CHRT
CENTER FOR HEALTHCARE RESEARCH & TRANSFORMATION

Effects of the ACA on Insurance Affordability for the Uninsured in Michigan

August 2014

January 1, 2014, marked the beginning of new health insurance affordability programs made available through the Patient Protection and Affordable Care Act (ACA). These programs include tax credits to lower premium costs, assistance to reduce out-of-pocket expenses, and an optional state expansion of Medicaid eligibility. This analysis examines the effects of the ACA's premium tax credits and cost-sharing reductions on Michigan's uninsured population. While these two programs do provide financial benefits to many of Michigan's uninsured, the extent of these benefits will vary due to the socioeconomic diversity of the uninsured population.

Analysis and Discussion

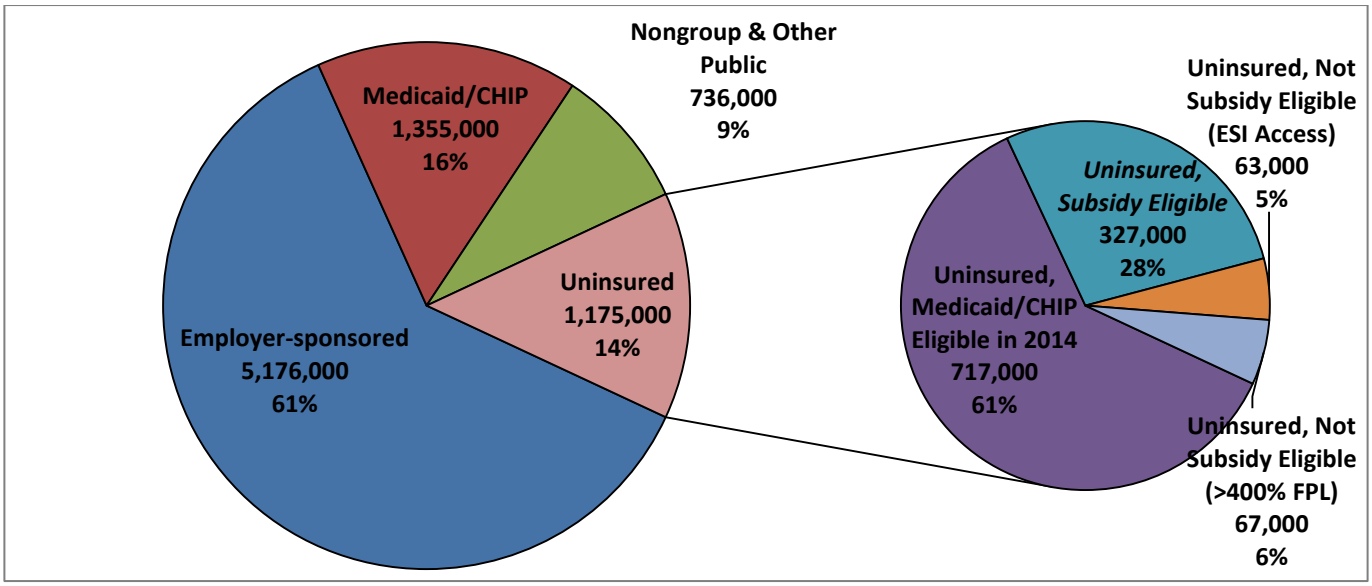
From 2009 to 2011, Michigan had an average of nearly 1.2 million non-elderly residents without health insurance coverage. Assuming the size and composition of the uninsured population has remained fairly constant, the vast majority would be eligible for some form of ACA affordability assistance. As shown in Figure 1, 61 percent of the uninsured are eligible for Medicaid or the Children's Health Insurance Program (CHIP), including both those eligible under pre-ACA rules and adults who are are newly eligible under Medicaid expansion (also known as the Healthy Michigan Plan[1]).

Nearly 28 percent of the uninsured have an income level and other characteristics that allow them to be eligible for subsidies (premium tax credits and/or cost-sharing reductions) if they purchase coverage through the ACA's health insurance marketplace. On the other hand, 11 percent are ineligible for assistance due to their income level or because they have access to affordable employer-sponsored insurance (ESI). Individuals and families are not eligible for subsidies if their income level is greater than 400 percent of the federal poverty level (FPL), which is defined as $45,960 for an individual and $94,200 for a family of four in 2014.

