



Preliminary Analysis of Impacts to Consumers From Changes in Premium Subsidies and Cost-Sharing Reductions Available Under the Proposed American Health Care Act

Background

Under the Patient Protection and Affordable Care Act (ACA), individuals with incomes between 138 and 400 percent of the federal poverty level (\$16,000 to \$47,000) qualify for financial assistance to purchase health insurance through an Advance Premium Tax Credit, or APTC, based on age, income, family size and the region where an individual lives. In addition, depending on their income, consumers may qualify for cost-sharing reductions (CSR), which limit what they pay when they access health care.

On Monday, March 6, the American Health Care Act (AHCA) was introduced in the U.S. House of Representatives and is currently under consideration in Congress. The bill would alter the way financial assistance is provided to help consumers afford health insurance on the individual market.

This preliminary analysis uses actual data on the size, nature and structure of financial support for consumers in California. The analysis, prepared by Covered California, can be found at http://hbex.coveredca.com/pdfs/Bringing_Health_Care_Coverage_Within_Reach.pdf. It shows how the current structure of financial support, using APTC and CSR, assists Covered California enrollees. The analysis uses that data to better understand the potential impact of the AHCA.

This preliminary analysis is based on the version of the AHCA that was reported out of the House of Representatives, two main committees of jurisdiction, the Energy and Commerce Committee and the Ways and Means Committee, in early March.

Key Changes Proposed Under the AHCA

Instead of receiving financial assistance based on age, income, family size and where the consumer lives — as provided in current law — consumers would receive an advanceable tax credit based on age if the AHCA were to become law, with income considered as a factor only for the phasing out of the

Key Findings:

- While the average effects are relatively clear, with analysis by the Congressional Budget Office's assessment that, "the average subsidy under the legislation would be about 60 percent of the average subsidy under current law," the effect on individuals in California varies greatly.
- In particular, for older Californians, the effect of the proposed tax credit structure is a dramatic increase in the out-of-pocket costs for coverage, meaning they are likely to drop coverage
- Eliminating the adjustment of subsidy based on the region where an individual lives has a major impact on those who live in higher-cost areas, who will likely find coverage unaffordable.
- Further analysis is needed to model the overall impact of proposed changes, including all provisions contained in the American Health Care Act.

This analysis was prepared by Covered California for its ongoing planning and to inform policy making in California and nationally.

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availability of the tax credit for individuals making more than \$75,000 per year. The tax credits proposed in the AHCA would range from \$2,000 to \$4,000 and would be based on age alone. The legislation would not include cost-sharing reductions the financial assistance provided to lower-income individuals (between 138 and 250 percent of the federal poverty level) when they access care.

The AHCA also allows for states to apply for and receive funds from a Patient and State Stability Fund, which could be used to fund a variety of activities that promote market stability, such as stabilizing premiums or lowering lower health care expenses for consumers. The AHCA provides for up to \$15 billion per year available to states for 2018 and 2019, and then \$10 billion per year for 2020 through 2026. After 2019, there would be a requirement on states to provide “matching funds” to receive these resources – starting at 7 percent “match” in 2020 and increasing to 50 percent in 2026. Additional analysis is needed to estimate California’s potential share of these funds.

The following tables show financial assistance provided under current law for a variety of hypothetical individuals or a family, with various ages, incomes and locations of residence compared to the proposed changes under the AHCA. In all cases, the financial estimates are based on 2017 premiums and costs.*

*Analysts including CBO anticipate that premiums and, accordingly, APTC available under current law would increase by 15-20% by the time the AHCA tax credits would take effect in 2020. The estimates here do not rescale Covered California premiums for this increase, and thus likely understand the size of tax credits under the ACA.”

