Covered California: California's Health Insurance Marketplace at Risk

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The Affordable Care Act (ACA) created health care marketplaces (or "exchanges") to make health insurance more affordable and easier to shop, compare, choose, and buy. Under Republican Governor Arnold Schwarzenegger, California was the first state in the nation to create its own marketplace, called Covered California. The combination of Covered California and Medi-Cal (Medicaid) expansion has cut California's uninsured rate by more than half, from 17.2% in 2013, to 8.6% in 2015.[1]

The ACA provides federal subsidies to help moderate-income consumers afford the cost of insurance premiums as well as the cost of care.

- **Over 90% of those enrolled in Covered California, 1.2 million California consumers, receive federal tax subsidies worth $4 – $5 billion**.
- The average subsidy of $440[2] covers nearly 77%[3] of the consumer's monthly premium costs.
- These subsidies make health coverage more affordable to a population that earns between $16,000 and $47,080 a year (138% – 400% FPL).[4]
- Around 680,000[5] lower income consumers also receive another **$800-$900 million in help to pay for cost sharing** such as co-pays and deductibles, which are paid directly to insurers. The average cost sharing subsidy is $1,250[6] annually.

GOP Proposals to repeal the ACA without a replacement would:

- Eliminate subsidies that help 1.2 million Californians afford coverage; and
- Destabilize the insurance market for all individual consumers, including those not subsidized, who would be left in a smaller, sicker risk pool, causing insurance premiums for all individuals to skyrocket. The Urban Institute and others predict a "death spiral"[7] that would cause insurers to abandon the marketplaces altogether.

Covered California, the Nation's Largest State Exchange, Helps Californians Get Coverage

Individual Consumers: Covered California currently enrolls over 1.4 million individual consumers.[8]

- Since its formation in 2014, Covered California has enrolled and served more than 2.5 million Californians, who cycle through individual insurance between employer-based and public program coverage.[9]
- Most of those who have been enrolled in Covered California have renewed their coverage in Covered California. Over a million Californians have gone on to find other coverage through employer coverage or Medi-Cal (California's Medicaid program).

Covered California Negotiates on Behalf of Consumers

As a public agency with an appointed board of directors, Covered California is accountable to the public and the consumers it serves. It is one of the few exchanges that is an "active purchaser" that actively negotiates with health insurers over rates as well as improvements in cost, quality and health disparities. Covered California has successfully used its bargaining power to:

Minimize Rate Increases

- The three-year average rate increase in Covered California is 7%[10]-- lower than national averages and lower than pre-ACA trends where consumers regularly faced double-digit percentage spikes.
- For 2017, the statewide average premium rate increase to 13%[11] compared to the national average premium rate increase of 22%.[12] To deal with rate increases, the ACA and Covered California provides two new tools:
    - Federal subsidies absorbed the impact of rate increases for 90% of enrollees; and
    - No longer locked into one insurer, consumers can shop and compare plans. Even with rising premiums, the vast majority of consumers (80%) would be able to comparison-shop and find a plan at the same benefit level that costs them, at most, 5% more than they were paying in 2016.[13]

Give Consumers a Choice of Plans

Almost every Californian has a choice of health insurers in the individual market.

- 11 different health insurers participate in Covered California.
- For 2017, 92.6% of consumers can choose from three or more insurers.
- All consumers will have at least two insurers to choose from.[14]

Help Consumers Make Apples-to-Apples Comparisons of their Options

Standardized benefits and cost sharing to help consumers shop and compare plans.

- For example, when a consumer decides to purchase a Silver plan, the copays, deductibles, and other cost sharing are the same for Anthem, Blue Shield, HealthNet, Kaiser Permanente, and the other plans available in that region.
- Standardization makes choosing a plan simpler, provides peace of mind about the benefits, fosters more intense price competition, and allows the consumers to choose coverage based on premiums, plan quality ratings, and provider networks.
- Before the ACA and Covered California, insurers offered different plans with different cost-sharing and benefits, making it impossible for consumers to shop and compare their coverage options.

Improve Quality and Reduce Health Disparities

- Covered California is also requiring insurers to show improvements in cost, quality and disparities through requirements such as lower hospital infections, fewer caesarean sections, and reduced health disparities for high blood pressure and diabetes.[15]

The ACA's Insurance Market Rules Protects Consumers

Covered California's success is rooted in the insurance market rules put in place by the ACA, which built on pre-existing California consumer protection laws. Key protections include:

- **No discrimination against people with pre-existing conditions:** Under the ACA, no one can be denied coverage or be charged more based on pre-existing condition, whether that is a serious condition like cancer or a heart attack, or a less serious condition like asthma, acne, or ear infections. In California, premiums for individuals and small employers are based <u>solely</u> on age and geographic region. Insurers <u>cannot</u> base premiums on gender, tobacco use, and health status.
- **Consumers get comprehensive coverage,** including medically necessary doctors, hospitals, labs, imaging, as well as medically necessary prescription drugs, behavioral health treatment, maternity care and preventive care services.
- **No annual or lifetime limits to coverage:** The ACA banned annual and lifetime limits, so people can no longer be dropped by their insurer for having serious, expensive medical needs:
    - Pre-ACA people with cancer, multiple sclerosis, or other very serious conditions would hit an annual limit of $100,000 or a lifetime limit of $1 million, forcing them to lose their homes or go into bankruptcy.
    - Under the ACA, every consumer has a $7,000 cap on annual out-of-pocket costs (co-pays, deductibles, and other cost sharing).

[1] UC Berkeley Labor Center, Taking Stock: Californians' Insurance Take-Up Under the Affordable Care Act, October 2016.
[2] Covered California, June 2016 Active Member Profile, Published December 2016.
[3] Covered California, Covered California Announces Rates and Plan Expansions for 2017, July 2016.
[4] Covered California, Income Guidelines Use Through March 2017, September 2016.
[5] Covered California, June 2016 Active Member Profile, Published December 2016.
[6] This average estimate is achieved by dividing $800-900M by 680,000 enrollees that receive CSR.
[7] Urban Institute, Implications of Partial Repeal of the ACA through Reconciliation, December 2016.
[8] Covered California, Covered California Announces Rates and Plan Expansions for 2017, July 2016.
[9] Covered, California, Health Insurance Companies and Plan Rates for 2017, Updated September 2016.
[10] Covered California, Covered California Announces Rates and Plan Expansions for 2017, July 2016.
[11] Covered California, Covered California Announces Rates and Plan Expansions for 2017, July 2016.
[12] US Department of Health & Human Services, Office of the Assistant Secretary for Planning and Evaluation, Health Insurance Choice and Premiums in the 2017 Health Insurance Marketplace, October 2016.
[13] Covered California Announces Rates and Plan Expansions for 2017 (July 19, 2016) http://news.coveredca.com/2016/07/covered-california-announces-rates-and.html.
[14] Covered California, Covered California Announces Rates and Plan Expansions for 2017, July 2016.
[15] Covered California, Attachment 7 to Covered California 2017 Individual Market QHP Issuer Contract: Quality, Network Management, Delivery System Standards and Improvement Strategy (Board approved on April 6, 2016); Attachment 14 to Covered California Qualified Health Plan Contract, July 2013.