

# PPACA: Overview & Issues

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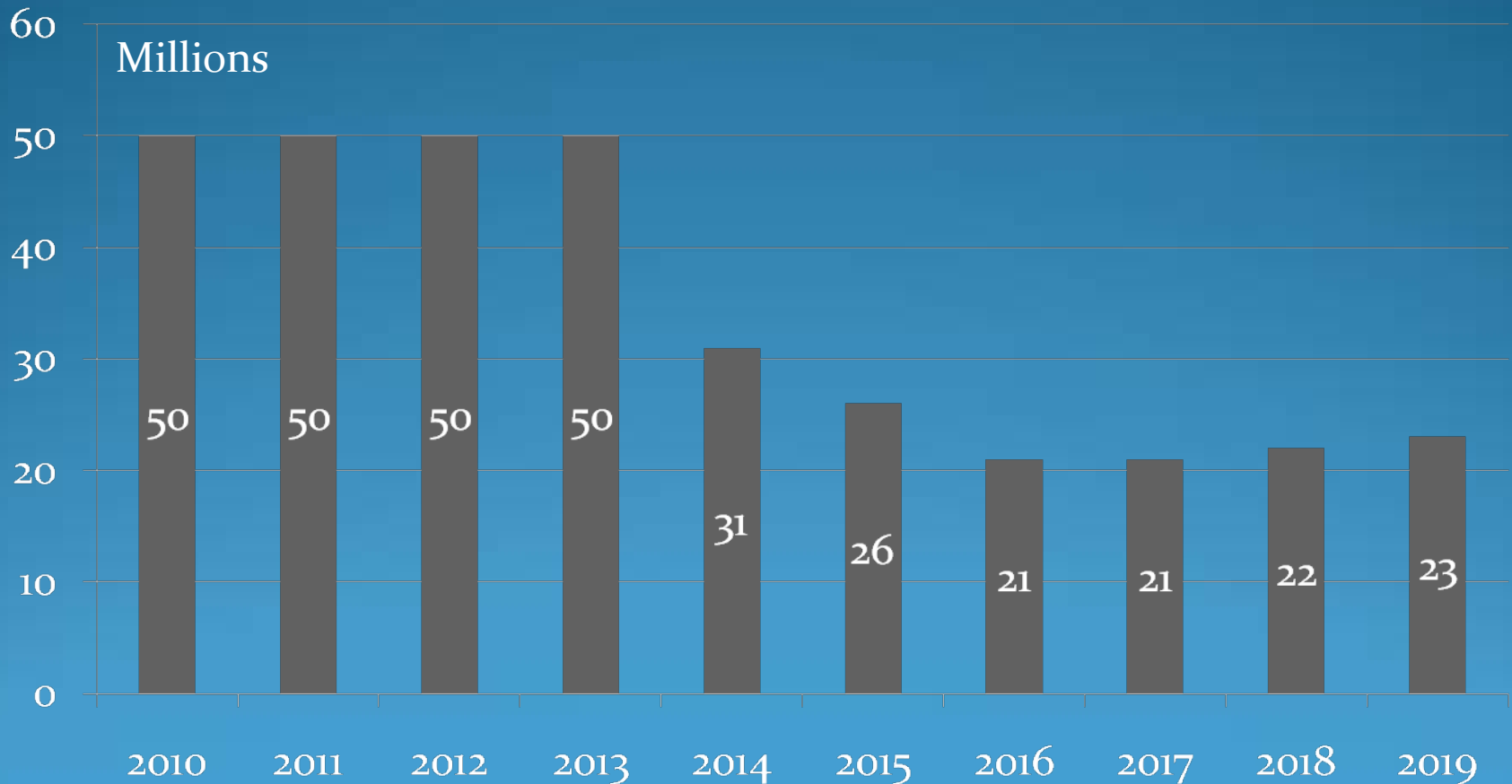
Alabama Obesity Network  
February 12, 2013

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# Overview

- Individual Mandate
- Exchanges
- Medicaid Expansion
- Funding
- Discussion

# The Uninsured



CBO, March 20, 2010, Table 4

# Individual Mandate

- Requires most U.S. citizens and legal residents to have health insurance
  - Penalty for going without coverage
  - Subsidies for lower income people
  - Requires “qualifying” coverage

