Will Those With Cancelled Insurance Policies Be Better Off in ACA Marketplaces?

Timely Analysis of Immediate Health Policy Issues

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Summary

In recent months, there has been considerable focus on cancellations of nongroup health insurance policies that do not meet ACA standards and the concern that many individuals may face higher premiums as a result. We provide national and state level data on a range of Health Insurance Marketplace-based insurance options and premium costs available to those whose policies have been cancelled.

It is difficult to directly compare premiums that individuals were paying prior to the ACA with premiums available under the law since data collection on a sufficient scale is impractical, with premiums and benefits of cancelled plans varying tremendously. But we provide data on premiums in the new Marketplaces for coverage beginning on January 2014 in all 50 states. We calculate the premium cost to enrollees for the lowest cost bronze plans and the second lowest cost silver plans by age and income group in each state. The former is the least expensive option available to enrollees and the latter is the plan to which federal subsidies are targeted.

We conclude that it would be difficult for the majority of individuals, particularly those qualifying for subsidies, to obtain coverage for a lower premium than those available in the Marketplaces today. Unsubsidized individuals, particularly those in older age groups, are more likely to face higher premiums. But, while premiums for their cancelled policies might well have been lower, it also is likely that benefits were more limited and cost-sharing requirements higher. Additionally, limits on age rating and guaranteed issue of all policies under the ACA provide older adults with plan options they otherwise may well have been excluded from.

Recent months have seen considerable focus on the cancellation of insurance policies in the nongroup (also called individual or direct purchase) market. A central reason that these policies were cancelled is that they were not compliant with the minimum standards of the Affordable Care Act (ACA). Either some of the law's essential health benefits were not covered, the policies did not fit into the actuarial value tiers defined in the law (perhaps because out-of-pocket requirements were too high), the plans included annual dollar limits on benefits, or premiums were not consistent with the law's guidelines that prohibit discrimination by gender, health status, prior claims, or other related shortcomings. This paper provides national and state level data on a range of insurance options and premium costs available through the new Health Insurance Marketplaces (HIMs, also called Exchanges) to those whose policies have been cancelled.

We know relatively little about the cancelled policies themselves; all of the information that is available is anecdotal. We do not know how many individuals had policies cancelled, what their premiums had been, what benefits were covered and excluded by their plans, or what the cost-sharing requirements had been, and obtaining such information is not feasible. Typically, people who are fairly healthy, young as well as old, have benefited from medical underwriting in the nongroup market. Under the ACA, healthy individuals advantaged by underwriting may face substantial increases in premiums, although many will be eligible for federal subsidies which can offset some or all of the premium increases.

We do, however, have the premiums for coverage offered in the new nongroup HIMs for different age and income groups. This allows us to identify how low the premiums of cancelled policies would have to have been in 2014 in order for them to be less expensive than new options meeting the ACA's standards. An individual would not necessarily be better off with a lower cost plan not compliant with the ACA, however, since that policy may have excluded key benefits, or may have led to higher out-of-pocket costs for necessary care, or had limits on services. In addition, having an inexpensive premium in 2013 for a non-ACA compliant plan did not necessarily mean that the insured would also have had an inexpensive premium in 2014 (or a future year) had the plan continued—2014 premiums could be much higher depending on health care utilization in the last year.

Our analysis focuses on premiums available in the new ACA compliant nongroup markets. While we focus on the lowest cost plans in each state and the plans to which federal subsidies are tied, individuals purchasing new nongroup plans will have a range of options to choose from

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Table 1: Adult Health Insurance Marketplace Target Population with Pre-ACA Nongroup Insurance Coverage

	Total		Ages 19-34		Ages 35-54		Ages 55-64	
	N	%	N	%	N	%	N	%
Income ≥ 100% FPL, Ineligible for Medicaid/CHIP								
Pre-ACA Nongroup Coverage	7,627,000	100.0%	2,206,000	28.9%	3,193,000	41.9%	2,228,000	29.2%
Eligible for Subsidies	2,600,000	100.0%	672,000	25.8%	1,065,000	41.0%	863,000	33.2%
Share of Those in Age Group Eligible for Subsidies	34.1%		30.4%		33.4%		38.8%	
All Ages 19-64	178,639,000	100.0%	62,716,000	35.1%	79,026,000	43.2%	36,898,000	20.7%

Note: Table excludes undocumented adults because they are prohibited from purchasing coverage through the Marketplaces.

with different deductibles, co-insurance/co-payments, and provider networks.

