

- Good morning. I'm very excited to talk with you today about the affordability of health insurance for the MC.
- My name is Edmond Toy. I am a Director and economist at the Colorado Health Institute. I joined CHI this past summer, making me one of the newest members of the CHI team. I received my PhD in Health Policy and then spent a dozen years working in the White House regulatory office and as an economic consultant for clients in the health care industry.
- My **co-presenter** today is Tamara Drangstveit. (Tamara introduces herself.)
- I'll be starting off today's session and Tamara will follow. We'll plan to save some time at the end for discussion questions.
  
- Why are we devoting a session to the middle class?
- **Because the MC matters.**

## All Politics is ~~Local~~ Middle Class



"I believe America thrives  
when the middle class thrives."

**TRUMP**

"I want to save  
the middle class."



Clinton, Trump Present Starkly Different Messages On The Middle Class

**THE WALL STREET JOURNAL.**

**Burden of Health Care Costs Moves to the Middle Class**

- Why are we devoting a session to the middle class (MC)? Because the MC matters.
- Congressman Tip O'Neill: all politics is local.
- The focus on the MC has been a staple of politicians.



## Three Takeaways

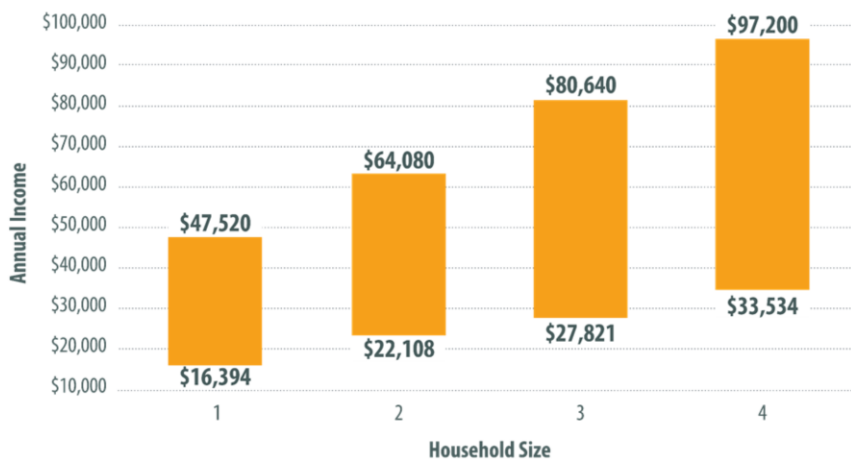
- 1** Insurance premiums have risen only modestly under the ACA for many in the middle class.
- 2** But affordability remains elusive for some in the middle class because of higher deductibles and rising overall health care expenditures.
- 3** Trump Administration policies could help—or hinder—efforts to improve affordability for the middle class.

## Who is the Middle Class?



- MC is an ambiguous term.
- In the health policy realm, the ACA suggests one way to define the MC.

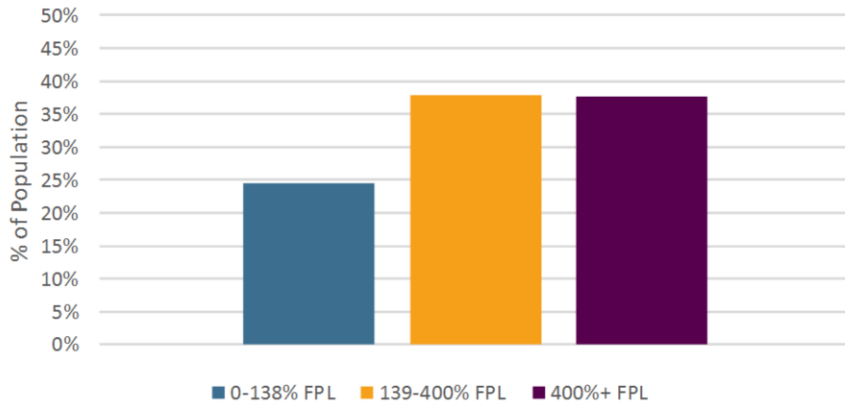
## Defining the Middle Class by FPL (139-400%)



