



**THE
COMMONWEALTH
FUND**

**Premium Tax Credits Under the Affordable Care Act:
How They Will Help Millions of Uninsured and
Underinsured Americans Gain Affordable,
Comprehensive Health Insurance**

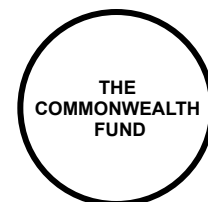
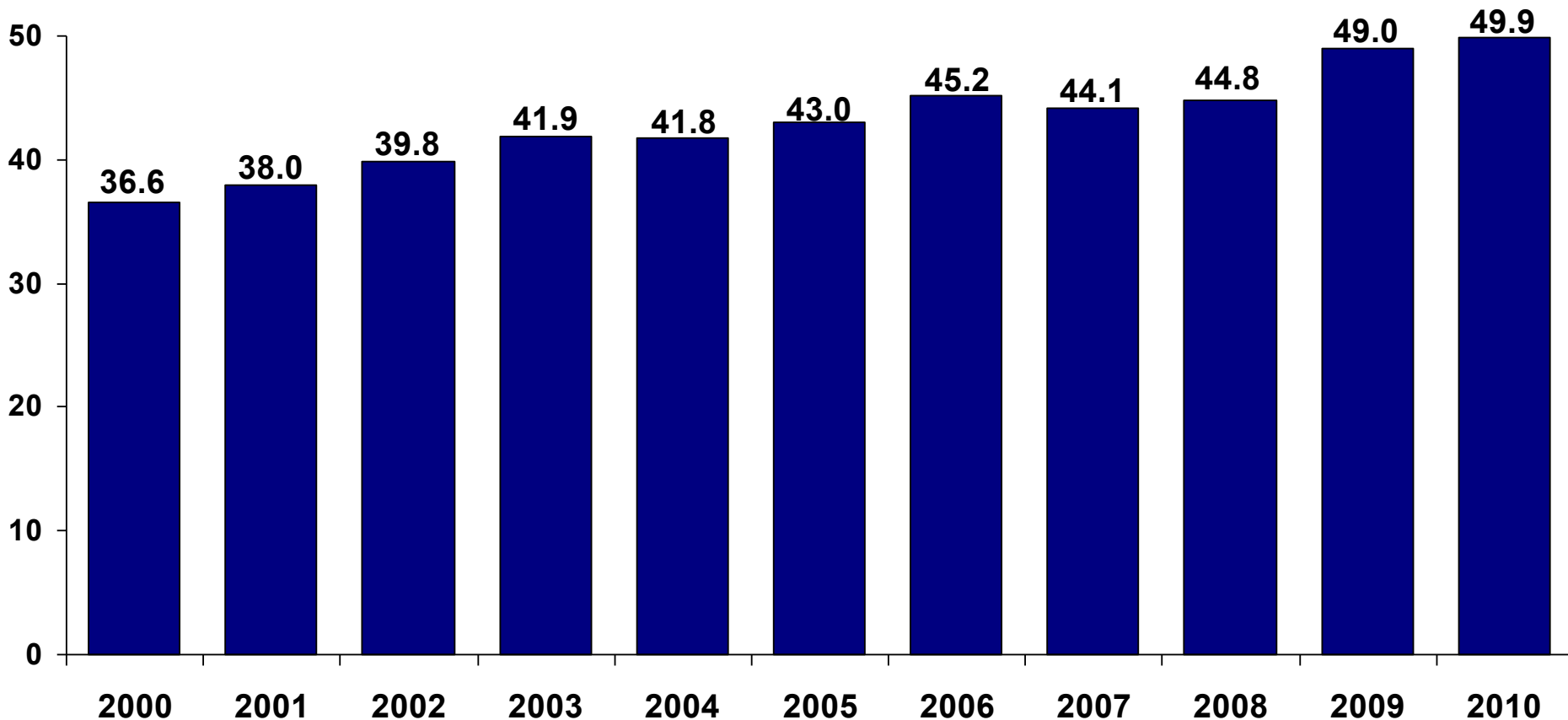
**Sara R. Collins, Ph.D.
Vice President, Affordable Health Insurance
The Commonwealth Fund**

**U.S. House of Representatives
Committee on Oversight and Government Reform
Subcommittee on Health Care, District of Columbia, Census, and the National Archives
Hearing on Tax Credits in the Patient Protection and Affordable Care Act**

**Washington, D.C.
October 27, 2011**

Exhibit 1. Thirteen Million More People Uninsured Over Last Decade

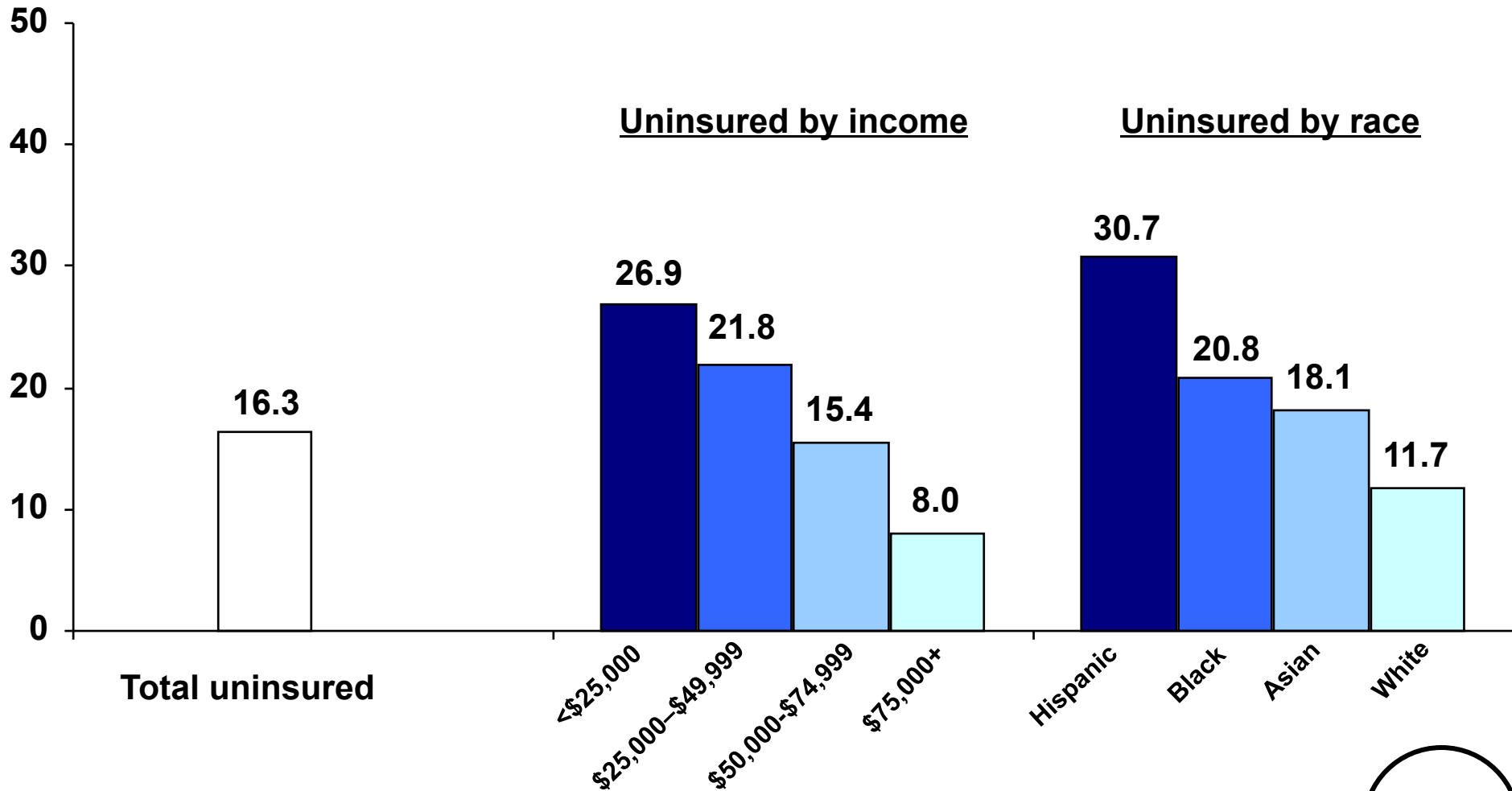
Millions of uninsured



Source: *Income, Poverty, and Health Insurance Coverage in the United States: 2010* (Washington, D.C.: U.S. Census Bureau, Sept. 2011).

Exhibit 2. People with Low Incomes and Minorities Have Highest Uninsured Rates, 2010

Percent of population uninsured, by income and race



Source: *Income, Poverty, and Health Insurance Coverage in the United States: 2010* (Washington, D.C.: U.S. Census Bureau, Sept. 2011).

