

Estimates of Coverage Expansions from Federal Reform

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About the Gruber Econometric Modeling

- Created by Jonathan Gruber, PhD, at Massachusetts Institute of Technology
- Uses health economics literature to estimate the behavior of both individual and employers in “new” policy world
- Type of modeling used by Congressional Budget Office
- Gruber used model to estimate federal reform impact for HHS and White House

What the Gruber model does?

- Predicts how employers and individuals will react to changes in public policy (taxes, subsidies, mandates, etc.) based on economic literature analyzing past response to changes in tax rates, etc.
 - Predicts employers' decisions to offer / not offer
 - Predicts employers' size of contributions
 - Assumes small employers are much more likely to change offer decision based on changes in public policy than large employers are
- Estimates changes in health insurance coverage by source for under 65 population
- Estimates costs for individuals, employers, state and federal government for under 65 population

Model assumptions from the Patient Protection and Affordable Care Act

- Individual mandate
- Employer responsibility
- Medicaid expansions
- Exchange tax credits and cost sharing subsidies
- Small business tax credits

Federal individual mandate

- Individuals must maintain “minimum essential coverage” every month or pay a financial penalty
- Major exemptions (incorporated in model) include:
 - Affordability exemption: Least expensive qualifying coverage premium share for individual costs more than 8% of income
 - People with incomes below the federal filing threshold
 - For example: Single taxpayer: \$9,350 (86% FPL)
 - For example: Married couple with two children: \$26,000 (118% FPL)
 - People not lawfully present in the U.S.

Federal Requirements on Large (50+ FTE) Employers

- Expected to provide coverage to full-time workers (30+ hours/week)
- Penalty is triggered if any full-time employee of employer qualifies for an individual tax credit or cost-sharing through the Exchange.
- For non-offering employer
 - Penalty = \$2,000 times [number of full-time employees – 30].
- For offering employer
 - Penalty = \$3,000 times number of full-time employees enrolled through Exchange accessing tax credit

Coverage through Medicaid and the Exchange

- Medicaid expanded to 133% FPL
 - 100% federal match for “newly eligible” through 2016.
 - Phases down to 90% federal match in 2020 and after
- Exchange
 - Premium tax credits available 133-400% FPL
 - 100% federally funded tax credits
 - People contribute to premiums on sliding scale
 - **Not eligible** for tax credits if offered employer coverage premium costs less than 8% of income
 - Cost-sharing subsidies 133-250% FPL
 - 100% federally funded
 - Reduces out-of-pocket costs at point of service

Federal Small Employer Tax Credit

- Employer must pay at least half of premium
- Credit is percentage of employer's contribution
 - Maximum credit = 10 or fewer FTEs **AND** average FTE wages of \$25,000 or less.
 - No credit with 25 or more FTEs **OR** average FTE wages of \$50,000 or more
- For 2010-2013, max 35% credit available for **any** small employer meeting conditions
- Effective 2014, max 50% credit available **only** if employer buys coverage through Exchange

Table 1: Coverage Status Under Federal Reform by Year

Coverage (Thousands)	2013 [†]	2015	2019
Medicaid (OHP)	370	510	560
Exchange	-0-	190	360
Individual	180	150	130
Group (Employer)	2,180	2,180	2,080
Uninsured	600	320	290
Total *	3,330	3,360	3,420

† Some small shifts have already occurred in 2013. Primarily, 30,000 uninsured <26 have moved into employer coverage.

* Projected population totals exclude people 65 or older and people under 65 who have only Medicare or only military coverage. Coverage estimates based on the Census Bureau's Current Population Survey (CPS), not actual program enrollment where applicable. Totals may not add due to rounding.

Table 2: Where the Uninsured Get Covered Under Reform, 2019

New Coverage Status of Previously Uninsured	(Thousands)	Percent
Remain Uninsured	240	35%
Medicaid (OHP)	180	26%
Exchange	150	22%
Individual	30	4%
Group (Employer)	80	12%
Total*	680	100%

*Number of total uninsured in 2019 absent of reform.

Table 3: Remaining Uninsured Under Reform by Income (FPL), 2019

Category (Thousands)	<200%	200%-400%	>400%	Total*	Pct
Exempt from Mandate	1	25	43	69	24%
Ignoring Mandate	84	24	11	120	42%
Undocumented	83	14	3	99	34%
Total	168	63	57	288	100%
Percent	58%	22%	20%	100%	

* Detail does not add to total due to rounding.

