



AFFORDABLE CARE ACT 2013

The Road Ahead for Utah

A Utah Health Policy Project Position Paper

January 17, 2013

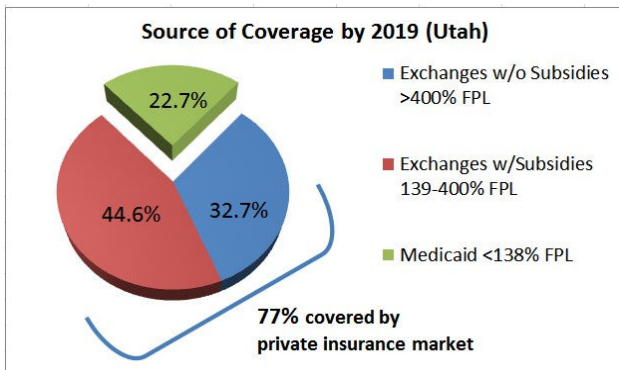
The Supreme Court’s decision last June to uphold the Affordable Care Act (ACA) will bring more Utahns access to quality, affordable health insurance coverage starting in 2014. This paper describes how Utahns will benefit from implementation of the ACA—as well as the tasks and challenges to be addressed in 2013.

Starting in 2014, no one can be turned away from the insurance market, and those that need help paying for insurance will get it. Small businesses will have new incentives to provide insurance to their employees, at costs comparable to those of large businesses. Over time the health law will lower the cost of health insurance and health care for *all* payers—even the taxpayer.¹ The current “business model” in the private insurance market will change. Insurers will no longer make money by avoiding risk. If they want to stay in business, insurers will learn to compete over the right things, like keeping people healthy and improving efficiency.

IMPACT OF THE ACA—BEFORE AND AFTER

Reform Changes	Before ACA (Utah)	After Full Implementation (Utah)
Insurance Coverage	17.3% uninsured (non elderly)	8.7% uninsured (non-elderly). 245,000 Utahns will gain access to decent, affordable coverage.
Affordable Premiums	Family premiums rose 4.3 x faster than earnings, 2000-09. 136,000 Utah households spent >25% of pre-tax income on health care	Utah families up to 400% of poverty level (\$88,200 for family of 4) will get sliding scale subsidies if not covered by Medicaid. Families under 400% FPL won’t pay more than 9.5% of income for care.
No discrimination based on pre-existing conditions	Insurance companies can charge you more based on your health status; and they can refuse to cover your pre-existing conditions	Your premium will not depend on how healthy or sick you are and insurance companies will have to cover your pre-existing conditions. Nor can they turn you away (or drop you) because you are sick.
No more <i>rescissions</i> (when insurance companies drop you when you get sick)	Little oversight of such practices and weak appeal rights	Insurance companies can no longer drop you because you get sick.
No more gender discrimination in premiums	A 40-year old Utah woman is charged 37% more than 40-year old Utah man	This just goes away. Community rating takes its place—which evens out costs across the population.
Small businesses will have incentives (tax credits) to offer coverage. Over time their costs will become more predictable	<u>Utah company size: % offer insurance</u> <10 employees: 31.2% 10-24 employees: 56.5% >50 employees: 92.9%	31,900 of 67,000 Utah small businesses could be helped by the tax credits. Small businesses have new incentives to offer coverage and to develop wellness programs.
Medicare Part D “Donut hole” gradually closes. Medicare becomes solvent	Utahns hitting the donut hole paid \$3,610 out of pocket in 2010. Medicare Trust Fund was facing a crash in 2017.	262,064 Utahns on Medicare will have reliable health care. No co-pays on preventive care (in effect already). One free wellness visit a year (Utah is under-utilizing this). “Donut hole” gone by 2020.

Sources: <http://www.familiesusa.org/assets/pdfs/health-reform/state-gains-2010/utah.pdf>. Urban Institute analysis, 2011, cited in www.rwjf.org/files/research/71952.pdf.



Utah leaders are generally opposed to the Affordable Care Act, claiming it is socialized medicine. The reality is quite different. The model for the ACA was first proposed by the Heritage Foundation in 1989, and by the time the law is fully implemented in 2019, most Utahns (77%) will be covered in the private market. And that market will become more stable as time goes on.

The ACA exchanges make it possible for the private market to serve as the foundation of a reformed and accountable health care system.

