Advocates Proposal: AB 133 Affordability Workgroup

October 5, 2021

Options to Model

Health Access California, Asian Resources, Inc., California Pan-Ethnic Health Network (CPEHN), Children Now, and National Health Law Program propose the following options to model to provide cost-sharing assistance to Covered California enrollees:

1. Option One: Massachusetts, Vermont, Colorado
2. Option Two: Alternative A (more help for more people) or Alternative B (less help for fewer people):
   A. Eliminate Deductibles and Reduce Other Cost Sharing for All Enrollees
   B. Zero Deductibles but Less Affordability Help for Most
3. Option Three: Eliminate Co-Pays for Primary Care and Generic Rx

Existing California law already recognizes the significant burden of cost-sharing by eliminating cost sharing coverage for low and moderate income children and pregnant adults. We encourage consideration of these models to increase financial security for Californians, and also to remove confusion or other impacts of large deductibles and high cost sharing that may cause consumers to question whether enrolling and paying for coverage is worth it. We also note that reducing cost sharing aligns with Covered California's 2023-25 contract goal of promoting the use of primary care.

Affordability: Existing California Law

Medi-Cal: Zero Cost Sharing for Children up to 266%FPL and Pregnant Adults to 321%FPL

Existing California Law: Children and Pregnant Persons versus Non-Pregnant Adults					
FPL	Average *monthly* income for an individual, 2021	Medical Deductible	Maximum Out of Pocket Limit	Primary Care Visit	Tier 1 Generic Rx
Children	Less than $2,667	$0	Not applicable	$0	$0
Pregnant Adults	Less than $3,500	$0	Not applicable	$0	$0
Non-pregnant Adults in Covered California					
Under 150%	Less than $1,610	$75: only for hospital care	$800	$5	$3
150%-200%	$1,610-$2,147	$800: only for hospital care	$2,850	$15	$5
200%-250%	$2,147 - $2,667	$3,700: only for hospital care	$6,300	$35	$15
250%-400%: (silver)	$2,667 - $4,293	$3,700: only for hospital care	$8,200	$35	$15
200%-400%: (bronze)	$2,147-$4,293	$6,300: applies to all care except three doctor visits	$8,200	$65	$18

Under existing California law, children are eligible for Medi-Cal/SCHIP up to 266%FPL and pregnant persons are also eligible for Medi-Cal and the Medi-Cal Access Program up to 322%FPL. For Californians enrolled in those programs, cost sharing is zero. No deductibles, no copays, no coinsurance. No maximum out of pocket because there are no out of pocket costs.

Covered California: Deductibles Equal to Two-Three Months' Income, Maximum Out of Pocket Up to Four Times Monthly Income

In contrast, adults making less than $1,600 a month enrolled in Covered California face deductibles of $75—and those living on as little as $1610-$2147 a month face deductibles of $800.

For adults making $2,147-$2,667 (200%-250%FPL), they face deductibles of $3,700 if they chose the Silver 73 plan, a deductible amounting to almost two month's income. But for the one-third of consumers in this income level who chose bronze, the deductible for all care other than three doctor visits is $6,300: that is literally *three months income* just to meet the deductible.

Even for those at 400%FPL, the deductible for the standard silver plan now amounts to almost a month's income.

When we look at maximum out of pocket, the situation is even worse. The maximum out of pocket can be as much as *four times* monthly income and is often *twice or three times* monthly income. While we acknowledge that most people do not hit the maximum out of pocket, when they do, the financial hit can be devastating.

As Covered California's own research shows, most consumers are confused about what services and benefits deductibles apply to. For this reason, even though the deductible for silver applies only to hospital care, and not even to emergency room care, consumers may be discouraged from obtaining coverage because the deductibles create a perceived barrier to care. What's the point of getting coverage if using it would cost two or three or even four times your monthly income?

Consumers Under 400%FPL ($51,000 a year) Lack Financial Assets

Consumers who make less than 400%FPL lack financial assets. According to a 2015 report[iii], households that make 100%-250%FPL have only $326 in net financial assets while even those who make 250%-400%FPL have only $2,089 in net financial assets. A 2017 report found that those below 150% had less than $500 in liquid assets and even those 150%-400%FPL had less than $2,000 in assets for a single-person household[iii].

