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Alliance for Health Policy Briefing:
Coverage and Affordability in the Private Insurance Market

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July 9, 2019

STATES ON THE FRONTLINES OF MAKING INDIVIDUAL MARKETS WORK

- Federal actions contributing to market instability and uncertainty:
  - Reducing federal individual mandate penalty to $0
  - Promotion of products not compliant with the Affordable Care Act
  - Proposed federal rules that impose uncertainty in the market
- States' actions to improve markets and coverage:
  - Expand subsidies
  - Reinstate the Individual Mandate and Penalty
  - State reinsurance programs
  - Fostering competition/choice in plans
  - Restrictions and regulations on non-ACA compliant plans
  - Investments in marketing and outreach
  - Patient-centered benefits and negotiating with carriers

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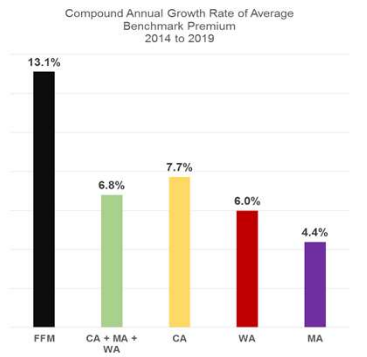
IMPLEMENTING THE AFFORDABLE CARE ACT WELL MATTERS

States such as California, Massachusetts, and Washington have implemented the ACA in ways that have restrained growth in the average benchmark premium, holding average annual increases to less than 7 percent since the Marketplaces opened in 2014.

During the same period, the Federally Facilitated Marketplace (FFM) average benchmark premiums have grown at an average rate of over 13 percent.



Analysis of enrollment weighted average benchmark premiums reported by Kaiser Family Foundation (2014-2019): https://www.kff.org/health-reform/state-indicator/marketplace-average-benchmark-premiums/. FFM includes SBM-FP states..

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IMPLEMENTING THE AFFORDABLE CARE ACT WELL MATTERS

In 2019, average benchmark premiums in the FFM are 85 percent higher than they were in 2014. The weighted average increase of California, Massachusetts, and Washington was 39 percent.

Had the FFM experienced lower growth seen in CA, MA, and WA, the estimated savings from Advanced Premium Tax Credit expenditures could have been as much as $14 billion in 2018, or cumulative savings of roughly $35 billion, though some federal costs would have risen with increased enrollment.

More direct savings would have been realized by millions of Americans who do not receive subsidies – they would have paid far less in FFM states and have been less likely to have been priced out of coverage.

Chart shows analysis of enrollment weighted average benchmark premiums reported by Kaiser Family Foundation (2014-2019): https://www.kff.org/health-reform/state-indicator/marketplace-average-benchmark-premiums/. Estimates of cost savings use benchmark premium data. FFM includes SBM-FP states..

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CALIFORNIA'S ACTIONS TO PRESERVE GAINS AND BUILD ON THE AFFORDABLE CARE ACT

- Prohibiting Short-Term, Limited Duration Insurance
- Informing consumers on risks of non-ACA-Compliant Plans
- Negotiating on consumers' behalf and offering Patient-Centered Benefit Design
- Robust investments in marketing and outreach
- Reinstatement of the Individual Mandate Penalty
- New state subsidies for low- and middle-income consumers

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NEW CALIFORNIA LAW BUILDS ON THE AFFORDABLE CARE ACT

Newly enacted California legislation reinstates the individual mandate and penalty and at the same time provides new state-based premium subsidies for low- and middle-income consumers. Starting on January 1, 2020:

- California consumers will need to maintain minimum essential coverage, receive an exemption, or pay a penalty that is largely structured on the federal penalty prior to it being "zeroed out" by Congress and the federal administration.
- New state subsidies will be available for qualified consumers with low incomes, and for the first time in the nation, for middle-class consumers with incomes between 400 and 600 percent of the Federal Poverty Level (FPL).

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MAKING A DIFFERENCE: KEY IMPACTS OF MANDATE AND NEW STATE SUBSIDIES

Projected Outcomes, Coverage Year 2020	Total	Below 400% FPL	Above 400% FPL
Number of Individuals Eligible to Receive a State Subsidy	922,000	687,000	235,000
Estimated Number of Newly Insured Individuals	229,000	109,000	120,000
Projected State Subsidy Cost ($ millions)	$421,000,000	$86,000,000*	$335,000,000

*Total includes an estimated $81 million for enrollees between 200 and 400% FPL, and $5 million for enrollees at or below 138% FPL.
Note: Economists Wesley Yin, University of California at Los Angeles, and Nicholas Tilipman, University of Illinois at Chicago, along with Covered California staff, have analyzed the potential impacts of the proposals on both Covered California's enrollment and the cost to the state of providing these subsidies.