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Income of \$17,000 per year (\$35,000 for family of four) ~ 143 percent FPL

	Gross Premium for Silver (2nd lowest cost)	Advanced Premium Tax Credit	Net Premium for Silver (2nd lowest cost)	Cost Sharing Reductions (estimated value)	Net Premium for Bronze (lowest cost)	AHCA Premium Tax Credit	AHCA Net Premium for Silver (2nd lowest cost)	AHCA Cost Sharing Reductions	Change in Tax Credit	Change in Net Premium
Los Angeles										
Age 27	222	170	52	117	1	167	55	?	(3)	3
Age 40	270	218	52	117	1	250	20	?	32	(32)
Age 62	608	556	52	117	1	333	275	?	(223)	223
Family (42, 40, 16, 12)	820	711	109	234	4	833	-	?	122	(109)
San Francisco										
Age 27	365	313	52	157	1	167	199	?	(146)	146
Age 40	446	393	53	157	1	250	196	?	(143)	143
Age 62	1,002	948	54	157	2	333	668	?	(615)	615
Family (42, 40, 16, 12)	1,350	1,239	111	314	4	833	517	?	(406)	406

Income of \$20,000 per year (\$41,000 for family of four) ~ 170 percent FPL

Los Angeles										
Age 27	222	140	82	83	24	167	55	?	27	(27)
Age 40	270	188	82	83	13	250	20	?	62	(62)
Age 62	608	526	82	83	1	333	275	?	(193)	193
Family (42, 40, 16, 12)	820	651	169	166	4	833	-	?	182	(169)
San Francisco										
Age 27	365	283	82	115	1	167	199	?	(116)	116
Age 40	446	363	83	115	1	250	196	?	(113)	113
Age 62	1,002	918	84	115	2	333	668	?	(585)	585
Family (42, 40, 16, 12)	1,350	1,179	171	230	4	833	517	?	(346)	346

Income of \$30,000 per year (\$61,000 for family of four) ~ 253 percent FPL

Los Angeles										
Age 27	222	15	207	-	149	167	55	?	152	(152)
Age 40	270	63	207	-	138	250	20	?	187	(187)
Age 62	608	401	207	-	142	333	275	?	(68)	68
Family (42, 40, 16, 12)	820	398	422	-	210	833	-	?	435	(422)
San Francisco										
Age 27	365	158	207	-	106	167	199	?	9	(9)
Age 40	446	238	208	-	84	250	196	?	12	(12)
Age 62	1,002	793	209	-	2	333	668	?	(460)	460
Family (42, 40, 16, 12)	1,350	926	424	-	50	833	517	?	(93)	93

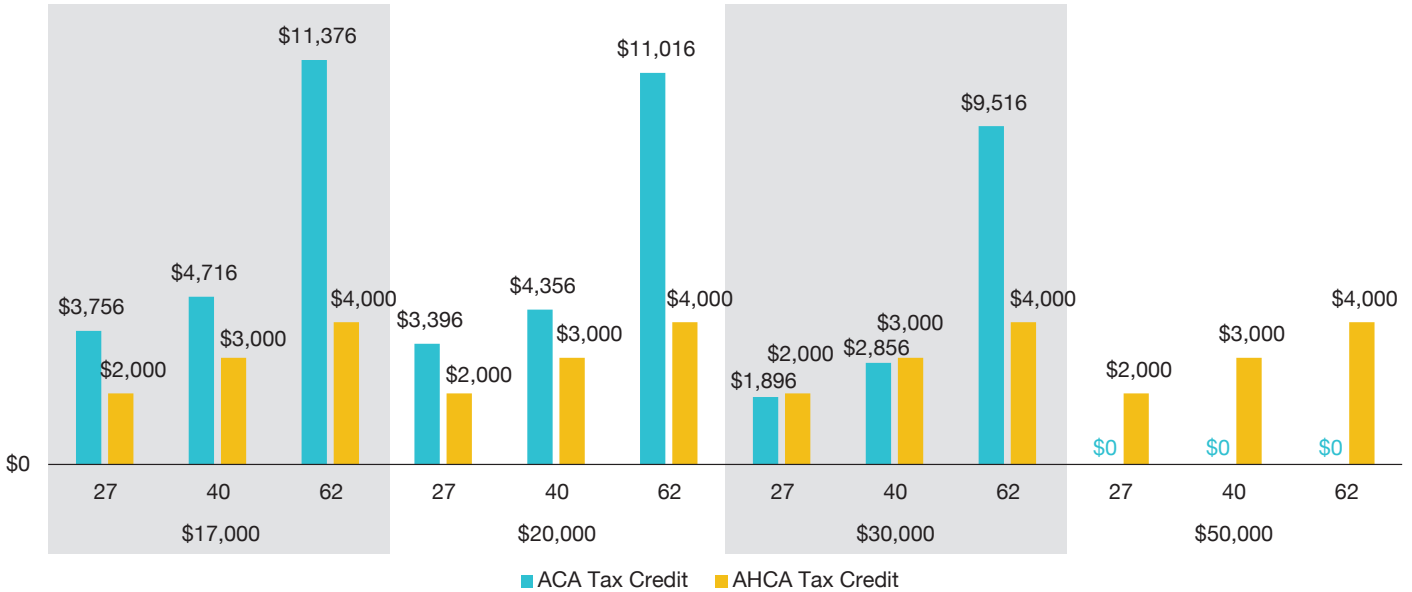
Income of \$50,000 per year (\$102,500 for family of four) ~ 420 percent FPL

