Health Insurance Markets, and The Affordable Care Act

ACA is Behavior Changing

- Individual mandate
- Advanceable premium tax credits for families between $23,050 and $92,200
- Cost-sharing reductions for families up to $57,625
- Maybe Medicaid expansion for families between $7,607 and $31,809
- Guaranteed issue with no pre-existing exclusions
- Possible employer penalties if FTE > 50
- Temporary small business tax credits, subject to conditions
- Health insurance shopping mall (FFE)

195,000

16,000 young and invincible

69,000 Medicaid eligible

CBO: 5 Primary Populations in FFE

- Vast majority will be previously uninsured
- Those who lose employer-sponsored insurance (ESI)
- Those who lose Medicaid coverage because their incomes are above 138% of FPL ($15,000 individual, $32,000 for family of 4)
- Non-exchange, non-group population
- Those with ESI but whose premiums > 9.5% of income

Montana's Federally Facilitated Exchange

- 87,000 uninsured may qualify for APTC
  - 55,000 uninsured may *also* qualify for CSR
- 50,000 with private coverage and whose incomes are < $44,680 (individual) and $92,200 (family of 4)
- 44,000 w/ employer-sponsored health insurance but whose premiums > 9.5% household income
- Total Possible Population eligible for assistance: 181,000

Will ACA Reduce Uninsured Rate to 0?

- Start with 195,000 uninsured
  - Medicaid expansion (take-up) -56,000
  - Young adults -17,000
  - APTC/CSR -87,000
- May reduce uninsured by 160,000
- Leaves 35,000 uninsured, who are they?
  - Medicaid eligible but do not enroll
  - Uninsured ineligible for APTC/CSR (>400% FPL)
  - 16,000 invincibles
  - Opt-outs

Why does 181,000 in FFE ≠ 160,000

- FFE population includes some insured
  - Individually insured and eligible for APTC/CSR
  - ESI with premiums > 9.5% of income

Will Individual Mandate Force 195,000 Uninsured into the FFE?

- “there is an exemption from the individual mandate if the cost of premiums for employer-sponsored coverage, if the individual is eligible for it, or for the lowest cost Bronze plan available on the Exchange, after accounting for any employer contributions or advance payments of the premium tax credit, exceeds 8 percent of household income”

For example…

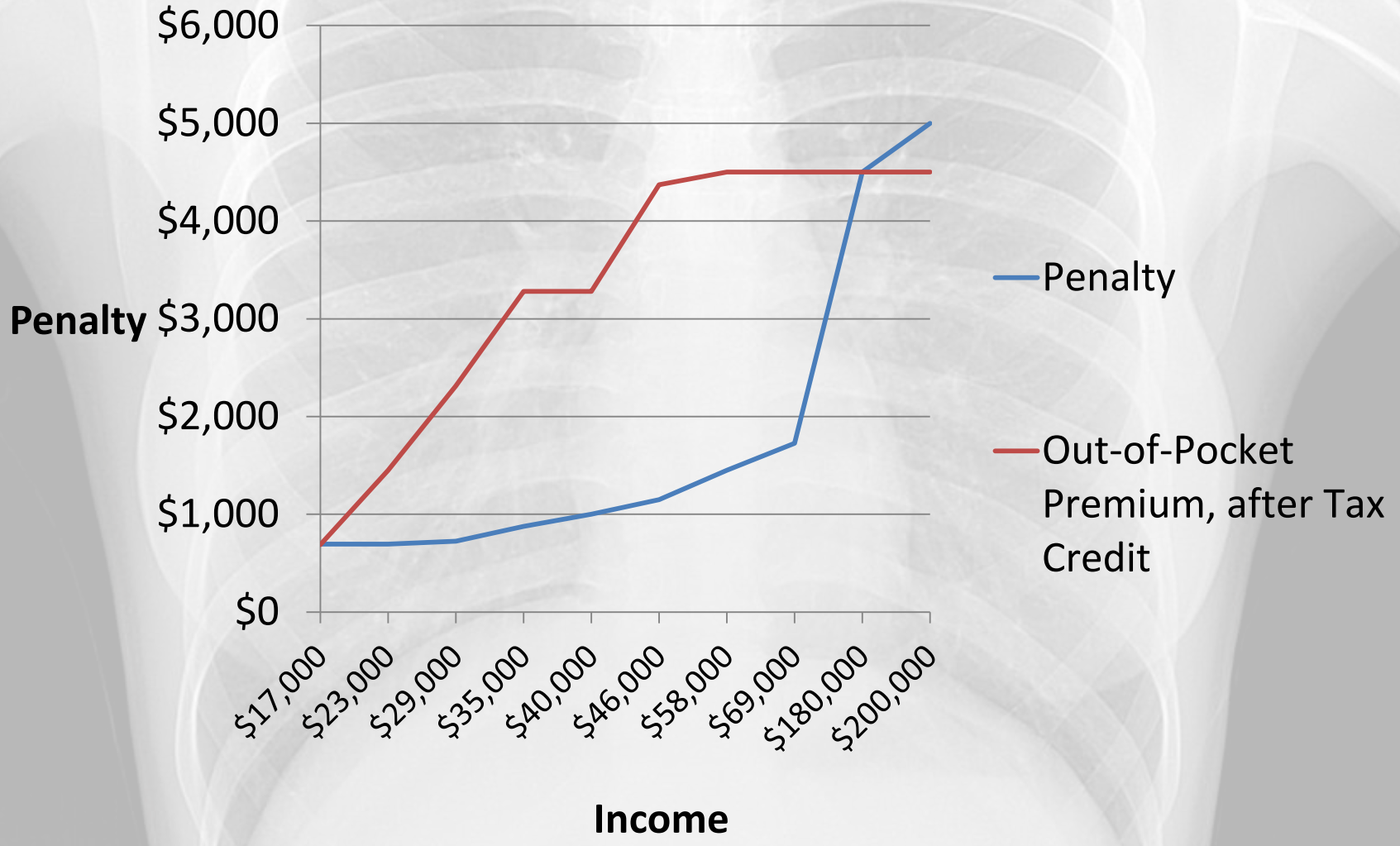
- Male, age 40, $34,000 income (300% FPL)
- Average cost area for health care
- Cost of Bronze Plan $4,500 (CBO)
- Individual will pay $3,279 of estimated premium
- Advanced premium tax credit = $1,221
- Individual's share of premium, after APTC, >8% of income (9.5%)

