Implementation and Implications of the Affordable Care Act (ACA)

California Federation of Teachers
AFT, AFL-CIO

What Does the ACA Do?

- The law's primary goal is to **expand coverage** and **reduce** the number of **uninsured**. The ACA helps people obtain coverage in two primary ways:
  - Medicaid expansion
  - Marketplaces ("Exchanges")
  - Price competition through Exchanges may stabilize prices
- Expanded consumer protections
- Delivery system reforms aimed at increasing quality of care like ACOs, PCMHs, and Medicare reforms.

Consumer Protections in ACA

- Emphasizes no cost **prevention**
  - 34 million Medicare recipients and 71 million others gained preventive services
- Closes the **Medicare Rx** "donut hole"
  - 6 million people with Medicare received about $6 billion in RX drug discounts as of 2012
- Young adults up to **age 26** on parents' plan
  - 3 million young adults now covered
- Removes annual (2014) and lifetime **limits** on health benefits
  - 105 million Americans have had lifetime limits removed from their insurance

Impact of ACA on Different Groups

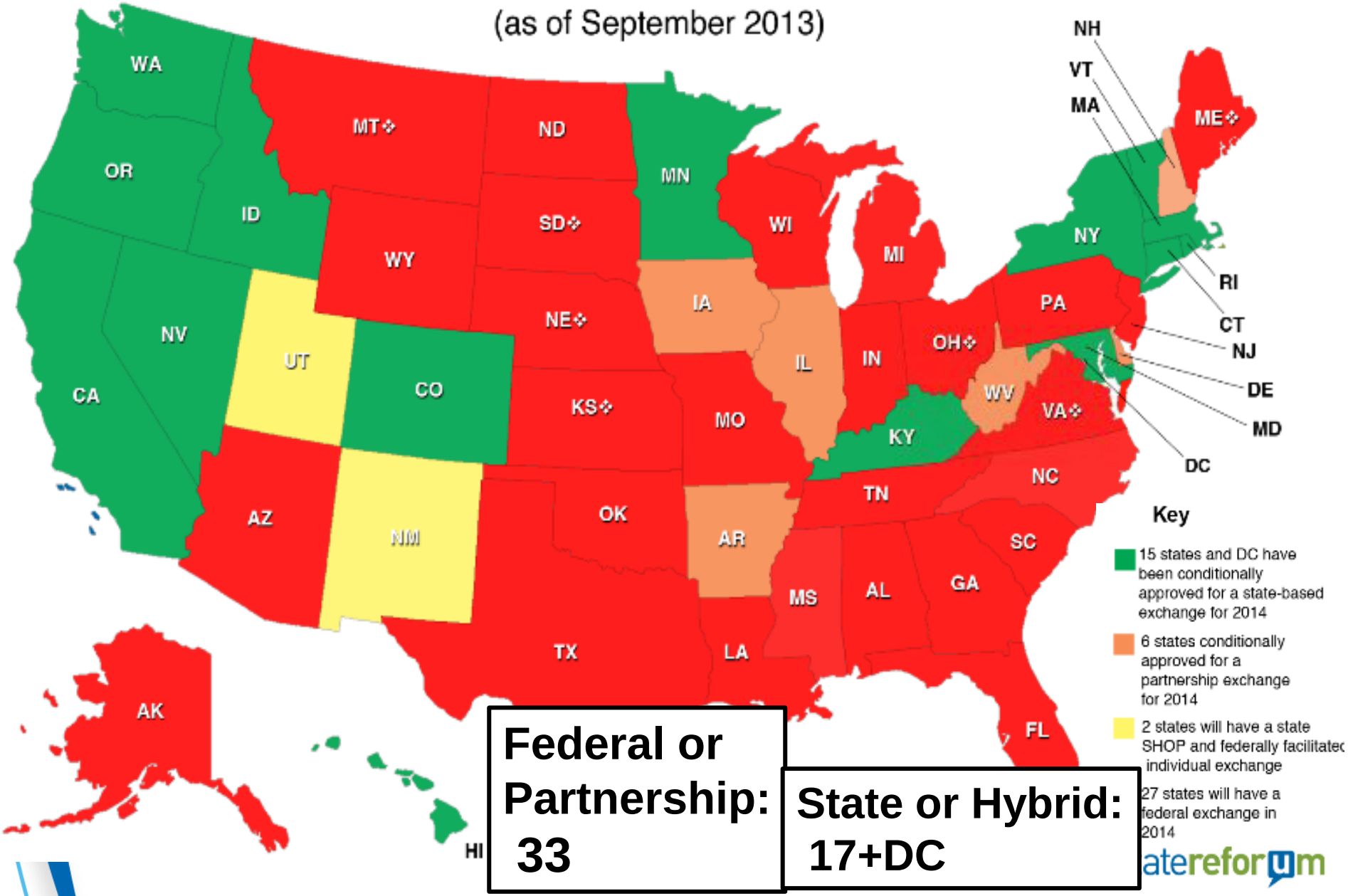
Group	What happens now	What happens in 2014
Uninsured	About 50 million adults pay out –of-pocket or get charity care. AFT groups include, Non Medicare retirees, early childhood educators, adjunct faculty, part-time healthcare and PSRPs	Most will buy subsidized insurance or pay a penalty
Small Employer (Under 50 FTEs)	If coverage provided by small employer.	Small employer can buy in an Exchange
Early Retiree	Coverage provided by employers or state is shrinking	Early retirees get coverage in an Exchange
Large Employer (Over 50FTEs)	If coverage provided by large employer	No change. Bargained coverage continues
Medicare Beneficiary	Coverage provided for adults 65 + & disabled	No change. Coverage requirement is met

