

Welcome to the:

AB 1810 Affordability Workgroup Meeting #1

October 22, 2018 • 10:00 – 12:00



Please ensure your microphone is muted when not in use.

Webinar Participants: Click “Audio” on your webinar dashboard for the call-in number & your personal pin number.
Your personal pin number was also provided in your registration confirmation email.

AB 1810

AFFORDABILITY WORKGROUP MEETING #1

October 22, 2018

AGENDA

- I. Welcome and Introductions
- II. Take-Up Among Individuals Eligible for Covered California and Affordability Challenges – Laurel Lucia and Miranda Dietz, UC Berkeley Labor Center
- III. Discussion of Modeling for November Workgroup Meeting
- IV. Wrap-up and Next Steps

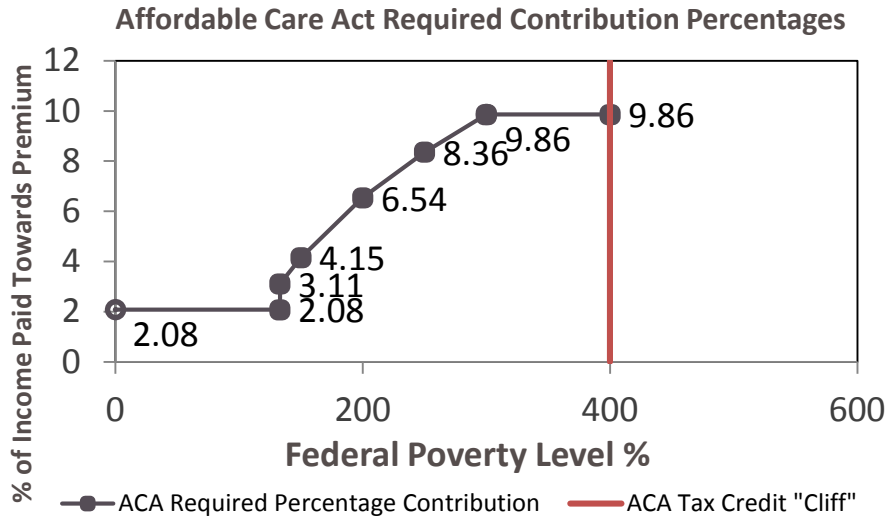
PROPOSED AFFORDABILITY POLICY OPTIONS AND MODELING FRAMEWORK

- Two-step process to model discrete options as “step 1” and then model combinations as “step 2”
- Step 1: model enhancements to existing affordability mechanisms and/or build on structures from the Affordable Care Act including:
 - Premium support
 - Cost sharing support
 - State coverage mandate and penalty
 - State reinsurance program
- Evaluate options based on changes to enrollment, member costs, and federal and state spending

PREMIUM SUPPORT OPTIONS

- Enhance premium support for individuals currently eligible for federal premium tax credits under 400 percent of the federal poverty level
- Extend premium support to individuals not currently eligible for federal premium tax credits above 400 percent of the federal poverty level
- Provide flat dollar premium credits or premium amounts
- Add factors other than income or household size to tax credit calculation
- Change the benchmark plan for purposes of calculating the premium tax credit
- Others?

