Health Care: Obama Officials Look Back at the ACA and the Path Forward

MARCH 23, 2017
WASHINGTON, D.C.
The Affordable Care Act: Seven Years Later

Jason Furman
Senior Fellow, PIIE

The Century Foundation
Washington, DC
March 23, 2017
Outline

I. Coverage
II. Cost
III. Quality
IV. Economic Performance
V. Marketplace Stability
Outline

I. Coverage
II. Cost
III. Quality
IV. Economic Performance
V. Marketplace Stability
Uninsured Rate Has Fallen to the Lowest Level on Record

Uninsured Rate, 1963–2016

Note: Estimate for 2016 reflects only the first three quarters. Other estimates are full-year.
Source: National Health Interview Survey and supplemental sources described in CEA (2014).
Both Younger and Older Adults, as well as Kids, Have Seen Substantial Coverage Gains

Uninsured Rates by Age, 1997–2016

Note: Estimates for 2016 reflect only the first three quarters. Estimates of the uninsured rate for 0–18 year olds have not yet been reported for 2016, so the uninsured rate for 0–18 year olds reported in Figure 4-5 was calculated by extrapolating the 2015 estimate using the percentage point change for 0-17 year olds, which has been reported. Similarly, estimates of the uninsured rate for 26-64 year olds were extrapolated using the percentage point change for the larger group consisting of 18 year olds and 26-64 year olds. Source: National Health Interview Survey; CEA calculations; author's calculations.
Uninsured Rate Has Fallen for All Income Levels

Non-Elderly Uninsured Rate by Income

- 36% reduction in 2013
- 33% reduction in 2015
- 31% reduction in 2013

Source: National Health Interview Survey; CEA calculations.
States that Expanded Medicaid Have Seen Much Larger Gains in Health Insurance Coverage

Decline in Uninsured Rate from 2013 to 2015 vs. Level of Uninsured Rate in 2013, by State

Source: American Community Survey; CEA calculations.
Note: States are classified by Medicaid expansion status as of July 1, 2015.
Expanded Coverage is Improving Access to Care, Financial Security, and Health

Decline in Share Not Seeing a Doctor Due to Cost vs. Decline in Uninsured Rate, by State, 2013–2015

Decline in Share Not Seeing a Doctor Due to Cost, 2013–2015 (p.p.)

Decline in Uninsured Rate, 2013–2015 (p.p.)

Note: Sample limited to non-elderly adults. Percentage points denoted p.p.
Source: Behavioral Risk Factor Surveillance System; CEA calculations.
Millions More Workers Are Now Protected Against Unlimited Out-of-Pocket Spending


Source: Kaiser Family Foundation/Health Research and Educational Trust Employer Health Benefits Survey.
Outline

I. Coverage

II. Cost

III. Quality

IV. Economic Performance

V. Marketplace Stability
Projections of National Health Expenditures Have Fallen Sharply

Note: Pre-ACA projections have been adjusted to reflect a permanent repeal of the SGR following the methodology used by McMorrow and Holahan (2016). For consistency, actuals reflect the current estimates as of the most recent projections release.

Source: National Health Expenditures Accounts and Projections; CEA calculations.
Health Care Prices Have Risen at the Slowest Rate in 50 Years Since the ACA Was Enacted

Health Care Price Inflation vs. Overall Inflation, 1960–2017

Year-Over-Year Inflation Rate

Source: National Income and Product Accounts; author's calculations.
Health Care Spending Per Enrollee Has Grown Exceptionally Slowly in Public & Private Sectors

Real Per Enrollee Spending Growth, By Payer, 2000–2015

Average Annual Percent Growth

**Private Insurance**
- 2000–2005: 6.5%
- 2005–2010: 3.4%
- 2010–2015: 1.5%

**Medicare**
- 2000–2005: 4.7%
- 2005–2010: 2.4%
- 2010–2015: -0.3%

**Medicaid**
- 2000–2005: -0.2%
- 2005–2010: -0.3%

Note: Medicare growth rate for 2005–2010 was calculated using the growth rate of non-drug Medicare spending in place of the growth rate of total Medicare spending for 2006 to exclude effects of the creation of Medicare Part D. Inflation adjustments use the GDP price index.