- If your annual income falls within these FPL ranges, you can be considered MC.
  - For context, the median household income in Colorado is around \$65,000.
- What's the importance of these cutoffs in the ACA?
  - If you make less than the bottom of this range, you're poor enough to get Medicaid.
  - If you make more than the top of this range, you are not eligible for ACA subsidies.
  - But if you're in the middle, between 139-400% FPL, you are eligible for subsidies on the Exchange.
- Some people who consider themselves part of the MC probably have incomes over 400% FPL. However, you would not be eligible for ACA subsidies. This line between who is and is not eligible for a subsidy is front and center for many people. This is one issue that Tamara will discuss in her presentation.
- Not everyone is going to agree with this definition of the MC, or would use a different term.

# Who is the Middle Class?

Colorado Population by FPL

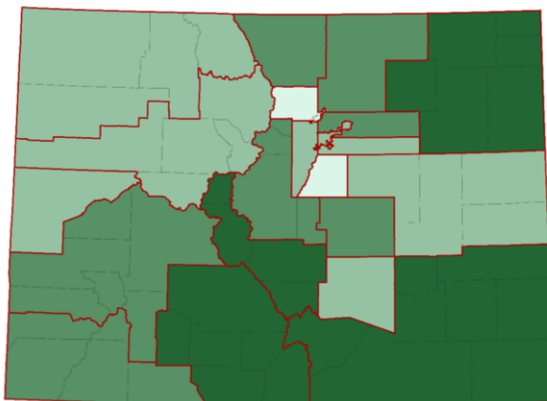


- The middle class is a lot of us, but not most of us.
- The ACA excludes a lot of people from the subsidies. That 400% cutoff leaves out a lot of people.
- The 38% of Coloradans in the MC are concentrated in different areas.

Source: ACS

# Where Does the Middle Class Live?

Percentage of Coloradans 139-400% FPL



139-400% FPL

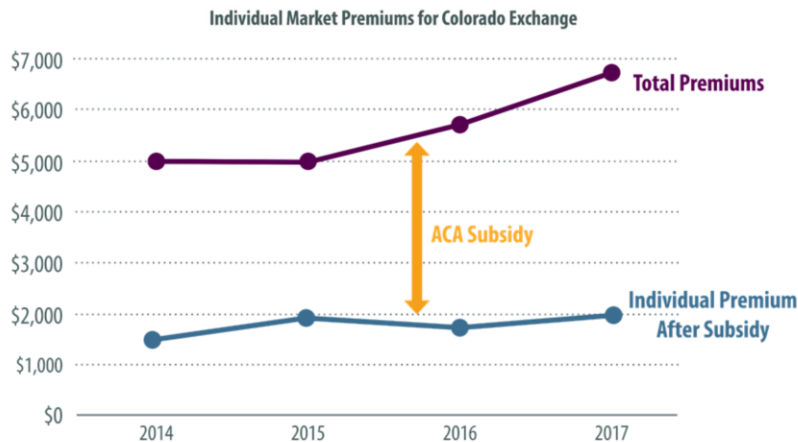
28.8% - 30.7% 30.8% - 39.0% 39.1% - 43.6% 43.7% - 48.6%

Source: American Community Survey, 2014

- In the darkest green areas, (SE, San Luis Valley, NE), almost half of the people are in the MC.
- In the lightest areas like Douglas County and Boulder about 30% are MC.
- The population that is eligible for ACA subsidies varies a lot by geography.