Table 4: Remaining Uninsured Under Reform, by Age, 2019

Category (Thousands)	< 19	19-34	35-49	50-64	Total*
Exempt from Mandate	16	8	19	26	69
Ignoring Mandate	33	42	28	17	120
Undocumented	12	63	23	0	99
Total	61	113	70	43	288
Percent	21%	39%	24%	15%	100%

* Detail does not add to total due to rounding.

Table 5: Remaining Uninsured Under Reform, by Geography, 2019

Category (Thousands)	Portland	Other Urban[†]	Rural	Total*	Pct
Exempt from Mandate	28	24	17	69	24%
Ignoring Mandate	53	36	31	120	42%
Undocumented	44	34	21	99	34%
Total	125	94	69	288	100%
Percent	43%	33%	24%	100%	

[†] Bend, Eugene, Medford, Salem. **SMALL AREA DATA IS NOT STATISTICALLY RELIABLE.**

* Detail does not all to totals, due to rounding

Table 6: Exchange Enrollment in 2019

Family Income Relative to Poverty	Enrollment * (thousands)
133%-250%*	168
250%-400%	101
> 400%	86
Total *	355

* Total projected Exchange enrollment is about 360,000. A few projected Exchange enrollees are below 133% FPL or could not be placed by income.

Table 7: Change in Employment-Based Coverage, 2019

Employer Size (# of Workers)	New Enrollees (thousands)	Number Losing Employer Coverage [†]	Net Change (thousands) *
1 – 50	37	127	-90
51 – 100	7	29	-22
101 +	85	86	-1
Total *	129	242	-113

† People may lose employer coverage because (1) their employer drops coverage, (2) even though their employer continues to offer coverage, they become eligible Medicaid (OHP) or for premium tax credits through the individual Exchange, or (3) due to reduced employer contributions, they voluntarily disenroll. About 2/3s of coverage losses are due to employers dropping coverage.

* The total net change differs from figures show earlier because this analysis omits dependents who gain employer coverage due to the higher age requirement (up to age 26).

Table 8: State Costs Under Federal Reform by Year

(\$ millions)	2013	2015	2019
State share of OHP	\$ (4)	\$ 21	\$ 121
State income tax revenue increase*	\$ (2)	\$ (8)	\$ (50)
Net State Cost	\$ (6)	\$ 13	\$ 71

* State income tax revenues increase because some employers drop coverage or reduce their contributions, leading to a wage increase for their workers and increased state tax revenues. These estimates do not include the potential fiscal impact on the State of other portions of the federal reform bill, such as the numerous changes in Medicare. Nor do they include the fiscal impact of policy or provider payment changes the State might decide to adopt voluntarily in the context of federal reform

Table 9: Annual Financial Effect on Oregon Individuals and Families, 2019

Type (\$ Millions)	Benefits / Savings	Costs	Net
Increase in Wages*	\$ 469		+ 469
Value of New Subsidies (including Reduction in OOP Costs)	\$1,586		+ 1,586
Increased Federal Income Taxes		\$(83)	(83)
Increased Federal Payroll Taxes		\$(47)	(47)
Increased State Income Taxes		\$(50)	(50)
Mandate Penalty Payments (Federal)		\$(70)	(70)
Total	\$ 2,055	\$(250)	+1,805

Table 10: Annual Financial Effect on Oregon Businesses, 2019

Type (\$ Millions)	Benefits / Savings	Costs	Net
Reduction in Employer Contributions to Group Coverage	\$ 627		+ 627
Increase in Wages Paid *		\$(469)	(469)
Small-Employer Tax Credits	\$29		+ 29
Increased Federal Payroll Taxes		\$(47)	(47)
Assessment Payments by Large Employers (50+ FTE)		\$(110)	(110)
Total	\$ 656	\$(626)	+ \$30

Conclusions

- 65% of the uninsured obtain coverage by 2019
- Over 360,000 Oregonians could take advantage of an the Insurance Exchange
- The remaining uninsured
 - Over 50% are under age 35
 - Over 50% are under 200% FPL
 - Over 70% are in Urban areas
- Oregonians could gain almost \$2 billion in benefits annually from reform
- Oregon small business could gain \$30 million in benefits annually from reform

Questions

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