Our results suggest that it would be difficult for individuals, particularly those who qualify for subsidies, to obtain lower premiums than those that are available in the HIMs. For unsubsidized individuals, premiums for their cancelled policies might well have been lower, but it is likely that benefits in those cancelled plans were more limited and cost-sharing requirements were higher. Further, these lower premiums likely reflected medical underwriting and may not have continued to be available at advantageous levels over time, especially for older enrollees.

We use premiums available in the HIMs for coverage beginning in January 2014, obtaining data from all state Marketplaces, regardless of whether they are run by the state or the federal government. We use premiums for the lowest cost bronze plan and second lowest cost silver plan in each state for a 27-year-old to compute premiums for other ages using each state's designated age rating curve. We use pooled data from the American Community Survey for 2008–2010, to obtain a large representative sample of the non group market population for each state. We use this sample to estimate the size of state populations by age and income category and to compute income-related subsidies (caps on maximum premium contributions) following the rules of the Affordable Care Act. Subsidies are tied to the second lowest cost silver plan in each market. These subsidies can be applied to any Marketplace plan in any actuarial value tier. Applying the subsidy to a bronze plan, for example, would further reduce premium obligations but would increase cost-sharing responsibilities. A complete description of data and methods is provided in the Appendix.

On December 20 the administration announced that it will allow those with cancelled policies to buy catastrophic insurance and that they will be exempt from the mandate in 2014 on grounds of hardship. Individuals choosing to enroll in catastrophic plans through the HIMs can expect to face premiums even lower than those for bronze level coverage provided in this analysis. While the actuarial value of ACA compliant catastrophic plans is not substantially lower than that for bronze plans, their premiums are adjusted to reflect the predominance of young adult enrollees, thereby lowering the premiums.

Premiums in the pre-ACA nongroup insurance market varied dramatically by age, gender, health status, prior claims experience, and other factors, and the covered benefits varied as well, with benefit limits or exclusions often related to the individual enrollee's health status or past claims experience. Despite these limitations, it is useful to have some benchmark against which to compare the level of nongroup premiums in the ACA's Marketplaces. The 2011 Medical Expenditure Panel Survey Household Component estimate of the national average nongroup insurance premium for a single adult was $3,097, or $258 per month.[1] Increasing that estimate by 5 percent per year (the typical annual increase in per capita private health insurance expenditures) provides a 2014 estimate of $3,585 per year, or $299 per month. We provide this estimated average simply as a frame of reference for the ACA premium costs presented below.

Results

Table 1 focuses only on adult, legal residents with incomes high enough that they do not qualify for the ACA's Medicaid expansion, leaving 7.6 million pre-ACA nongroup enrollees.[2] We exclude children, undocumented immigrants, and those eligible for Medicaid under the ACA.[3] The 7.6 million people are one of two populations targeted for HIM enrollment under the ACA; the second is the uninsured population of over 19 million adults who are neither eligible for Medicaid nor undocumented. Table 1 shows that the HIM target population of adults in the nongroup market is spread across all age groups, with the largest group being those between 35 and 54, and that about 34 percent are eligible for subsidies.[4]

In Table 2, we show national average premiums faced by each of these previous nongroup enrollee age and income categories, taking their eligibility for premium subsidies into account. We provide state level detail on premiums in Tables 3 and 4.[5] For those who are eligible for subsidies, the payment amount shown in the tables is the premium net of the federal financial assistance for which they qualify.

Individuals with incomes between 138 percent and 200 percent of the federal poverty level (FPL) can obtain coverage through the second lowest cost silver plan