# Penalties

- Adverse selection!
- Phased-in
  - 2014 -- \$95/year *or* 1.0% of income
  - 2015 -- \$325/year *or* 2.0% of income
  - 2016 -- \$695/year *or* 2.5% of income
- Up to 3 times these amounts for family penalties
- Adjusted for cost of living after 2016

# Subsidies

- Refundable, advanceable premium credits to individuals and families with incomes between 138 and 400% of the Federal Poverty Line (FPL)
  - 138-150% FPL - 3.0-4.0% of income
  - 150-300% FPL - 4.0-9.5% of income
  - 300-400% FPL - 9.5% of income
  - Adj. over time to reflect premium vs. income growth

# Federal Poverty Line - 2013

	100%	138%	150%	300%	400%
1 Person	\$11,170	\$15,328	\$16,661	\$33,321	\$44,428
2 People	\$15,130	\$20,879	\$22,695	\$45,390	\$60,520
3 People	\$19,090	\$26,344	\$28,635	\$57,270	\$76,360
4 People	\$23,050	\$31,809	\$34,575	\$69,150	\$92,200

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# The Exchanges

- Essential Benefit Package
  - Bronze, Silver, Gold & Platinum Coverage
  - 60%, 70%, 80% 90%, respectively, of the costs of the essential benefit package
- States May Choose Essential Benefits Benchmark:
  - The largest plan by enrollment in any of the three largest small group insurance products in the state's small group market
  - Any of the largest three state employee health benefit plans by enrollment
  - Any of the largest three national Federal Employees Health Benefits Program (FEHBP) plan options by enrollment
  - The largest insured commercial non-Medicaid Health Maintenance Organization operating in the state



# The Exchanges

- Essential Benefit Package
- Governor Bentley has indicated that the state lacks sufficient guidance from the federal government
- Default is largest small group plan:
- 320 Plan offered by Blue Cross Blue Shield of Alabama