The Center for Healthcare Research & Transformation (CHRT) sponsors research and public information to promote evidence-based care delivery, improve population health, and expand access to care. Housed at the University of Michigan, CHRT is a nonprofit partnership between U-M and Blue Cross Blue Shield of Michigan to test the best ideas for improving the effectiveness and efficiency of the health care system.

www.chrt.org

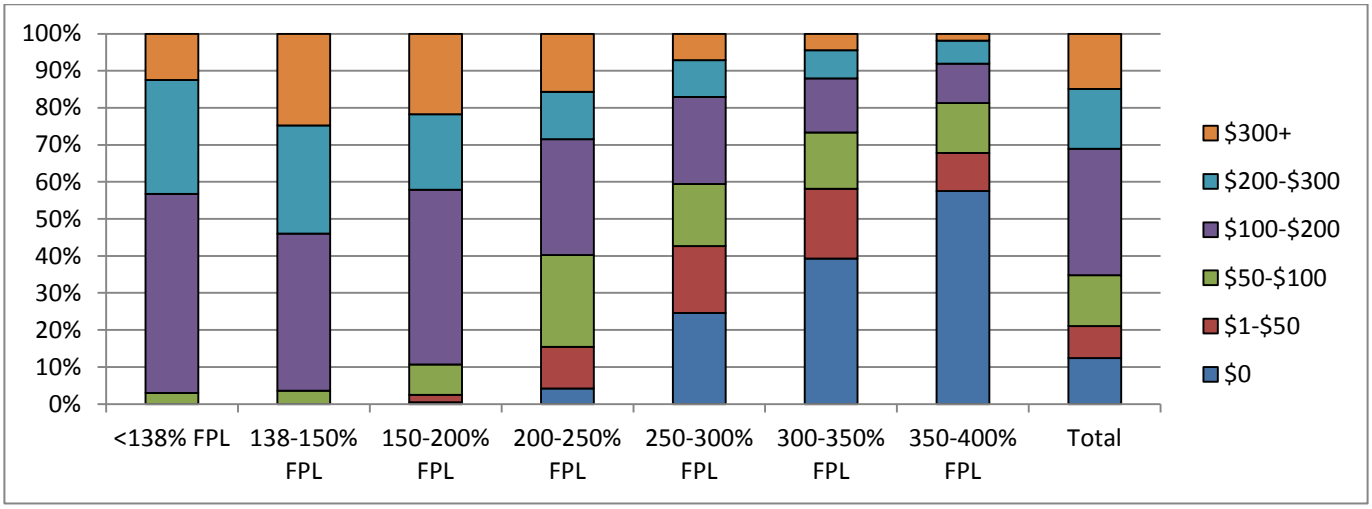
Figure 1: Michigan Health Insurance Coverage and ACA Program Eligibility, 2009-2011 (Age 0–64)



Premium Tax Credits

Uninsured residents who are eligible for a subsidy may be able to receive a premium tax credit to lower the cost of coverage. Premium tax credit amounts are calculated based on the cost of the county-level benchmark plan[2] and the individual's maximum premium contribution amount, which varies based on income level. If the maximum contribution is less than the benchmark cost, the individual receives the amount of the difference as a tax credit. Approximately one-third of subsidy-eligible uninsured residents could receive premium tax credits of $100 to $200 per capita (Figure 2). About 15 percent could qualify for a tax credit of more than $300 per capita.

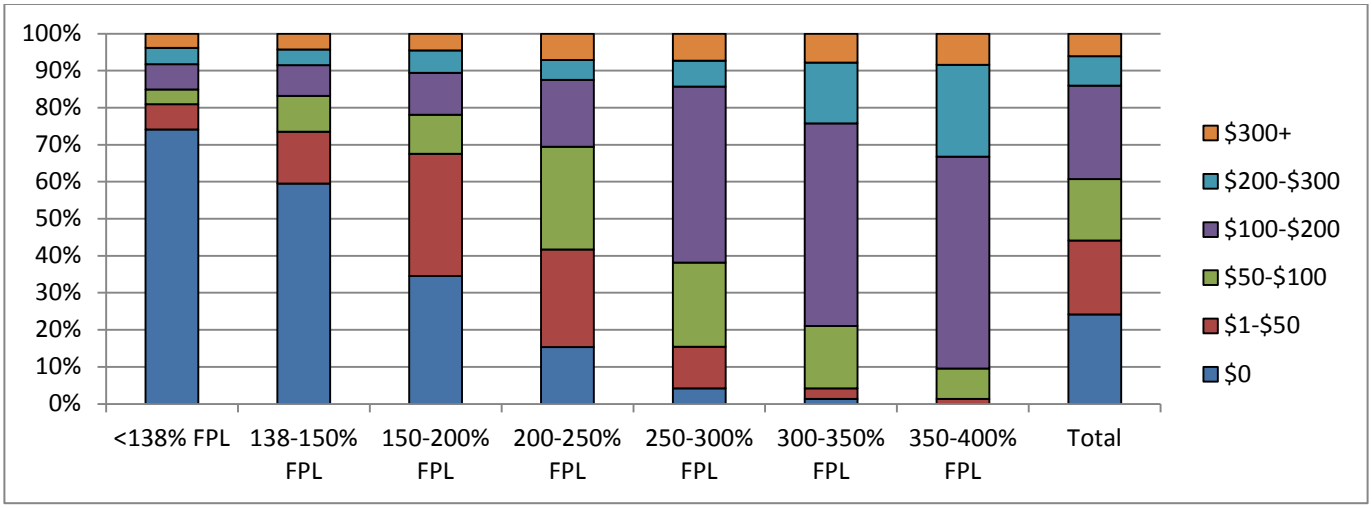
Figure 2: Tax Credit Amount Per Capita by Income (Subsidy-Eligible Uninsured)