Source: National Health Expenditure Accounts; National Income and Product Accounts; CEA calculations.
The Pace of Deductible Growth Has Been Similar to the Pace Prior to the ACA

Average Real Deductible in Employer-Based Single Coverage, 2002–2016

Note: Inflation adjustments use the GDP price index, including a CBO projection for 2016.
Cost Growth Has Slowed in Employer Coverage—Even More When Out-of-Pocket Costs Are Included

Growth in Real Costs for Employer-Based Family Coverage, 2000–2016

Average Annual Percent Growth

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Premium</td>
<td>5.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Employee Contribution</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Employer Contribution</td>
<td>5.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Worker Contribution + Estimated Out-of-Pocket Cost</td>
<td>5.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Total Premium + Estimated Out-of-Pocket Cost</td>
<td>5.1</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Note: Out-of-pocket costs were estimated by first using the Medical Expenditure Panel Survey to estimate the out-of-pocket share in employer coverage for 2000–2014 and then applying that amount to the premium for each year to infer out-of-pocket spending. The out-of-pocket share for 2015 and 2016 was assumed to match 2014. Inflation adjustments use the GDP price index. GDP price index for 2016 is a CBO projection.

Source: Kaiser Family Foundation/Health Research and Educational Trust Employer Health Benefits Survey; Medical Expenditure Panel Survey, Household Component; CEA calculations.
Alternative Payment Models Can Improve the Performance of the Health Care Delivery System

Percent of Traditional Medicare Payments Tied to Alternative Payment Models, 2010–2019

Note: The dates and percentages for the actual series are approximate. Source: Centers for Medicare and Medicaid Services.
I. Coverage

II. Cost

III. Quality

IV. Economic Performance

V. Marketplace Stability
The Quality of Care Received by Hospital Patients Has Improved Since 2010

Cumulative Percent Change in Rate of Hospital-Acquired Conditions Since 2010, 2010–2015

Cumulative Percent Change in Rate of Hospital-Acquired Conditions Since 2010

Source: Agency for Healthcare Research and Quality; CEA calculations.
Hospital Readmission Rates Have Fallen Sharply in Recent Years

Medicare 30-Day, All-Condition Hospital Readmission Rate, 2008–2016

Source: Centers for Medicare and Medicaid Services; CEA calculations.
I. Coverage
II. Cost
III. Quality
IV. Economic Performance
V. Marketplace Stability
The Private Sector Has Added 16.2 Million Jobs in 84 Consecutive Months of Job Growth Since the Affordable Care Act Became Law


Job Gain/Loss

Almost All of the Net Increase In Employment Since the ACA Became Law Has Been in Full-Time Jobs

Change in Number of Full-Time and Part-Time Workers Since March 2010, 2010–2017

People Reporting Better Health Have Higher Employment Rates and Earnings

**Employment Outcomes for Prime Age Adults, by Health Status, 2015**

**Panel A: Share with Any Wage or Salary Earnings**
Percent of Prime-Age Adults with Earnings

- Poor: 22
- Fair: 52
- Good: 77
- Very Good: 82
- Excellent: 82

**Panel B: Average Earnings, People With Earnings**
Average Wage and Salary Earnings

- Poor: $36,000
- Fair: $39,000
- Good: $47,000
- Very Good: $55,000
- Excellent: $61,000

Source: Current Population Survey; CEA calculations.
The ACA, Along With Other Tax Policies, Has Contributed to Reducing After-Tax Inequality


Source: U.S. Treasury, Office of Tax Analysis.
CBO Estimates that the Affordable Care Act Substantially Improved the Long-Term Budget Outlook