Table 2: Silver and Bronze Premiums per Covered Life, by Age and Income, 2014

		Pre-ACA Adult Nongroup Enrollees*			Post-Subsidy Average Monthly Premiums	
Age	Income Group (% FPL)	Number of Individuals	% of All Adult Entrollees	Enrollees as % of Age Group	Lowest Cost Bronze Plan	Second Lowest Cost Silver Plan
19-34	**Total**	**2,206,000**	**28.9%**	**3.3%**		
	100 - 138% FPL, Subsidized	87,000	1.1%	0.1%	$1	$28
	138 - 200% FPL, Subsidized	200,000	2.6%	0.3%	$29	$81
	200 - 300% FPL, Subsidized	246,000	3.2%	0.4%	$102	$160
	300 - 400% FPL, Subsidized	138,000	1.8%	0.2%	$150	$209
	Ineligible for Subsidies	1,534,000	20.1%	2.3%	$162	$219
35-54	**Total**	**3,193,000**	**41.9%**	**3.8%**		
	100 - 138% FPL, Subsidized	79,000	1.0%	0.1%	$0	$29
	138 - 200% FPL, Subsidized	254,000	3.3%	0.3%	$19	$86
	200 - 300% FPL, Subsidized	418,000	5.5%	0.5%	$96	$179
	300 - 400% FPL, Subsidized	314,000	4.1%	0.4%	$167	$254
	Ineligible for Subsidies	2,127,000	27.9%	2.5%	$248	$333
55-64	**Total**	**2,228,000**	**29.2%**	**5.9%**		
	100 - 138% FPL, Subsidized	57,000	0.8%	0.2%	$0	$26
	138 - 200% FPL, Subsidized	224,000	2.9%	0.6%	$4	$82
	200 - 300% FPL, Subsidized	333,000	4.4%	0.9%	$61	$188
	300 - 400% FPL, Subsidized	250,000	3.3%	0.7%	$164	$302
	Ineligible for Subsidies	1,365,000	17.9%	3.6%	$404	$541
Total		**7,627,000**	**100.0%**			

*Ineligible for Medicaid/CHIP, Non-Undocumented, Income ≥ 100% FPL

for about $80 per month on average—$81 per month (age 19-34), $86 per month (age 35-54), and $82 per month (age 55-64). Individuals eligible for premium subsidies in this income category are also eligible for subsidies to lower their cost-sharing responsibilities if they purchase a silver level plan, effectively increasing the actuarial value of the plan that they enroll in to 94 or 87 percent, depending upon their income. These subsidies are not, however, reflected in the tables provided here which focus exclusively on premium costs.

Those with incomes between 200 percent and 300 percent of the FPL pay between $160 and $188, on average, for silver coverage, with the amount increasing with age; some of these individuals—those with incomes up to 250 percent of the FPL—are eligible for cost-sharing subsidies as well which increase the plan's actuarial value to 73 percent.

Those with incomes between 300 percent and 400 percent of the FPL pay between $209 and $302 per month for the second lowest cost silver plan, again with the premiums increasing with age. In addition to differences across the age groups in the distribution of income, as subsidies decrease with increasing income, some of the young adult premiums are sufficiently inexpensive that they are lower than the percentage of income cap used to compute the federal premium subsidy.[6]

Alternatively, individuals could apply their premium subsidies to the purchase of a bronze plan; these plans have significantly lower premiums but higher deductibles and other forms of cost-sharing. Bronze plans have deductibles of about $4500 to $5500 for single coverage, not too different from many policies offered in the pre-ACA individual market. Using the premium subsidy computed off of the second lowest cost silver plan to purchase a bronze plan would leave the individuals or families with much less to contribute to the premiums themselves, but may expose them to higher out-of-pocket costs when using medical care. For example, the national average post-subsidy premium for a 19 to 34-year-old with income between 138 and 200 percent of the FPL enrolling in the lowest cost bronze plan available to them would be $29 per month, compared to $81 per month for coverage in the second lowest cost silver plan. Premiums for those 35-54 and 55-64 would be $19 and $4 respectively.[7]

The results suggest that, at least for those who qualify for subsidies, it would be difficult for individuals to obtain lower premiums than those faced for policies offered in the HIMs. For premiums of cancelled policies to be lower, benefits would be more limited, cost-sharing requirements higher, or individuals would have to be benefiting substantially from medical underwriting.

Those who are not eligible for subsidies, a sizable group—about two-thirds of the 2013 nongroup market—face somewhat higher premiums for ACA compliant plans than do their subsidized counterparts. For those age 19 to 34, premiums are still relatively low—$219 per month for the second lowest cost silver plan and $162 for the least expensive bronze plan, on average. Premiums for those age 35 to 54 are about 50 percent higher than for the younger adults, and they are about 250 percent higher, on average, for those age 55 to 64 compared to the younger adults, reflecting the 3-to-1 age rating bands permitted under the law. About 1.4 million people between 55 and 64, or about 17.9 percent of those who now have nongroup policies, face average premiums for the second lowest cost silver plan of $541 per month and for the lowest cost bronze plan of $404 per month.