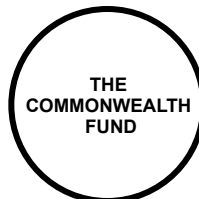
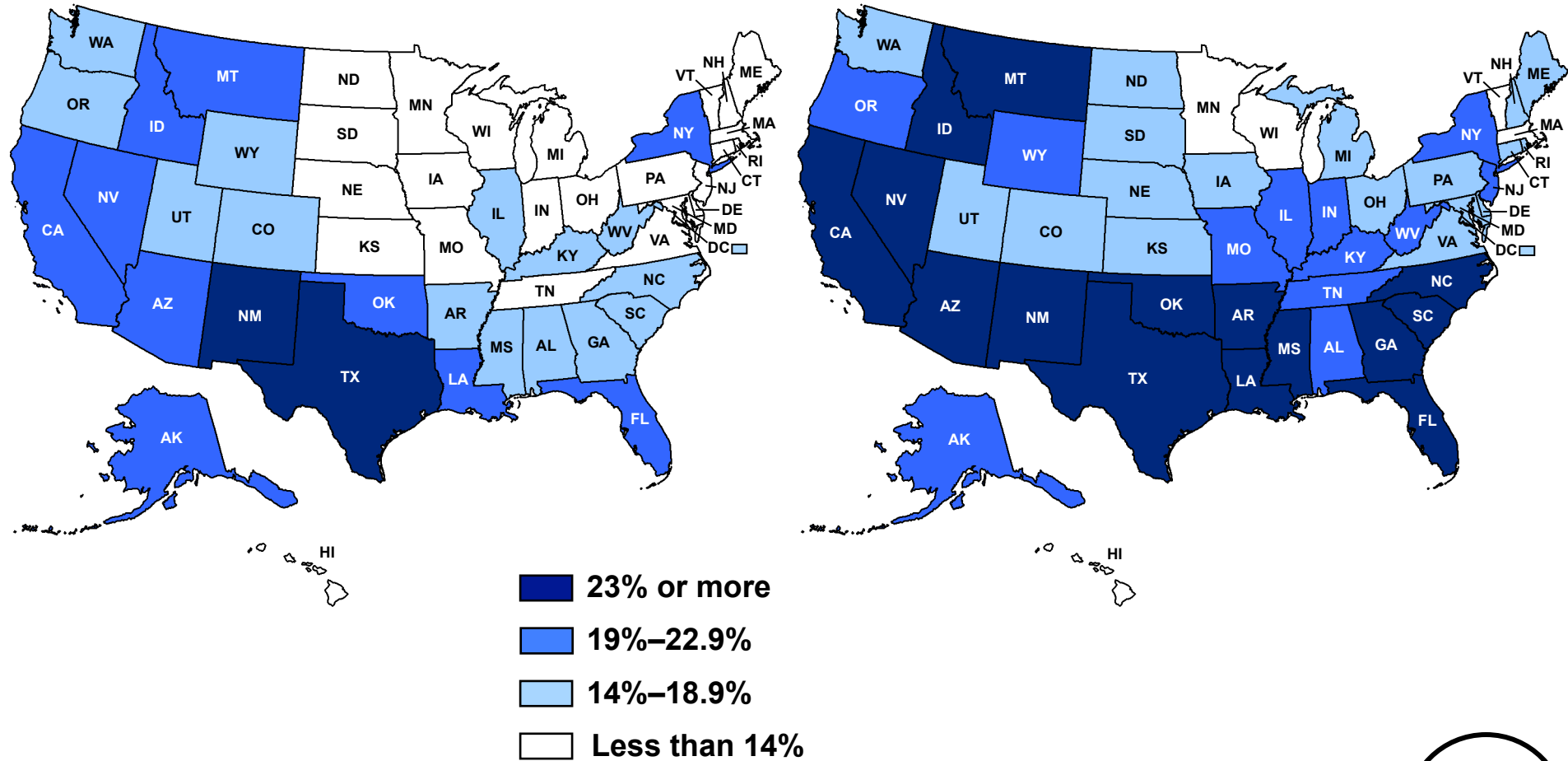


Exhibit 3. Percent of Adults Ages 19–64 Uninsured by State

1999–2000

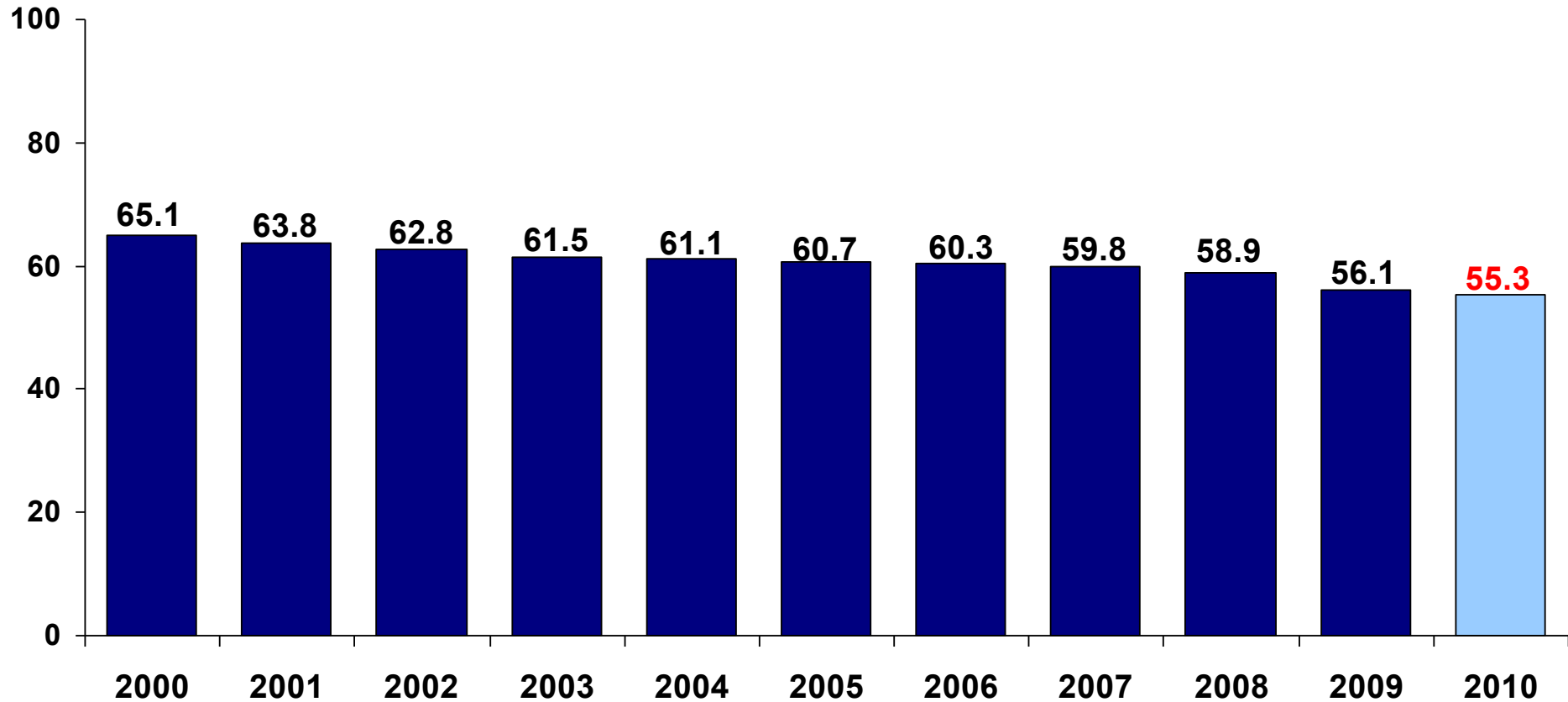
2009–2010



Data: U.S. Census Bureau, 2000–01 (revised) and 2010–11 Current Population Survey, ASEC Supplement.
 Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2011.

Exhibit 4. The Percent of People with Employment-Based Insurance Continued to Decline in 2010

Percent of population covered by employment-based insurance



Source: *Income, Poverty, and Health Insurance Coverage in the United States: 2010* (Washington, D.C.: U.S. Census Bureau, Sept. 2011).

Exhibit 5. Nearly Three of Five Adults Who Lost a Job with Health Benefits in the Past Two Years Became Uninsured

Percent of adults ages 19–64 who lost their job with employer-based benefits*

	Total [^]	<200% FPL	200% FPL or more	White	Black or Hispanic
Respondent lost job in past two years	18% 33 million	28% 20 million	11% 10 million	15% 18 million	25% 13 million
Respondent had insurance through job that was lost	46% 15 million	36% 7 million	69% 7 million	53% 10 million	41% 5 million
What happened when you lost your employer-based health insurance?					
Became uninsured	57	70	42	49	73
Went on spouse's insurance or found insurance through other source	25	22	29	27	21
Continued job-based coverage through COBRA	14	8	21	19	5

Note: FPL refers to federal poverty level.

* Job lost in the past two years.

[^] Includes respondents who did not state their income level.

Source: M. M. Doty, S. R. Collins, R. Robertson, and T. Garber, *Realizing Health Reform's Potential—When Unemployed Means Uninsured: The Toll of Job Loss on Health Coverage, and How the Affordable Care Act Will Help* (New York: The Commonwealth Fund, Aug. 2011).