However, some subsidy-eligible residents may not actually receive a premium tax credit in practice. Individuals whose maximum premium contribution exceeds the cost of the local benchmark plan will not receive a tax credit. An estimated 12 percent of the subsidy-eligible uninsured population may experience this circumstance, but it is most common for individuals whose income is above 300 percent FPL.

The premium tax credit for which they qualify could significantly decrease the cost of coverage for many uninsured Michigan residents. Nearly one-fourth of the subsidy-eligible uninsured could purchase their least expensive local bronze plan for $0 per month— most prevalent among those with income below 200 percent FPL (Figure 3). In other words, their tax credit would cover their entire premium cost. Approximately 60 percent of Michigan's subsidy-eligible uninsured could buy their cheapest bronze plan for less than $100 per person per month.

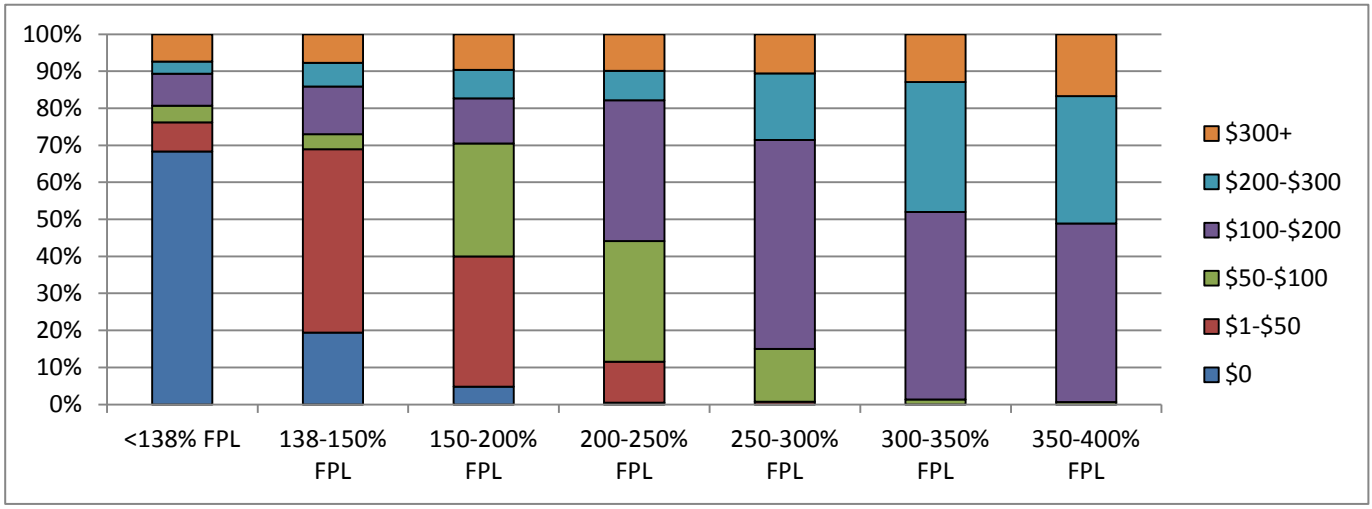
Figure 3: Premium Cost of Lowest Cost Bronze Plan after Tax Credits (Subsidy-Eligible Uninsured)



Some uninsured Michigan residents would still face significant coverage costs for bronze coverage, even after tax credits. About 14 percent of subsidy-eligible uninsured residents would have premiums of at least $200 per person per month for the cheapest available bronze plan.

