



Joint Assembly and Senate Informational Hearing  
**Health Insurance Affordability Assistance for Californians:  
Options and Funding**

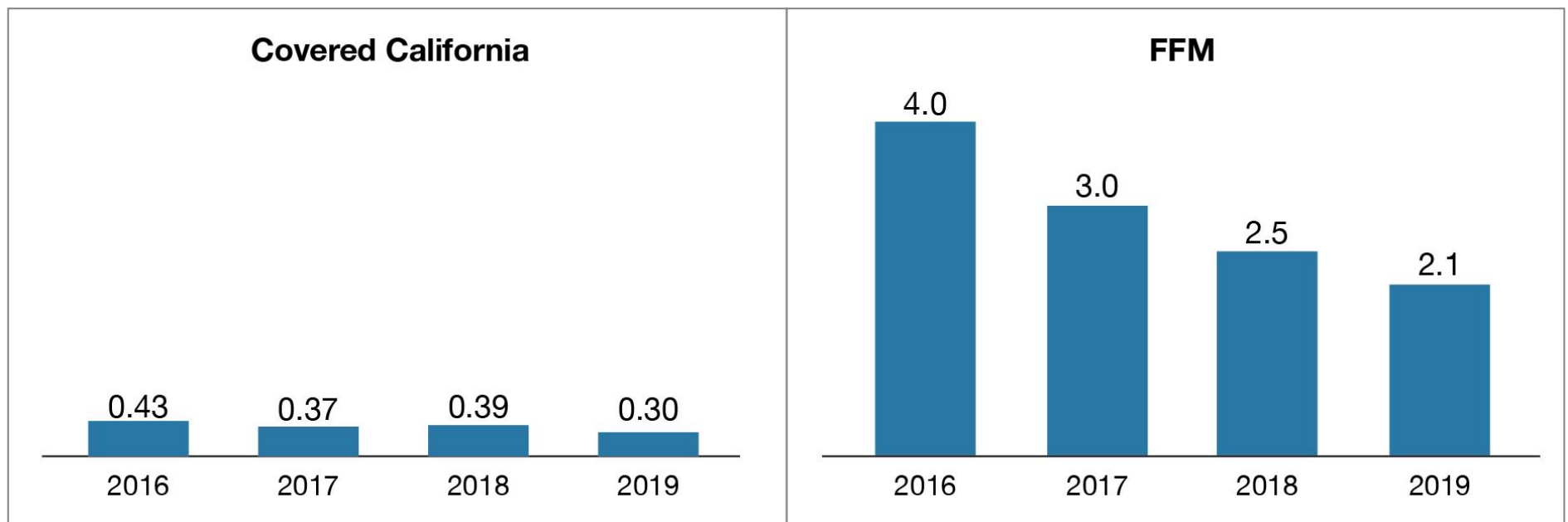
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Executive Director

**February 12, 2019**

# WHILE COVERED CALIFORNIA'S TOTAL ENROLLMENT HELD STEADY, THE DROP IN NEW ENROLLEES IS A CONCERN AT THE STATE AND FEDERAL LEVEL

- Covered California's drop in new enrollees of 24 percent surpassed the 16 percent decline in the 39 states represented by the federal marketplace. The decline in those states was on top of a 39 percent decrease in new enrollees between 2016 and 2018, while California has maintained more new enrollees each year and a 200 percent healthier risk mix.