Opt-Out on non-affordability (individual)

And still others may simply “pay” instead of “play”

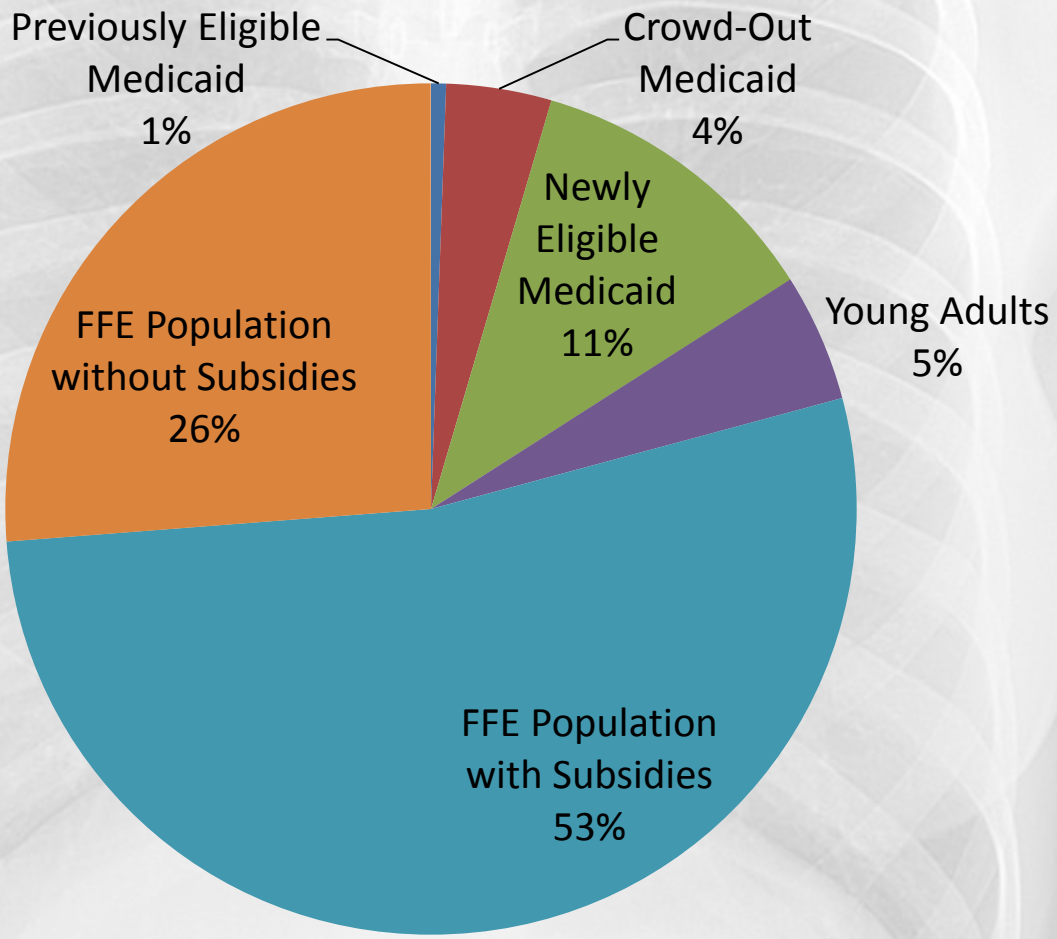
- Individual with income $17,000 (150% FPL)
- If qualifies for APTC, will pay about $690 toward $4,500 insurance premium
- Government picks up rest, $3,810
- In 2016, fine is $695 or 2.5% income
  - Individual may pay $695
- The Decision?
  - Pay $690 and have insurance (play)
  - Pay penalty of $695 and buy a snowmobile (pay)