During the 2014 open enrollment period, three-fourths of enrollees selected a silver plan.[3] Premium tax credits would also have a significant effect on lowering silver plan premium costs for uninsured Michigan residents. However, only 7 percent would be eligible for a subsidy large enough to cover their entire silver premium. Approximately 45 percent of Michigan's subsidy-eligible uninsured could buy their cheapest silver plan for less than $100 per person per month. This is most common among those with income below 200 percent FPL (Figure 4).

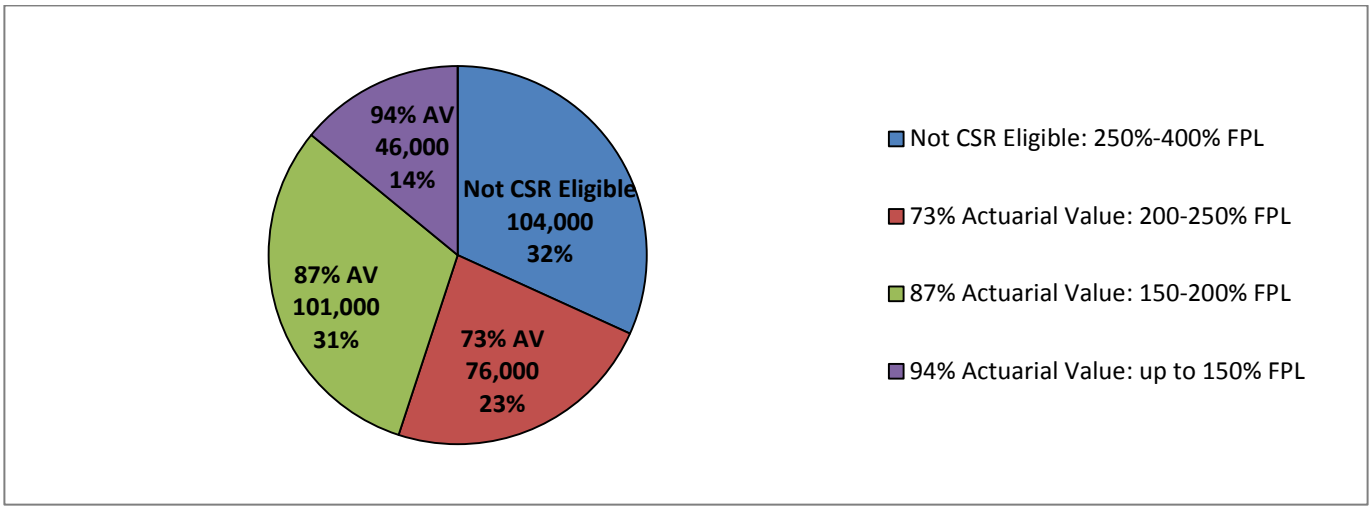
Figure 4: Premium Cost of Lowest Cost Silver Plan after Tax Credits (Subsidy-Eligible Uninsured)



Cost-sharing Reductions

Along with premium tax credits, the ACA provides cost-sharing reduction (CSR) assistance to help decrease out-of-pocket expenses. There are three levels of CSR assistance, based on income level, and it is only available to those who purchase a silver plan on the marketplace. Each CSR level increases the actuarial value (AV) of the silver plan. The standard silver plan has an AV of 70 percent, in which the insurer will pay on average for 70 percent of medical expenses, and the member will pay the remaining share in the form of co-pays, co-insurance, and deductibles. Of the subsidy-eligible uninsured population, two-thirds are eligible for some degree of CSR assistance (Figure 5).

Figure 5: Cost-sharing Reduction Eligibility (Subsidy-Eligible Uninsured)



Even though 55 percent of subsidy-eligible uninsured residents are either not CSR eligible or eligible for only modest reductions, the program has a substantial effect on reducing average cost-sharing. For those buying individual coverage (the majority of subsidy-eligible residents), cost-sharing reductions lower the average deductible for silver coverage by 46 percent and reduce the average out-of-pocket maximum for silver coverage by 47 percent (Figure 6). In addition, silver coverage with CSR has an average deductible that is nearly 75 percent lower than the deductible

for bronze coverage. The effects of CSR are more modest for those buying family coverage, since those seeking family coverage have slightly higher income levels.

