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California's Health Consumer Advocacy Coalition | FACT SHEET

Covered California at Risk: Over 1 Million Californians Could Lose Health Coverage

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The Affordable Care Act (ACA) created health care marketplaces (or "exchanges") to make health insurance more affordable and easier to shop, compare, choose, and buy. Under Republican Governor Arnold Schwarzenegger, California was the first state in the nation to create its own marketplace, called Covered California. The combination of Covered California and Medi-Cal (Medicaid) expansion has cut California's uninsured rate by more than half, from 17.2% in 2013, to 7.2% in 2018.[i]

The lawsuit *California v. Texas,* currently in front of the Supreme Court, threatens many key provisions of the Affordable Care Act. While the Covered California marketplace may be able to continue, the striking down of the ACA would eliminate significant subsidies that over one million Californians get to better afford coverage, causing most of them to become uninsured, and leaving a smaller and sicker insurance pool that will raise premium rates significantly for everyone left, and dramatically undermine the bargaining power and other benefits of Covered California.

Covered California, the Nation's Largest State Exchange, Helps Californians Get Health Coverage

The ACA provides federal subsidies to help moderate-income consumers afford the cost of insurance premiums as well as the cost of care:

- Covered California currently enrolls over 1.5 million individual consumers.[ii]
- Nearly 90% of those enrolled in Covered California, 1.3 million California consumers[iii], receive federal tax subsidies to lower the cost of their coverage, worth over $7 billion dollars a year.
- The average federal subsidy of $456/month[iv] covers nearly 78%[v] of the consumer's monthly premium costs.
- These subsidies make health coverage more affordable to a population that earns between $17,609 and $51,040 a year (138% – 400% FPL).[vi]
- Beginning in 2020, California began giving additional state subsidies to enrollees in Covered California that earn between $25,520 and $76,560 a year (200%-600% FPL)[vii]. In 2020, nearly 600,000 Californians[viii] received the additional state subsidy to help lower the cost of their coverage. These additional subsidies are built on top of the federal subsidies that would disappear. The new state subsidies, which expire in a year, are less than 5% of the affordability assistance provided by Covered California.
- Since its formation in 2014, Covered California has enrolled and served more than 4.7 million Californians, who cycle through individual insurance between employer-based and public program coverage.
- Most Californians are satisfied with their Covered California plans and renew coverage year over year

Covered California Negotiates on Behalf of Consumers

As a public agency with an appointed board of directors, Covered California is accountable to the public and the consumers it serves. It is one of the few exchanges that is an "active purchaser" that actively negotiates with health insurers over rates as well as improvements in cost, quality and health disparities. Covered California has successfully used its bargaining power to:

Minimize Rate Increases

- In 2021, the average rate change in Covered California will be 0.6%[ix], which marks a record low for the second consecutive year. This is lower than national averages and lower than pre-ACA trends where consumers regularly faced double-digit rate increases.

Give Consumers a Choice of Plans: Almost every Californian has a choice of health insurers in the individual market.

- 11 different health insurers participate in Covered California.
- For 2021, 88% of consumers can choose from three or more insurers.
- All consumers will have at least two insurers to choose from.[x]

Help Consumers Make Apples-to-Apples Comparisons of their Options: Standardized benefits and cost sharing to help consumers shop and compare plans.

- For example, when a consumer purchases a Silver plan, the copays, deductibles, and other cost sharing are the same for Anthem, Blue Shield, HealthNet, Kaiser Permanente, and the other plans available.
- Standardization makes choosing a plan simpler, provides peace of mind about the benefits, fosters more intense price competition, and allows the consumers to choose coverage based on premiums, plan quality ratings, and provider networks.
- Before the ACA and Covered California, insurers offered different plans with different cost-sharing and benefits, making it impossible for consumers to shop and compare.

Improve Quality and Reduce Health Disparities

- Covered California is also requiring insurers to show improvements in cost, quality and disparities through requirements such as lower hospital infections, fewer caesarean sections, and reduced health disparities for high blood pressure and diabetes.[xi]

Without significant subsidies, fewer low and moderate income consumers will be able to afford coverage, and Covered California will lose a lots of its bargaining power to advance the above goals.

The ACA's Insurance Market Rules Protect Consumers

Covered California's success is rooted in the insurance market rules put in place by the ACA. **If the ACA is struck down, many of the key consumer protections are in danger:**

- **No discrimination against people with pre-existing conditions:** Under the ACA, no one can be denied coverage or be charged more based on pre-existing condition, whether that is a serious condition like cancer or a heart attack, or a less serious condition like acne, or ear infections. In California, premiums for individuals and small employers are based solely on age and geographic region. Insurers cannot base premiums on gender, tobacco use, or any form of health status.

- **Consumers get comprehensive coverage,** including medically necessary doctors, hospitals, labs, imaging, as well as medically necessary prescription drugs, behavioral health treatment, maternity care and preventive services.
- **No annual or lifetime limits to coverage:** The ACA banned annual and lifetime limits, so people can no longer be dropped by their insurer for having serious, expensive medical needs:
  - Pre-ACA people with cancer, multiple sclerosis, or other very serious conditions would hit an annual limit of $100,000 or a lifetime limit of $1 million, forcing them to lose their homes or go into bankruptcy.
  - Under the ACA, every consumer has an $8,200 cap on annual out-of-pocket costs (co-pays, deductibles, and other cost sharing.

While California has put some of these patient protections in state law, many are dependent on the federal law—and others would be hard to maintain without the overall framework and financing of the ACA in place.

[i] California Budget and Policy Center, California Uninsured Rate Stalled Out, but 2020 Promises Renewed Progress, October 2019

[ii] Covered California, March 2020 Active Member Profile, May 2020

[iii] Covered California, March 2020 Active Member Profile, May 2020

[iv] Covered California, March 2020 Active Member Profile, May 2020

[v] Covered California, March 2020 Active Member Profile, May 2020

[vi] Covered California, Program Eligibility by Federal Poverty Level for 2021 October 2020.

[vii] Covered California, Program Eligibility by Federal Poverty Level for 2021 October 2020.

[viii] Covered California, March 2020 Active Member Profile, May 2020

[ix] Covered California, California's Efforts to Build on the Affordable Care Act Lead to a Record-Low Rate Change for the Second Consecutive Year, August 2020

[x] Covered California, California's Efforts to Build on the Affordable Care Act Lead to a Record-Low Rate Change for the Second Consecutive Year, August 2020

[xi] Covered California, Attachment 7 to Covered California 2017 Individual Market QHP Issuer Contract: Quality, Network Management, Delivery System Standards and Improvement Strategy (Board approved on April 6, 2016); Attachment 14 to Covered California Qualified Health Plan Contract, July 2013.