Those age 55 to 64 who are not eligible for subsidies and are in excellent health might have been able to obtain non-ACA compliant coverage at somewhat lower premiums, even though this group is most likely to benefit from the ACA's new limits on age rating of premiums. In the vast majority of states pre-2014, age bands of 5-or 6-to-1 were common in the nongroup market, so the ACA's limits beginning in 2014 would tend to lower premiums for this age group. Alternatively, these older adults might have been able to obtain coverage at a lower premium by purchasing coverage with higher cost-sharing requirements or significantly fewer covered benefits than is required by the ACA.

Importantly, the unsubsidized premiums shown in Table 2 are also the premiums that apply to the 504,000 adults with pre-

ACA nongroup coverage (data not shown) who would have been eligible for Medicaid at no or extremely low cost if their state of residence had chosen to adopt the ACA's Medicaid expansion. These very low-income adults are ineligible for HIM-based subsidies because the law was written with the expectation that they would be eligible for public insurance coverage.

Tables 3 and 4 show the second lowest cost silver premiums and the lowest cost bronze premiums by state and age group, and in each of the groups defined by income and subsidy eligibility categories. National average premiums shown at the bottom of each table are the same as those discussed above. There is little variation across states for those who are subsidized because premiums paid are computed as a percentage of income. But for those ineligible for subsidies, average premiums vary considerably across the country. Premiums tend to be quite high in markets such as Alaska, Mississippi, and Wyoming where there is little insurance market competition. They are substantially lower in states such as Maryland and Minnesota where there has been more intense competition within Marketplaces and more regulatory intervention by state policy-makers.

Premiums also reflect health care cost differences. In general, premiums in the Northeast are higher than in the South, but not always. As noted above, premiums for those age 55 to 64 who are not eligible for subsidies can become quite high. For example, monthly premiums exceed $700 in Alaska, Connecticut, Mississippi, and $800 in Wyoming. New York, for example, does not allow insurers to charge different premiums based upon age, so average unsubsidized premiums for older adults are the lowest of any state. Massachusetts is an example of another state that limits age rating more than the federal ceiling, leading to unsubsidized premiums for older adults that are only twice that for younger adults.

Conclusion

There has been considerable focus on the cancellation of nongroup insurance policies that did not meet ACA standards and on the potential for increased premiums for these policy-holders. However, an analysis of the direct premiums faced by nongroup policy-holders shows that, of the 7.6 million people most directly affected (4 percent of the nonelderly adult population), low cost ACA plan options are available for the majority. Those exposed to the highest unsubsidized premiums are adults age 55 to 64 with incomes above 400 percent of the FPL, a subpopulation that accounts for 19.5 percent of this group. Some of these individuals will pay more than they do today, although this group will also benefit from the ACA's limits on age rating, guaranteed issue in all policies (which will provide them with plan options they otherwise may well have been excluded from), and the requirement that all plans cover essential health benefits and conform to comprehensive out-of-pocket limits. In addition, the President's decision to make those with cancelled policies eligible for ACA compliant catastrophic plans implies that premiums even lower than those shown here for bronze level coverage will be available to those individuals seeking alternatives.

Table 3: Second Lowest Cost Silver Plan Monthly Single Premium (State Average) Available in ACA Marketplaces, by Age and Selected Incomes, 2014