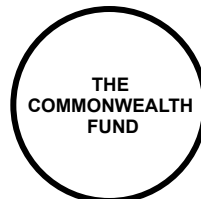
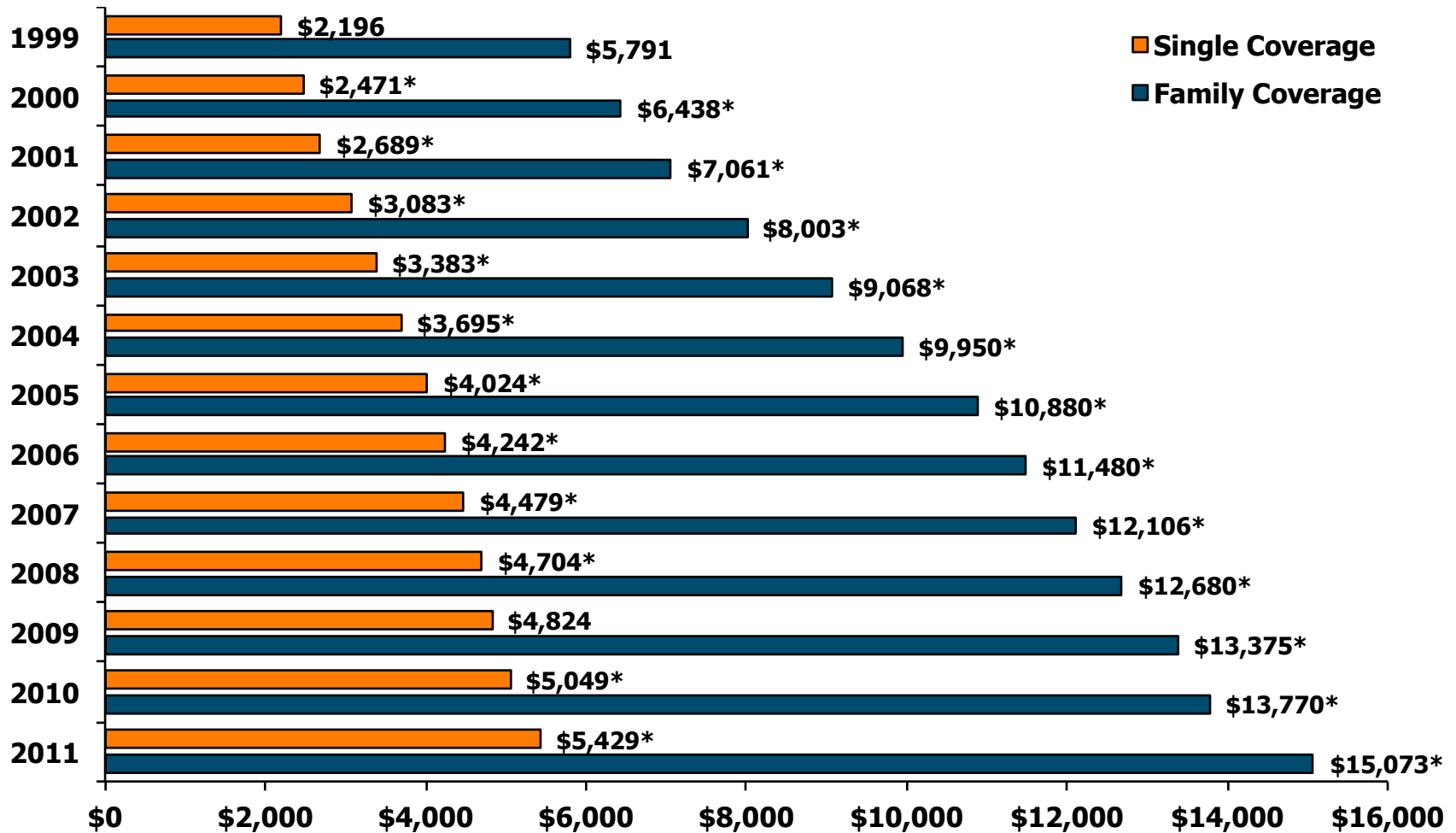


Exhibit 6. Average Annual Premiums for Single and Family Coverage, 1999–2011



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).
 Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2011.



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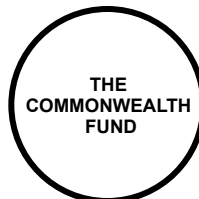


Exhibit 7. The Individual Insurance Market Is Not an Affordable Option for Many People

Adults ages 19–64 with individual coverage* or who tried to buy it in past three years who:	Total 26 million	Health problem**	No health problem	<200% FPL	200%+ FPL
Found it very difficult or impossible to find coverage they needed	43% 11 million	53%	31%	49%	35%
Found it very difficult or impossible to find affordable coverage	60% 16 million	70	46	64	54
Were turned down, charged a higher price, or had condition excluded because of a preexisting condition	35% 9 million	46	20	38	34
<i>Any of the above</i>	71% 19 million	83	56	77	64

Note: FPL refers to federal poverty level. * Bought in the past three years. ** Respondent rated their health status as fair or poor, has a disability or chronic disease that keeps them from working full time or limits housework/other daily activities, or has any of the following chronic conditions: hypertension or high blood pressure; heart disease, including heart attack; diabetes; asthma, emphysema, or lung disease; high cholesterol.

Source: S. R. Collins, M. M. Doty, R. Robertson, and T. Garber, *Help on the Horizon: How the Recession Has Left Millions of Workers Without Health Insurance, and How Health Reform Will Bring Relief—Findings from The Commonwealth Fund Biennial Health Insurance Survey of 2010* (New York: The Commonwealth Fund, March 2011).

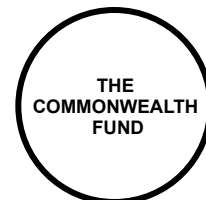
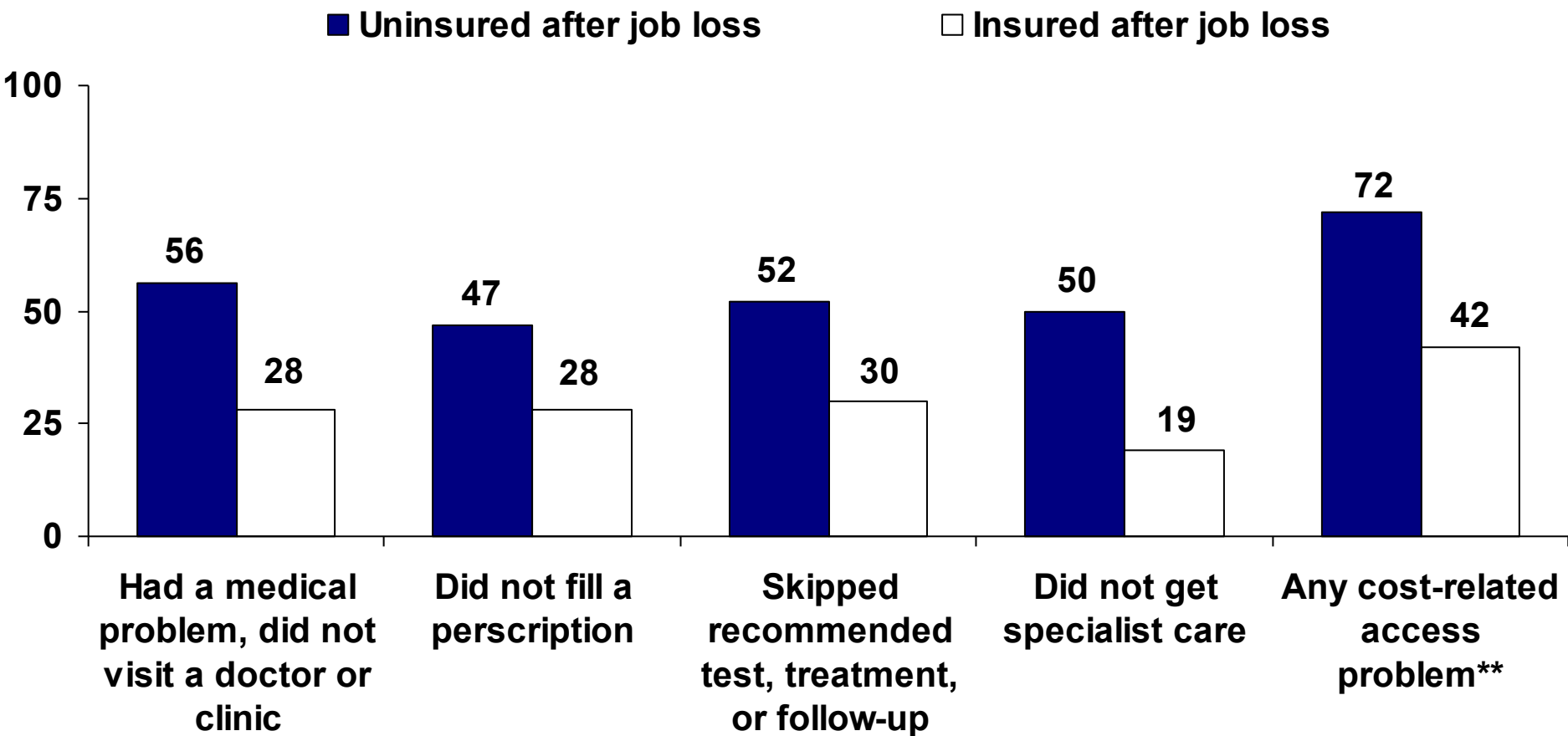


Exhibit 8. Three-Quarters of Adults Who Became Uninsured When They Were Laid Off Had Problems Getting the Care They Needed

Percent of adults ages 19–64 who lost a job with employer-based benefits*



* Job lost in the past two years.

** Includes any of the following because of cost: had a medical problem, did not visit a doctor or clinic; did not fill a prescription; skipped recommended test, treatment, or follow-up; did not get specialist care.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2010).