Marketplaces: The Basics

- Formerly known as "exchanges"
- Place where **individuals** and **small employers** can buy **private** insurance
- If you are covered through **work**, you will probably not need the Marketplace
- **Every** state will have a Marketplace, either state-run, federally-facilitated, or partnership
- **Subsidies** available to **low- and moderate-income** people who **do not have** access to "affordable," * "adequate"* **coverage through an employer** or other source

*as defined by the ACA

State, Partnership, or Federal Health Insurance Exchange?
Where States Stand So Far
(as of September 2013)



Federal or Partnership: 33

State or Hybrid: 17+DC

Timeline

Oct. 2013

- Open enrollment begins.
- Employers notify employees of exchanges (Oct. 2013)

Jan. 1, 2014

- Exchange coverage begins for individuals and small employers (up to 100 FTEs; up to 50 at state option until 2016)

Jan. 1, 2017

- **States can choose** to open exchanges to large employers

Open Enrollment Outreach

- **Outreach** efforts by **state exchanges**
- Feds reaching out to uninsured in states with federal exchanges
- **Feds** asking for outreach help from non-profit and advocacy groups
- Marketing campaigns by **insurance companies** touting plans sold in exchanges

Marketplaces: Tiers of Coverage

- What % of covered costs does your **plan** pay on average?

- How much does **an average consumer*** pay for though deductibles, co-pays, or coinsurance?

$10,000 Surgery

(these are EXAMPLES only. Plan design can vary considerably within each tier)

Bronze plan with $4,350 deductible, 20% coinsurance, $6,350 out-of-pocket max

- **You pay:**
  - $4,350 deductible +
  - $1,130 (20% of $5650 [$10,000 - $4,350])

=$5,480

Silver plan with $2,050 deductible, 20% coinsurance, $6,350 out-of-pocket max

- **You pay:**
  - $2,050 deductible +
  - $1,590 (20% of $7950 [$10,000 - 2,050])

=$3,640

Tiers Do Not Tell You…

- What the **premium** is
- How broad the provider **network** is
- The **type** of plan (HMO? PPO?)
- The plan **design** (big deductible, low copays? Low deductible, big coinsurance? etc.)

Who Gets Subsidies in a Marketplace?