	Average for 19 to 34-Year-Olds				Average for 35 to 54-Year-Olds				Average for 55 to 64-Year-Olds			
	138 - 200% FPL Subsidized	200 - 300% FPL Subsidized	300 - 400% FPL Subsidized	Ineligible for Subsidies Unsubsidized	138 - 200% FPL Subsidized	200 - 300% FPL Subsidized	300 - 400% FPL Subsidized	Ineligible for Subsidies Unsubsidized	138 - 200% FPL Subsidized	200 - 300% FPL Subsidized	300 - 400% FPL Subsidized	Ineligible for Subsidies Unsubsidized
Alabama	$89	$158	$187	$203	$89	$183	$246	$314	$78	$189	$298	$525
Alaska	*	*	*	294	*	229	354	469	*	274	428	774
Arizona	74	136	158	163	79	160	227	247	89	188	302	422
Arkansas	78	159	224	232	77	165	244	358	84	188	320	615
California	80	170	232	257	90	190	269	394	82	188	305	662
Colorado	75	154	203	206	81	180	251	321	77	187	294	537
Connecticut	80	186	229	268	66	196	282	437	81	195	322	727
Delaware	83	*	*	221	88	200	259	355	84	191	364	610
District of Columbia	*	164	190	180	*	194	263	289	*	*	*	503
Florida	78	155	199	206	84	174	256	327	79	192	315	552
Georgia	78	163	200	212	90	178	252	324	74	192	309	555
Hawaii	94	180	*	188	93	220	272	284	88	241	355	471
Idaho	72	137	175	182	80	160	241	283	92	175	285	475
Illinois	83	153	181	178	82	188	244	285	80	190	306	475
Indiana	81	163	234	246	83	173	258	397	80	195	311	665
Iowa	82	151	174	173	77	183	238	295	77	198	320	482
Kansas	85	145	167	163	91	166	235	258	83	179	289	428
Kentucky	81	137	208	227	76	173	258	347	75	184	313	598
Louisiana	79	160	228	237	84	185	250	374	81	167	289	621
Maine	86	176	195	246	76	181	261	411	81	181	286	673
Maryland	77	162	185	179	90	198	244	280	77	196	297	475
Massachusetts	86	185	261	298	88	200	263	425	83	196	297	599
Michigan	84	159	181	194	85	176	248	306	82	191	298	507
Minnesota	*	139	148	147	*	171	205	225	*	185	291	372
Mississippi	96	170	237	285	89	173	274	433	90	193	297	736
Missouri	73	162	209	208	83	183	257	327	81	190	319	560
Montana	78	171	173	204	86	181	242	319	74	175	287	524
Nebraska	83	157	201	200	79	163	228	319	78	175	265	523
Nevada	91	159	224	272	87	175	276	401	85	182	301	675
New Hampshire	76	162	223	214	83	196	257	357	86	189	288	594
New Jersey	89	174	233	251	91	197	276	334	86	195	312	462
New Mexico	88	155	178	182	84	176	243	285	84	172	312	472
New York	83	194	289	326	86	195	284	326	82	187	272	326
North Carolina	77	158	220	228	87	164	261	361	80	187	304	615
North Dakota	67	152	183	221	72	142	244	358	77	177	275	588
Ohio	76	150	200	199	85	170	246	323	86	184	311	536
Oklahoma	92	127	177	169	72	160	248	265	85	180	307	440
Oregon	79	163	186	183	87	185	240	286	85	176	296	482
Pennsylvania	82	153	172	176	86	179	241	284	83	188	299	472
Rhode Island	70	158	*	214	80	199	272	359	79	195	302	611
South Carolina	94	162	208	211	84	170	250	326	85	183	299	562
South Dakota	102	160	243	231	90	160	231	364	84	164	300	594
Tennessee	74	144	164	160	80	166	215	238	80	194	305	404
Texas	85	149	193	192	87	170	243	302	82	188	311	504
Utah	85	128	173	172	101	148	225	264	92	171	296	421
Vermont	*	*	*	408	89	180	259	408	89	201	318	408
Virginia	84	159	194	208	92	172	254	326	81	191	304	558
Washington	79	169	216	221	86	182	259	349	82	186	297	588
West Virginia	*	183	205	198	100	183	241	331	100	187	308	556
Wisconsin	80	169	213	224	83	181	259	363	79	188	304	603
Wyoming	*	135	253	338	129	133	262	529	90	220	377	840
National	**81**	**160**	**209**	**219**	**86**	**179**	**254**	**333**	**82**	**188**	**302**	**541**

*: Sample size insufficient
Data not shown for 100-138% FPL subsidy eligibles

Table 4: Lowest Cost Bronze Plan Monthly Single Premium (State Average) Available in ACA Marketplaces, by Age and Selected Incomes, 2014