# Medicaid & the PPACA

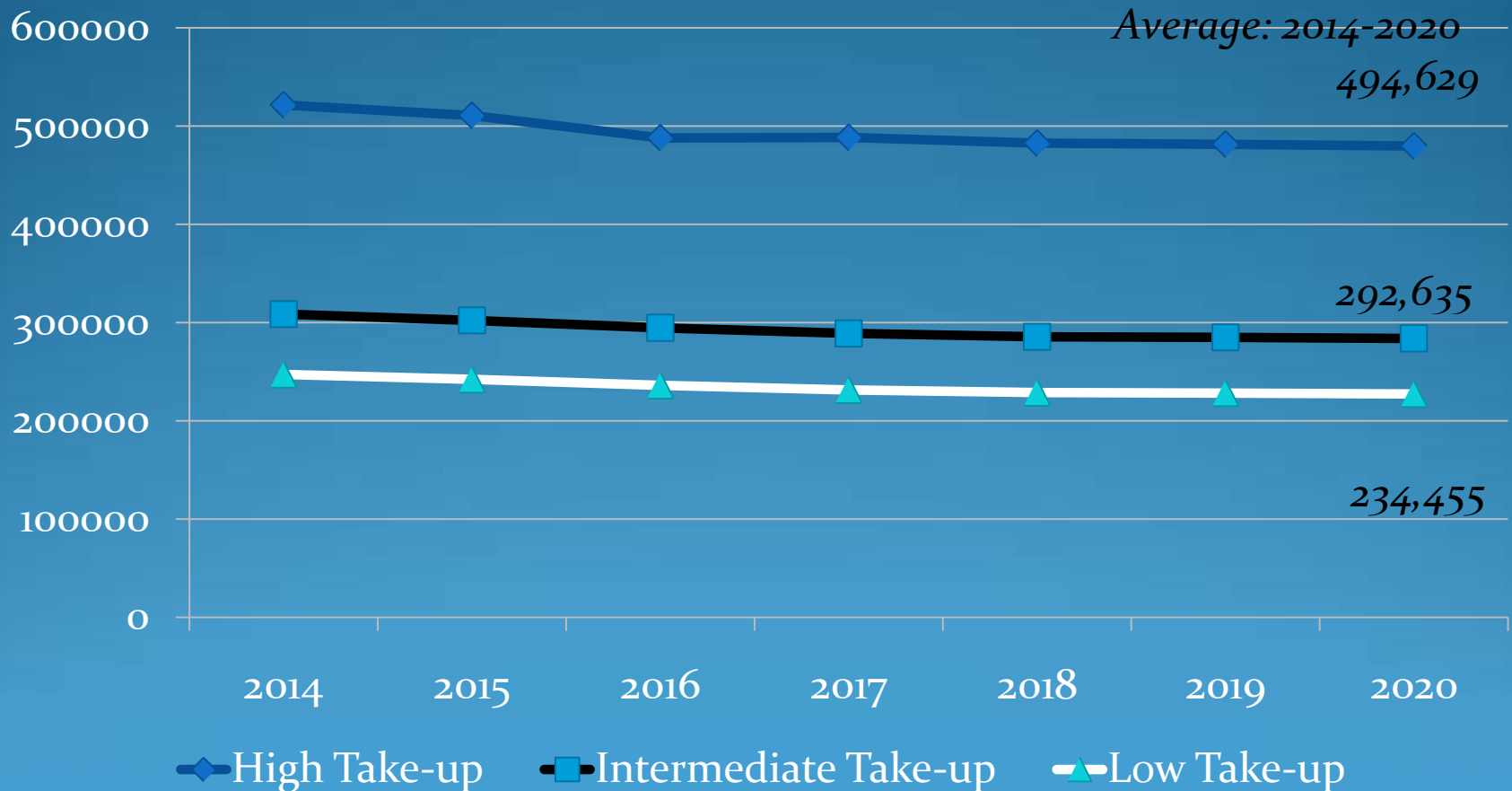
- The PPACA “required” the states to expand eligibility for Medicaid to all citizens and long time legal residents aged 19 through 64 with incomes below 138 percent of the Federal Poverty Line.
- **SCOTUS Decision**
  - Concluded that requiring Medicaid expansion at the cost of losing all federal Medicaid funding was a “gun to the head” of the states and unconstitutional

# Medicaid Expansion

- States now have the option to expand:
  - Federal match for the expansion:
    - 2014 100%
    - 2015 100%
    - 2016 100%
    - 2017 95%
    - 2018 94%
    - 2019 93%
    - 2020 90%

