

## Making Individual Coverage Affordable for More Californians

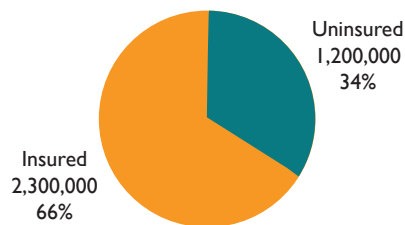
In 2014 under the Affordable Care Act (ACA), Covered California was opened to help people who purchase their own health insurance. Since then, nearly two million people have gotten financial assistance, often hundreds or even thousands of dollars a year, for more affordable individual insurance with no pre-existing condition barriers. But in a high-cost-of-living state, many Californians still struggle with the cost of health insurance given other living expenses.

Of the remaining uninsured that are eligible to get a Covered California plan, affordability is identified as the top reason as to why they have not bought coverage. Of those already insured, many still find it hard to pay for health care costs such as premiums, deductibles, and copays. On top of that, the elimination of the penalty for those without insurance (or the “individual mandate”) has already driven up premiums, and has led to a decrease of nearly 24% in new enrollment in Covered California. The Governor and State Legislature can do more to help Californians get affordable health care coverage. Our overall health care system is more stable, stronger and better for everyone when more people are covered.

**THE PROBLEM WITH PROHIBATIVELY HIGH COSTS:** The price of monthly premiums and out-of-pocket charges like copays and deductibles continue to make health care difficult to affordable for many Californians, both with or without insurance.

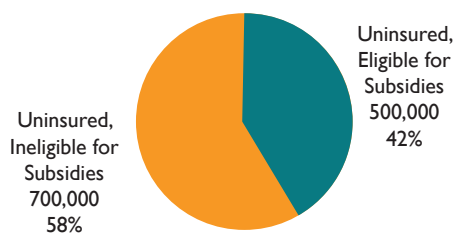
### The Uninsured:

2016 California Individual Market



There are Californians that **go without insurance** because it costs too much. About one third of those in the individual market remain uninsured – an estimated 1 to 1.2 million people.

2016 California Individual Market: Uninsured



Of the uninsured in the individual market, about 700,000 Californians earn over four times the poverty level (\$48,000/year for an individual), and are ineligible for any financial assistance to help pay for premiums.

About 500,000 Californians with incomes at 138% - 400% of the poverty level (\$16,000 to \$48,000/year for an individual) remain uninsured even though they are eligible for federal subsidies to help pay for premiums.

## FACT SHEET: Making Individual Coverage Affordable for More Californians

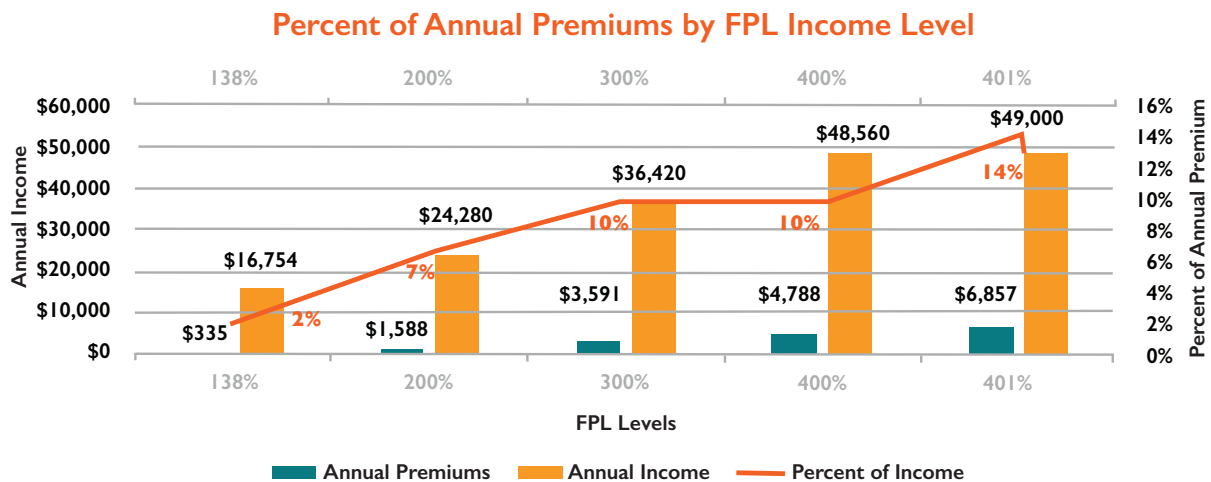
### The Insured:

Depending on their age, income and where they live, low and moderate-income consumers **with individual insurance** coverage through Covered California spend as much as 9.6% of their incomes on premiums alone, and even more on copays and deductibles. The lack of adequate health insurance doesn't just impede access to care and treatment, but also has financial consequences for the uninsured and underinsured, who then have difficulty paying medical and other bills.

Because of health care costs, a **third of people** with coverage had difficulty paying:

- For basic necessities, like food, housing and transportation.
- Their premiums, with some having to borrow money to pay for care because they don't have savings or assets.
- For copays; Some even avoided or delayed care due to costs.

**Monthly premiums can take a huge chunk out of people's budgets:** Many Californians benefited from the ACA's federal subsidies to help pay for premiums and out-of-pocket costs. While the ACA also limited how much an individual has to pay in premiums to a percent of her/his income based on a sliding scale, many people still pay a lot, given other expenses.