	Average for 19 to 34-Year-Olds				Average for 35 to 54-Year-Olds				Average for 55 to 64-Year-Olds			
	138 - 200% FPL	200 - 300% FPL	300 - 400% FPL	Ineligible for Subsidies	138 - 200% FPL	200 - 300% FPL	300 - 400% FPL	Ineligible for Subsidies	138 - 200% FPL	200 - 300% FPL	300 - 400% FPL	Ineligible for Subsidies
	Sub-sidized	Sub-sidized	Sub-sidized	Unsub-sidized	Sub-sidized	Sub-sidized	Sub-sidized	Unsub-sidized	Sub-sidized	Sub-sidized	Sub-sidized	Unsub-sidized
Alabama	$43	$113	$142	$157	$27	$114	$177	$244	$3	$71	$177	$407
Alaska	*	*	*	239	*	141	259	382	*	133	283	630
Arizona	50	112	134	138	41	123	189	210	29	123	238	359
Arkansas	23	98	164	174	8	76	151	269	1	49	164	462
California	18	99	160	187	10	85	162	286	0	29	123	482
Colorado	31	109	156	162	20	112	182	252	1	72	178	422
Connecticut	18	116	157	199	0	86	175	324	0	25	135	540
Delaware	49	*	*	190	39	149	211	304	14	103	274	523
District of Columbia	*	105	130	124	*	100	168	198	*	*	*	344
Florida	33	107	152	160	21	102	183	253	1	70	189	428
Georgia	38	123	158	171	34	117	190	262	4	85	201	449
Hawaii	37	125	*	133	20	141	188	201	2	108	212	334
Idaho	35	99	137	145	26	104	181	226	14	78	186	379
Illinois	33	99	128	127	15	107	163	203	1	58	169	338
Indiana	25	100	168	186	11	79	160	299	1	39	144	502
Iowa	36	104	127	127	16	106	161	217	1	73	191	354
Kansas	45	103	126	124	32	106	172	196	5	74	185	325
Kentucky	5	38	108	127	0	32	98	195	0	6	68	336
Louisiana	18	88	153	167	4	78	140	263	0	18	102	436
Maine	40	130	149	200	13	106	181	335	1	60	160	549
Maryland	20	98	121	118	15	102	153	185	0	46	133	313
Massachusetts	5	48	119	163	0	32	76	232	0	6	49	327
Michigan	31	103	126	140	18	93	162	221	0	53	155	366
Minnesota	*	103	111	111	*	119	151	170	*	93	197	281
Mississippi	32	108	165	218	14	73	168	330	0	39	119	562
Missouri	22	104	151	153	15	95	168	241	0	49	170	412
Montana	38	128	136	162	27	115	174	253	2	70	177	416
Nebraska	39	109	153	154	20	93	155	246	1	59	146	404
Nevada	57	121	186	234	36	118	219	345	8	85	206	581
New Hampshire	28	111	171	168	14	117	181	280	3	60	157	466
New Jersey	50	134	193	211	41	145	223	281	19	122	238	389
New Mexico	49	111	135	140	26	106	178	219	4	62	200	363
New York	5	90	183	222	7	86	154	222	5	74	94	222
North Carolina	26	103	163	175	17	82	176	276	1	51	160	471
North Dakota	22	107	137	176	11	70	165	285	1	61	157	469
Ohio	42	116	165	166	36	117	191	270	11	94	221	447
Oklahoma	34	69	114	110	7	72	153	173	1	38	148	287
Oregon	29	109	131	131	20	104	157	204	1	47	157	345
Pennsylvania	47	118	137	142	36	126	187	229	9	94	206	381
Rhode Island	22	96	*	154	6	93	165	260	0	41	131	441
South Carolina	50	116	161	167	20	103	185	258	4	65	177	443
South Dakota	62	120	201	192	33	103	173	304	5	68	203	495
Tennessee	34	101	120	118	23	105	153	176	4	87	198	299
Texas	29	88	130	132	14	80	152	209	1	42	153	349
Utah	40	82	127	130	40	86	161	199	10	68	192	317
Vermont	*	*	*	321	14	92	159	321	13	102	163	321
Virginia	26	96	130	147	14	77	155	230	1	41	138	394
Washington	34	123	168	176	26	111	189	278	3	68	176	469
West Virginia	*	148	171	168	49	137	194	281	16	103	223	472
Wisconsin	34	120	164	178	18	108	183	288	2	65	179	479
Wyoming	*	79	194	283	52	55	170	442	0	81	238	702
National	**29**	**102**	**150**	**162**	**19**	**96**	**167**	**248**	**4**	**61**	**164**	**404**

*: Sample size insufficient
Data not shown for 100-138% FPL subsidy eligibles

Appendix: Data and Methods

Data. We use data from the American Community Survey (ACS), pooling data from the 2008, 2009, and 2010 surveys to obtain a large, representative sample population for each state. The ACS is a large, nationally representative annual survey fielded by the U.S. Census Bureau; it collects a broad array of data on socio-economic characteristics of households as well as information on health insurance[8] The size of the population and their income are aged to the year 2014.