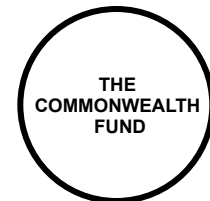
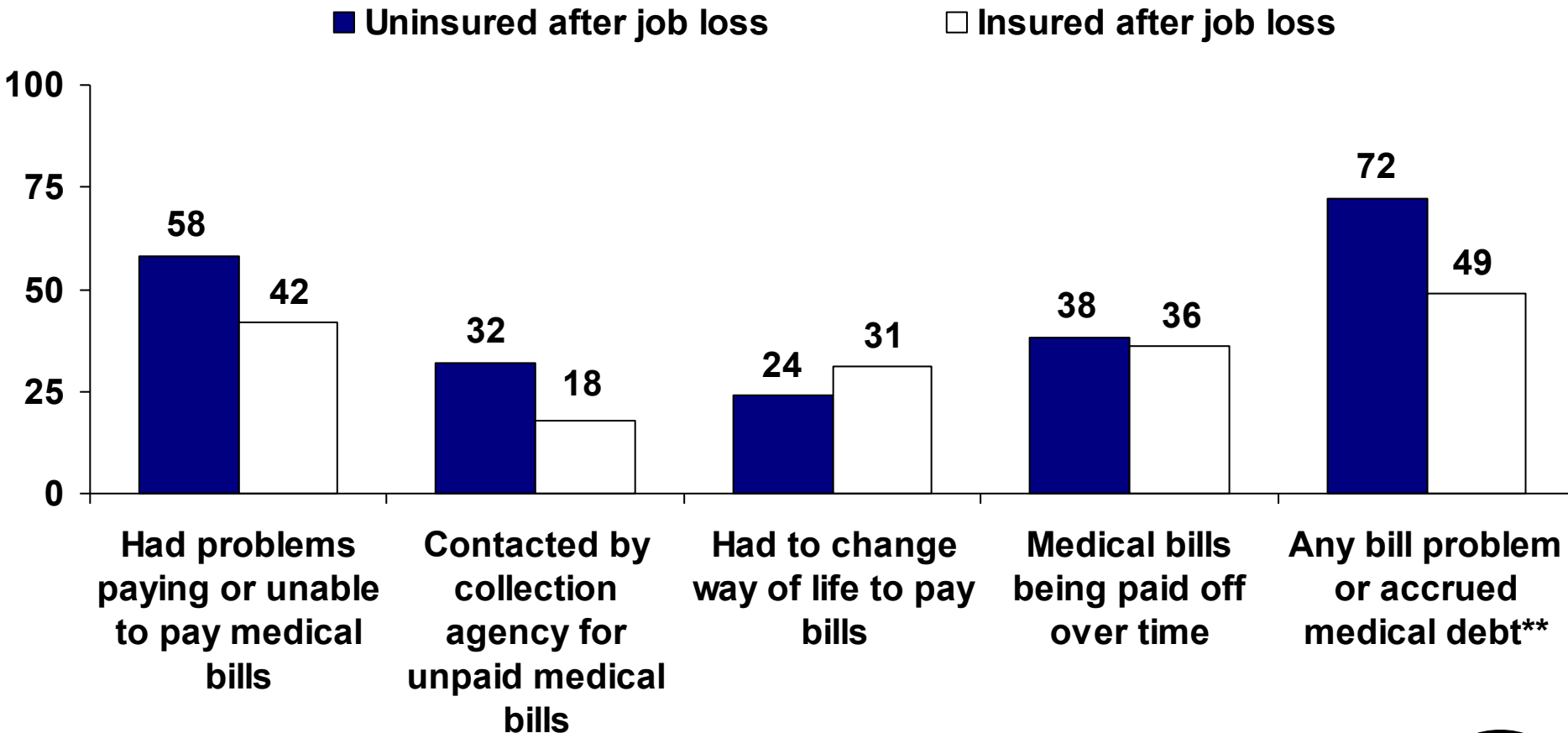


Exhibit 9. Adults Who Became Uninsured When They Were Laid Off Had Higher Rates of Medical Bill Problems and Debt Than Adults Who Remained Insured

Percent of adults ages 19–64 who lost a job with employer-based benefits*



* Job lost in the past two years.

** Had problems paying or unable to pay medical bills, contacted by collection agency for unpaid medical bills, had to change way of life to pay bills or had outstanding medical debt.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2010).

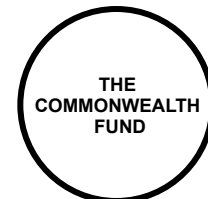
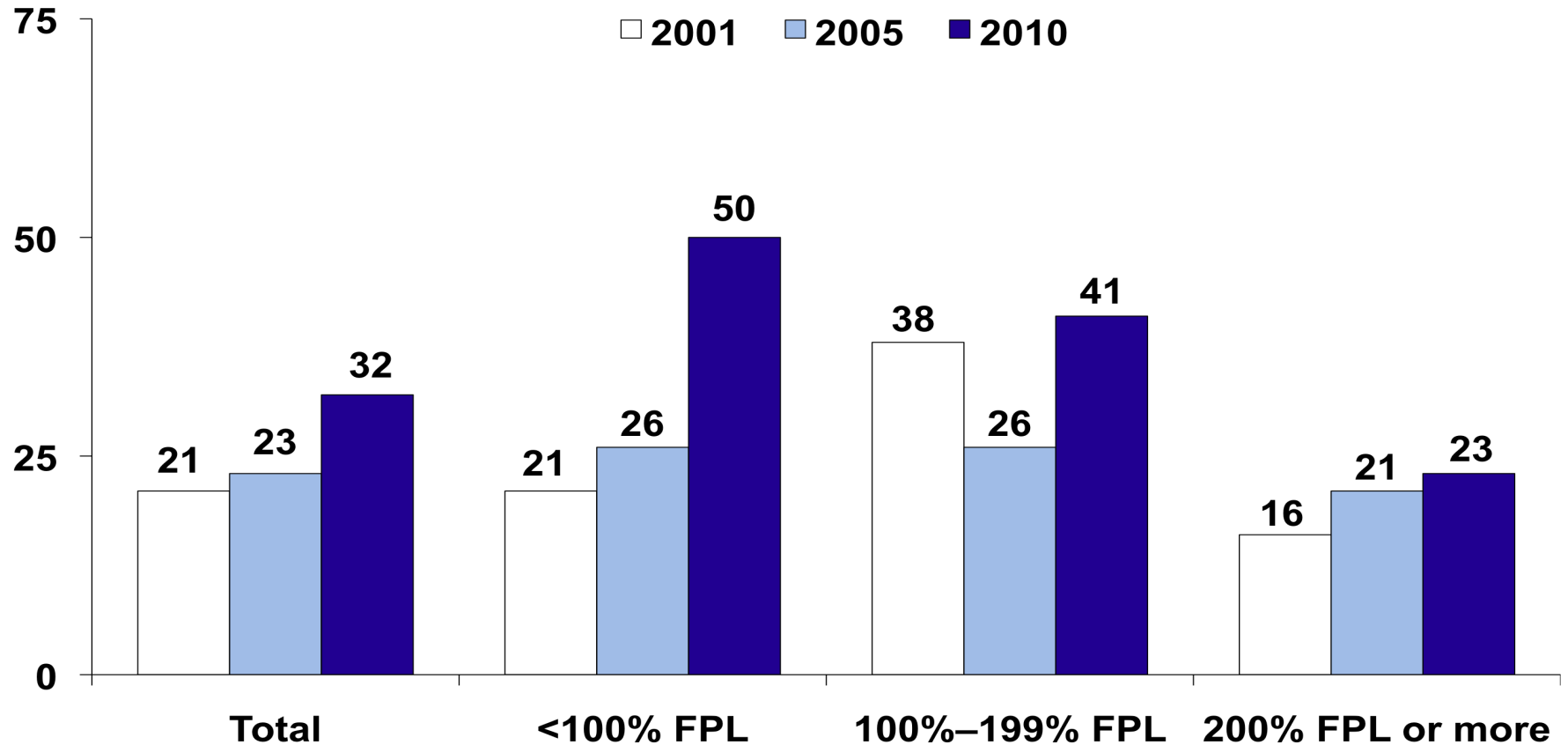


Exhibit 10. High Out-of-Pocket Spending Climbs Across Income Groups, 2001–2010

Percent of adults ages 19–64 who spent 10 percent or more of household income annually on out-of-pocket costs and premiums*



Note: FPL refers to federal poverty level.

* Base: Respondents who specified income level and private insurance premium/out-of-pocket costs for combined individual/family medical expenses.

Source: S. R. Collins, M. M. Doty, R. Robertson, and T. Garber, *Help on the Horizon: How the Recession Has Left Millions of Workers Without Health Insurance, and How Health Reform Will Bring Relief—Findings from The Commonwealth Fund Biennial Health Insurance Survey of 2010* (New York: The Commonwealth Fund, March 2011).

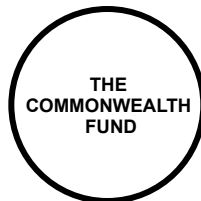
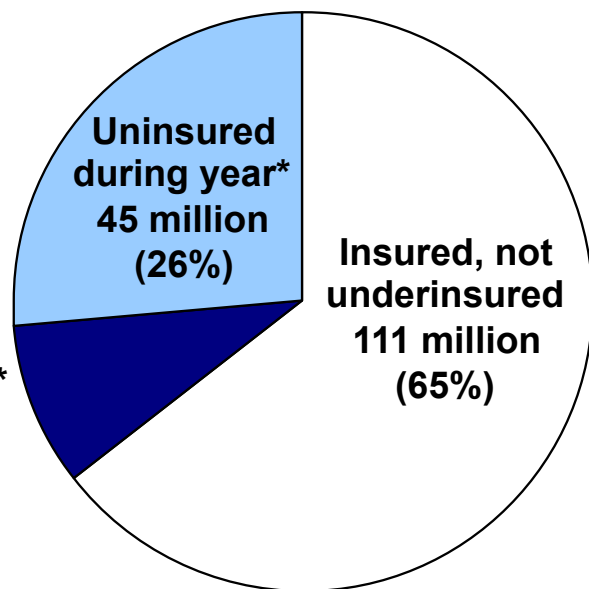
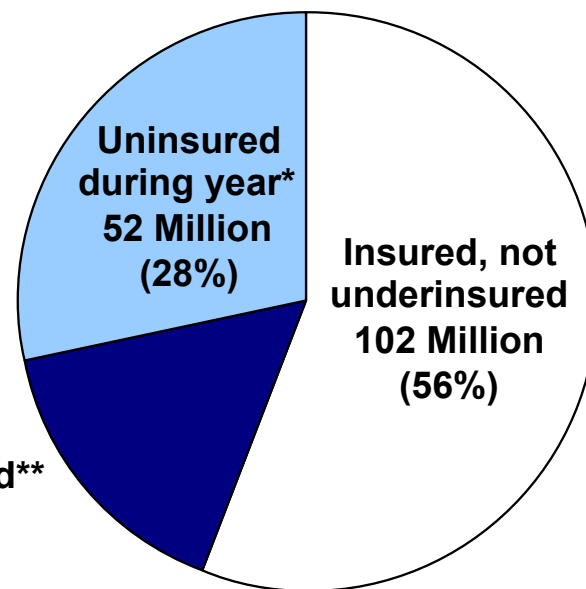


Exhibit 11. 2010: 29 Million Adults Under Age 65 Underinsured



2003
Adults 19–64
172 million



2010
Adults 19–64
184 million

* Uninsured during the year combines “insured now, time uninsured in the past year” and “uninsured now.”