Comparing New Enrollment, Covered California and FFM, 2016-19, in millions

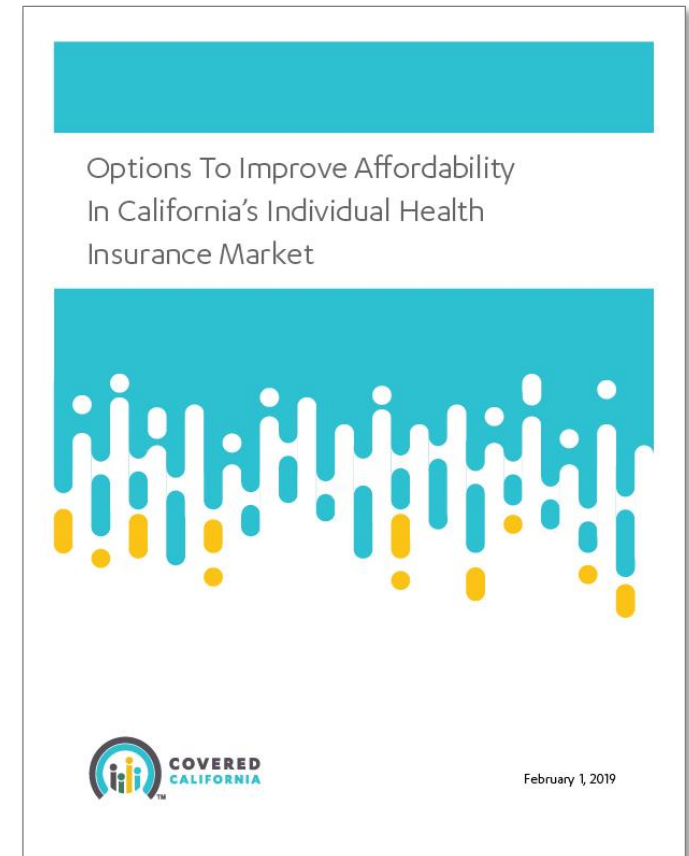


Covered California 2019 Open Enrollment Early Analysis

[https://hbex.coveredca.com/data-research/library/CoveredCA\\_2019\\_Open\\_Enrollment\\_Early\\_Analysis.pdf](https://hbex.coveredca.com/data-research/library/CoveredCA_2019_Open_Enrollment_Early_Analysis.pdf)

# OPTIONS TO IMPROVE AFFORDABILITY IN CALIFORNIA'S INDIVIDUAL HEALTH INSURANCE MARKET

- Developed pursuant to AB 1810 (Committee on Budget, Chapter 34, Statutes of 2018), to develop and present options to improve affordability for low- and middle-income Californians to the Governor, Legislature, and Council on Health Care Delivery Systems.
- Five-month engagement of academic experts and Covered California's Policy Division with a workgroup of stakeholders, legislative staff and broad community input.
- Report presents multiple options to improve affordability in the individual market building on tools of the Affordable Care Act.
- Report available at: [https://hbex.coveredca.com/data-research/library/CoveredCA\\_Options\\_To\\_Improve\\_Affordability.pdf](https://hbex.coveredca.com/data-research/library/CoveredCA_Options_To_Improve_Affordability.pdf)



# COMPREHENSIVE MARKET-WIDE AFFORDABILITY MODELS

Policy Option	Description	Policy Objectives
<b>Option 1:</b> Enhance and extend premium and cost-sharing support	<p><b>Premium support</b> that lowers premium contribution caps for individuals up to 400% FPL and new premium support above 400% FPL that eliminates the cliff</p> <p><b>Cost-sharing support</b> that expand eligibility for, and generosity of, cost-sharing program for individuals between 150% and 400% FPL</p>	<ul style="list-style-type: none"> <li>• Significantly increase enrollment among those eligible for individual market coverage</li> <li>• Cap premium contributions for all individual market enrollees by eliminating the tax credit cliff</li> <li>• Make care more affordable for all enrollees under 400 percent FPL</li> </ul>
<b>Option 2:</b> Enhance and extend premium and cost-sharing support plus individual mandate penalty	Option 1 plus reinstatement of individual mandate penalty	<ul style="list-style-type: none"> <li>• All Option 1 objectives</li> <li>• Restore a significant share of projected enrollment loss in the individual market due to zero-dollar federal penalty</li> <li>• Lower gross premiums through improved risk mix</li> </ul>
<b>Option 3:</b> Enhance and extend premium and cost-sharing support plus individual mandate penalty plus reinsurance	Option 2 plus funding for a reinsurance program modeled on the temporary federal reinsurance program funded at the level required to lower gross premiums by 10 percent per year	<ul style="list-style-type: none"> <li>• All Option 2 objectives</li> <li>• Reduce individual market gross premiums by 10 percent per year to address affordability for individuals who do not receive premium subsidies.</li> </ul>

