Key Proposals to Strengthen the Affordable Care Act

Timothy Stolzfus Jost
1. Expanding Access to Health Coverage for Moderate-Income Americans

- **Fix the Family Glitch.** Congress should clarify the legislative drafting ambiguity that led to the “family glitch,” or the White House should direct the Internal Revenue Service to interpret relevant sections of the Internal Revenue Code, so that working families are not excluded from marketplace tax credits. The result could allow up to 4.7 million people to gain access to subsidized health care coverage.

- **Reduce Complexity in the Tax Credit Program.** The Internal Revenue Service should provide applicants to the ACA’s Advanced Premium Tax Credit program with clear and comprehensive explanation of how their credit was calculated as well as regular statements on applicant income so that burdensome tax credit reconciliations can be avoided. The result could help protect more of the approximately 4.8 million eligible taxpayers from receiving overpayments in advance premium tax credits.

- **Increase Credits for Moderate- and Middle-income Families.** Congress should consider either increasing the size and scope of the Advanced Premium Tax Credit program, or adding fixed-dollar, age-adjusted tax credits to the mix to improve access to affordable health insurance for moderate- to middle-income households. The result could dramatically expand coverage for families who currently receive little assistance under the ACA.
2. Making Health Care Affordable

- **Reduce Cost-sharing and Out-of-pocket Limits and Improve Minimum Employer Coverage Requirements.** Congress should amend the ACA to expand eligibility for cost-sharing reduction payments and reduce out-of-pocket limits for moderate-income individuals or families. Congress or the administration should also improve minimum essential coverage and minimum value requirements to ensure that employees receive at least a minimum level of protection from employee coverage. These reforms could increase the affordability of coverage for millions of Americans.

- **Increase Use of Health Savings Accounts for moderate-income Americans.** Congress should align the requirements of the ACA and of the health savings account program and consider offering subsidies for health savings accounts for moderate income individuals and families. This could make health care more affordable for millions of moderate income Americans.

- **Allow Use of Health Reimbursement Accounts.** Congress should amend the Internal Revenue Code to allow small employers to use health reimbursement accounts, with appropriate safeguards, to help the employees purchase health insurance. This could make health insurance more affordable for millions of people.

- **Incorporate Value-based Insurance Design to support coverage for high-value services.** The ACA requires insurers to reimburse clinical preventive services without patient cost-sharing if these services receive an “A” or “B” rating from the U.S. Preventive Services Task Force. In similar fashion, expert bodies could require public and private insurers to cover high-value secondary prevention and disease management services without copayments or deductibles.

- **Improve State Regulation of Network and Formulary Adequacy.** States should adopt legislation or amend existing legislation to ensure that insurer networks and formularies are adequate and nondiscriminatory. Control over networks is a legitimate approach to controlling health care costs and ensuring provider quality, but networks must be regulated to ensure that plan enrollees can access necessary care and are not discriminated against because of their medical conditions.

- **Improve Protection from Balance Billing.** States should adopt legislation to protect network plan enrollees from balance billing when they access care in emergencies or through network providers. This is necessary to ensure that network plan enrollees are not burdened by crippling medical bills when they have not intentionally sought care out of network.
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Harold Pollack
3. Improving the consumer marketplace experience

• Actively guide consumers in coverage selection.

• Improve network and formulary transparency.

• Standardize insurance products.
FIGURE 1
UNINSURED AMERICANS UNDER AGE 65
1972 to 2015

- Number of uninsured under age 65
- Percentage of population uninsured under age 65

Source: Centers for Disease Control and Prevention, National Health Interview Survey, uninsured status at time of survey, 1972–2015.
Current Status of State Individual Marketplace and Medicaid Expansion Decisions

NOTES: * NM, NV, and OR are federally-supported state-based Marketplaces in 2015.
4. Improving Medicaid

- Have federal government permanently assume 100% cost of ACA Medicaid expansion.

- Constrain 1115 waivers

- Curb Medicaid estate recoveries

- Improve Medicaid payment rates

- Ensure judicially-enforceable right to adequate provider access and reimbursement

- Raise or eliminate Medicaid/SSI asset limits for people living with disabilities.

- “Public option” early Medicare coverage in marketplaces.
What’s Next for Health Care Reform?
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Premise: the ACA has accomplished a great deal but underinvestment in two key areas threatens its ability to meet its long term goals

- Substantial coverage expansions through Medicaid and marketplaces;
- Created strong competition in many nongroup markets resulting in moderate premiums;
- Contributed to slowdown in NHE growth;
- Eliminated health status discrimination in small group and nongroup insurance markets.
Key area 1: affordability

- Some still face high financial burdens which will limit enrollment & reduction in uninsured;

- “Family Glitch” prevents some families from getting affordable coverage;

- 20 states have not expanded Medicaid eligibility → a substantial coverage gap.
Household financial burdens for nongroup enrollees, by income, 2016 (premiums plus out-of-pocket)