Individual mandate, pay or play?



137,000 uninsured could “opt-out”

Sources of Change in Health Insurance



How will uninsured impact Montana's health care delivery system?

	Primary Care	Surgical Specialty Offices	Medical Specialty Offices	Hospital Outpatient Departments	Hospital Emergency Departments	Net Incremental Change
Privately Insured	131,768	39,416	32,656	-1,976	-19,760	182,104
Medicaid	106,064	8,904	8,288	36,792	22,736	182,784
Net Incremental Change	237,832	48,320	40,944	34,816	2,976	364,888

Using different data source, ACS…

	Primary Care	Surgical Specialty	Medical Specialty	Hospital Outpatient	Hospital ED	Total Office Visits
Private Coverage	131,768	39,416	32,656	(1,976)	(19,760)	182,104
Medicaid Coverage	128,792	10,812	10,064	44,676	27,608	221,952
Total Change	260,560	50,228	42,720	42,700	7,848	404,056

Can Montana's Primary Care System Handle the Demand?

	Primary Care Supply	Primary Care Demand	Visits/Year: Shortage (-) Surplus (+)
Montana	2,079,000	1,997,093	+81,907
Cascade	163,800	155,107	+8,693
Flathead	176,400	181,423	-5,023
Gallatin	226,800	172,895	+53,905
Lewis & Clark	147,000	125,022	+21,978
Missoula	201,600	220,684	-19,084
Ravalli	58,800	86,947	-28,147
Silver Bow	71,400	71,081	+319
Yellowstone	508,200	296,228	+211,972

Will employers drop health insurance?

- Two ways to ascertain employer responses and both have limitations
  - Surveys
  - Modeling
- Surveys have no consequences, no detailed analysis, and generally limited information and/or knowledge of the ACA
- Modeling sophisticated, but best when applied to small, modest changes
  - The ACA is anything but

Survey based…mixed bag

- Lockton Employer Survey:
  - No change, small firm offer rates may actually increase 14%
  - Employees would face premium hikes 79% - 125% if lose ESI
- McKinsey & Company: 30% will terminate coverage
- Avalere Health: Stable
- Mercer Employer Survey: 9% will drop if have 500 or more employees
- International Foundation of Employee Benefit Plans: 3% will drop

Modeling based, more consistent

- Centers for Medicare and Medicaid Services
- The Urban Institute
- The Lewin Group
- Rand Health
- Congressional Budget Office
- Joint Committee on Taxation