Medicaid Eligibility. We use the Urban Institute Health Policy Center's ACS Medicaid/CHIP Eligibility Simulation Model to determine each individual's eligibility for these public programs under pre- and post-ACA rules.[9] We use 2010 rules, the closest available approximation to the December 2009 rules specified in the ACA, as the basis for distinguishing new versus old eligibles. We compute modified adjusted gross income (MAGI), which includes wages, business income, retirement income, investment income, Social Security, alimony, unemployment compensation, and financial and educational assistance. MAGI also includes the income of any dependent children required to file taxes, which for 2009 is wage income greater than $5,700 and investment income greater than $950. Tax unit MAGI is computed as a percentage of the FPL, and this computation is compared with the ACA's 138 percent eligibility threshold for the Medicaid expansion.

Citizenship Status. We impute documentation status for non-citizens in each year of survey data separately based on a year-specific model used in the Current Population Survey-Annual Social and Economic Supplement (CPS-ASEC). Documentation status is imputed to immigrants in two stages, using individual and family characteristics, based on an imputation methodology that was originally developed by Passel.[10] Undocumented immigrants and legal immigrants resident fewer than five years are ineligible for Medicaid. Legal immigrants who would have been eligible for Medicaid had they been resident at least five years are, however, eligible for premium tax credits, or subsidies, through the ACA's newly established Health Insurance Marketplaces (HIMs) if they do not have access to adequate, affordable employer-based insurance.

Subsidy Determination. We first model the presence of an affordable employer-sponsored insurance (ESI) offer, as defined in the ACA.[11] Those not eligible for any form of public coverage, who have family MAGI of 100 to 400 percent of the (FPL), who do not have an offer of affordable ESI coverage in the family, and who are legally resident are eligible for subsidized private coverage in the HIMs.

Health Insurance Marketplace Premiums. We use premiums available in the HIMs beginning in January 2014. State premium rating regions often do not correspond to geographic regions readily identifiable on the ACS, so we are not able to assign people in our survey data to specific rating regions within states. Thus, we use state-wide premiums averaged across rating regions. For states in which the federal government is running the HIM in the individual insurance market Federally Facilitated Marketplaces (or FFMs), we use the lowest average cost bronze and second lowest average cost silver premiums in each state for a 27-year-old that were computed by the U.S. Department of Health and Human Services.[12] Given the premium for a 27-year-old, premiums for all other ages can be computed using a state's age rating curve.[13] For states running their own HIMs (State Based Marketplaces, or SBMs), we collected premium data directly off of each state's HIM website or 2014 insurance plan filings. We show the lowest cost bronze and second lowest cost silver premiums in each state rating region for a 27-year-old and use the median among rating regions as a state-wide estimate. State rating regions often do not correspond to geographic regions for which population figures are readily available, so we do not compute population-weighted averages for states running their own HIMs.

Subsidized Premiums. Premium subsidies are structured as caps on the percentage of income an individual or family must spend for the second lowest cost silver plan in the HIM in their geographic area, with lower percentage of income caps for lower income households. The premium subsidy may be used to purchase any plan within the HIM offered in the household's geographic area, but the amount of the subsidy is computed using the premium for the second lowest cost silver tier plan, which has an actuarial value of 70 percent. Because the subsidies are computed to limit the household's premium contribution for silver coverage to a specified percentage of income, premium contributions for subsidy eligible families do not vary much across states. The averages vary simply because of differences in the distribution of income within income categories across the three age groups and across states. For those not eligible for subsidies, the data reflects the average full (unsubsidized) state-wide

Federal Premium Subsidy = Premium$_{\text{2nd Lowest Cost Silver}}$ – (Percent-of-Income Cap)*MAGI

A family enrolling in the second lowest cost silver plan would simply pay:

Family Payment$_{\text{2nd lowest cost silver}}$ = (percent-of-income cap)*MAGI

Families choosing a less expensive plan would pay less, however, and families choosing a more expensive plan would pay more:

Family Payment = Premium – Federal Premium Subsidy

premium for the second lowest cost silver plan and the lowest cost bronze plan.