- Those with incomes at or below 138% FPL (about \$17,000/year) pay 2% of their incomes – about \$340.
- Those with incomes between 300% - 400% FPL (\$36,000 - \$48,000/year) pay almost 10% of their incomes – about \$3,500 to \$4,600. That means people living on \$36,000/year are required to pay over \$3,500 per year just for premiums, not counting additional costs of copays and deductibles.
- Those with incomes over 400% FPL (\$48,000/year) get no federal help at all to help pay for premiums or copays, deductibles and other non-premium cost sharing. Some of these Californians end up spending **more than 20% of their income just on premiums alone**, for coverage with a deductible of over \$6,000. For example, those who are age 50 years and over, or who live in Northern California, face these higher costs because premiums in Northern California are 30% higher than in Southern California.

**Other health care cost-sharing can be difficult for people to afford.** In addition to premium help, the ACA also provides significant help with affording copays and deductibles for most of those under 200% FPL (\$24,000/year), but little or no help to those just over that. For example, an office visit copay can be as low as \$15 or as high as \$40 under a silver plan with these cost-sharing subsidies. Also, the annual medical deductible can be as low as \$650 but

## FACT SHEET: Making Individual Coverage Affordable for More Californians

up to \$2,500 under a silver plan. The result is that over a third of consumers buy lower-cost bronze coverage with a deductible of over \$6,000 because the monthly bill is lower, but other out-of-pocket costs are higher. Virtually no one living on \$24,000 - \$48,000 a year can afford to pay \$6,000 before getting their care covered by their insurance plan.

**Consumers face tough choices between choosing a lower premium plan, or paying higher copays and deductibles – as high as \$6,300.**

### A New California Solution:

Provide state-funded financial assistance to consumers that buy individual coverage to help them afford premiums and cost-sharing.

#### Provide state funded subsidies to help pay for premiums for those:

- **Under 138% FPL (\$17,000/year)**

- Ensure that they have the same zero premiums as other Californians with Medi-Cal coverage. *A small number of low income adults are enrolled in Covered California because they are not eligible for Medi-Cal or Medicare. These adults are eligible for Covered California coverage with subsidies but they are still required to pay 2% of their income on premiums and more for copays and deductibles. These low income Californians deserve the same affordability as other Californian adults on Medi-Cal.*

- **Between 138% FPL (\$17,000/year) and 400% FPL (\$48,000/year)**

- Make premiums more affordable for the 1.1 million who already get coverage through Covered California and to encourage those uninsured, but are eligible for federal subsidies, to buy coverage.

- **Over 400% FPL (\$48,000/year)**

- Make premiums more affordable for the middle-income consumers who get no federal help and spend an unreasonable percentage of their income on health care coverage.

#### Provide state funded subsidies to help pay for copays/deductibles for those:

- **Under 138% FPL (\$17,000)**

- Ensure that this small number of consumers have the same zero copays and zero deductibles as other low-income adults covered by Medi-Cal.

- **Between 200% - 400% FPL (\$25,000 - \$48,000)**

- Provide financial assistance so that more people can afford to pay out-of-pocket costs like copays and deductibles. This will encourage more people to buy better coverage and prevent them from delaying or denying care due to out-of-pocket cost concerns.

### Estimate of New Enrollments:

| FLP Income Level        | Estimated Increase in Enrollment |
|-------------------------|----------------------------------|
| Under 400%              | 462,000                          |
| Over 400%               | 187,000                          |
| <b>Total Enrollment</b> | <b>648,000</b>                   |

## Estimated State Spending:

| Policy Proposal             | New State Spending    |
|-----------------------------|-----------------------|
| Premium Subsidies           | \$1,886,000,000       |
| Cost-Sharing Subsidies      | \$676,000,000         |
| <b>Total Spending</b>       | <b>648,000</b>        |
| Individual Mandate Revenues | \$441,000,000         |
| <b>Net Total Spending</b>   | <b>\$2,121,000,00</b> |

**Individual Mandate:** The modeling and estimates on new enrollment and costs of this “California solution” include the reinstatement of the individual mandate penalty at the state level. The individual mandate contributes to the stability of the individual market as more people buy coverage. If reinstated, the individual mandate penalty could generate revenues of potentially **\$500 to \$700 million**. However, these revenues are limited and are not a stable funding source because as more people take up coverage, the less will be collected from the penalty. Ideally, it functions similar to the tobacco tax where revenues from sales decline as fewer people smoke. Fewer people will pay the penalty because more people get affordable coverage. Any revenue from a state-level individual mandate should be used for affordability assistance, but as a supplement to a broader package.

**Reinsurance:** In addition to providing direct affordability assistance to promote coverage take-ups, a state reinsurance program could also improve take-up because it would lower premiums for the entire individual market. Reinsurance is a means for lowering premiums in an insurance market by offsetting the expenses of high-cost individuals. However, a state reinsurance program would have a net new cost of around **\$592 million** that could be better spent on direct affordability assistance.

## Conclusion:

This solution provides greater affordability to those at the lower end of the income scale while also ensuring that middle-class Californians can afford care in a state where the high cost-of-living puts additional pressure on personal finances. **An investment that is a small percentage of our state’s surplus could cut the uninsured rate in our state in half – providing affordable coverage to almost 650,000 more Californians.**

## Sources

- UC Berkeley, UCLA Labor Center: California’s Policy Options: [Making Individual Market Coverage More Affordable](#)
- UC Berkeley, UCLA Labor Center: California’s Policy Options: [California’s Health Coverage Gains to Erode Without Further State Action](#)
- AB 1810 Covered California Affordability Work Group Report: [Options to Improve Affordability in California’s Individual Health Insurance Market](#)