If the employer plan is "unaffordable," meaning the employee pays more than 9.5% of family income for single coverage in the lowest-cost employer plan …

If the employer does not offer coverage …

Subsidies available if income is between 100% - 400% of poverty

400% of Poverty is Higher Than It Sounds...

400% of the 2013 FPL for a single person: **$45,960**

400% of the 2013 FPL for a family of 4: **$94,200**

The Employee Premium for **Self-only** Coverage Would Have to be Pretty High for Coverage to be Considered "Unaffordable"

9.5% of **$30,000**: $2,850 **($238/mo.)**	**9.5%** of **$40,000**: $3,800 **($317/mo.)**	**9.5%** of **$50,000**: $4,750 **($396/mo.)**

Q. A single mother of two earning **$40,000** pays **$500/mo.** for family coverage. Employer's self-only coverage would cost her **$50/month**. Eligible for exchange premium tax credit?

A. NO

2013 Federal Poverty Level by Family Size

Family size	100% FPL	133%	150%	200%	250%	300%	350%	400%
1	$11,490	$15,282	$17,235	$22,980	$28,725	$34,470	$40,215	$45,960
2	$15,510	$20,628	$23,265	$31,020	$38,775	$46,530	$54,285	$62,040
3	$19,530	$25,975	$29,295	$39,060	$48,825	$58,590	$68,355	$78,120
4	$23,550	$31,322	$35,325	$47,100	$58,875	$70,650	$82,425	$94,200
5	$27,570	$36,668	$41,355	$55,140	$68,925	$82,710	$96,495	$110,280

Source: AFT calculation based on HHS poverty figures: http://aspe.hhs.gov/poverty/13poverty.cfm.

Maximum Annual Premium by Family Size Under the ACA

Under 133% FPL Medicaid-eligible in expansion states

Poverty Line (FPL, 2013)	Maximum Premium as a % of Income (2014)	Maximum Annual Premium (current) by Family Size 1	2	3	4
100%	2.00%	$230	$310	$391	$471
133.01% *	3.00%	$458	$619	$779	$940
150%	4.00%	$689	$931	$1,172	$1,413
200%	6.30%	$1,448	$1,954	$2,461	$2,967
250%	8.05%	$2,312	$3,121	$3,930	$4,739
300%	9.50%	$3,275	$4,420	$5,566	$6,712
350%	9.50%	$3,820	$5,157	$6,494	$7,830
400%	9.50%	$4,366	$5,894	$7,421	$8,949

Source: AFT computation based on "2013 Poverty Guidelines for the 48 Contiguous Sates and the District of Columbia," 78 Federal Register 5182, January 24, 2013. Chart format from Peterson, Chris L. and Thomas Gabe, Congressional Research Service, "Health Insurance Premium Credits in the Patient Protection and Affordable Care Act (PPACA)," April 28, 2010.

Using HSA, HRA or FSA Funds to Pay for Exchange Premiums

- Cannot pyramid employer tax-preferred contributions on top of federal exchange subsidies

- Sources and additional information:
- U.S. Department of Labor: http://www.dol.gov/ebsa/faqs/faq-aca11.html;
- *Health Affairs*:
- http://healthaffairs.org/blog/2013/01/25/implementing-health-reform-health-reimbursement-arrangements-and-more/es
- Vermont Public Interest Research Group: http://www.vpirg.org/frequently-asked-questions-2/

"Shared Responsibility" for Coverage

Insurance Company

No Pre-existing Condition Discrimination

Individual

Individual Mandate

Employer

Penalties for Large Employers

Penalty delayed until 2015

Employer Penalties

Large employers are penalized for failing to offer affordable coverage to employees who work at least 30 or more hours per week on average.

Two kinds of penalties:

a. Failure to offer coverage to FT employees ($2,000 x FT employees minus 30)
b. Failure to meet affordability test ($3,000 x employees getting subsidy)

Employers are cutting hours below 30

Employers are cutting contingent faculty courseloads

CBA offers some protection for employees who bargain over benefits and hours

Covered CA

https://www.coveredca.com/

1-800-300-1506

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