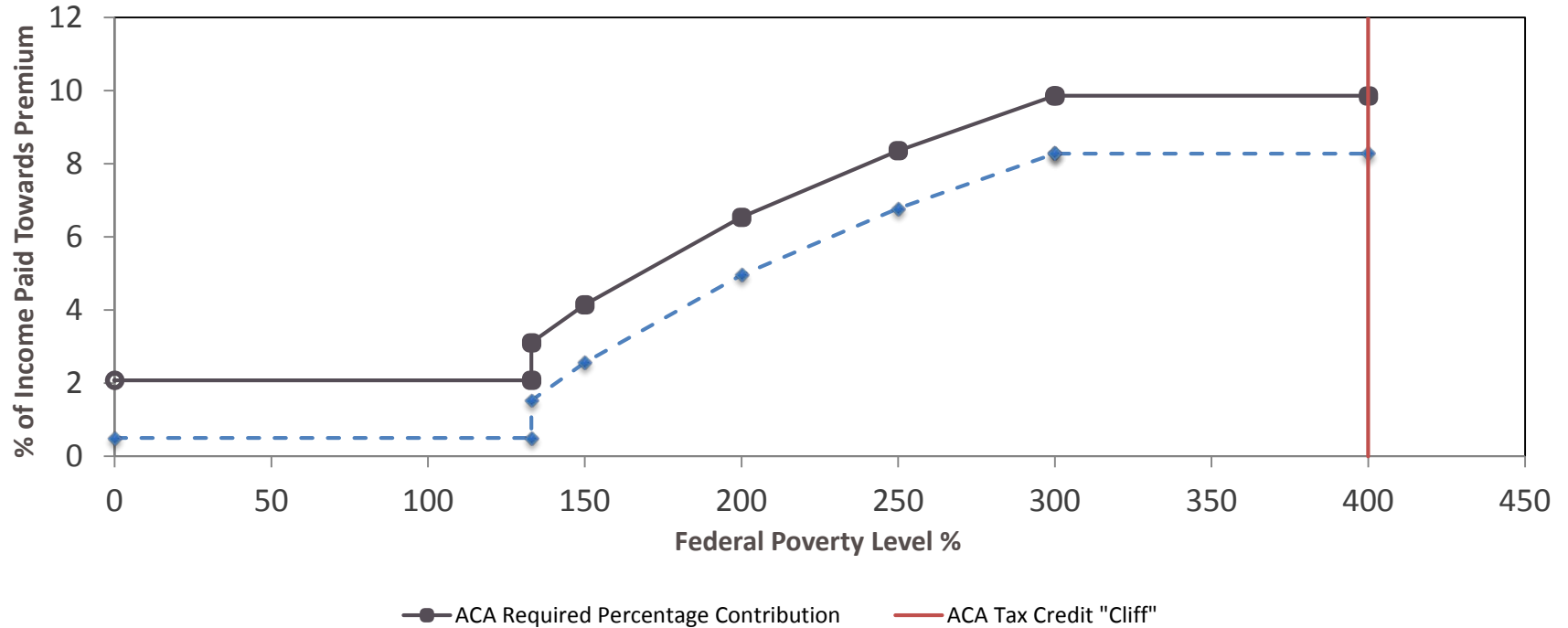
AFFORDABLE CARE ACT REQUIRED CONTRIBUTION TOWARD PREMIUM



2019 Applicable Percentage Table		
Federal Poverty Level	Initial %	Final %
Less than 133%	2.08%	2.08%
At least 133% but less than 150%	3.11%	4.15%
At least 150% but less than 200%	4.15%	6.54%
At least 200% but less than 250%	6.54%	8.36%
At least 250% but less than 300%	8.36%	9.86%
At least 300% but not more than 400%	9.86%	9.86%

The required contribution (also called Fair Share) is the maximum amount that a household must pay toward their monthly premium. The required contribution amount is calculated as a percentage of the taxpayer's household income, based on the federal poverty level (See [Rev. Proc. 2018-34](#) for 2019). This percentage increases on a sliding scale as the taxpayer's household income increases, and is indexed each year after 2014. The premium tax credit is determined by taking the difference between the second lowest cost silver plan available in the consumer's region and the required contribution.

