ASPE
ISSUE BRIEF

FIFTY-SIX PERCENT OF THE UNINSURED COULD PAY $100 OR LESS PER MONTH FOR COVERAGE IN 2014
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Under the Affordable Care Act, advanced payment of the premium tax credits will be available to help eligible individuals and families afford insurance coverage through the Health Insurance Marketplace beginning January 1, 2014, and states may expand Medicaid eligibility for low-income adults. There are currently 41.3 million eligible uninsured Americans.[1] In states that are expanding Medicaid, a total of 23.2 million people, or 56 percent of the 41.3 million eligible uninsured, may qualify for Medicaid, CHIP, or tax credits to purchase coverage for $100 or less per person per month. If all states expanded their Medicaid programs, 78 percent of the 41.3 million eligible uninsured, or 32.1 million people, would qualify for Medicaid, CHIP, or tax credits to purchase coverage for $100 or less.

Marketplace

Overall, 10.8 million[2] Americans, or nearly half (49 percent) of the uninsured eligible for the Marketplace[3], may be able to pay $100 or less per person for coverage in 2014. Of the estimated 21.9 million uninsured Americans eligible[4] to purchase coverage in the Marketplace, 6.4 million may be able to pay $100 or less per person per month for the second lowest-cost silver plan in the Marketplace in their state in 2014, after taking into account their available premium tax credits. An additional 4.3 million may be able to pay $100 or less per person per month by using their premium tax credit to purchase the lowest-cost bronze plan available to them.

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[1] This number, based on the 2011 American Community Survey (ACS), is the estimate of Americans who are citizens or legal residents under the age of 65 and therefore eligible for coverage either in the Marketplace or through Medicaid. Some of these were eligible for Medicaid or CHIP coverage prior to 2014 but were not enrolled.
[2] Totals do not sum due to rounding. See Table 2.
[3] The Affordable Care Act requires that qualified health plans (QHPs) offered on the Marketplace must be one of four tiers, based on the QHP's actuarial value. A bronze plan has an actuarial value of 60 percent and will have the lowest premiums. A silver plans has an actuarial value of 70 percent, a gold plan has an actuarial value of 80 percent, and a platinum plan has an actuarial value of 90 percent. Two plans may have the same actuarial value but different premiums. The tax credit available to certain qualified individuals under the Affordable Care Act is tied to the cost of the second lowest-cost silver plan available on the Marketplace in the tax filer's state.
[4] We define Marketplace eligible as the eligible uninsured with incomes above 138% of the Federal Poverty Level in Medicaid expansion states or above 100% of the Federal Poverty Level in non-expansion states. These estimates do not take into account the eligibility requirements relating to other minimum essential coverage or tax filing requirements.

Medicaid and CHIP

In addition to those eligible for Marketplace tax credits, 12.4 million uninsured Americans, or 30% of the eligible uninsured, will be eligible for Medicaid or CHIP in states that have chosen to expand their Medicaid programs to date.[5] This new group will pay either no premium or only a nominal premium in 2014.

All Uninsured

Nationwide, 23.2 million, or 56 percent, of the 41.3 million eligible uninsured may qualify for Medicaid, CHIP, or tax credits to purchase coverage for $100 or less per person per month. If all states expand their Medicaid programs, 78 percent of the 41.3 million eligible uninsured would qualify for Medicaid, CHIP, or tax credits to purchase coverage for $100 or less.[6] For states that are expanding Medicaid, 76 percent of the uninsured eligible for Medicaid, CHIP or the Marketplaces will be able to pay $100 or less per person per month in premiums. In states not expanding Medicaid, 40 percent of the uninsured eligible for Medicaid, CHIP or the Marketplaces will be able to pay $100 or less per person per month in premiums.

Methodology

This analysis is based on information about household composition and income taken from the 2011 American Community Survey (ACS) Public Use Microdata Sample. To calculate the premium tax credit, the Affordable Care Act specifies that a family with a particular income will pay a fixed amount for the second lowest-cost silver plan available in the Marketplace in their state. This fixed amount is the same in every state except Alaska and Hawaii, without regard to age or the actual premiums in the Marketplace. For example, the law specifies that an individual earning 150% of the Federal Poverty Level (FPL), or $17,235 per year, will pay 4 percent of their income ($57) for the second lowest-cost plan. Their tax credit will cover the difference between $57 and the cost of the second lowest-cost silver plan available to them. Consequently, it is not necessary to know the actual second lowest-cost silver premium to determine how many people will pay $100 or less per person per month for a silver plan. This brief, therefore, is not about rates for particular states or for the Federally-facilitated Marketplace. The only use of published rate information was to calculate the average difference between bronze and silver premiums in order to estimate the number of Americans who may pay $100 or less for a bronze plan after the tax credit.