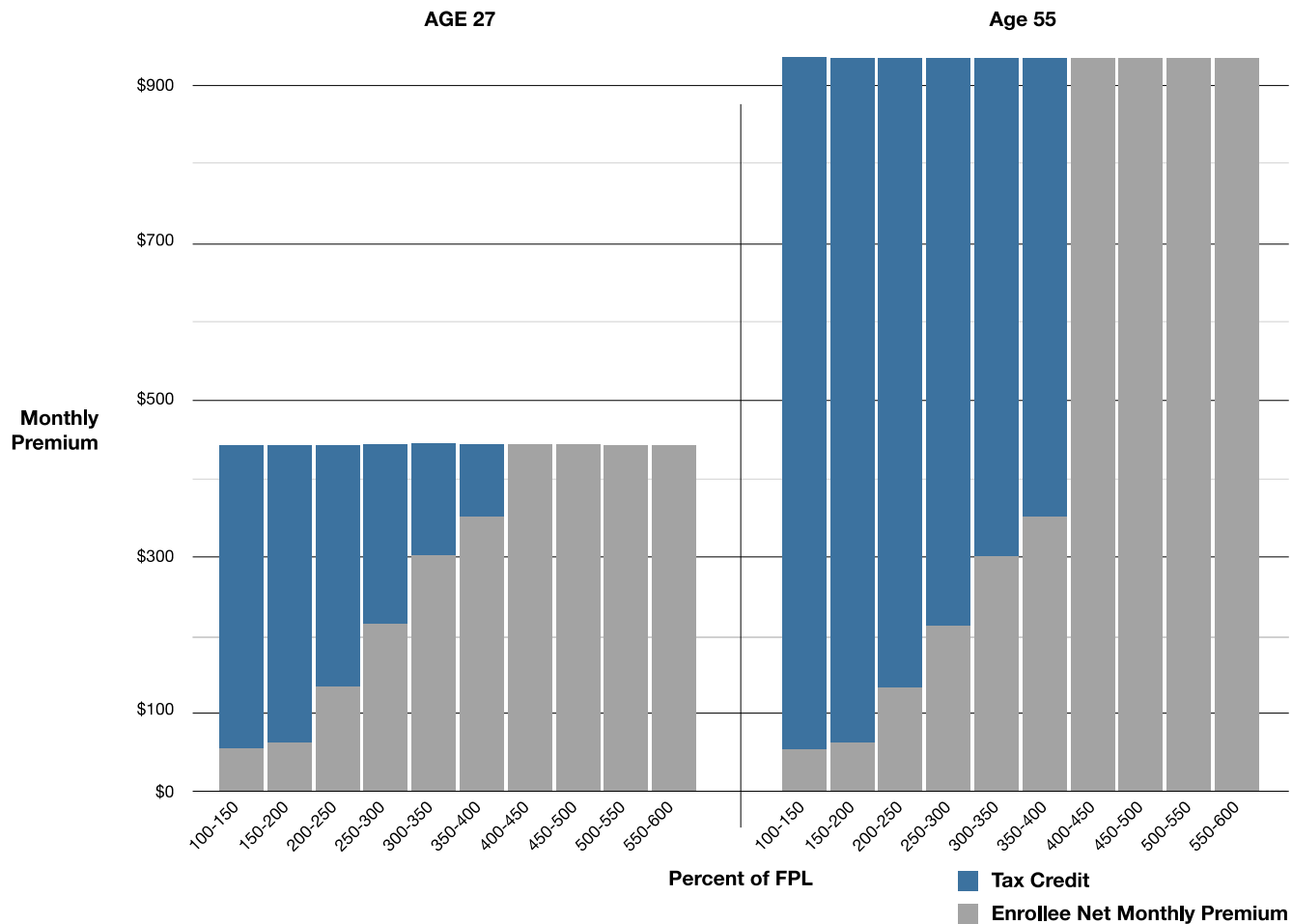
# TARGETED AFFORDABILITY MODELS

Policy Objective	Policy Option	Description
Targeted improved affordability for consumers earning less than 400% FPL	T1	<b>Premium support</b> that lowers premium contribution caps for individuals up to 400% FPL
	T2	<b>Cost-sharing reduction</b> so that those 200-400% FPL get AV 80 plans (Gold AV)
Targeted improved affordability for consumers earning less than 600% FPL	T3	<b>Premium support</b> that lowers premium contribution caps under 400% FPL and extends the cliff to 600% FPL
	T4	<b>Premium support and penalty reinstatement</b> <ul style="list-style-type: none"> <li>• Option T3</li> <li>• Reinstatement individual mandate penalty</li> </ul>
Targeted improved affordability for consumers earning more than 400% FPL	T5	<b>Premium support between 400 and 600% FPL</b> that pushes out the cliff
	T6	<b>Premium support above 400% FPL</b> that eliminates the cliff
	T7	<b>Reinsurance</b> that lowers premiums by 10 percent per year
Targeted improved affordability for all consumers generated by reinstating the mandate penalty	T8	<b>Reinstatement individual mandate penalty</b>

# AFFORDABILITY REMAINS CRITICAL CHALLENGE FOR MIDDLE INCOME CONSUMERS

- Consumer share of premium (grey bars) jump for those just over the “subsidy cliff” at 400 percent of Federal Poverty Level (FPL). The impact is most severe for older consumers and those living in regions with higher health care costs.