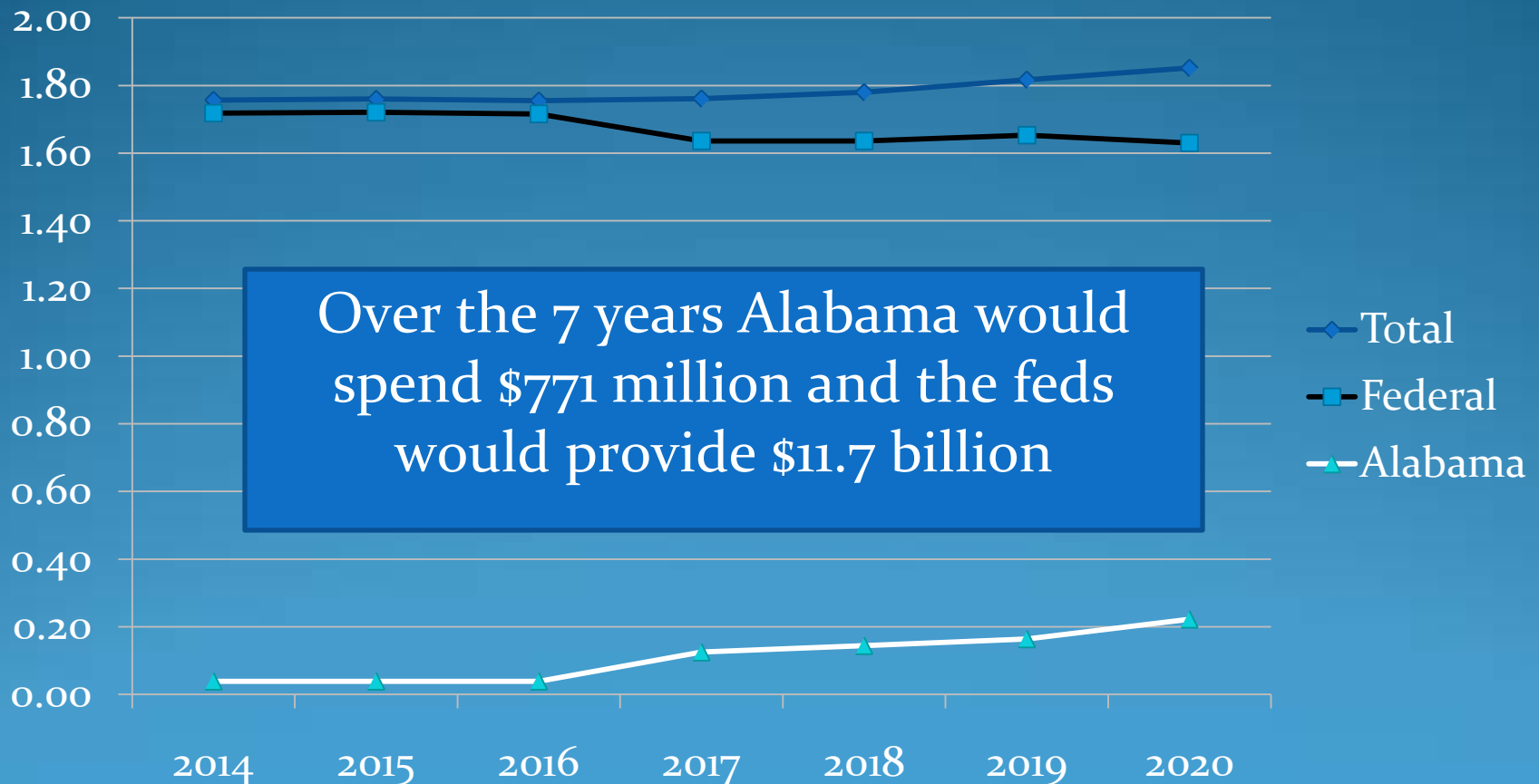
Governor Bentley has said that Alabama will not expand its Medicaid program in its current form.

# New Alabama Medicaid Enrollment



Source: Becker & Morrissey (November, 2012)

# Costs of Expansion in Billions (Intermediate Scenario)



Source: Becker & Morrisey (November, 2012)

# Medicaid Expansion

- SCOTUS Decision
  - Loss of Disproportionate Share Funds
    - Certainly with an expansion
    - Probably without the expansion
    - In Alabama: loss of ~ \$183 million each year
  - Implications of alternative or slower implementation

# Medicaid Expansion

- SCOTUS Decision
- Maintenance of Effort (MOE)
  - PPACA requires states to maintain their level of effort with respect to Medicaid and CHIP through 2019
  - There is a view that the SCOTUS decision nullified this requirement as well as the Medicaid expansion, per se
  - State of Maine is asking for relief from MOE

# Employers

- Large employers face a “pay or play” mandate
  - Large means >50 full time employees
  - Penalty is \$2,000 per worker
  - **Very few will drop coverage**
- Small employers
  - Are not required to offer coverage
  - Are eligible for a two year subsidy
  - **May drop coverage, raise wages, and see their employees in the individual exchange**



# Ten Year PPACA Financials (in billions)

Spending		Revenue	
Exchanges	\$464	Medicare	
		-Medicare Advantage	- \$136
		-Reduce doctor fee updates	- \$196
		- Other	- \$123
Medicaid	\$434	Penalty Payments	\$ 69
Small Emp Credit	\$ 40	Cadillac Coverage Tax	\$ 32
		Fees on Manuf & Ins	\$107
		Part A tax	\$210
		Other Revenue	\$208
<b>TOTAL</b>	<b>\$871</b>	<b>TOTAL</b>	<b>\$1,081</b>
		Reduction in deficit	- \$143

CBO, March 20, 2010 – Table 2

# Discussion and Questions

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