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[5] The estimates assume that the following 25 states will expand their Medicaid programs: Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Hawaii, Illinois, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, North Dakota, Oregon, Rhode Island, Vermont, Washington, and West Virginia.

[6] We estimate that if all states expanded Medicaid, 8.5 million uninsured could purchase silver or bronze coverage for $100 or less after the premium tax credit is applied, and 4.0 million uninsured children and 19.6 million uninsured adults would be available for CHIP or Medicaid at little or no cost for a total of 32.1 million.

Using the 2011 American Community Survey, we estimated the number and percent of nonelderly U.S. citizens and legal residents (called "eligible uninsured Americans" in this brief) whose family income and number of uninsured members of the household may qualify them for tax credits that would enable them to purchase coverage for $100 or less per person (after applying their tax credits) on the Marketplace. For the purpose of this exercise, we defined "family" to be a "health insurance unit" (HIU), which includes adults, their spouses, and their dependent children (ages 0-18, plus full time students under 23), using ASPE analysis of the ACS data.

We defined the family income thresholds by finding the percent of the FPL at which the maximum payment for a second lowest-cost silver plan would be less than or equal to $100 per person, taking into account both the total family size and the number of uninsured nonelderly adults in the family (see Table 1). We assumed that all uninsured children (age 18 and under) in families with incomes less than 250 percent of the FPL would be eligible for Medicaid or CHIP, and would therefore pay at most a nominal premium.

In addition, although the amount of the advanced premium tax credit is related to the cost of the second lowest-cost silver premium, recipients also have the option to apply their credit to bronze plans, which are less expensive than silver.[7] To estimate the number of people who would have the option of bronze coverage for $100 or less, we compared the weighted average of the second lowest-cost silver premium in the 17 states with publicly available information to the weighted average lowest-cost bronze premium in those same states. These weighted averages were constructed based on expected enrollment in the Marketplaces by age.[8] As of August 9, 2013, the weighted average second lowest-cost silver premium in the 17 states with publicly available premium data was $341, and the weighted average lowest-bronze premium was $257. Using these amounts, we estimate that the weighted-average difference between the lowest bronze and second lowest-cost silver premium is $84. Therefore, in order for an individual to pay $100 or less for a bronze plan, the maximum monthly payment for the second lowest-cost silver would need to be $184, which corresponds to 244% of the FPL for a single individual. To find the analogous threshold for a family with two uninsured adults, we calculated the percentage of the FPL that corresponds with a maximum monthly payment of $368 for each relevant family size.

The number of individuals eligible for the Marketplaces is calculated as the number of individuals who have family incomes above 138 percent of the FPL in Medicaid expansion states, or above 100 percent of the FPL in non-expansion states.[9] The number of individuals eligible to receive a tax credit that would reduce their premium to $100 or less per person in the Marketplace is calculated based on a combination of family size and the number of uninsured adults in the household. For example, for a family of three with one uninsured adult, the FPL

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[7] As noted above, the tax credit amount is equal to the difference between the second lowest-cost silver premium and what the individual is expected to pay for health insurance based on income.

[8] See http://aspe.hhs.gov/health/reports/2013/MarketCompetitionPremiums/ib_premiums_update.cfm for a discussion of weighting methodology.

[9] We do not include individuals and families with incomes below 100% of the FPL in non-expansion states in our definition of Marketplace eligible because we assume that they will receive hardship waivers exempting them from the coverage mandate.

threshold is based on paying a maximum of $100 for the second lowest-cost silver plan. For a family of three with two uninsured adults, the FPL threshold is based on paying a maximum of $200 for the second lowest-cost silver plan. As noted above, uninsured children below 250% of the FPL are assumed to be eligible for Medicaid or CHIP and are therefore not included in the number of uninsured family members used to calculate the maximum premium payment needed to ensure that the family pays $100 or less per person per month. The income thresholds used for each combination of family size and number of uninsured adults are shown in Table 1.