Source: ACS

## Affordability on the Individual Market: Subsidies are Critical

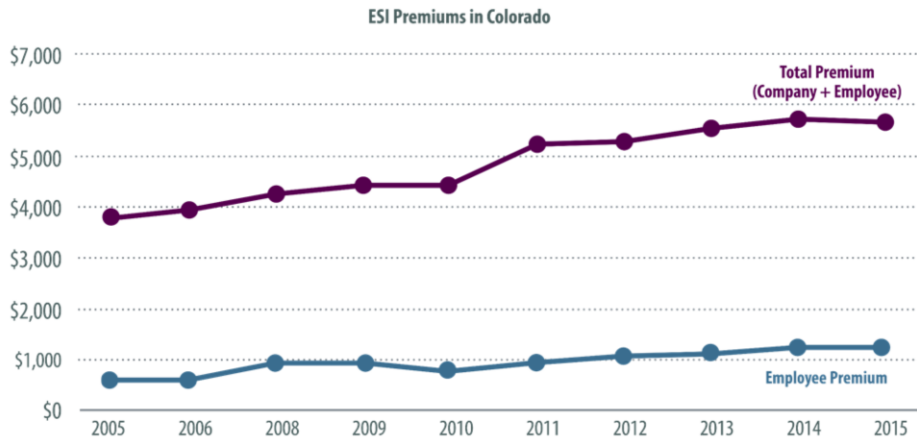


- The data show that subsidies for the MC have shielded them from large premium increases.
- This graph shows the total average cost of silver plan for a single person on the Colorado Health Exchange since it opened in 2014.
- Since 2015, the average premium jumped 40%.
- However, the majority of the costs are offset if you're in the MC and get a subsidy. After subsidies, the net cost has hovered around \$1,500 to \$2,000.
- Note:
  - These data represent average premiums and average subsidies, which obscures variability.
  - The size of the subsidy depends on income, and once you go past 400% FPL, you get no subsidy at all.
  - Subsidies don't reflect differences in the cost of living across the state.
- The individual insurance market is small relative to the Employer-Sponsored Insurance market (or ESI). In Colorado, ESI covers about two-thirds of the MC. And even for those in the low end of the MC spectrum, between 139-200% FPL, ESI covers about half of them. On the other hand, about 10% of Coloradans are on the individual market. That small percentage, however, doesn't mean that it's unimportant.



Source: Connect for Health Colorado

## Affordability for the ESI Market: Employee Premiums Have Grown only Modestly



- The data tell a similar story: ESI premiums have been held in check over the last few years.
- This graph shows the average total cost of ESI insurance in Colorado for single person.
- “Total” includes premiums that are paid by the employer and the worker. On average, workers pay about 20% of the total premium
- ESI premiums have been increasing, but at a surprisingly modest rate.
- Workers frequently saw double-digit percentage increases in their premiums during the early 2000s, but the last time that happened was in 2011.
- Since 2011, employee premiums have increased by about 2.4% per year.