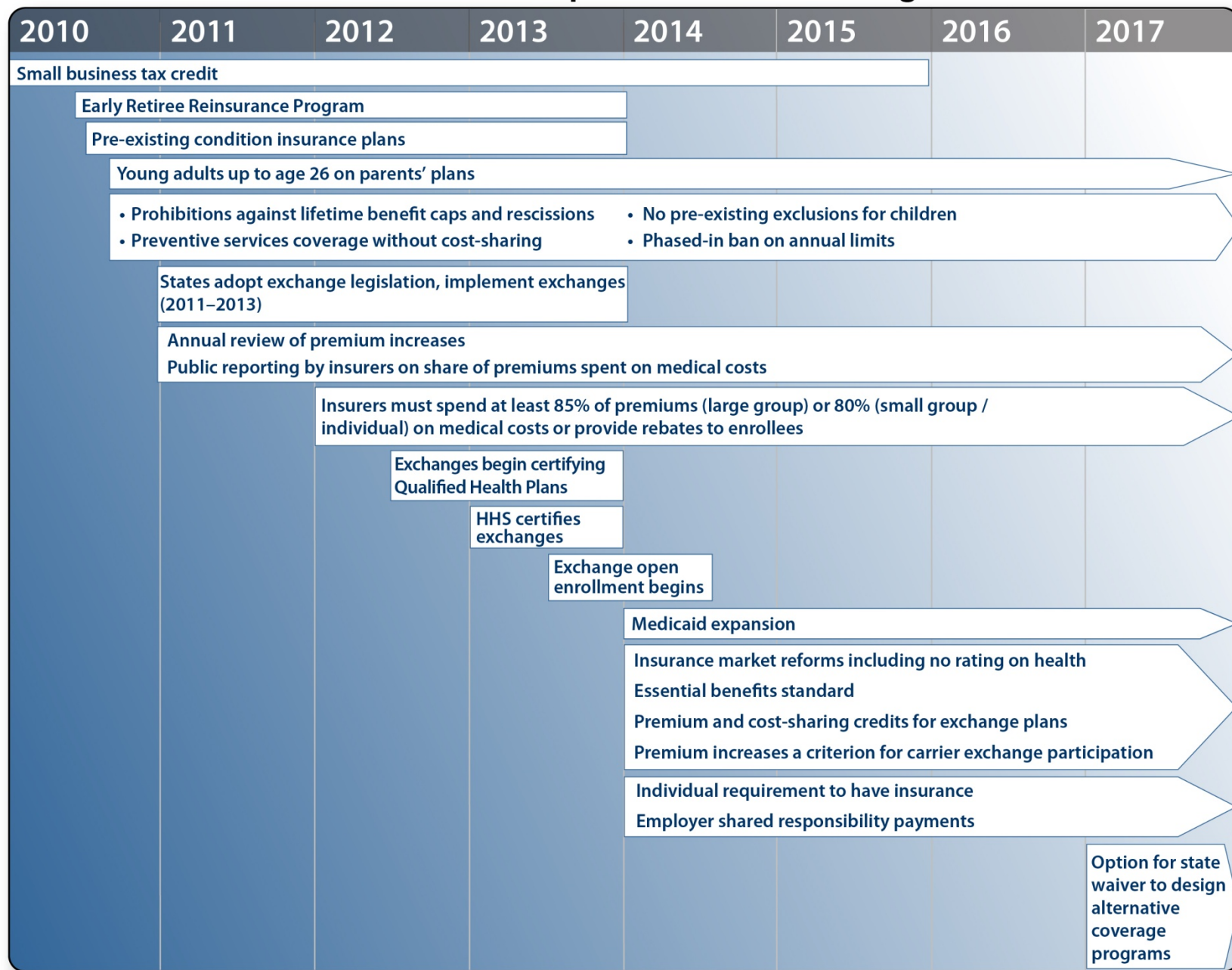
** Underinsured defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income; medical expenses equaled 5% or more of income if low income (<200% of poverty); or deductibles equaled 5% or more of income.

Source: C. Schoen, M. M. Doty, R. Robertson, and S. R. Collins, “Affordable Care Act Reforms Could Reduce the Number of Underinsured U.S. Adults by 70 Percent,” *Health Affairs*, Sept. 2008 30(9):1762–71.

Data: 2003 and 2010 Commonwealth Fund Biennial Health Insurance Surveys.

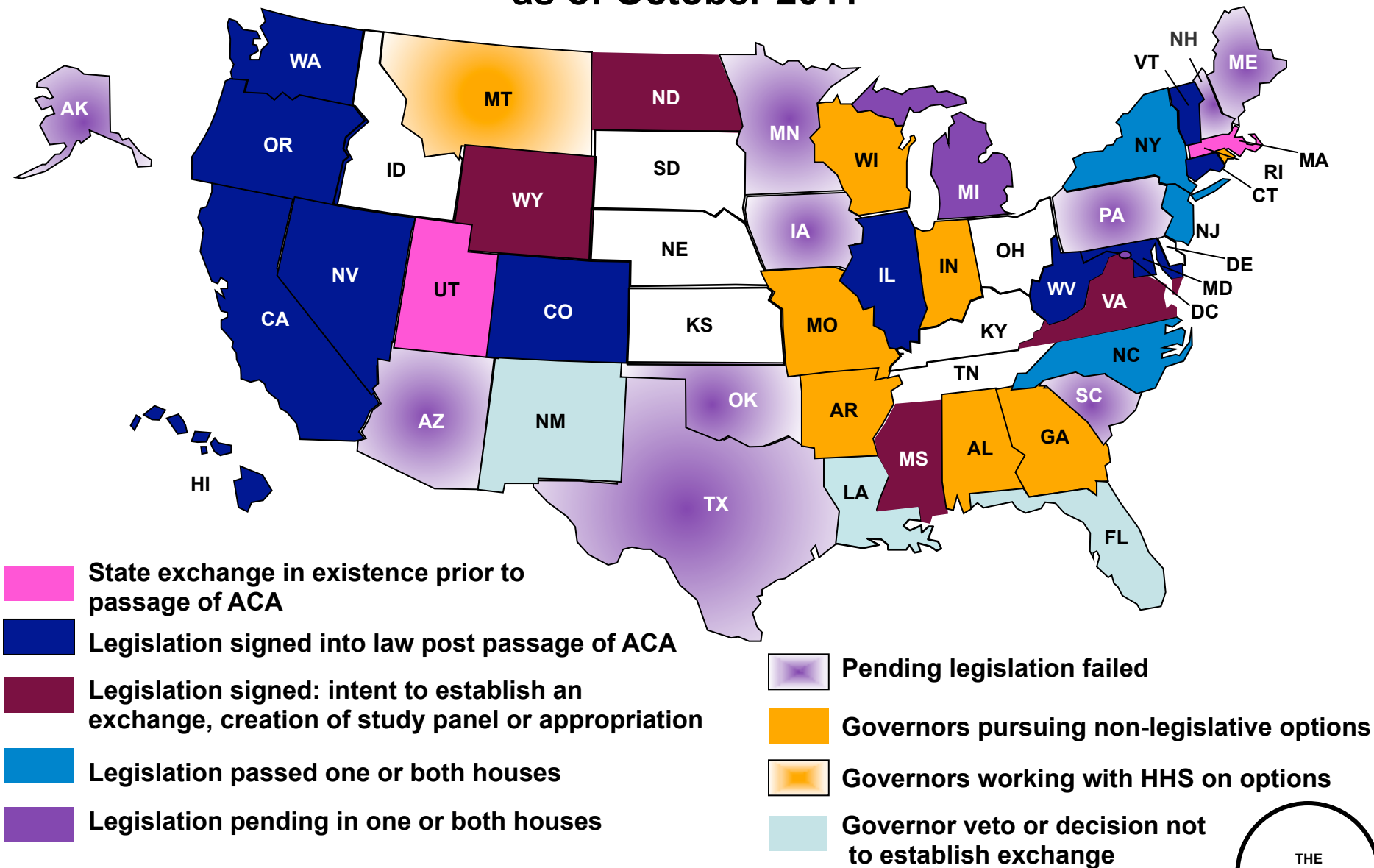


Exhibit 12. Timeline for Health Reform Implementation: Coverage Provisions



Source: National Association of Insurance Commissioners; Commonwealth Fund Health Reform Resource Center: What's in the Affordable Care Act? (PL 111–148 and 111–152), <http://www.commonwealthfund.org/Health-Reform/Health-Reform-Resource.aspx>.

Exhibit 13. Status of State Legislation to Establish Exchanges, as of October 2011



Source: National Conference of State Legislatures, Federal Health Reform: State Legislative Tracking Database, <http://www.ncsl.org/default.aspx?TabId=22122>; Politico.com; Commonwealth Fund analysis.