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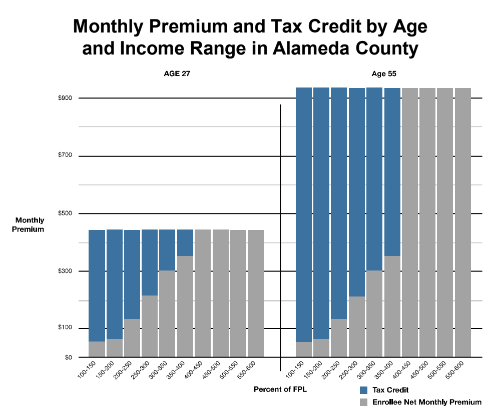
AFFORDABILITY REMAINS A CRITICAL CHALLENGE FOR MANY MIDDLE INCOME CONSUMERS

Consumer share of premium (grey bars) jump for those just over the "subsidy cliff" at 400 percent of Federal Poverty Level. The impact is most severe for older consumers and those living in regions with higher health care costs.



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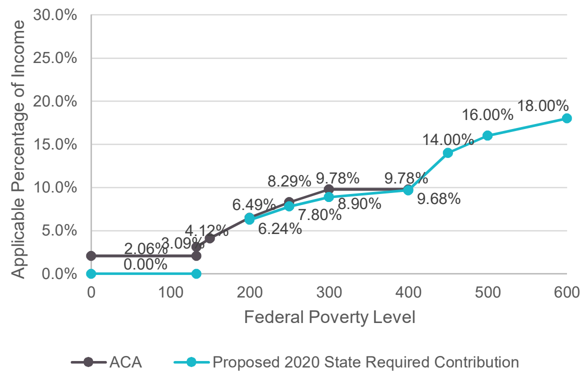
CALIFORNIA 2020 INCOME THRESHOLDS FOR CONSUMERS' PREMIUM AS PERCENT OF INCOME



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CALIFORNIA'S "MIDDLE CLASS" ILLUSTRATING POLICIES THROUGH CONSUMER SCENARIOS

Subsidies provided to individuals between 400 and 600 percent of poverty will provide support to middle class Californians who are not eligible for federal premium tax credits

Erin and Francis 62 years old Live in a high cost region Income: $72,000 425% FPL *Based on the second-lowest Silver plan offered in Oakland, CA.*		Affordable Care Act Baseline	New California State-Based Subsidies
	Monthly Premium (SLS)	$2,414	$2,414
	Net Premium	$2,414	$714
	Net Premium Income Share	40.3%	11.9%
	Federal Premium Subsidy	$0	$0
	New California Premium Subsidy	$0	$1,700
	Silver Plan Medical Deductible – (family)	$5,000 NO deductible for out-patient care	$5,000 NO deductible for out-patient care

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Covered California: Contracting to Promote Lower Cost and Better Quality

Assuring Quality Care Domains

- Individualized Equitable Care
- Health Promotion and Prevention
- Mental Health and Substance Use Disorder Treatment
- Acute, Chronic and other Conditions
- Complex Care

Effective Care Delivery Strategies

Organizing Strategies

- Effective Primary Care
- Promotion of Integrated Delivery Systems and ACOs
- Networks based on Value

- Appropriate Interventions
- Sites & Expanded Approaches to Care Delivery

Key Drivers of Quality Care and Effective Delivery

Covered California recognizes that moving health reform forward in an impactful way within a delivery system shared among many purchasers and health plans will require aligning with other purchasers, working with all relevant payers to rework health care delivery and doing so in a way that reduces the burden on providers.

