ASPE
DATA POINT

About 2.5 Million People Who Currently Buy Coverage Off-Marketplace May Be Eligible for ACA Subsidies

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In a previous analysis, ASPE found that the combination of financial assistance and the opportunity to shop for coverage reduces the impact of premium increases and would keep coverage affordable for the vast majority of Marketplace consumers, even if rates increase by double digits.[i] In particular, Marketplace consumers with incomes below 400 percent of the federal poverty level (FPL) – about $100,000 for a family of four – may be eligible for financial assistance, including tax credits, which increase to keep pace with premiums. Nearly 85 percent of current Marketplace consumers are eligible for and receiving tax credits.[ii] Likewise, both ASPE and outside researchers have found that the large majority of the remaining uninsured would be eligible for tax credits to help purchase coverage, based on their income.[iii,iv]

Another group that could be affected by premium changes are people who purchase coverage through the individual market, but not through the Health Insurance Marketplace. Less is known about this group than about Marketplace consumers or the remaining uninsured. Even estimates of the total number of people with off-Marketplace coverage vary, ranging from about 5 to 9 million.[v] Importantly, tax credits are not available for coverage purchased off-Marketplace because a central function of the Marketplace is determining eligibility for financial assistance.

This Data Point provides ASPE's national and state-by-state estimates of the share of consumers with off-Marketplace coverage who may qualify for Marketplace subsidies.

Eligibility for Tax Credits Among Off-Marketplace Consumers

We estimate that about 2.5 million individuals currently purchasing individual market coverage off-Marketplace have incomes that could qualify them for tax credits. (See Table 2 for state-by-state estimates and the Technical Appendix for information on our methodology.) If these individuals instead purchased qualified health plans (QHPs) through the Marketplace, tax credits that could cover part of the cost of their premiums would be available. About 1.1 million people in this group have incomes below 250 percent FPL, meaning that they might also qualify for help with their deductibles and other out-of-pocket expenses.

Key Highlights

- About 2.5 million people enrolled in off-Marketplace individual market coverage have incomes that may qualify them for tax credits to help purchase coverage.
- About 1.1 million of those consumers have incomes that may also qualify them for help with deductibles and other out-of-pocket costs.
- Six states (California, Texas, Florida, North Carolina, Illinois, and Pennsylvania) each have more than 100,000 individuals enrolled in off-Marketplace individual market coverage whose incomes could qualify them for Marketplace tax credits.
- Many of these consumers might be able to save money on their premiums by shopping for a 2017 plan through the Health Insurance Marketplace.
- Counting current Marketplace and QHP-eligible off-Marketplace consumers, more than 70 percent of QHP-eligible individual market consumers are potentially eligible for tax credits that would buffer the impact of premium increases.
- Counting current Marketplace and QHP-eligible off-Marketplace consumers and the QHP-eligible uninsured, about 78 percent of all consumers for whom Marketplace coverage might be appropriate have incomes making them potentially eligible for tax credits.

We estimate that 6.9 million individuals currently purchase health insurance in the off-Marketplace individual market. About 1.9 million people in this group appear to either: have incomes that would qualify them for Medicaid rather than Marketplace coverage or put them in the Medicaid coverage gap (i.e., income below 100 percent FPL in a State that has not expanded Medicaid); or are ineligible to purchase Marketplace coverage due to their immigration status (see Table 1). The 2.5 million consumers with incomes that could qualify them for tax credits represent about 36 percent of all off-Marketplace consumers or nearly half of the 5.1 million off-Marketplace consumers with income above 138 percent of poverty who are eligible to enroll in Marketplace QHPs.

Combining the 2.5 million off-Marketplace potentially subsidy-eligible QHP population with the 9.4 million consumers with Marketplace coverage who currently receive tax credits, our estimates imply that about two-thirds of all consumers in the individual market (on and off-Marketplace) are potentially eligible for tax credits (see Table 1). This is similar to an estimate by researchers at McKinsey, who combined multiple data sources to conclude that about 70 percent of people in the entire individual market have incomes that qualify them for tax credits.[vi] Meanwhile, about 73 percent of QHP-eligible individual market consumers – those with incomes above Medicaid limits and who are not eligible for Marketplace coverage based on their immigration status – are potentially eligible for tax credits.