For each person or family found eligible for subsidized Marketplace coverage, we first compute the maximum family premium contribution using the applicable percent-of-income cap premium. The applicable cap is specified in the law and is based on MAGI relative to the FPL, ranging from 2 percent of income for families up to 138 percent of the FPL to 9.5 percent of income for families up to 400 percent of the FPL. The amount of the federal premium subsidy for a given family is computed as the difference between the unsubsidized second lowest cost silver premium and the product of the family's MAGI and the appropriate percent-of-income cap. The family's payment is a simple function of the appropriate percent-of-income cap, but if they purchase a less expensive policy, their payment would be less (see box on page 7).

Depending upon how low the chosen premium is, the family might not have to make any direct premium contribution to their coverage. While some individuals or family's applying their subsidy to a bronze plan might find that their subsidy covers the entire premium, those plans have significantly higher cost-sharing responsibilities (deductibles, co-payments, etc.). Conversely, given that young adults are charged lower premiums for the same coverage as older adults, in some cases young adults with income above 300 percent of the FPL may face a premium for the second lowest cost silver plan that is lower than their required payment (percent-of-income cap*MAGI), and, in those cases, the federal subsidy is equal to $0.

Notes

1. Center for Financing, Access, and Cost Trends, Agency for Healthcare Research and Quality: Medical Expenditure Panel Survey Household Component 2011. http://meps.ahrq.gov/mepsweb/data_stats/summ_tables/hc/hlth_insr/2011/t6_f11.pdf
2. 223,000 of these nongroup enrollees live in states not expanding Medicaid under the ACA and have family income of 100 to 138 percent of the FPL, making them eligible for generously subsidized coverage through the HIMs if they do not have access to an affordable offer of employer-based insurance.
3. Our analysis excludes children for the expositional convenience of focusing on single adult premiums. We exclude those eligible for Medicaid because they could obtain coverage for zero or very low premium. We also exclude undocumented adults because they are prohibited from purchasing Marketplace-based coverage even if they are willing to pay full price. Finally, we exclude those adults with current nongroup coverage ineligible for Marketplace subsidies or Medicaid coverage due to their states' decisions not to expand Medicaid under the ACA; however, if they decide to purchase nongroup coverage through the Marketplaces in 2014, they will face the full premiums shown in the following tables for others ineligible for subsidies.
4. The uninsured who are targeted for nongroup HIM enrollment are almost three times as large a group as those expected to continue in the market from previously held nongroup plans and will therefore have a greater effect on average HIM premiums despite cancellations (data not shown). They are also lower income, on average, and as such a higher proportion of them are eligible for Marketplace subsidies.
5. We present data on premiums per covered life because reporting single premiums would overstate the premium cost to adults in families eligible for subsidies. The out-of-pocket premium for a subsidized Marketplace policy is a specified percent of income which is the same for both single and family policies.
6. For example, a single young adult with income of 375 percent of the FPL has his/her premium capped at 9.5 percent of his/her income, or about $341 per month. However, the national average full premium cost for that young adult is only $220, well below the cap; consequently, while eligible for financial help, this young adult's subsidy is actually $0. However, because older adults can be charged up to three times the premium for a young adult, the average unsubsidized premium for adults age 55 to 64 is $578 per month, well above the 9.5 percent cap. As a result, older adults in the 300 to 400 percent of the FPL income range will tend to pay 9.5 percent of their income for coverage, while the younger adults in that income group will tend to pay less.
7. Direct premium payments for the older adults purchasing bronze plans with their federal subsidies are actually lower than for the younger adults because the older adults' subsidies, based on silver level coverage, are considerably larger than for the younger adults due to age rating. These premium differences are larger in absolute dollars for silver coverage than for bronze coverage, and thus when the subsidies are applied to the lowest cost plans, they lead to the observed differences by age.
8. Detailed information on the ACS can be found at the U.S. Census Bureau's web site, https://www.census.gov/acs/www/.
9. Buettgens M, Resnick D, Lynch V and Carroll C. "Documentation on the Urban Institute's American Community Survey-Health Insurance Policy Simulation Model (ACS-HIPSM)." Washington, DC: The Urban Institute, 2013, http://www.urban.org/health_policy/url.cfm?ID=412841
10. Resnick, D. "Imputing Undocumented Immigration Status in the American Community Survey." Washington, DC: The Urban Institute, 2013.
11. Details in Buettgens et al. 2013.
12. HHS/ASPE. Health Insurance Marketplace Premiums for 2014. ASPE Issue Brief. September 2013. http://aspe.hhs.gov/health/reports/2013/marketplacepremiums/ib_marketplace_premiums.cfm
13. http://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/state-rating.html

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