Source: MEPS

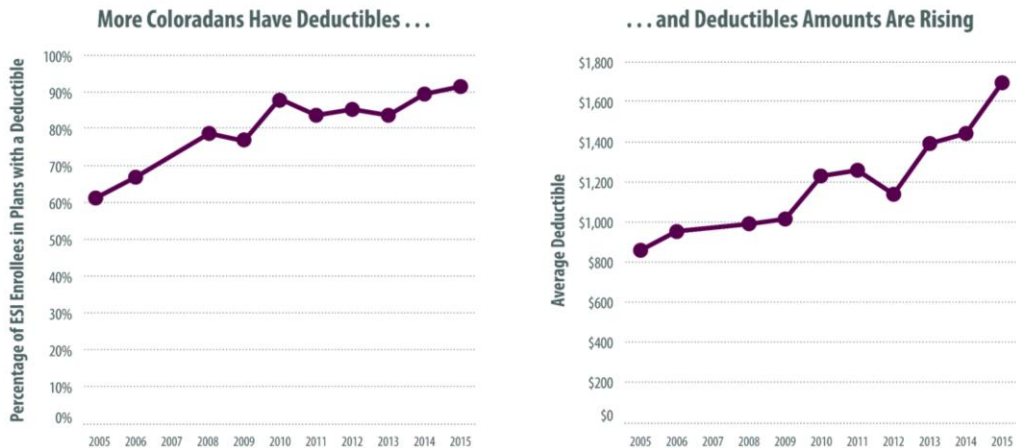
## Affordability: It's Complicated



- Why has affordability remained elusive? There's not a consistent story. The ACA affects affordability both positively and negatively. And it depends on who you are: what your income is, whether you're sick or healthy, where you live.
- Some ACA provisions that can affect affordability.
  - Subsidies for those on the individual market make insurance more affordable for the MC.
  - The ACA required insurance plans to provide essential health benefits. That eliminated the option of cheaper, bare bones plans.
  - The ACA prohibited insurance companies from considering pre-existing conditions. An insurer can't turn you away or charge you an astronomical premium if you have a pre-existing condition. On the other hand, the cost of covering those with pre-existing conditions was spread across the whole risk pool. So this provision might have made insurance less affordable if you're healthy.
  - The employer mandate improved affordability by requiring companies to offer affordable insurance to their workers, meaning that premiums can't exceed 10% of household income. However, some companies kept their premiums low by switching to high deductible plans, which can hurt

affordability.

## Remaining Challenge: High Deductibles



- Deductibles are a growing burden. In addition to the immediate out-of-pocket cost burden, some studies raise concerns that high deductibles can, in the long-run, have a negative impact on health. Skipping care could result in poorer health and greater utilization of health care services down the road.
- However, deductibles can have a positive effect on affordability, in that when people have higher deductibles, they use less health care and that can bring down the overall cost of health care, and that in turn can slow the rise in insurance premiums.

Source: MEPS

## Remaining Challenge: Rising Overall Health Care Expenditures



- Rising overall health care expenditures lead to higher insurance premiums.
- National health expenditures (NHE) continue to rise and are nearly 18% of GDP.
- Controlling overall health care spending is the way to address affordability in the long run.

## A Look Ahead: How Might Trump Administration Policies Affect Affordability for the Middle Class?

Possible Trump/Republican Policy	Possible Effect on Affordability
<ul style="list-style-type: none"><li>• New system of tax credits for those who buy on the individual market</li></ul>	<ul style="list-style-type: none"><li>• Effect will depend on size of the tax credit.</li><li>• Could improve affordability for those who receive no subsidy or a small subsidy under the ACA.</li></ul>
<ul style="list-style-type: none"><li>• Keep pre-existing conditions provision</li><li>• But no individual mandate</li></ul>	<ul style="list-style-type: none"><li>• Individual market premiums could increase because of risk selection...but the likelihood of that is unclear.</li></ul>

# A Look Ahead: How Might Trump Administration Policies Affect Affordability for the Middle Class?

Possible Trump/ Republican Policy	Possible Effect on Affordability of Insurance
<ul style="list-style-type: none"> <li>• Encourage use of high deductible plans with health savings accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Beneficial primarily for those who have enough money to put into health savings account.</li> <li>• Could help control overall health care costs, but uncertain in the long run.</li> </ul>
<ul style="list-style-type: none"> <li>• Give states more flexibility in insurance rating and essential health benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Could increase premiums for older/more expensive people.</li> <li>• Could improve affordability for younger/less expensive people and encourage more of them to obtain insurance.</li> <li>• Possibility for less comprehensive plans (less expensive)</li> </ul>



## A Look Ahead:

### *What Might be Some of the Debates in Colorado?*

- High cost areas?
- Age rating?
- Essential health benefits?
- Helping consumers make decisions?
- Moving costs vs. controlling costs



- High cost areas?
  - The current focus on areas with high insurance costs and high costs of living is likely to continue. These are areas like the Western Slope and Mountain communities. If the tax credits are available to those above 400% FPL, this can improve the situation in those areas, but there isn't much indication that the tax credits would vary geographically, which means that people who live in high cost areas will still face challenges.
- Age rating?
  - What will Colorado do if it has more flexibility to vary premiums by age? While this can improve affordability for younger people, it could do the opposite for older people. This could be a bigger concern in areas of Colorado where the population skews older.
- Essential health benefits?
  - Trump is likely to relax or even eliminate the list of essential health benefits that are mandated by the ACA. If there is a new, lower floor for what the feds require in a health plan, Colorado presumably will have the option to mandate more comprehensive benefits above the federal floor. Colorado will have to weigh the tradeoff between allowing cheaper bare bones plans vs. requiring more comprehensive and expensive plans.