Los Angeles										
Age 27	222	-	222	-	164	167	55	?	167	(167)
Age 40	270	-	270	-	201	250	20	?	250	(250)
Age 62	608	-	608	-	451	333	275	?	333	(333)
Family (42, 40, 16, 12)	820	-	820	-	608	833	-	?	833	(820)
San Francisco										
Age 27	365	-	365	-	264	167	199	?	167	(167)
Age 40	446	-	446	-	325	250	196	?	250	(250)
Age 62	1,002	-	1,002	-	724	333	668	?	333	(333)
Family (42, 40, 16, 12)	1,350	-	1,350	-	976	833	517	?	833	(833)

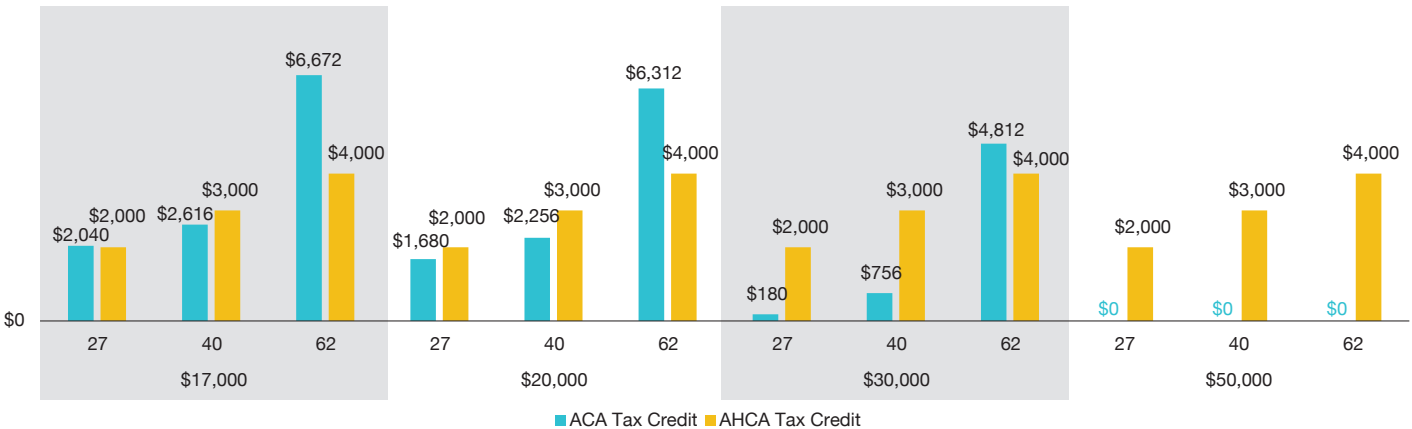
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The following tables provide additional side-by-side comparisons of the tax credit at a range of income levels the financial assistance provided by the Affordable Care Act (ACA), and the American Health Care Act (AHCA).

Comparing ACA and AHCA Tax Credits, San Francisco



Comparing ACA and AHCA Tax Credits, Los Angeles



Going forward, Covered California will conduct modeling of how enrollees would be affected under changes proposed to federal law. The results of that modeling, which requires complex assumptions about rates, risk mix and consumer behavior, will be shared publicly to inform policy and plan for any changes that could affect Covered California enrollees.

This analysis will be updated as proposed policies are considered at the national level.

About Covered California

Covered California is an independent part of the state government whose job is to make the health insurance marketplace work for California’s consumers. It is overseen by a five-member board appointed by the governor and the legislature. For more information about Covered California, please visit CoveredCA.com.