Deficit Reduction Due to the Affordable Care Act, 2016–2035

Change in the Deficit (Billions)

- $353 Billion

Reduction of Around $3.5 Trillion

Note: CBO reports second-decade effects as a share of GDP. Amounts are converted to dollars using GDP projections from CBO's long-term budget projections. Source: Congressional Budget Office; CEA calculations.
The Life of the Medicare Trust Fund Has Been Extended by 11 Years Since the ACA Became Law

Source: Medicare Trustees.
Outline

I. Coverage
II. Cost
III. Quality
IV. Economic Performance
V. Marketplace Stability
Marketplace Premiums Have Converged to CBO’s Prediction

**Actual Marketplace Premiums vs. CBO Projection**

Difference as a Percent of CBO Projection

Source: Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (2013; 2016).
Some of the Large Premium Increases Likely Reflect Initial Underpricing by Insurers

Annual Change in Benchmark Premium, by Quintile of 2014 Benchmark Premium, 2014–2017

Median Annual Percent Change in Benchmark Premium, 2014–2017

Note: Premiums analyzed at the county level. Quintiles defined to have equal non-elderly populations. Data limited to states using HealthCare.gov in all years.
Source: Department of Health and Human Services; American Community Survey; CEA calculations.
States With Larger Premium Increases Have Not Seen Larger Decreases in Enrollment

Change in Marketplace Plan Selections vs. Change in Benchmark Premium, 2016–2017, by State

Note: Figure includes states that used the HealthCare.gov platform in both 2016 and 2017. The black line portrays the estimated relationship from regressing the log change in plan selections on the log change in the benchmark premium. The red line portrays a relationship with the same intercept and a slope coefficient of -2. This slope coefficient would permit a death spiral if claims costs for enrollees discouraged by higher premiums were half or less the costs of other enrollees, a relatively extreme assumption.

Source: Department of Health and Human Services; Fiedler (2017).
Most Marketplace Enrollees Are Fully Protected from Benchmark Premium Increases

Premium for the Benchmark Plan for an Individual Making $25,000 Per Year, 2017

Source: CEA calculations.
Jeanne Lambrew

SENIOR FELLOW,
THE CENTURY FOUNDATION
Review: Analyses Related to Efforts to Repeal, Replace, and/or Repair “ObamaCare”: Baseline

Health insurers will do better with Obamacare results in 2016 — and even better next year, new projection says

- Dan Mangan, CNBC, December 22, 2016

The subsidies to purchase coverage combined with the penalties paid by uninsured people stemming from the individual mandate are anticipated to cause sufficient demand for insurance by people with low health care expenditures for the market to be stable.

- Congressional Budget Office, March 13, 2017

FIGURE. Average Monthly Premiums After APTC Among Healthcare.gov Consumers with APTC (Advance Premium Tax Credit)

https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2017-Fact-Sheet-items/2017-03-15.html
Restoring Americans’ Healthcare Freedom Reconciliation Act of 2015


- Called “repeal and delay” because it:
  - Repeals provisions like the individual and employer mandates and ACA taxes immediately
  - Repeals premium tax credits and the Medicaid expansion 2 years later, allowing for subsequent “replacement” bill(s)

**FIGURE.** Where Health Care Options Could Disappear Under ACA “Repeal and Delay”

SOURCE: The Century Foundation. [https://tcf.org/content/commentary/health-care-options-disappear-aca-repeal-delay/](https://tcf.org/content/commentary/health-care-options-disappear-aca-repeal-delay/)
American Health Care Act (AHCA): Overview

- Replaces a number of ACA policies for the individual market, reducing premium tax credits by 50%
- Repeals the Medicaid expansion starting in 2020 along with other ACA Medicaid policies
- Creates a per-capita cap on Federal Medicaid spending starting in 2020
- Repeals or delays most of the ACA taxes

AHCA: 2018 Individual Market Impact

- Like the 2015 reconciliation bill, it repeals the individual and employer mandates immediately, causing average premiums to increase by 15 to 20 percent.
  - Starting in 2019, older enrollees could be charged 5 rather than 3 times more than younger enrollees.