- Helping consumers make decisions?
  - If the trend towards high deductible plans continues, and it seems like it will under Trump, then there could be a greater need for Colorado to help consumers make smart decisions about what health care is necessary and what care is not. This could involve creating tools to educate consumers and increase price transparency, but this is a difficult problem because studies have found that consumers often don't use such tools.
- It's important to think about whether the policy options under consideration will **move** costs or **control** costs.



## Three Takeaways

- 1** Insurance premiums have risen only modestly under the ACA for many in the middle class.
- 2** But affordability remains elusive for some in the middle class because of higher deductibles and rising overall health care expenditures.
- 3** Trump Administration policies could help—or hinder—efforts to improve affordability for the middle class.

# Affordability in Summit County



## Tough Choices:

### What Unaffordable Health Care Means for the Middle Class

- “I had to choose between helping my child attend college or paying for health insurance.”
- “The cost of health insurance is ridiculous in Summit County. I’ve made my budget work here for 15 years and now I’m going to have to move to Denver for lower rates.”



## Tough Choices:

### What Unaffordable Health Care Means for the Middle Class

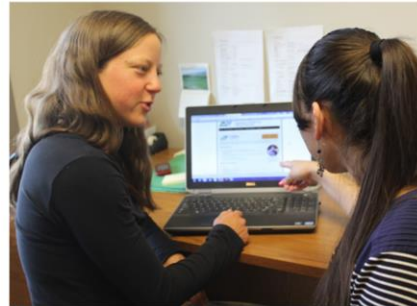


- “My child was sick and I felt like she needed to go to the doctor, but I had already used my two visits for the year, so I had to watch her suffer because I couldn’t afford the \$200 doctor visit.”
- “I had to leave the doctor I’ve been seeing for the last 20 years when I got on Kaiser’s plan. Now I see a different doctor every time and I feel like a stranger in my own town.”

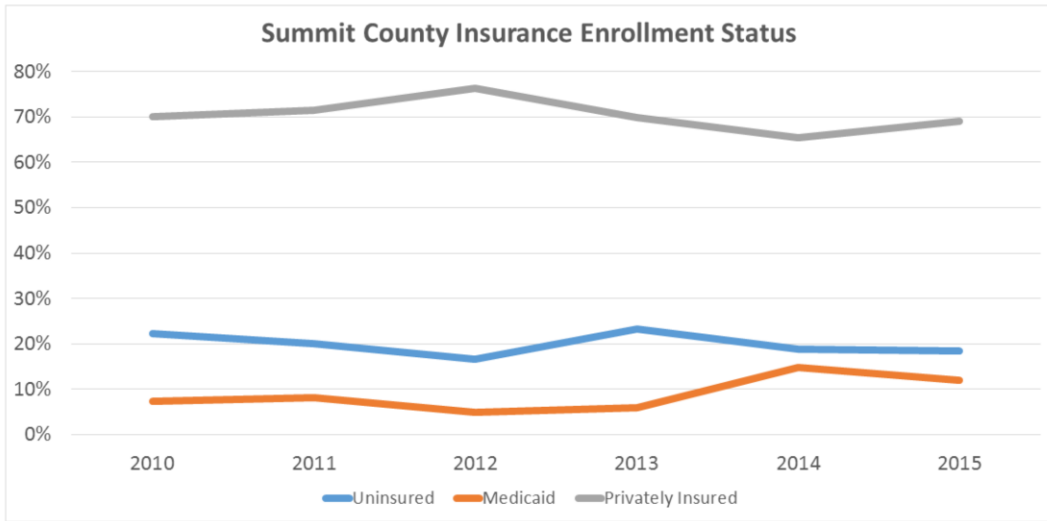
## Middle Class Challenges

Families who have always used private plans are now facing the following because of high regional rates and the plans offered in the Marketplace:

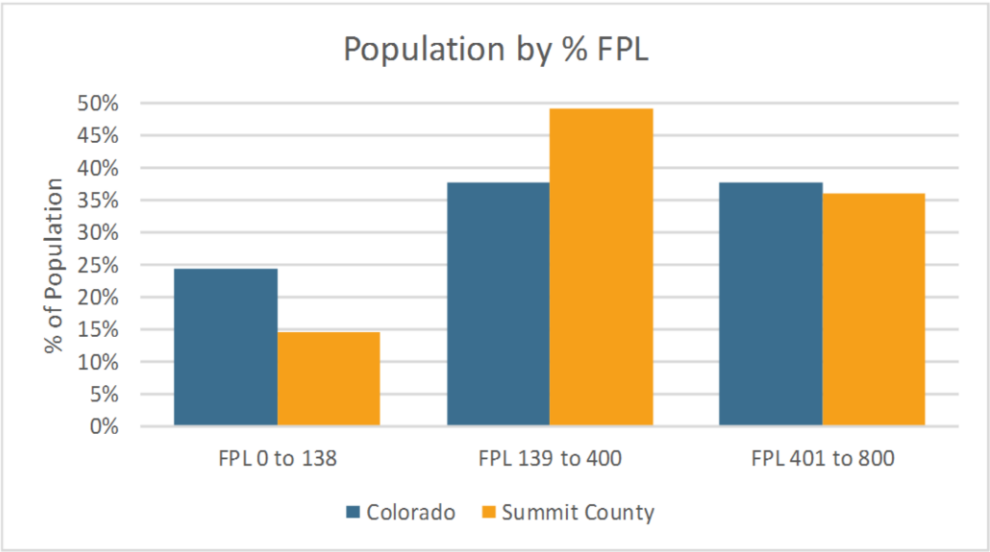
- No longer affordable
- Limited provider choices
- High deductibles and out-of-pocket max
- More stress and less healthcare

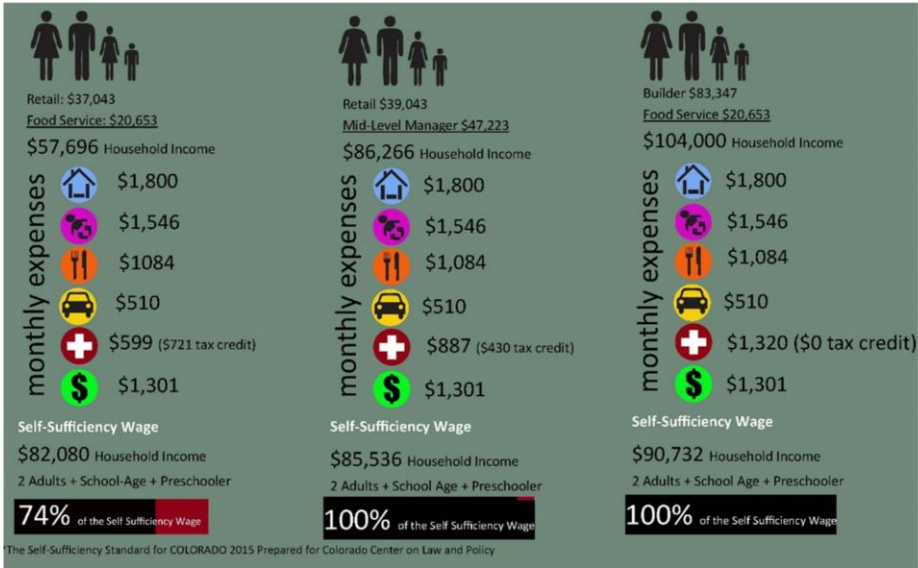


### Summit County Insurance Enrollment Status











**\$98,000**

(above 400% FPL)



- Kaiser
- 2 office visits per person

**BILL** (family)

Premiums	<b>\$11,749</b>
Family Deductible	<b>\$13,000</b>
Out of Pocket maximum	<b>+\$1,300</b>
Total Costs	<b>\$26,049</b> (27% of income)
<i>X Underinsured</i>	



**\$55,000**

(250% FPL)



- Kaiser
- 2 kids on CHP+
  - OPM = 5% income (\$2,750)