Figure 6: Effect of Cost-sharing Reductions on Average Deductibles and Out-of-Pocket Maximums (Subsidy-Eligible Uninsured)

Plan Type	Subsidy Eligible by Plan Type	Average Deductible			Average Out-of-Pocket Maximum		
		Bronze	Silver	Silver with CSR	Bronze	Silver	Silver with CSR
Individual coverage	200,000	$6,100	$2,900	$1,600	$6,300	$6,300	$3,300
Family coverage	128,000	$12,200	$5,600	$3,600	$12,700	$12,600	$8,100

The degree of financial support that many uninsured individuals receive from CSR may help explain why many enrollees in the marketplace are selecting silver plans. By the end of the first open enrollment period, 75 percent of marketplace enrollees in Michigan selected a silver plan. Overall, 87 percent of enrollees have received affordability assistance from the ACA.[4]

Conclusion

The ACA's affordability programs undoubtedly did provide considerable assistance to much of Michigan's uninsured population, but these effects were not uniform. This analysis is a step toward understanding the degree to which the ACA's affordability assistance programs help the uninsured. A recent analysis of administrative data from the Department of Health and Human Services (HHS) found that tax credits for Michigan marketplace enrollees lowered average premium costs by 72 percent.[5] However, this analysis did not identify previously uninsured enrollees in marketplace coverage. Therefore, additional analysis is necessary to understand how much the ACA's affordability assistance programs have helped the uninsured gain access to insurance coverage.

Methodology

To analyze the size of the uninsured subsidy-eligible population and the amount of affordability assistance they may be able to receive, we examined the income and other characteristics of this population using data from the Census Bureau's American Community Survey (ACS) for 2009 to 2011. This data was obtained from the Integrated Public Use Microdata Series (IPUMS-USA) at the Minnesota Population Center, University of Minnesota.[6] All population estimates were rounded to the nearest thousand.

ACS respondents were considered subsidy eligible if they were under age 65, did not qualify for Medicaid or CHIP,[7] had an income between 100 percent and 400 percent FPL,[8] and did not have access to affordable employer-sponsored insurance (ESI). The ACA defines affordable ESI as a coverage offer with employee premium costs for individual coverage below 9.5 percent of household income, regardless of enrollment or the cost of family coverage. Since the ACS does not ask about offers of coverage or cost, we estimated the share of uninsured with access to affordable ESI as uninsured family members of adult workers enrolled in ESI coverage.

After defining the subsidy-eligible population, we calculated their tax credit eligibility based upon their maximum premium contributions (sliding scale percentage) and local benchmark premium costs (age-adjusted, second lowest cost silver plan).[9] Local benchmark premiums, along with bronze plan premiums, were matched to this population based on their geographic region. The ACS includes sub-state regions known as Public Use Microdata Areas (PUMAs). Premiums were calculated for each PUMA, allowing tax credit amounts to reflect geographic variation in plan offerings and premium costs.

Cost-sharing reductions (CSR) were also calculated for the subsidy-eligible population by matching the deductible and out-of-pocket maximum for the lowest cost local silver plan at the qualifying CSR level. Deductibles and out-of-pocket maximums were then averaged across this population, both with and without CSR applied. All dollar amounts were rounded to the nearest hundred.

Author: Joshua Fangmeier, MPP

---

[1] Enrollment in the Healthy Michigan Plan began on April 1, 2014.

[2] The benchmark plan is the second lowest cost silver plan available within the county. Premium costs for benchmark plans, like all other marketplace plans, are adjusted for age, geographic region, tobacco use, and family size. However, for the purpose of calculating tax credit amounts, tobacco use is excluded.

[3] U.S. Department of Health and Human Services. May 2014. *Profile of Affordable Care Act Coverage Expansion Enrollment in Medicaid/CHIP and the Health Insurance Marketplace, 10-1-2013 to 3-31-2014: Michigan*. http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/pdf/mi.pdf (accessed 7/1/14).

[4] Ibid.

[5] Amy Burke, Arpit Misra, and Steven Sheingold. June 18, 2014. *Premium Affordability, Competition, and Choice in the Health Insurance Marketplace, 2014.* http://aspe.hhs.gov/health/reports/2014/Premiums/2014MktPlacePremBrf.pdf (accessed 7/1/14).

[6] Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database] (Minneapolis, Min.: University of Minnesota, 2010). https://usa.ipums.org/usa/ (accessed 6/29/13).

[7] Medicaid eligibility for adults was calculated on having an income below 138 percent FPL (Medicaid expansion threshold). Medicaid/CHIP eligibility for children is defined as income below 212 percent FPL per federal guidelines. http://www.medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Downloads/Medicaid-and-CHIP-Eligibility-Levels-Table.pdf (accessed 1/3/14)

[8] This analysis used health insurance units (HIUs) for calculating income for the purposes of determining ACA program eligibility. The HIU definition was developed by the State Health Access Data Assistance Center (SHADAC) at the University of Minnesota. http://www.shadac.org/publications/defining-family-studies-health-insurance-coverage (accessed 6/29/13).

[9] Data on qualified health plans available in the Michigan marketplace in 2014 was retrieved from healthcare.gov.