Literally the deductibles are *twice* as big as the net financial assets of these consumers. And it gets worse when we look at the maximum out of pocket limits of $8,200 for the standard silver plan and $2,850 for those with Silver 87. How would someone living on $18,000 to $24,000 afford $2,850 in a maximum out of pocket? Or how can someone living on $24,000-$50,000 a year afford $8,200? That is literally one-third of the annual income for someone making $24,000.

Health Insurance is a Financial Safety Net—and Should Not Be a Barrier to Seeking Care

Part of the function of health insurance is to serve as a financial safety net. No individual consumer can afford the cost of a heart attack or cancer treatment. Most consumers, especially those under 400%FPL, cannot afford the cost of care to manage diabetes or asthma or other chronic conditions. And consumers, especially those under 400%FPL, lack financial assets to cover these costs.

Deductibles and other cost sharing serve as a barrier to care—both necessary and appropriate care and "low-value" or inappropriate care. As the piece by Brot-Goldberg et al demonstrates, even high wage workers (over $125,000) at a high tech firm, deferred both necessary care and "low-value" care when suddenly faced with high cost sharing[iv]. This is part of a robust literature demonstrating the deterrent effect of cost sharing on appropriate care. This is why the State of California has zero cost sharing for children below 266%FPL and pregnant adults below 322%FPL. This is why we propose a number of options to model.

Options to Model

Option One: Use Other States, Other Programs to Model California Options

Health Access joins with other advocates in requesting that Covered California model cost sharing assistance similar to what is offered in Massachusetts[v] and Vermont[vi].

- ***Massachusetts*** provides cost sharing subsidies for those up to 300%FPL with actuarial values of 95% for those 100%FPL-200%FPL and 92% for those 200%-300%FPL
- ***Vermont*** provides cost sharing subsidies with actuarial values of 77% for those 200%-250%FPL and 73% for those 250%-300%FPL
- ***Colorado*** modeled a number of options for cost sharing subsidies including actuarial value of 98% for those under 150%FPL, actuarial value of 94% for those 150%-200%FPL and 87% for those 200%-250%FPL. While Colorado selected one of these options rather than all of them, we would appreciate seeing California model all of them. As you will see below, we have done rough estimates for California based on what Colorado modeled and think that these may be feasible here in California.

Option Two: Two Models Based on Existing Benefit Designs: Zero Deductibles, Lower Cost Sharing

We propose two possible options for eliminating deductibles and reducing cost sharing. The first is the most comprehensive, the second focuses help to those under 400% FPL. Health Access is open to other possible options to eliminate deductibles and reduce cost sharing for those in Covered California. We did rough estimates of the costs for these two options using estimates done for the AB1810 report as well as for the Colorado exchange.

Option A: Eliminate Deductibles and Reduce Other Cost Sharing for All Covered California Enrollees (level up into more affordable tier of cost-sharing, illustrated using 2022 standard benefit designs.)

Under this proposal, starting in January 2023, state affordability funds would be reinvested to bump all Covered California enrollees below 400% FPL into the next more affordable level of cost-sharing. Families want to buy health coverage they can use. This proposal will eliminate deductibles for consumers in Covered California under $52,000 a year and ensure that co-pays don't put care out of reach. This increased cost sharing help largely fits within Covered California's existing benefit design by shifting consumers into more affordable cost sharing tiers as well as zeroing out deductibles.

- 150%-200% FPL would upgrade from Silver 87 to Silver 94 cost sharing value: Estimated Cost: $162 million[vii].

- 200%-250% FPL would upgrade from Silver 73 to Silver 87 cost sharing value:
    - Estimated Cost: $80 million at current rate of enrollment in CSR in this income range
    - Estimated Cost: $161 million if all of those in this income range enroll in Silver 87
- 250%-400% FPL would upgrade into Gold 80: Estimated Cost: $137 million[viii]
- Zero out deductibles below 250%FPL: $7 million (based on current enrollment)-$12 million (based on eligible by income)[ix]
- Total Cost= $380-$460 million annually