**Monthly Premium and Tax Credit by Age and Income Range in Alameda County**



# ILLUSTRATING POLICIES THROUGH CONSUMER SCENARIOS

## Approach 1, Option 2, Comprehensive Market-Wide Affordable Enhancements

<b>Alfonso</b> 25 years old Lives in a low cost region Income: \$25,000 206% FPL <i>Based on the second-lowest Silver plan offered where Alfonso lives</i>		Affordable Care Act Baseline	<b>Option 2</b> Enhanced Premium and Cost Sharing Subsidies with Penalty
	Monthly Premium (SLS)	\$350	\$333
	Net Premium	\$136	\$39
	Net Premium Income Share	6.54%	1.89%
	Federal Premium Subsidy	\$214	\$196
	New Premium Subsidy	\$0	\$97
	Silver Plan Medical Deductible (family)	\$2,200	\$650
	Annual Penalty	None	\$695

# ILLUSTRATING POLICIES THROUGH CONSUMER SCENARIOS

## Approach 1, Option 2, Comprehensive Market-Wide Affordable Enhancements

Erin and Francis		Affordable Care Act Baseline	<b>Option 2</b> Enhanced Premium and Cost Sharing Subsidies with Penalty
62 years old			
Live in a high cost region			
Income: \$75,000	Monthly Premium (SLS)	\$2,250	\$2,138
456% FPL	Net Premium	\$2,250	\$578
<i>Based on the second-lowest Silver plan offered where Erin and Francis live</i>	Net Premium Income Share	36.00%	9.25%
	Federal Premium Subsidy	\$0	\$0
	New Premium Subsidy	\$0	\$1,559
	Silver Plan Medical Deductible (family)	\$5,000	\$5,000
	Prorated Monthly Penalty	None	\$263



# COVERED CALIFORNIA 2019 PATIENT-CENTERED BENEFIT DESIGNS

In California, standard benefit designs allow apples-to-apples plan comparisons and seek to encourage utilization of the right care at the right time with many services that are not subject to a deductible. All health plans offer identical patient-centered benefit designs.

Coverage Category	Bronze	Silver	Gold	Platinum
	Covers <b>60%</b> average annual cost	Covers <b>70%</b> average annual cost	Covers <b>80%</b> average annual cost	Covers <b>90%</b> average annual cost
Annual Wellness Exam	\$0	\$0	\$0	\$0
Primary Care Visit	\$75	\$40	\$30	\$15
Specialty Care Visit	\$105	\$80	\$55	\$30
Urgent Care Visit	\$75	\$40	\$30	\$15
Emergency Room Facility	Full cost until out-of-pocket maximum is met	\$350	\$325	\$150
Laboratory Tests	\$40	\$35	\$35	\$15
X-Ray and Diagnostics	Full cost until out-of-pocket maximum is met	\$75	\$55	\$30
Medical Deductible	Individual: \$6,300 Family: \$12,600	Individual: \$2,500 Family: \$5,000	N/A	N/A
Pharmacy Deductible	Individual: \$500 Family: \$1,000	Individual: \$200 Family: \$400	N/A	N/A
Annual Out-of-Pocket Maximum	Individual: \$7,550 Family: \$15,100	Individual: \$7,550 Family: \$15,100	Individual: \$7,200 Family: \$14,400	Individual: \$3,350 Family: \$6,700

*Benefits shown in blue are not subject to a deductible.*

*White corner = subject to a deductible after first three visits. The copay is for any combination of services (primary care, specialist, urgent care) for the first three visits.*

*After three visits, they will be at full cost until the medical deductible is met.*

# COVERED CALIFORNIA 2019 PATIENT-CENTERED BENEFIT DESIGNS FOR COST-SHARING REDUCTION BENEFIT DESIGNS

Consumers who have a **household income between 138% and 250%** of the federal poverty level are eligible to enroll in **Silver plan with Cost-Sharing Reduction (CSR)** benefits.

Coverage Category	Enhanced Silver 94	Enhanced Silver 87	Enhanced Silver 73
Eligibility Based on Income and Premium Assistance	Covers <b>94%</b> average annual cost	Covers <b>87%</b> average annual cost	Covers <b>73%</b> average annual cost
Single Income Ranges	up to \$18,210 (≤150% FPL)	\$18,211 to \$24,280 (>150% to ≤200% FPL)	\$24,281 to \$30,350 (>200% to ≤250% FPL)
Annual Wellness Exam	\$0	\$0	\$0
Primary Care Visit	\$5	\$15	\$35
Specialty Care Visit	\$8	\$25	\$75
Urgent Care Visit	\$5	\$15	\$35
Emergency Room Facility	\$50	\$100	\$350
Laboratory Tests	\$8	\$15	\$35
X-Ray and Diagnostics	\$8	\$30	\$75
Imaging	\$50	\$100	\$300
Medical Deductible	Individual: \$75 Family: \$150	Individual: \$650 Family: \$1,300	Individual: \$2,200 Family: \$4,400
Pharmacy Deductible	—	Individual: \$50 Family: \$100	Individual: \$175 Family: \$350
Annual Out-of-Pocket Maximum	Individual: \$1,000 Family: \$2,000	Individual: \$2,600 Family: \$5,200	Individual: \$6,300 Family: \$12,600

*Benefits shown in blue are not subject to a deductible.*



Information for consumers  
**CoveredCA.com**

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Information on exchange-related activities  
**hbex.CoveredCA.com**