In addition to those already covered in the individual market, we estimate that 10.7 million uninsured individuals are eligible for Marketplace coverage, and that 9.0 million of them (84 percent) may qualify for tax credits based on having incomes below 400 percent FPL. When examining the entire market, including the uninsured, Marketplace, and off-Marketplace populations, ASPE's estimates thus imply that about 78 percent of all QHP-eligible individuals have incomes that would make them eligible for tax credits.

Table 1: Populations in the Individual Market, 2016

Individual Market	**All (in millions)**	**Potentially Tax Credit-Eligible (in millions)**
Marketplace	11.1	9.4
Off-Marketplace	6.9	2.5
Total	18.0	11.9
Potentially QHP-Eligible Market	**All**	**Potentially Tax Credit-Eligible**
Uninsured	10.7	9.0
Marketplace	11.1	9.4
Off-Marketplace	5.1	2.5
Total	26.9	20.9

NOTE: Our estimates of the "Potentially QHP-Eligible Market" exclude: adults with incomes at or below 200% FPL in Minnesota and New York, who are eligible for Basic Health Plan coverage; adults with incomes at or below 215% in the District of Columbia, who are potentially eligible for Medicaid; adults with incomes at or below 138% in all other Medicaid expansion states; adults with incomes below 100% in states that have not expanded Medicaid (the "Medicaid gap"); children with incomes at or below 250% in all states, who may be eligible for Medicaid or CHIP; and individuals estimated to be immigrants not lawfully present. Numbers shown in table may not total and may differ slightly from main text due to rounding.

Why People with Off-Marketplace Coverage Should Shop on the Marketplace

It may seem surprising that 2.5 million people who could be eligible for tax credits if they purchased plans through the Marketplace would instead purchase off-Marketplace policies. There are a number of possible explanations.

First, many consumers remain unaware of the financial assistance available to them through the Marketplace. For example, a recent Commonwealth Fund survey found that only 52 percent of uninsured adults were aware that financial assistance is available through the Marketplaces.[vii]

Second, some consumers with incomes that may make them eligible for financial assistance may not have qualified to receive tax credits in previous years. If premiums increase this year, those individuals could qualify. Under the ACA, tax credits are designed to ensure that consumers have access to affordable options among the plans available where they live. For people eligible for financial assistance, the ACA specifies the share of income the consumer is expected to contribute toward health coverage. Tax credits make up the difference between that amount and the actual cost of a benchmark plan.

As a result, when premiums rise, more individuals qualify for tax credits. For example, a family of four with income of 350 percent FPL is expected to pay 9.69 percent of income, or $687 per month, for the benchmark plan. If premiums are less than or equal to $687, the family does not receive a tax credit. But if premiums for the benchmark plan rise from $687 to $787, the family becomes eligible for a tax credit of $100 per month, which absorbs the full cost of the premium increase for the benchmark plan.

Both of these explanations suggest continued education and encouragement of consumers purchasing individual market health coverage to come to the Marketplace to shop for 2017, even if they did not qualify for tax credits in previous years. If premiums in their area are rising, they may now be eligible for tax credits, which may compensate for some or all of the increase.

Conclusion

Over the first three years of the Health Insurance Marketplace, consumers have come to recognize the benefits of coming back to shop. Last year, 70 percent of returning Marketplace consumers in HealthCare.gov States came back and actively selected a plan, up from 53 percent the year before.[viii] Consumers who switched plans for 2016 are saving an average of $500 annually.[ix]

This Data Point shows that consumers who until now have purchased their coverage off-Marketplace could also benefit from visiting HealthCare.gov (or their State's Marketplace) for 2017 coverage. Not only will they be able to compare the plan offerings available, but millions of them may qualify for financial assistance that would let them purchase coverage and health care at lower cost.