Exhibit 14. Premium Tax Credits and Cost-Sharing Protections Under the Affordable Care Act

Federal poverty level	Income	Premium contribution as a share of income	Out-of-pocket limits	Actuarial value: Silver plan	
<133%	S: <\$14,484 F: <\$29,726	2% (or Medicaid)		94%	
133%–149%	S: \$16,335 F: \$33,525	3.0%–4.0%		S: \$1,983 F: \$3,967	94%
150%–199%	S: \$21,780 F: \$44,700	4.0%–6.3%			87%
200%–249%	S: \$27,225 F: \$55,875	6.3%–8.05%	S: \$2,975 F: \$5,950	73%	
250%–299%	S: \$32,670 F: \$67,050	8.05%–9.5%			70%
300%–399%	S: \$43,560 F: \$89,400	9.5%	S: \$3,967 F: \$7,933	70%	
≥400%	S: ≥\$43,560 F: ≥\$89,400	—	S: \$5,950 F: \$11,900	—	

Four levels of cost-sharing: 1st tier (Bronze) actuarial value: 60%
 2nd tier (Silver) actuarial value: 70%
 3rd tier (Gold) actuarial value: 80%
 4th tier (Platinum) actuarial value: 90%

Catastrophic policy with essential benefits package available to young adults and people who cannot find plan with premium ≤8% of income

Notes: In the income and out-of-pocket limits columns, S refers to single and F refers to family. Actuarial values are the average percent of medical costs covered by a health plan. Premium and cost-sharing credits are for silver plan. Source: Federal poverty levels are for 2011; Commonwealth Fund Health Reform Resource Center: What's in the Affordable Care Act? <http://www.commonwealthfund.org/Health-Reform/Health-Reform-Resource.aspx>.

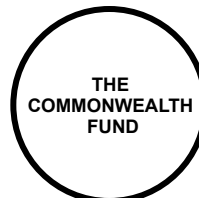
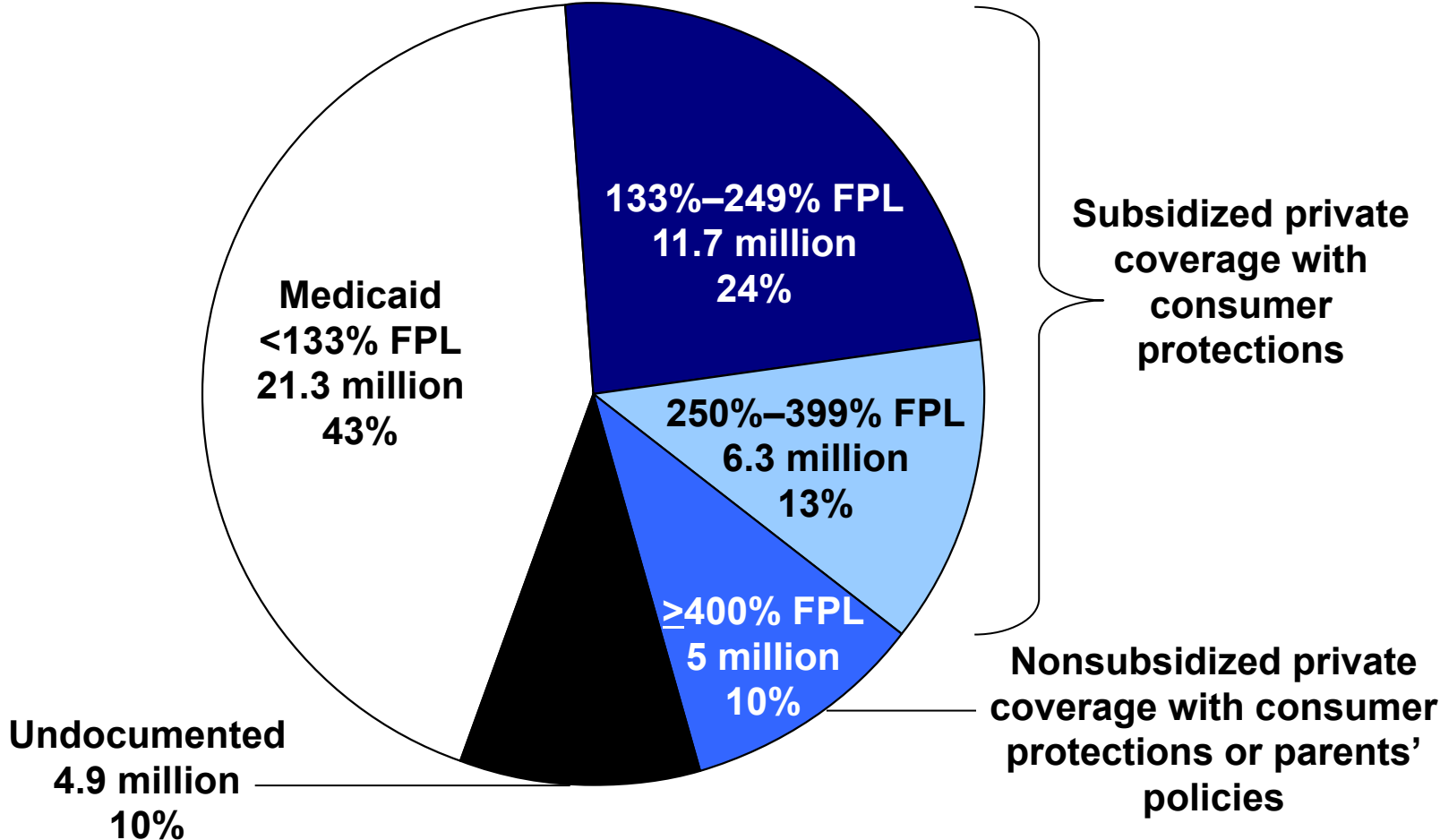


Exhibit 15. Distribution of Uninsured Nonelderly Individuals in 2010, by Income Level and Provisions of the Affordable Care Act



49.1 million uninsured individuals, ages 0–64

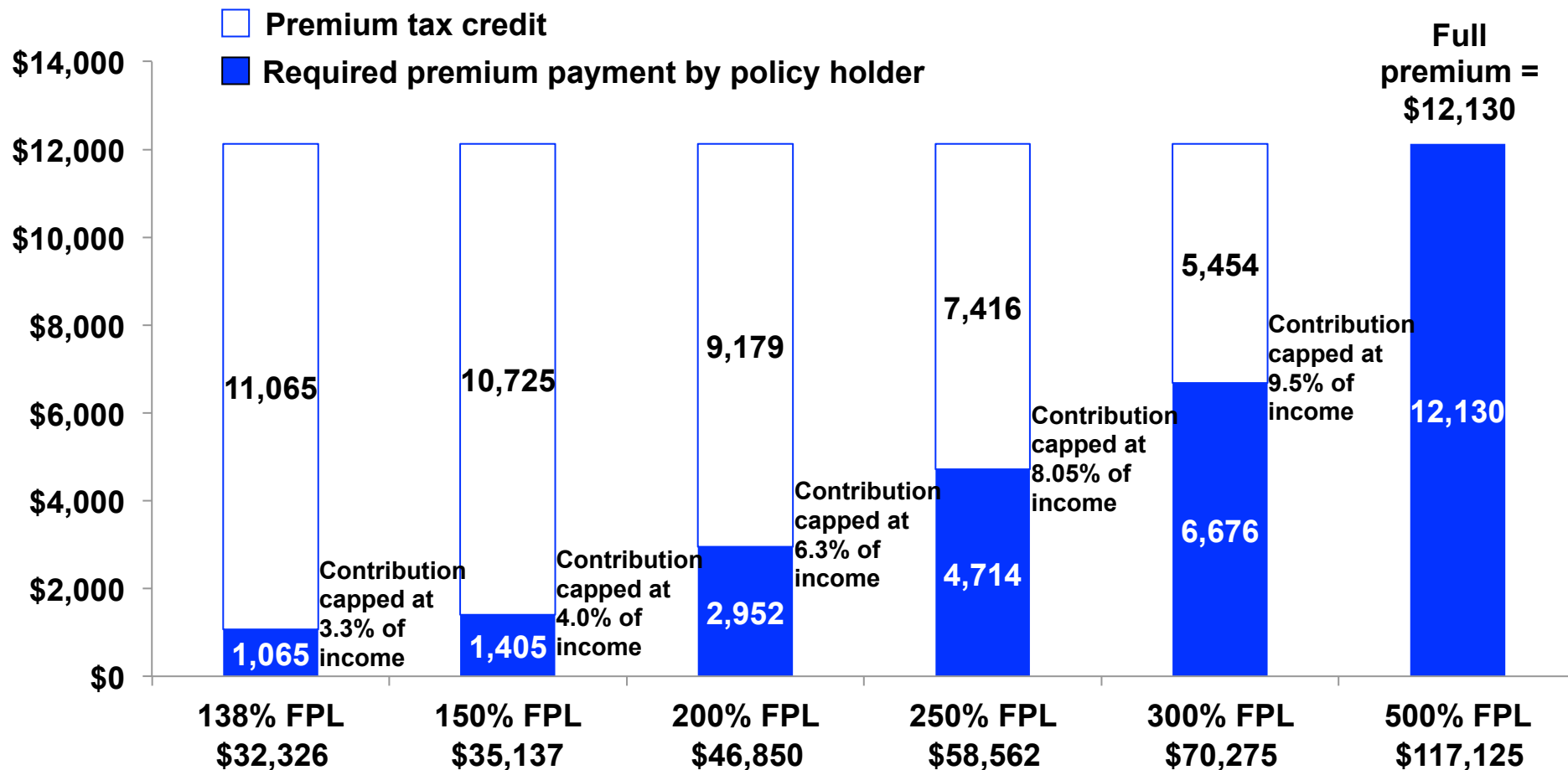
Note: FPL refers to federal poverty level.