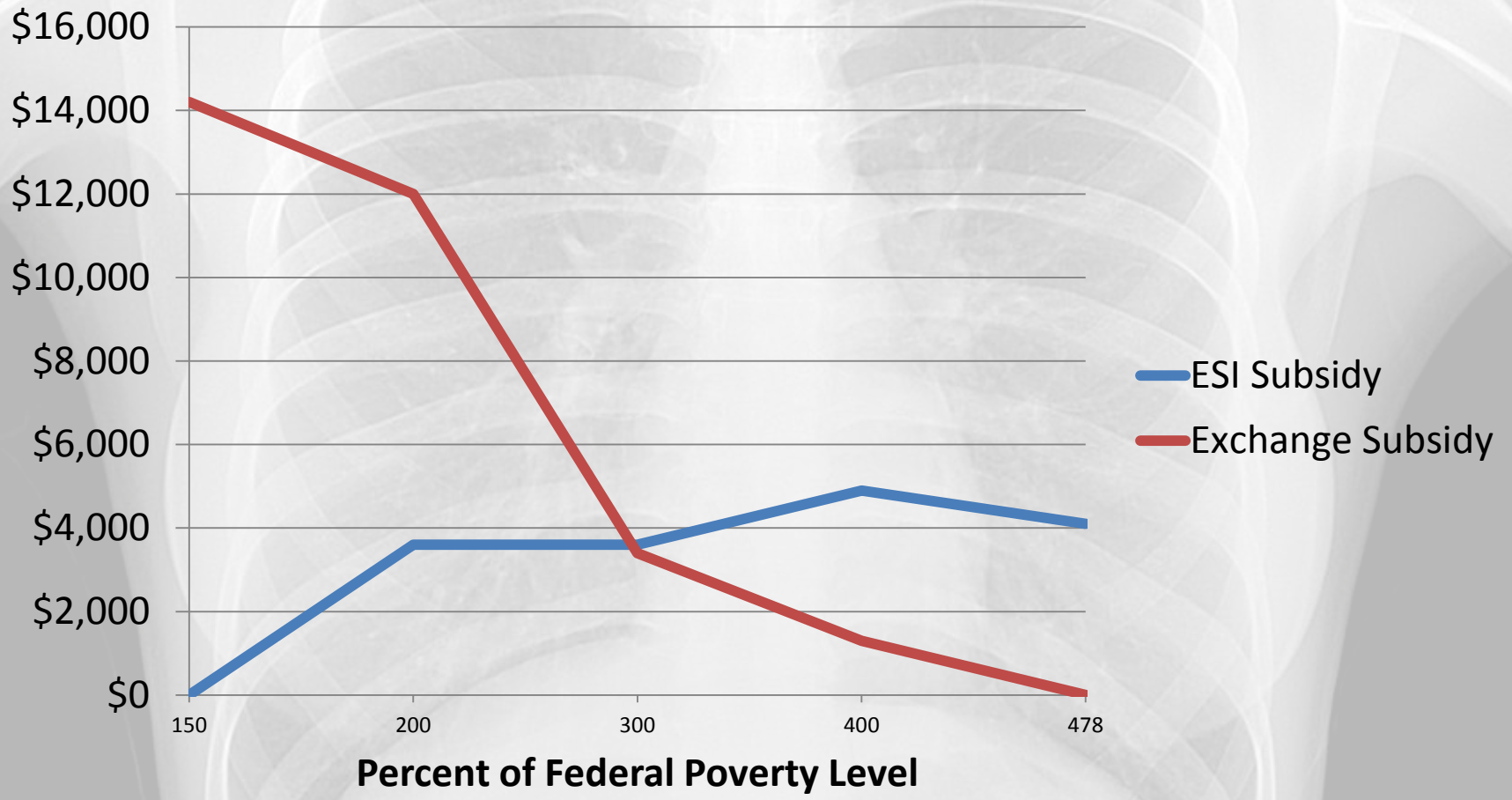
What factors will Montana businesses consider?

- Possible Medicaid expansion to 138% FPL
- APTC and CSR available if under 400% FPL
- How many firms have all low wage or high wage workers? (can't send just some to Exchange)
- Individual mandate—increase in demand for insurance
- Small employer tax credits until 2016
- For 37% of Montana's workforce, employer could face penalties, but penalty is less than cost of insurance
- Would employers drop coverage without increasing wages, which would now be taxed?

So where does that leave us?

- Consensus is that small employers are most likely to abandon ESI, if they offer it
- Advantages or disadvantages of abandoning ESI will depend on distribution of employee incomes, but firms do not know employees' total household incomes
- BBER estimates 24,000 – 41,000 could lose employer-provided insurance, but with considerable margins of error

For high wage firms…



Market Power in Health Insurance (Kaiser Foundation, 2010)

Individual Market	Number with market share >5%	Market share of largest carrier	Herfindahl-Hirschman Index
Montana	3	51%	3,459
United States (avg)	4	54%	3,761
Alabama	2	86%	7,426
Wisconsin	6	21%	1,434
Small Group			
Montana	5	71%	5,271
United States (avg)	4	51%	3,595
Alabama	1	96%	9,175
Oregon	7	24%	1,606

Update to 2011 with Leif Associates Data

	Number with > 5% Market Share	Market Share of Largest Insurer	U.S. Median	HHI	U.S. Median HHI
Individual	2	57%	54%	3,703*	3,761
Small Group	4	46%	51%	3,023*	3,595
Large Group	3	78%	na	6,220	na

*two new insurers may be added in 2014, Montana Cooperative and Multi-State Carrier, in addition, the impact of Pacific Source is excluded

And next, the Medicaid Expansion…