Option A: Use 2022 Benefit Designs, Adjusted to Zero Deductibles [x]				
FPL	Average annual income for an individual, 2021	Medical Deductible	Primary Care Visit	Tier 1 Generic Rx
Under 150%	Less than $19,320	$75 → $0	$5 → $5	$3 → $3
150%-200%	$19,320 - $25,760	$800 → $0	$15 → $5	$5 → $3
200%-250%	$25,760 - $32,000	$3,700 → $0	$35 → $15	$15 → $5
250%-400%: (silver)	$32,000 - $51,520	$4,000→ $0	$35 → $35	$15 → $15
200%-400%: (bronze)	$25,760 - $51,520	$6,300→ $0	$65 → $35	$18 → $15

This proposal uses state subsidy dollars to eliminate deductibles for those below 250% FPL who choose the Cost Sharing Reduction (CSR) product for their income level. It also lowers copays and other cost sharing for all of those below 400% FPL.

Option B: Zero Deductibles but Less Affordability Help for Most

An alternative proposal reduces cost sharing for those 150%-200% with the improved cost sharing for those under 150% while zeroing out deductibles for all of those under about $26,000 a year. It would also use state subsidies to move those who are 200%-400% FPL up from silver cost sharing (70% of the cost of care on average) to gold (80% of the cost of care on average). What does this look like for the consumer?

Option B: Improve Cost Sharing[xi]				
FPL	Average annual income for an individual, 2021	Medical Deductible	Primary Care Visit	Tier 1 Generic Rx
Under 150%	Under $19,230	• $7 million annually 5 → $0	$5 → $5	$3 → $3
150%-200%	$19,320 - $25,760	$800 → $0	$15 → $5	$5 → $3
200%-400%: (silver)	$32,000 - $51,520	$4,000→ $0	$35 → $35	$15 → $15
200%-400%: (bronze)	$25,760- $51,520	$6,300→ $0	$65 → $35	$18 → $15

Some consumers may question whether coverage with a high deductible is even worth having: for them, no deductible would provide more incentive to enroll. Eliminating deductibles would remove a major financial barrier to getting care, and provide financial relief for those who do get care at a time of stress and often one of financial uncertainty.

Estimated Costs:

- 150%-200% FPL upgrade from Silver 87 to Silver 94 cost sharing value: Estimated Cost: $162 million[xii].
- Zero Deductibles Below 200% FPL: $2 million (current enrollment)-$3 million (eligible by income)[xiii]
- 200%FPL-400%FPL: Move up to gold 80%: $215 million
- Total costs= $380 million

Option Three: Eliminate Co-Pays for Primary Care and Generic Rx

We would also be interested to see options modeled to zero out cost sharing for primary care and generic drugs for those under 250% FPL. This is currently the case for children and pregnant adults at this income level in the Medi-Cal program.

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[i] Consumer Assets and Patient Cost Sharing | KFF March, 2015.

[iii] Do Health Plan Enrollees have Enough Money to Pay Cost Sharing? (kff.org). November, 2017
[iv] Brot-Goldberg et al: WHAT DOES A DEDUCTIBLE DO? THE IMPACT OF COST-SHARING ON HEALTH CARE PRICES, QUANTITIES, AND SPENDING DYNAMICS* Quarterly Journal of Economics, 2017.
[v] Massachusetts Cost Sharing Subsidies in ConnectorCare: Design, Administration, and Impact (mahealthconnector.org)
[vi] Supporting Insurance Affordability with State Marketplace Subsidies (shvs.org)
[vii] Cost estimate projected from analysis done for Colorado Health Insurance Affordability Enterprise:
[viii] AB1810 report: Option T2, based on enrollment 250%-400% rather than enrollment 200%-400%
[ix] Table P-10. Number of overnight hospital stays during the past 12 months, by selected characteristics: United States, 2018 (cdc.gov): Only 5% of those with private insurance under age 65 are hospitalized annually. The silver deductible only applies if someone is hospitalized.
[x] https://hbex.coveredca.com/resources/PDFs/2021-Health-Benefits-table.pdf
[xi] https://hbex.coveredca.com/resources/PDFs/2021-Health-Benefits-table.pdf
[xii] Cost estimate projected from analysis done for Colorado Health Insurance Affordability Enterprise:
[xiii] Table P-10. Number of overnight hospital stays during the past 12 months, by selected characteristics: United States, 2018 (cdc.gov): Only 5% of those with private insurance under age 65 are hospitalized annually. The silver deductible only applies if someone is hospitalized.