Source: Analysis of the March 2011 Current Population Survey by N. Tilipman and B. Sampat of Columbia University for The Commonwealth Fund.



Exhibit 16. Annual Premium Amount and Tax Credits for a Family of Four Under the Affordable Care Act, 2014

Annual premium amount paid by policy holder and premium tax credit*



* For a family of four, policy holder age 40, in a medium-cost area in 2014. Premium estimates are based on an actuarial value of 0.70.

Actuarial value is the average percent of medical costs covered by a health plan. FPL refers to federal poverty level.

Source: Premium estimates are from Kaiser Family Foundation Health Reform Subsidy Calculator,

<http://healthreform.kff.org/Subsidycalculator.aspx>.

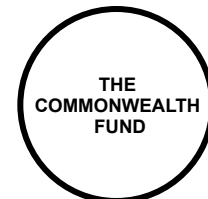
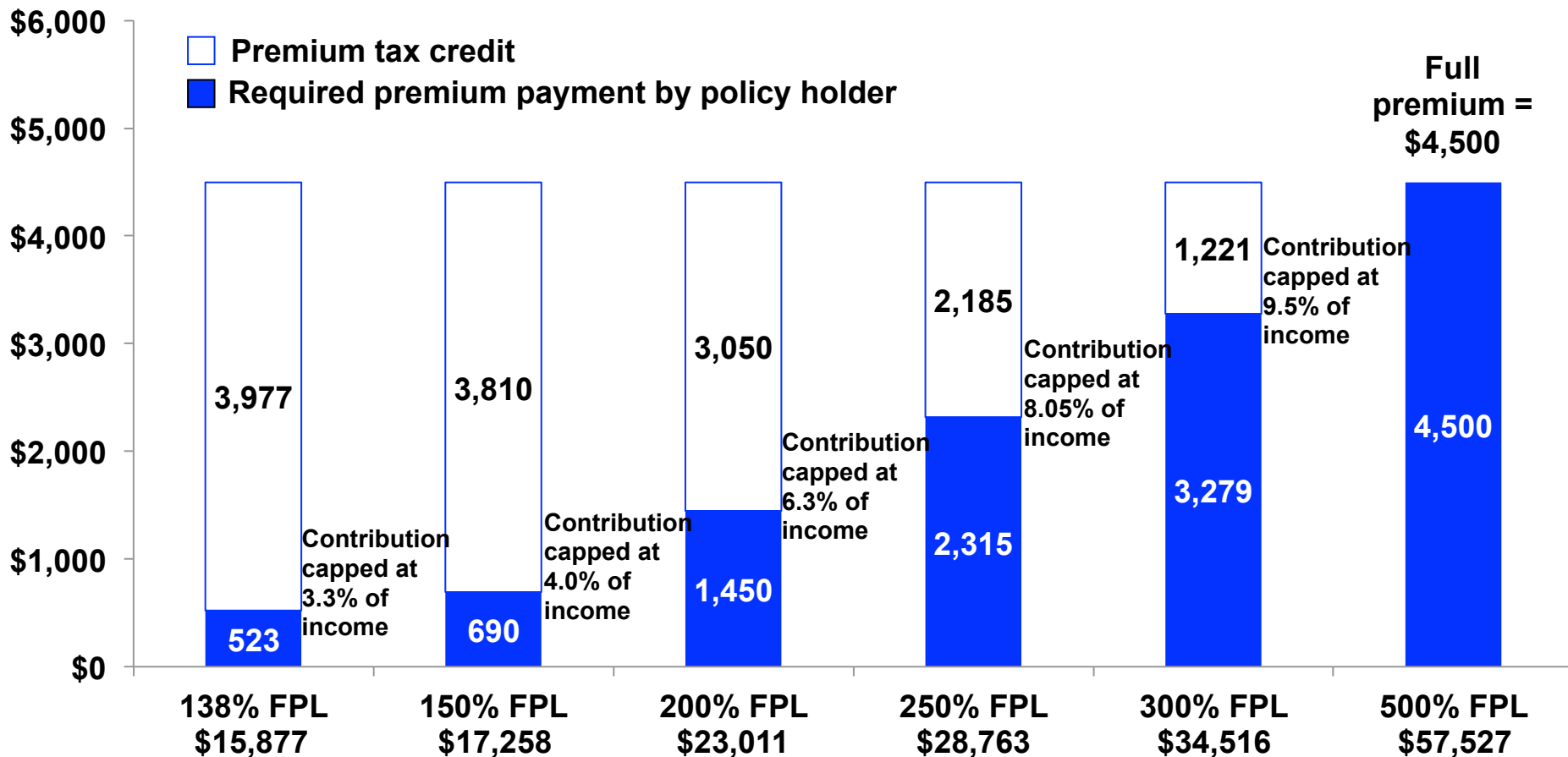


Exhibit 17. Annual Premium and Tax Credits for a Single Adult Under the Affordable Care Act, 2014

Annual premium amount paid by policy holder and premium tax credit*



* For a single adult, age 40, in a medium-cost area in 2014. Premium estimates are based on an actuarial value of 0.70. Actuarial value is the average percent of medical costs covered by a health plan. FPL refers to federal poverty level. Source: Premium estimates are from Kaiser Family Foundation Health Reform Subsidy Calculator, <http://healthreform.kff.org/Subsidycalculator.aspx>.

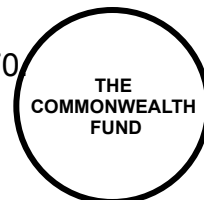
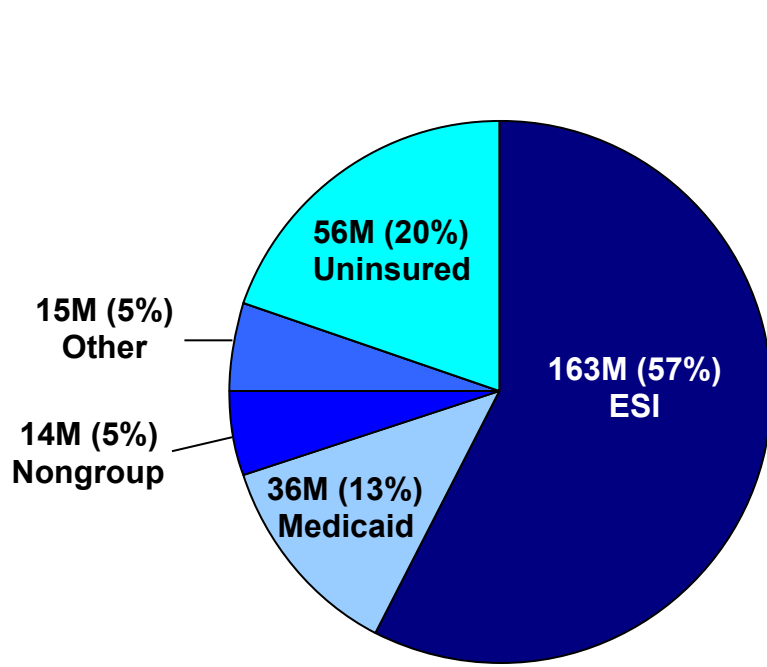
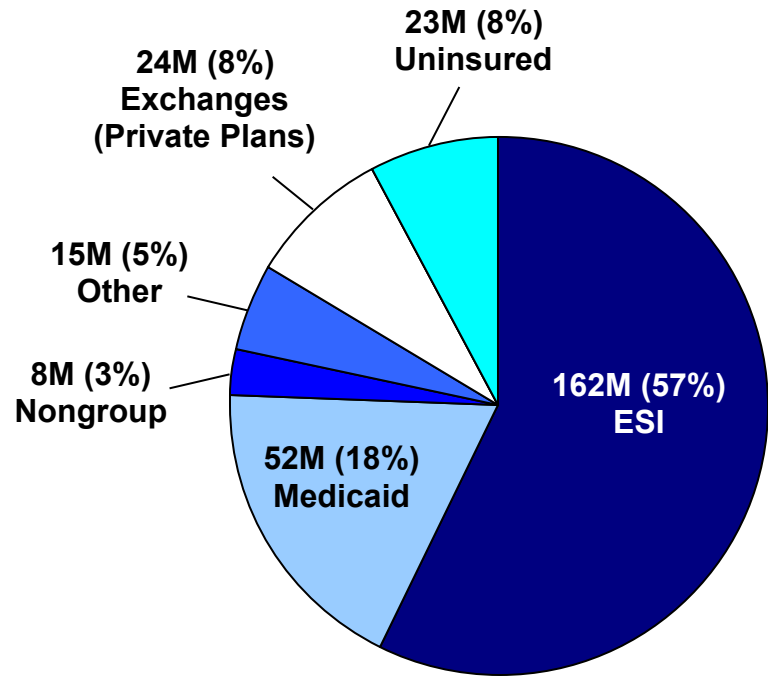


Exhibit 18. Source of Insurance Coverage Pre-Reform and Under the Affordable Care Act, 2020



Under Prior Law



Affordable Care Act

Among 284 million people under age 65

Notes: Employees whose employers provide coverage through the exchange are shown as covered by their employers. ESI refers to employer-sponsored insurance. "Other" includes Medicare.

Source: Testimony Statement of Douglas W. Elmendorf, Director, before the Subcommittee on Health Committee on Energy and Commerce U.S. House of Representatives, CBO's Analysis of the Major Health Care Legislation Enacted in March 2010, March 30, 2011, <http://www.cbo.gov/ftpdocs/121xx/doc12119/03-30-HealthCareLegislation.pdf>.