EXAMPLE: ENHANCE PREMIUM SUPPORT FOR INDIVIDUALS CURRENTLY ELIGIBLE FOR PREMIUM TAX CREDITS



EXAMPLE: ENHANCE PREMIUM SUPPORT FOR INDIVIDUALS CURRENTLY ELIGIBLE FOR PREMIUM TAX CREDITS

Illustrative Example

Single 40-Year Old Living in Oakland, CA (94609) at 200% FPL

	Current Law	Changes to Applicable Percentage
Modified Adjusted Gross Income	\$24,280	\$24,280
Federal Poverty Level	200%	200%
Applicable Percentage	6.54%	4.96%
Monthly Premium for Second Lowest-Cost Silver	\$536.83	\$536.83
Monthly Fair Share Premium or Member Net Premium	\$132.33	\$100.36
Advanced Premium Tax Credit	\$404.50	\$436.47

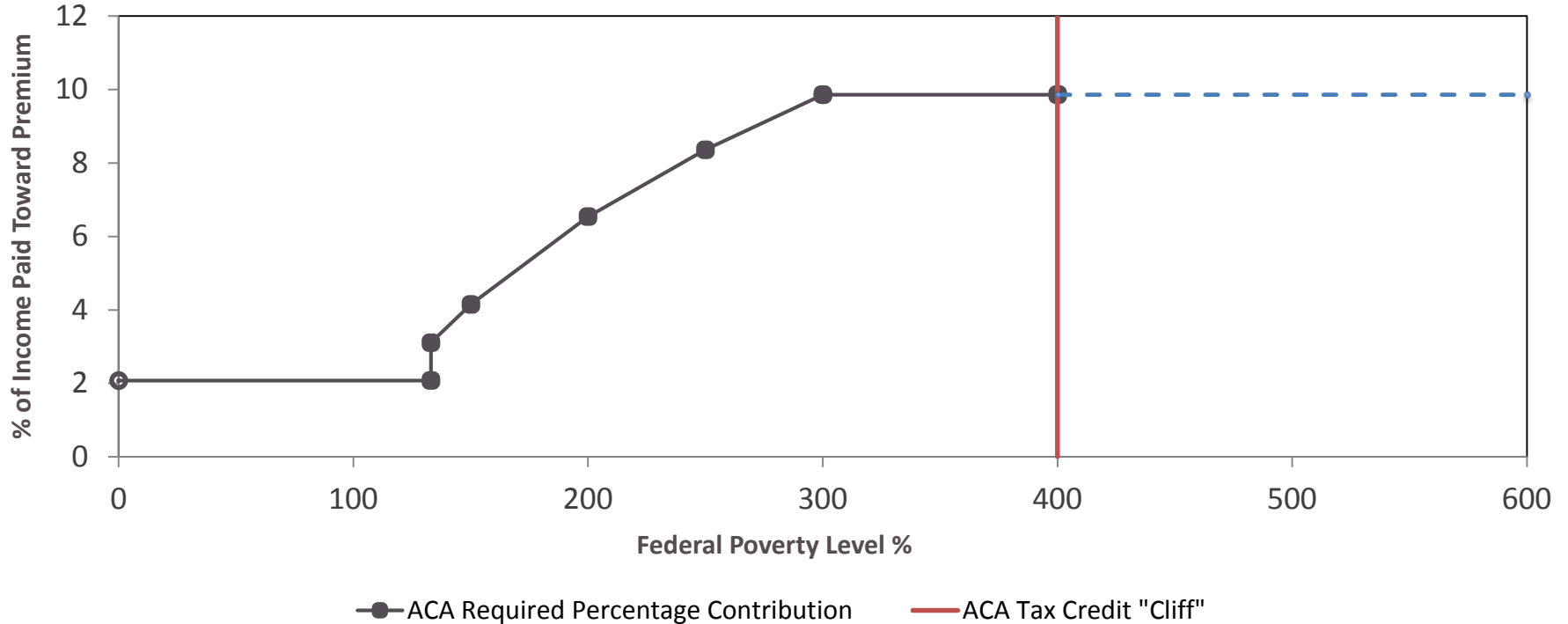
Monthly Savings to Consumer

\$31.97

Annual Savings to Consumer

\$383.62

EXAMPLE: EXTEND OR ELIMINATE TAX CREDIT "CLIFF"



EXAMPLE: EXTEND OR ELIMINATE TAX CREDIT “CLIFF”