Table 1: Maximum Health Insurance Unit Income as a Percent of the Federal Poverty Level for Marketplace Coverage Costing $100 per Person per Month or Less

HIU Size	Income as % of FPL for Silver Plan		Income as % of FPL for Bronze Plan	
	1 Nonelderly Adult Uninsured in HIU	2+ Nonelderly Adults Uninsured in HIU	1 Nonelderly Adult Uninsured in HIU	2+ Nonelderly Adults Uninsured in HIU
1	185%	N/A	244%	N/A
2	165%	220%	212%	300%
3	151%	198%	191%	265%
4+	142%	183%	177%	241%

In states likely to expand Medicaid, we estimate the number of individuals who may obtain Medicaid coverage as the number of eligible uninsured with a family income at or below 138 percent of the FPL. We assume that uninsured children under 250 percent of the FPL may be eligible for Medicaid or CHIP in all states.

Limitations

There are several limitations to this analysis. First, while we did take into account family size, we made some simplifying assumptions. When determining whether a family could purchase coverage for $100 or less per person per month, we used the income ceiling for a family of four for all families with four or more members. Similarly, we applied a limit of $200 in premiums per family to all families with two or more uninsured adults. These two assumptions have opposite effects on our estimate, and we believe the combined effect of these assumptions is likely small.

Second, we assume that the weighted average silver and bronze premiums from the 17 states that have published their Marketplace premium rates to date are representative of the entire country, and that the age weights used are appropriate for the low-income uninsured. It is possible that the average adult in the income ranges specified in Table 1 is younger than specified in our weighted average, which means our estimate may overstate the number of individuals who will be able to purchase a bronze plan for $100 or less.

Lastly, we omit the eligible uninsured living in non-Medicaid expansion states with family incomes of below 100 percent of the FPL from our analysis of those eligible for Marketplace coverage for $100 or less per person. These low-income individuals are exempt from the

individual mandate on the basis of hardship. While technically eligible to purchase coverage on the Marketplace, they would not qualify for tax credits to subsidize their Marketplace coverage and would probably not be able to afford full-price premiums. We do, however, include this group as eligible for Medicaid in our discussion of the scenario in which all states expand Medicaid coverage.

Table 2. Eligible Uninsured Who Could Purchase Marketplace Coverage for $100 or Less after Tax Credits or Enroll in Medicaid or CHIP

		State Medicaid Expansion Status*	
	Total**	Non-Expansion	Expansion
Total Eligible Uninsured	41,341,000	23,179,000	18,163,000
Number of States (includes D.C.)	51	26	25
Marketplaces			
Marketplace Eligible***	21,945,000	13,280,000	8,665,000
Tax credit eligible	18,586,000	11,549,000	7,037,000
Not tax credit eligible	3,359,000	1,731,000	1,628,000
Silver plan for $100 or less	6,425,000	4,583,000	1,843,000
Bronze plan only for $100 or less****	4,343,000	2,386,000	1,957,000
Bronze or silver plan for $100 or less	10,769,000	6,969,000	3,800,000
Percent of Marketplace eligible* who could purchase coverage for $100 or less	49.1%	52.5%	43.9%
Medicaid and CHIP			
Total	12,431,000	2,369,000	10,062,000
Children less than 250% FPL	3,971,000	2,369,000	1,603,000
Adults 138% FPL or less	8,459,000		8,459,000
Totals			
Number of eligible uninsured who may obtain coverage for $100 or less through Marketplaces, or enroll in Medicaid or CHIP	23,199,000	9,338,000	13,862,000
Percent of eligible uninsured who may obtain coverage for $100 or less through Marketplaces, or enroll in Medicaid or CHIP	56.1%	40.3%	76.3%

* The estimates assume that the following 25 states will expand their Medicaid programs: Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Hawaii, Illinois, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, North Dakota, Oregon, Rhode Island, Vermont, Washington, and West Virginia.
** Totals may not sum due to rounding.
*** Individuals with family incomes below 100% are not counted among the Marketplace eligible for the purpose of this analysis.
**** This is in addition to those who may be able to pay $100 or less per person per month for the second lowest-cost silver plan.