Table 2. State by State Estimates of the Potentially Tax-Credit Eligible Off-Marketplace Population

State	Total Tax Credit Eligible Off-Marketplace Population
Alabama	33,000
Alaska	5,000
Arizona	33,000
Arkansas	29,000
California	313,000
Colorado	52,000
Connecticut	15,000
Delaware	5,000
District of Columbia	2,000
Florida	153,000
Georgia	95,000
Hawaii	7,000
Idaho	15,000
Illinois	130,000
Indiana	45,000
Iowa	41,000
Kansas	28,000
Kentucky	17,000
Louisiana	34,000
Maine	10,000
Maryland	31,000
Massachusetts	22,000
Michigan	62,000
Minnesota	43,000
Mississippi	22,000
Missouri	83,000
Montana	14,000
Nebraska	14,000
Nevada	27,000
New Hampshire	3,000
New Jersey	44,000
New Mexico	8,000
New York	68,000
North Carolina	138,000
North Dakota	4,000
Ohio	64,000
Oklahoma	33,000
Oregon	26,000
Pennsylvania	111,000
Rhode Island	4,000
South Carolina	21,000
South Dakota	17,000
Tennessee	79,000
Texas	252,000
Utah	56,000
Vermont	1,000
Virginia	56,000
Washington	53,000
West Virginia	15,000
Wisconsin	51,000
Wyoming	5,000
US TOTAL	2,488,000

Sources: ASPE analysis of data from the National Health Interview Survey (NHIS) Preliminary Quarterly Microdata Files, American Community Survey Public Use Microdata Sample (ACS PUMS), and Current Population Survey Annual Social and Economic Supplement (CPS ASEC).

Technical Appendix

Our estimates of the number of individuals with off-Marketplace coverage and their income levels are based on analysis of National Health Interview Survey (NHIS) Preliminary Quarterly Microdata Files for January-December 2015. The NHIS interview on health insurance coverage includes examination of respondents' health insurance cards. NHIS also obtains the information on age, income, and state of residence that is needed to assess eligibility for Marketplace coverage and subsidies. We classified an individual as having off-Marketplace coverage if that person had private coverage and did not have either Marketplace or employer-sponsored coverage. We multiplied the total number of individuals with off-Marketplace coverage by 55 percent to account for change from 2015 to 2016 and to improve consistency with other sources of data on the individual market.

The 2015 NHIS Preliminary Quarterly Microdata capture family income rather than income for the Health Insurance Unit (HIU), which comes closer to the tax concepts used to determine eligibility for Medicaid, CHIP, and the Marketplaces. Family income and HIU income will be the same for many families, but for others the two concepts will produce different results. The income of a young adult living at home, for example, would be counted in family income along with that of parents who might earn more, but the child's and parents' income would be broken out separately in HIU income. To obtain HIU income, we used Iterative Proportional Fitting (IPF) to reweight 2014 data from the American Community Survey Public Use Microdata Sample (ACS PUMS) on individuals reporting nongroup coverage (on- or off-Marketplace) to targets by state, income group, age group, gender, race, and ethnicity from our analysis of the 2015 NHIS Preliminary Quarterly Microdata.[x]

The NHIS quarterly data do not provide information on citizenship or immigration status. Such information is needed to determine Marketplace eligibility because immigrants who are not lawfully present are not eligible for Marketplace coverage. The 2014 ACS PUMS data include information on place of birth and citizenship but do not distinguish persons who are not lawfully present from legally resident noncitizens. To exclude estimated persons who are not lawfully present from our estimates of the uninsured, we adjusted the IPF weights for noncitizens based on the estimated probability that that individual is not lawfully present. Our estimates of immigrants who are not lawfully present are based on ASPE analysis of data from the 2014 ACS, using an adjustment methodology based on imputations of immigrant legal status in ASPE's TRIM3 microsimulation model. The TRIM3 imputation methods, originally developed by Jeffrey Passel and Rebecca Clark in the 1990s, assign noncitizens in data from the Current Population Survey Annual Social and Economic Supplement (CPS ASEC) to one of four possible legal statuses: legal permanent resident ("LPR," or "green card" holder); refugee or asylee; nonimmigrant (temporary legal resident, generally in the U.S. with a student visa or work visa); or immigrants who are not lawfully present.