Illustrative Example

Single 40-Year Old Living in Oakland, CA (94609) at 425% FPL

	Current Law	State-Funded Subsidies to 600% FPL & Beyond
Modified Adjusted Gross Income	\$51,595	\$51,595
Federal Poverty Level	425%	425%
Applicable Percentage	N/A	9.86%
Monthly Premium for Second Lowest-Cost Silver	\$536.83	\$536.83
Monthly Fair Share Premium or Member Net Premium	\$536.83	\$423.94
Advanced Premium Tax Credit	\$0.00	\$112.89

Monthly Savings to Consumer

\$112.89

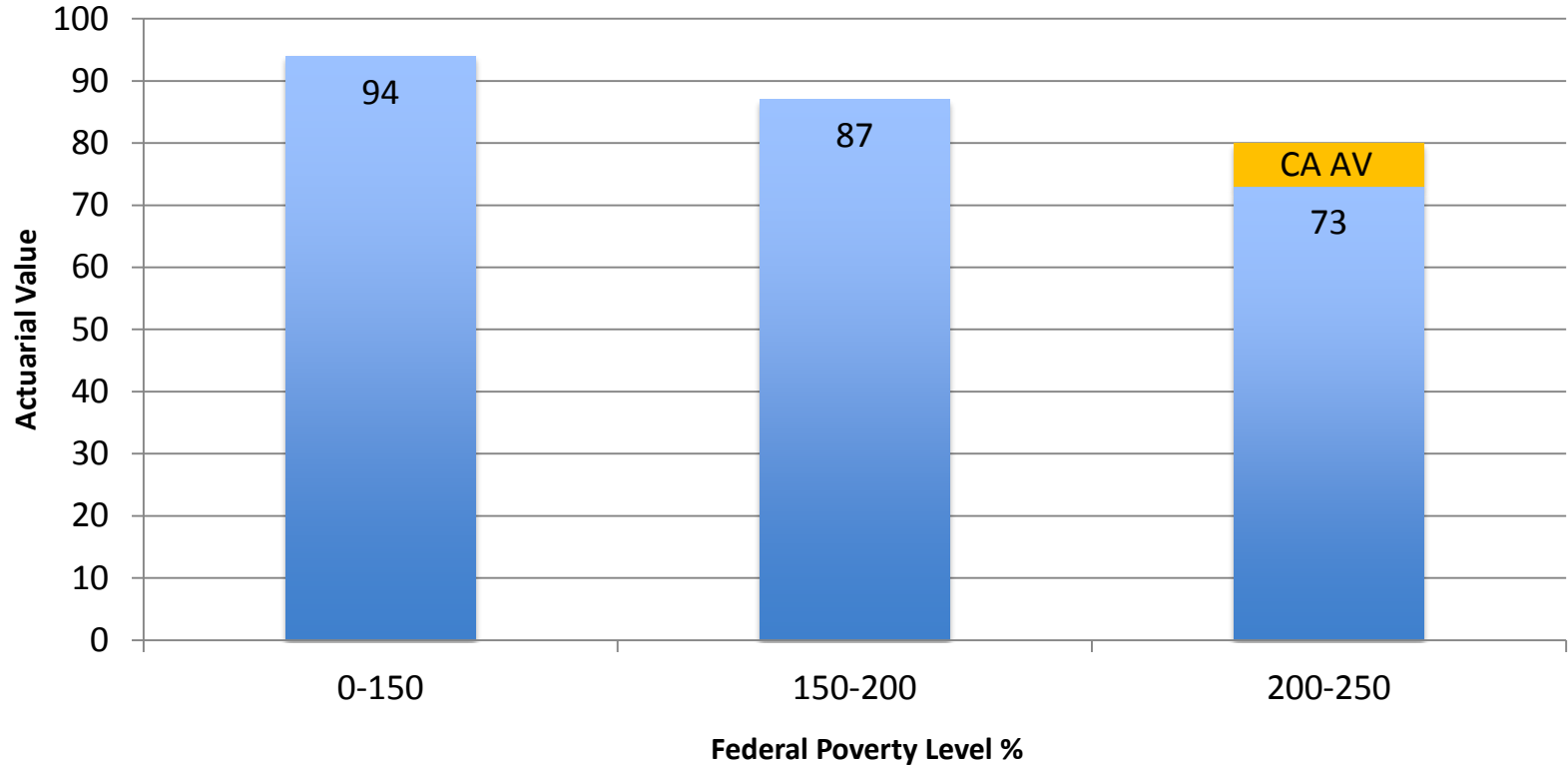
Annual Savings to Consumer

\$1,354.69

COST SHARING SUPPORT

- Enhance the value of cost sharing support for currently-eligible individuals under 250 percent of the federal poverty level
- Extend cost sharing eligibility and/or value
- Others?

EXAMPLE: ENHANCE THE VALUE OF COST SHARING SUPPORT AT CURRENT INCOME ELIGIBILITY LEVELS



INDIVIDUAL MANDATE PENALTY

- The individual shared responsibility provision of the Affordable Care Act requires individuals and each member of their family to have minimum essential coverage, qualify for a coverage exemption, or make an individual shared responsibility payment when filing a federal income tax return.
- The penalty is designed to rise annually with inflation and is either a flat dollar amount or a percentage of household income above the annual tax filing threshold, whichever is greater. The amount owed is prorated based on the number of months in the year without coverage, less the first three months.

For Tax Year 2018:

- Flat dollar amount penalty is \$695 per adult and \$347.50 per child under 18 (up to a maximum of \$2,085 per family).
- Percentage of income penalty is 2.5% of household income above the tax filing threshold (the percentage penalty cannot exceed the national average cost of a bronze-level plan).

For Tax Year 2019:

- The Tax Cuts and Jobs Act of 2017 reduced the penalty for not maintaining minimum essential coverage to zero dollars beginning in tax year 2019.

<https://www.irs.gov/affordable-care-act/individuals-and-families/aca-individual-shared-responsibility-provision-calculating-the-payment>