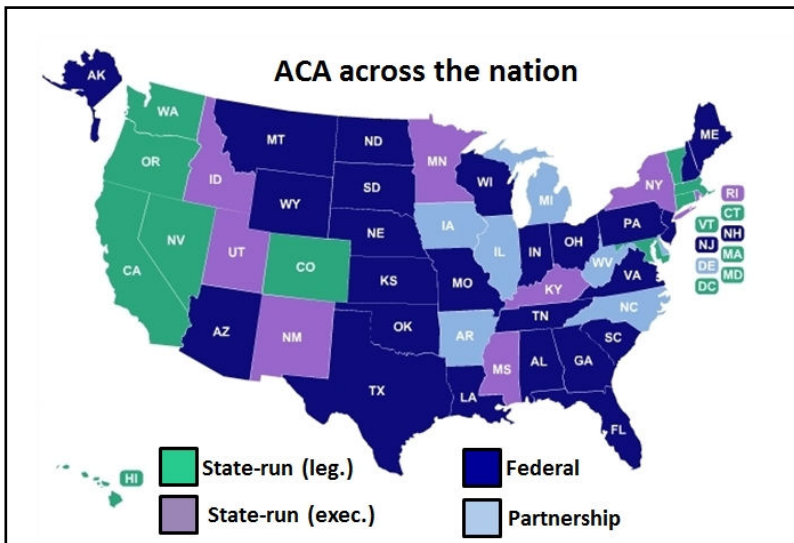
UTAH’S CHOICE: BUILDING A STATE EXCHANGE

On January 3, 2013 Utah received conditional approval from the Dept. of Health and Human Services to develop state-run health exchanges for individuals and small businesses. These exchanges will be the online marketplaces where both families and small businesses will shop for insurance and learn if they qualify for subsidies to make them more affordable. Utah is currently working with the federal government to make Utah’s existing Avenue H small business exchange compliant with the ACA. The state will need to set up these exchanges for the open enrollment period that begins in October 2013. If Utah fails to establish a state-run exchange, the federal government will step in to build and run the

state’s insurance marketplace. Currently, 19 states are pursuing a state-run exchange (*see map at left*).

IMPROVING AVENUE H

Utah’s existing small business exchange, Avenue H, has been operational since 2009. It is a defined contribution exchange where employers contribute a set amount (avg. \$437/month¹) to their employee’s health costs. Employees combine that contribution with their own funds to purchase insurance on the exchange. As of November 2012, Avenue H serves 313 small businesses and covers 7,429 lives.¹



Avenue H has been a valuable experiment to prove the concept of health exchanges. But Avenue H is not ACA-compliant, nor has it succeeded in cutting premium costs, reducing Utah’s uninsured, or expanding coverage to large businesses. After four years, Avenue H serves 0.46% of Utah’s 67,000 small businesses, and has covered approximately 2,348 uninsured lives—*reducing Utah’s uninsured rate by 1/10th of a percentage point*. Despite these shortcomings, Avenue H is the ideal base upon which to build Utah’s ACA-compliant exchanges. Utilizing Avenue H’s brand recognition, management expertise, established web portal, and broker relationships will make it easier to expand coverage to Utah’s 400,000 uninsured residents.

LOOKING AHEAD TO FULL ACA IMPLEMENTATION IN OCTOBER 2013

In Utah reform implementation in 2013 will move at a running pace. To prepare for the October 2013 enrollment date, the Utah Legislature will need to support Avenue H’s efforts to establish a state-run exchange. Much of this legislation has already been vetted by the Health System Reform Task Force. As Utah develops its ACA-compliant exchanges, UHPP along with other consumer advocates, providers, and policy groups are focused on improving these three components of Utah’s future insurance marketplace:

Governance

Utah’s current exchange plan lacks language on transparency, conflict of interest, and oversight found in other exchanges. Recently, state officials have been receptive to adding stronger governance statutes.

Consumer Assistance and Navigators

More than 76% of Utah’s uninsured population lives under 200% of the poverty level. Community-based navigators—as well as brokers—will be needed to reach this historically underserved population.

Essential Health Benefits

The Essential Health Benefit Plan chosen for Utah’s exchange currently violates ACA rules when it comes to mental health parity and children’s dental and vision care. These disparities need to be addressed.

¹ Avenue H Dashboard, November 2012, <http://www.avenueh.com/images/PDFs/dashboards/November 2012.pdf>