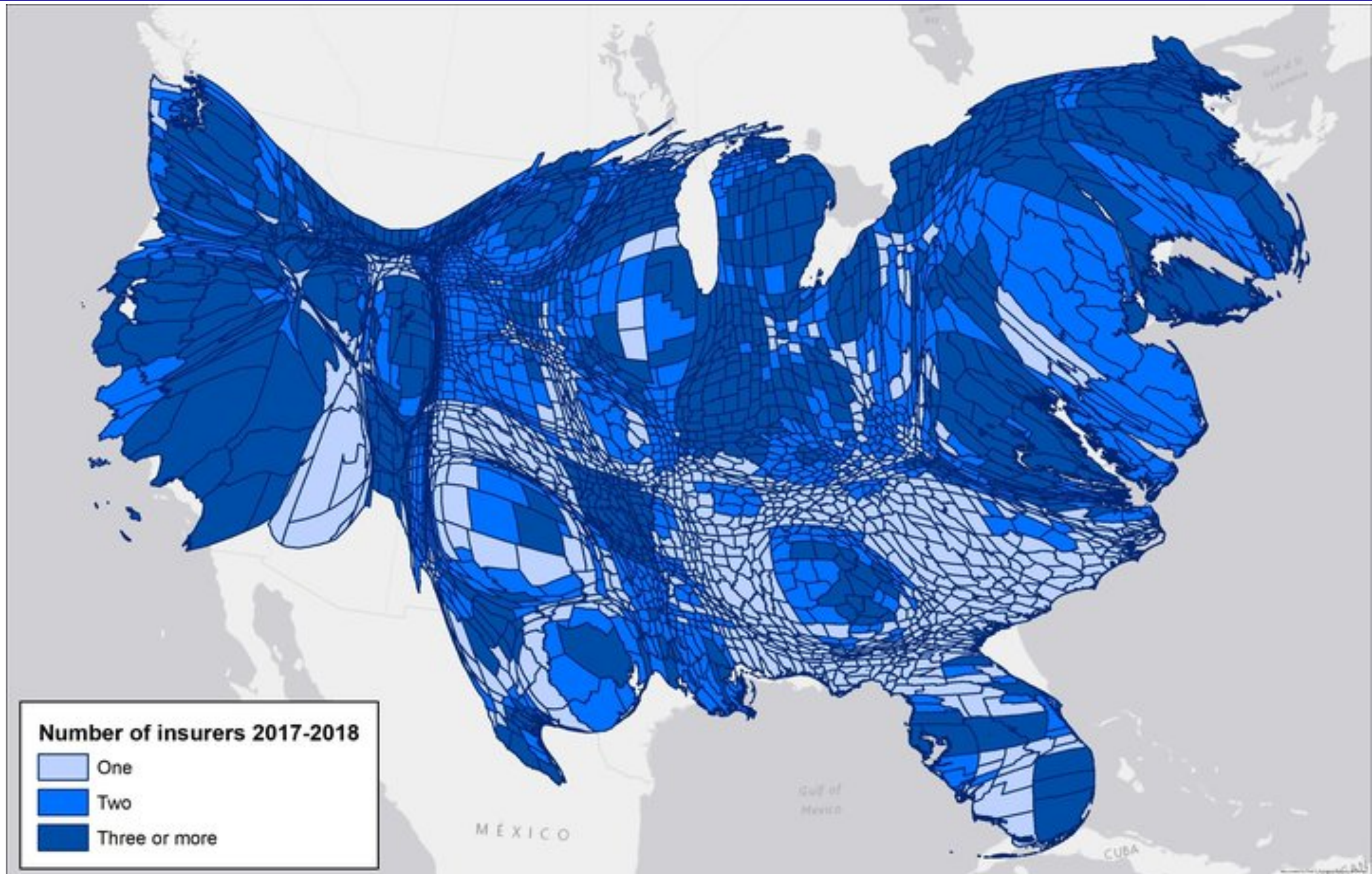
SOURCE: https://www.cbo.gov/publication/52142

Insurer Exits and Bare Counties



SOURCE: Harold Pollack and Todd Schuble

Insurer Exits and Bare Counties



SOURCE: Harold Pollack and Todd Schuble

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:
https://www.kff.org/health-reform/issue-brief/how-the-loss-of-cost-sharing-subsidy-payments-is-affecting-2018-premiums/
https://www.healthaffairs.org/do/10.1377/hblog20180210.52487/full/