REINSURANCE PROGRAM

- Reinsurance lowers premiums by off-setting the expense of high-cost enrollees by providing payment to insurers who enroll individuals with expensive medical claims.
- Under the ACA's transitional reinsurance program (2014-2016), all health insurers and self-insured plans subject to ACA market rules contributed funds to the reinsurance program and were eligible for reinsurance payment. Federal HHS collected the funds from insurers and administered the program.
- The ACA's transitional reinsurance program used an attachment-point model which covers claims costs between a specified threshold and a cap. A condition-based model also exists.
- Seven states have implemented reinsurance through a federal 1332 waiver which provides federal pass-through funding to states.

DISCUSSION OF PRIORITIES FOR “STEP 1” MODELING

- Extended and/or enhanced premium support
 - Must model
 - Would like to model
- Extended and/or enhanced cost sharing support
 - Must model
 - Would like to model
- ACA-like mandate and penalty
- ACA-like reinsurance
- Others?

IMPLEMENTATION CONSIDERATIONS

- Covered California staff will develop outline of implementation considerations for discussion at November workgroup meeting
- Topics will include:
 - Required approvals
 - Operational and system impacts
 - Implementation timeline
 - Potential partner impacts

NOVEMBER 16 PROPOSED AGENDA AND WORKGROUP INFORMATION

- November 16 proposed agenda items:
 - Review modeling and discuss trade-offs between the options
 - Discuss implementation considerations
 - Discuss combinations, phasing and trend
- Key Dates:
 - November 16, 2018 – workgroup meeting
 - December 17, 2018 – workgroup meeting
 - January TBD – Board meeting
 - February 1, 2019 – affordability report due

Meeting dates/times, agendas, and presentation slides available online:

https://hbex.coveredca.com/stakeholders/AB_1810_Affordability_Workgroup/

Questions and/or requests to be added to our distribution list can be sent to policy@covered.ca.gov