<table>
<thead>
<tr>
<th>Income Relative to Federal Poverty Level (% FPL)</th>
<th>Median</th>
<th>90th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 200%</td>
<td>6.6%</td>
<td>18.5%</td>
</tr>
<tr>
<td>200 to 300%</td>
<td>10.8%</td>
<td>21.2%</td>
</tr>
<tr>
<td>300 to 400%</td>
<td>14.5%</td>
<td>22.2%</td>
</tr>
<tr>
<td>400 to 500%</td>
<td>13.4%</td>
<td>22.8%</td>
</tr>
<tr>
<td>Over 500%</td>
<td>8.4%</td>
<td>16.7%</td>
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Includes those below 400% of FPL enrolling in marketplace coverage with a premium tax credit and those above 400% of FPL buying nongroup either inside or outside of marketplace. Updated from August paper.
Key area 2: Administration

- IT system backend functions still problematic, not as consumer friendly as should be (e.g., no “receipts”, not well integrated with Medicaid);

- Effective outreach and enrollment assistance needed on continuing basis;

- Regulatory oversight & enforcement not well supported at state or federal level.
Proposals

• Improve premium tax credits and cost-sharing reductions and peg them to gold level coverage instead of silver (plus no indexing);

• Revisit current Treasury Department interpretation of the family “glitch”;

• Allow states the option to expand Medicaid to 100% FPL instead of 138% FPL;

• Increase federal grants for IT development and operation; education, outreach, and enrollment activities; and oversight and enforcement of insurance regulations.
## Current and proposed premium tax credits and cost-sharing reductions

<table>
<thead>
<tr>
<th>Income Relative to Poverty (% of FPL)</th>
<th>Premium Tax Credits</th>
<th>Cost-Sharing Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current: % of Income Caps Tied to Silver Plan (indexed)</td>
<td>Proposed: % of Income Caps Tied to Gold Plan (no indexing)</td>
</tr>
<tr>
<td>≤100-138</td>
<td>2.03</td>
<td>0-1.0</td>
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<tr>
<td>138-150</td>
<td>3.05-4.07</td>
<td>1.0-2.0</td>
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<tr>
<td>150-200</td>
<td>4.07-6.41</td>
<td>2.0-4.0</td>
</tr>
<tr>
<td>200-250</td>
<td>6.41-8.18</td>
<td>4.0-6.0</td>
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<tr>
<td>250-300</td>
<td>8.18-9.66</td>
<td>6.0-7.0</td>
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<tr>
<td>300-400</td>
<td>9.66</td>
<td>7.0-8.5</td>
</tr>
<tr>
<td>400 and higher</td>
<td>n.a.</td>
<td>8.5</td>
</tr>
</tbody>
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Exhibit 1: Estimated Costs of ACA Reforms, 2016-2025

Cost of Proposal (in billions)

1. Improving Premium and Cost Sharing Subsidies $221

2. Fixing the Family Glitch $117

3. Providing States the Option to Increase Medicaid to 100% FPL $100-200

4. Additional Investment in IT, Outreach and Enrollment and Insurance Regulation $15-30

Total Cost $453-$559*

*Cost of Reforms is 0.20 to 0.24 percent of GDP; GDP over 2016-2025 is $230 trillion
## Exhibit 2: Estimate of the Cost of the ACA, Medicare, Medicaid and Employer Tax Exclusion

### Original Estimates

<table>
<thead>
<tr>
<th>Program</th>
<th>Estimate</th>
<th>Percentage of GDP</th>
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</thead>
<tbody>
<tr>
<td>ACA</td>
<td>$872 billion 2010-2019</td>
<td>0.5%</td>
</tr>
<tr>
<td>ACA</td>
<td>$855 billion 2014-2019</td>
<td>0.73%</td>
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</table>

### More Recent Estimates

<table>
<thead>
<tr>
<th>Program</th>
<th>Estimate</th>
<th>Percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACA</td>
<td>$1.7 trillion 2016-2025</td>
<td>0.74%</td>
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<tr>
<td>Medicare</td>
<td>$9.6 trillion 2016-2025</td>
<td>4.2%</td>
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<tr>
<td>Medicaid</td>
<td>$6.6 trillion 2016-2025</td>
<td>2.9%</td>
</tr>
<tr>
<td>Employer Tax Exclusion</td>
<td>$3.4 trillion 2014-2023</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

- Pre-ACA Baseline
- ACA Baseline
- Current Forecast

2014-2019
Pre-ACA baseline (February 2010): $23.0 trillion
ACA baseline (September 2010): $23.6 trillion
Current Forecast (October 2014): $21.0 trillion
### Exhibit 4: Federal Expenditures Projections 2014-2019
Congressional Budget Office Forecasts, 2010-2015

<table>
<thead>
<tr>
<th></th>
<th>2010 (in billions)</th>
<th>2015 (in billions)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACA Coverage Provisions</td>
<td>$921</td>
<td>$686</td>
<td>-$235</td>
</tr>
<tr>
<td>Medicare Outlays</td>
<td>$3,816</td>
<td>$3,378</td>
<td>-$438</td>
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</table>
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