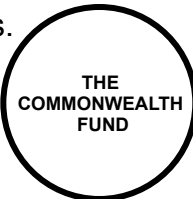
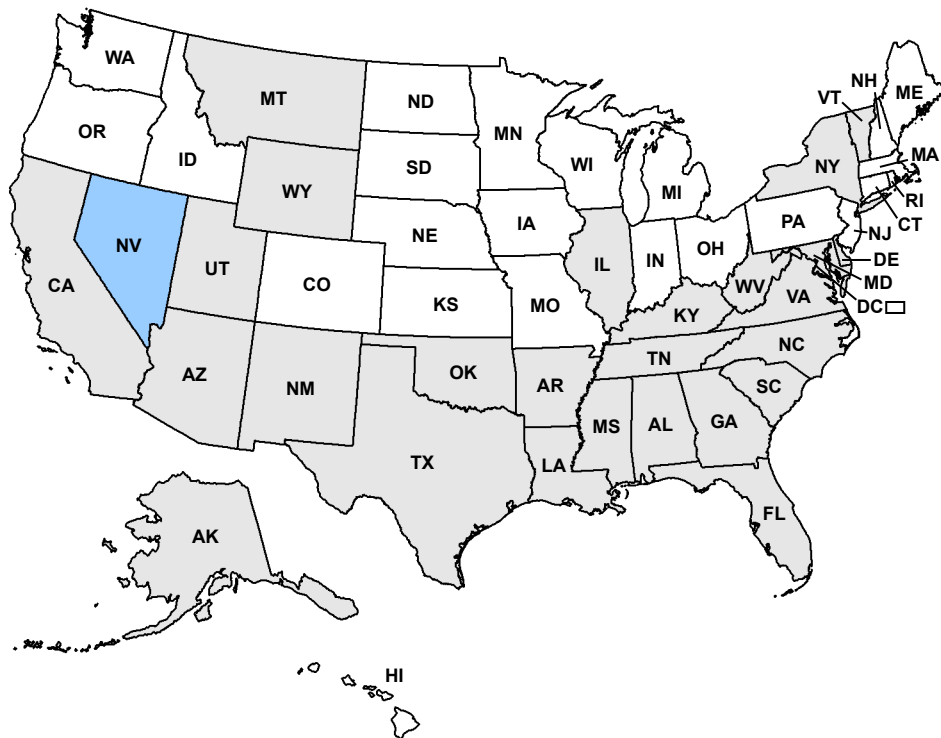
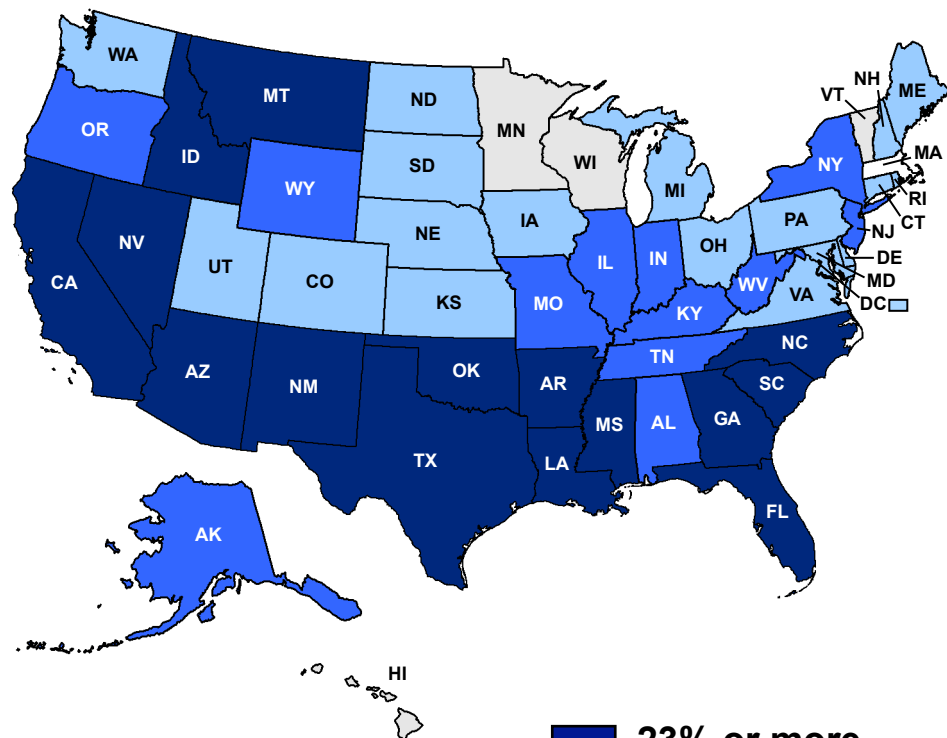


Exhibit 19. Post-Reform: Projected Percent of Adults Ages 19–64 Uninsured by State

2009–2010

2019 (estimated)



23% or more

19%–22.9%

14%–18.9%

8%–13.9%

Less than 8%

Data: U.S. Census Bureau, 2010–11 Current Population Survey ASEC Supplement; estimates for 2019 by Jonathan Gruber and Ian Perry of MIT using the Gruber Microsimulation Model for The Commonwealth Fund. Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2011.



Exhibit 20. Estimated Budgetary Effects of Enactment of the Affordable Care Act and the Health Care Provisions of the Reconciliation Act, 2012–2021

Dollars in billions

Revised February 2011
CBO Estimate

Total Net Impact on Federal Deficit, 2012–2021	–\$124
<u>Total Federal Cost of Coverage Expansion and Improvement</u>	<u>\$1,151</u>
<i>Gross Cost of Coverage Provisions</i>	<i>\$1,390</i>
• Medicaid/CHIP outlays	674
• Exchange subsidies	677
• Small employer subsidies	40
<i>Offsetting Revenues and Wage Effects</i>	<i>–\$239</i>
• Payments by uninsured individuals	–27
• Play-or-pay payments by employers	–82
• Associated effects on taxes and outlays	–130
<u>Total Savings from Payment and System Reforms</u>	<u>–\$646</u>
<u>Total Revenues</u>	<u>–\$631</u>
• Excise Tax on High-Premium Insurance Plans	–111

Note: Totals do not reflect net impact on deficit because of rounding. Discontinuing the CLASS program eliminates an estimated \$86 billion of the \$732 billion in payment and system reform savings the health reform law was projected to generate over 2012–2021.

Source: D. Elmendorf, *Letter to the Honorable John Boehner* (Washington: Congressional Budget Office, Feb. 18, 2011).

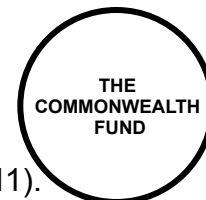


Exhibit 21. Comparison of CMS 2009, 2010, and 2011 National Health Expenditure (NHE) Spending Projections

		Total NHE (\$ billions)	% difference from 2009	NHE per capita	NHE/ GDP	NHE CAGR 2015–2020
2020	2009 CMS estimate without reform*	\$4,912.5		\$14,517.0	21.0%	6.8%
	2010 CMS estimate without reform**	\$4,757.6	–3.2%	\$14,059.0	20.3%	6.7%
	2010 CMS estimate with reform**	\$4,861.1	–1.0%	\$14,365.0	20.8%	6.6%
	2011 CMS estimate without reform	\$4,564.3	–7.1%	\$13,487.9	19.5%	6.4%
	2011 CMS estimate with reform	\$4,638.4	–5.6%	\$13,708.8	19.8%	6.3%

Notes: * Assumes 10-year 2009–2018 NHE CAGR continues in 2019 and 2020;

** Assumes 10-year 2010–2019 NHE CAGR continues in 2020.

Sources: K. Davis, “Health Spending Continues to Moderate, Cost of Reform Overestimated,” Commonwealth Fund Blog, July 29, 2011; CMS Spending Projections from 2009, 2010, and 2011; Commonwealth Fund estimates.



Exhibit 22. The Number of Adults Without Insurance, Forgoing Health Care Because of Cost, and Paying Large Shares of Their Income on Health Care Has Increased, 2001–2010

Adults ages 19–64

	2001	2005	2010
In the past 12 months:			
Uninsured any time during the year	24% 38 million	28% 48 million	28% 52 million
Any bill problem or medical debt*	—	34% 58 million	40% 73 million
Any cost-related access problem**	29% 47 million	37% 64 million	41% 75 million
Spent 10% or more of household income on premiums***	11% 10 million	14% 14 million	15% 14 million
Spent 10% or more of household income on premiums and total out-of-pocket costs****	21% 31 million	23% 35 million	32% 49 million
<i>Any of the above</i>	—	62% 107 million	67% 123 million

* Includes: Had problems paying or unable to pay medical bills; contacted by collection agency for unpaid medical bills; had to change way of life to pay bills; medical bills being paid off over time. ** Includes any of the following due to cost: Had a medical problem, did not visit doctor or clinic; did not fill a prescription; skipped recommended test, treatment, or follow-up; did not get needed specialist care. *** Base: Respondents who reported their income level and premium costs for their private insurance plan **** Base: Respondents who specified income level and private insurance premium/out-of-pocket costs for combined individual/family medical expenses.

Source: S. R. Collins, M. M. Doty, R. Robertson, and T. Garber, *Help on the Horizon: How the Recession Has Left Millions of Workers Without Health Insurance, and How Health Reform Will Bring Relief—Findings from The Commonwealth Fund Biennial Health Insurance Survey of 2010* (New York: The Commonwealth Fund, March 2011).