All surveys, including NHIS, ACS, and CPS ASEC, contain both sampling error and nonsampling error, such as misreporting of income or coverage status. Our efforts to impute missing information by bridging across these data sources represent an additional source of error. Fully accurate and precise data, unfortunately, are not available. Medical Loss Ratio (MLR) data from the Centers for Medicare and Medicaid Services (CMS) will provide the best information on the size of the individual market by state in 2015 and 2016, but these data are not yet available, nor will they provide any information on the income levels or other characteristics of individual market enrollees.

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[i] https://aspe.hhs.gov/sites/default/files/pdf/206741/APTCMarketplace.pdf

[ii] Income eligibility ranges from 138 to 400 percent FPL in States that have expanded Medicaid; 100 to 400 percent FPL in States that have not. https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-06-30.html

[iii] https://aspe.hhs.gov/basic-report/health-insurance-marketplace-uninsured-populations-eligible-enroll-2016. The Marketplace eligible uninsured are defined as those below age 65 with incomes at or above the levels eligible for financial assistance (100/138% FPL, depending on state Medicaid expansion status for adults; and above 150% FPL for children). Additionally we exclude from the "QHP eligible" population individuals estimated to be immigrants not lawfully present; individuals with incomes below 200% FPL in Minnesota and New York, who are eligible for a Basic Health Plan; and individuals with incomes below 215% in the District of Columbia, who are potentially eligible for Medicaid.

[iv] http://www.commonwealthfund.org/~/media/files/publications/issue-brief/2016/aug/1894_collins_who_are_remaining_uninsured_tb_rev.pdf
Calculated by excluding people with incomes below 100/138 % FPL.

[v] Federal Subsidies for Health Insurance Coverage, Congressional Budget Office, March 2016, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51385-HealthInsuranceBaseline.pdf.
Survey of Non-Group Health Insurance Enrollees, Kaiser Family Foundation, May 2016, http://kff.org/health-reform/poll-finding/survey-of-non-group-health-insurance-enrollees-wave-3/; Mark Farrah Associates, The Unpredictable Individual Health Insurance Market (http://www.markfarrah.com/healthcare-business-strategy/The-Unpredictable-Individual-Health-Insurance-Market.aspx);
Charles Gaba Guess what? Several million OFF-exchange enrollees appear to qualify for exchange subsidies!!, September 8, 2016 (http://acasignups.net/16/09/08/guess-what-several-million-exchange-enrollees-appear-qualify-exchange-subsidies)

[vi] http://healthcare.mckinsey.com/exchanges-three-years-market-variations-and-factors-affecting-performance

[vii] http://acatracking.commonwealthfund.org/

[viii] https://aspe.hhs.gov/health-insurance-marketplaces-2016-open-enrollment-period-final-enrollment-report
https://aspe.hhs.gov/sites/default/files/pdf/83656/ib_2015mar_enrollment.pdf

[ix] http://www.hhs.gov/blog/2016/04/12/premiums-last-year-much-lower-than-initial-rates-suggested.html

[x] For background on IPF, see W.E. Deming, and F.F. Stephan, "On a Least Squares Adjustment of a Sampled Frequency Table When the Expected Marginal Totals are Known," *Annals of Mathematical Statistics* 11 (4): 427–444 (1940); Y.M. Bishop, R.J. Light, F. Mosteller, S.E. Fienberg, and P.W. Holland, *Discrete Multivariate Analysis: Theory and Practice* (New York: Spring, 2007); and S. Kolenikov, "Calibrating survey data using iterative proportional fitting (raking)," *The Stata Journal*, 14(1): 22–59 (2014).