- Benefit Design & Network Design
- Measurement & Public reporting
- Payment
- Patient-Centered Social Determinants
- Patient and Consumer Engagement
- Data Sharing and Analytics
- Administrative Simplification
- Quality Improvement
- Certification, Accreditation & Regulation
- Learning & Technical Assistance

Community Drivers: Workforce, Community-wide Social Determinants, Population & Public Health

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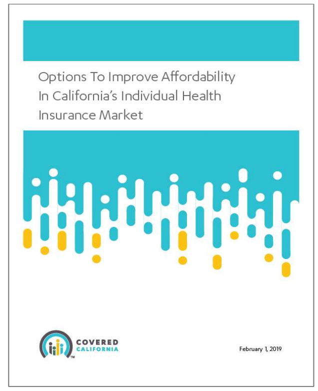
APPENDIX

COVERED CALIFORNIA'S WORK TO INFORM OPTIONS TO IMPROVE AFFORDABILITY IN CALIFORNIA'S INDIVIDUAL HEALTH INSURANCE MARKET

- Developed pursuant to AB 1810 (Committee on Budget, Chapter 34, Statutes of 2018), to develop and present options to improve affordability for low- and middle-income Californians to the Governor, Legislature, and Council on Health Care Delivery Systems.
- Five-month engagement of academic experts and Covered California's Policy Division with a workgroup of stakeholders, legislative staff and broad community input.
- Report presents multiple options to improve affordability in the individual market building on tools of the Affordable Care Act.
- Report available at: https://hbex.coveredca.com/data-research/library/CoveredCA_Options_To_Improve_Affordability.pdf



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CALIFORNIA'S NEW LAWS TO PROTECT AND BUILD ON THE AFFORDABLE CARE ACT

- SB 106 (Chapter 55, Statutes of 2019) and SB 78 (Chapter 38, Statutes of 2019):
  - Establish a California individual mandate and penalty starting in 2020.
  - Establish, also starting 2020, a state subsidy program providing premium subsidies over the next three years for eligible individuals with incomes at or below 138 percent of the Federal Poverty Level (FPL), above 200 and at or below 600 percent of the FPL.
  - Appropriate approximately $1.5B over three years to fund the new state subsidies.
  - For the first time ever, premium subsidies will be available for middle-class consumers with incomes between 400 and 600 percent of the FPL.

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KEY ELEMENTS OF CALIFORNIA'S INDIVIDUAL MANDATE AND PENALTY

- Requires, starting in 2020, California residents to enroll in and maintain minimum essential coverage, receive an exemption, or pay a penalty.
- The individual mandate and penalty closely mirrors the federal structure that was in place prior to the penalty being "zeroed out" by Congress, with adjustments for California's filing threshold and other adjustments needed for a state-level penalty.
- Covered California would grant exemptions year-round for hardship and religious conscience; Franchise Tax Board would grant additional exemptions (e.g., low income, unaffordability of coverage, short-term gaps in coverage) through the filing process.
- Using data provided by the Franchise Tax Board, Covered California will perform outreach to individuals who pay the penalty or receive exemptions.
- The individual mandate penalty would be permanent but the amount of the penalty would be offset if the federal penalty was reinstated.
- Revenues generated from the penalty would partially offset expenditures for new state subsidies.

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KEY ELEMENTS OF THE STATE SUBSIDY PROGRAM

- Appropriates $428,629,000 for plan year 2020 for state premium subsidies for consumers at or below 138 percent FPL and above 200 and at or below 600 percent FPL.
- Directs Covered California to allocate approximately 17 percent of funding to individuals above 200 and at or below 400 percent FPL and the remaining 83 percent to individuals at or below 138 percent FPL and above 400 and at or below 600 percent FPL.
- To receive state subsidies, individuals must purchase coverage through Covered California and otherwise meet eligibility requirements for federal premium subsidies, except for the income requirements for the 400 to 600 percent FPL population.
- Subsidies would be advanceable and would be reconciled at year-end through the state's Franchise Tax Board.
- The state subsidy program would sunset December 31, 2022.

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SCOPE AND NATURE OF NEW STATE-SUBSIDIES

- An estimated 235,000 middle-income Californians, will be eligible to receive an average of $144 per household per month. This will help them save an average of 30 percent off their current premiums. Many of these consumers, particularly those who live in high-cost regions, will see significant savings with annual reductions in their health care premiums in the hundreds and even thousands of dollars.
- An estimated 663,000 Covered California enrollees, who currently receive federal financial help, will be eligible to receive an average of an additional $12 per household per month which will help them save an average of 9 percent off their current premiums.
- An estimated 23,000 Covered California enrollees whose annual household income falls below 138 percent of the federal poverty level (FPL), which is less than $17,237 for an individual and $35,535 for a family of four, will be eligible to see their premiums for the benchmark plan lowered to $1 per member per month.

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