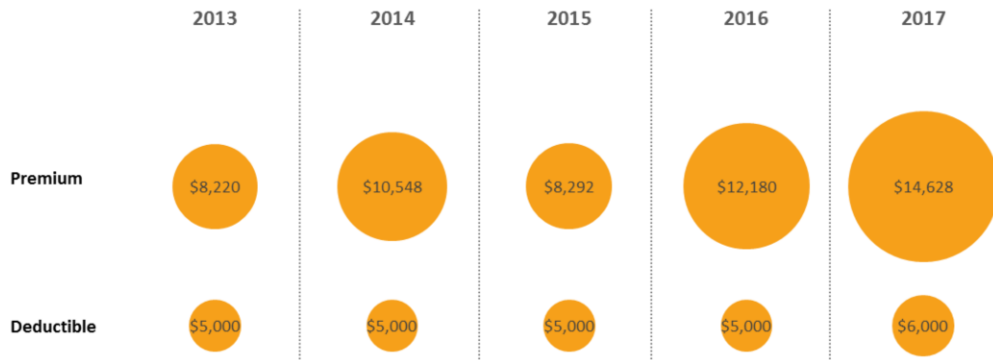
BILL (2 adults)	
Premiums	<b>\$8,995</b>
Family Deductible	<b>\$6,000</b>
Out of Pocket maximum	<b>+\$8,300</b>
Total Costs	<b>\$23,294</b> (42% of income)
<i>X Underinsured</i>	



# \$98,000

(above 400% FPL)

Silver  
Plan



## Impacts of High Deductible Insurance:

- Most people are paying for low quality plans and opting to not seek care because of the deductibles.
- Children on these plans are not getting as good of care as children on CHP+ because parents opt to not seek care unless it's an emergency.




## On the Edge: Life above 400% FPL

Tax subsidies make a significant difference in being able to afford health insurance.



	Median income	400% FPL
Colorado Springs	\$71,000	\$97,000
Summit County	\$81,000	\$97,000

 Little room for people to qualify for subsidies

## Moving Forward

- Underlying cost issues must be addressed
- Geographic disparities must be studied
- More flexibility for states to try new ideas (New Maryland All Payer Waiver)
- Creation of and more support for local micro-networks
- Expand possibility for purchasing pools –create local options
- Premium Assistance pilots
- Establishing geographic area rate banding where a geographic area's factor must be within plus or minus [X]% of state average



# CHI in 2017

## A Sneak Preview

- New logo
- Updated website
- Same commitment to a healthy Colorado

**Edmond Toy**

[toye@coloradohealthinstitute.org](mailto:toye@coloradohealthinstitute.org)



# UP NEXT: The Results Are In: Where Do We Go From Here?

Audience Participation Sessions with Colorado Health Institute Staff 1:45 p.m. – 2:45 p.m.

## CHOOSE ONE OF FOUR

### 1. Koffee with Kliff

Panelist: Sarah Kliff, Senior Editor, Vox.com

Moderator, Deborah Goeken, Vice President of Communications

Location: Executive Presentation Room (Amphitheater)

### 2. End-of-Life Options in Colorado: The Delicate Task of Implementing Proposition 106

Panelist: Daniel Handel, M.D., Chief of Division, Denver Health Palliative Care

Panelist: Megan Schrader, Editorial Writer, The Denver Post Editorial Board

Panelist: Kat West, J.D., National Director of Policy & Programs, Compassion & Choices

Moderator, Alex Caldwell, Policy Analyst

Location: Arkansas/Platte

### 3. The Long Game: Universal Health Care and Other Questions in a Changing World

Panelist: T.R. Reid,

Reporter, Author, ColoradoCare Campaign Leader

Moderator, Michele Lueck, President and CEO

Location: Rio Grande/Gunnison

### 4. Colorado's New Map: Trump Rewrites the Playbook

Panelist: Steve House, State Chair, Colorado Republican Party

Panelist: Ian Silverii, Executive Director, ProgressNow Colorado

Moderator, Joe Hanel, Senior Communications Expert

Location: White River