- Private coverage would decline by 8 million: 6 million losing individual market coverage and 2 million losing employer coverage.

**FIGURE.** Under the ACA Repeal-and-Delay Strategy, Young Adults Could Pay $725 More

---

**FIGURE SOURCE:** The Century Foundation. https://tcf.org/content/commentary/aca-repeal-delay-strategy-young-adults-pay-725/.

**TEXT SOURCE:** CONGRESSIONAL BUDGET OFFICE.
AHCA: 2020 Individual Market Impact

**FIGURE.** Change in Annual Out-Of-Pocket Premiums for Individuals at 200 Percent of Poverty by Age, 2020

- Replaces income- and premium-based tax credits with credits ranging from $2,000 to $4,000 based on age
- Phases out above $75,000
- Indexed to general inflation plus one

SOURCE: The Century Foundation.
https://tcf.org/content/commentary/five-reasons-new-house-legislation-contribute-health-insurance-death-spiral/
AHCA: 2020 Individual Market Impact: By State

**FIGURE.** House Republican Health Plan, Compared to Affordable Care Act (ACA): 12 of the 15 Hardest Hit States Have Significant Rural Populations

**FIGURE.** Premium Tax Credits Would Fall Sharply Under House Republican Plan

AHCA: 2026 Individual Market Impact

**FIGURE.** Estimated Percent Change in Average Individual Market Premiums Under AHCA in 2026

- Unadjusted change reported by CBO: -10%
- Change holding plan generosity constant: -2%
- Change holding age distribution constant: +4%
- Change holding plan generosity & age mix constant: +13%

AHCA: Short-Term Medicaid Impact

**FIGURE.** In the 32 States That Expanded Medicaid Under the ACA, 11 Million Newly Eligible Adults Gained Coverage

NOTES: Coverage under the Medicaid expansion became effective January 1, 2014 in all but seven expansion states: Michigan (4/1/2014), New Hampshire (8/15/2014), Pennsylvania (1/1/2015), Indiana (2/1/2015), Alaska (9/1/2015), Montana (1/1/2016), and Louisiana (7/1/2016). Seven states that will have Republican governors as of January 2017 originally implemented expansion under Democratic governors (AR, IL, KY, MA, MD, NH, VT), and one state has a Democratic governor but originally implemented expansion under a Republican governor (PA). *AR, AZ, IA, IN, MI, MT, and NH have approved Section 1115 expansion waivers.

SOURCE: KAISER FAMILY FOUNDATION
AHCA: Short-Term Medicaid Impact

**FIGURE.** Thanks to ACA Medicaid Expansion, More People Can Get Treatment for Opioid Addiction, Medicaid Share of Opioid Medication-Assisted Treatment Programs.

Source: IMS Institute for Healthcare Analytics, Use of Opioid Recovery Medications: Recent Evidence on State Level Buprenorphine Use and Payment Types, September 2016.

Note: Buprenorphine is a commonly-used drug for treatment of prescription opioid and heroin addiction; data as of June 2016; data rounded to nearest percentage point.

[Link to source: https://www.jec.senate.gov/public/_cache/files/5dfdd14f-e11a-4f31-b50a-0b16fe0f892e/ahca-chart-packet.pdf]
AHCA: Long-Term Medicaid Impact

**FIGURE.** Under a Per Capita Cap, Reductions in Federal Spending Are Obtained By Setting Federal Caps Below Expected Spending

- **Current law:** Federal spending reflects increases in health care costs, changes in enrollment, and state policy choices.
- **Per capita cap:** Does not account for changes in health care needs, health care costs, or new drugs and treatments.

**SOURCE:** KAISER FAMILY FOUNDATION
AHCA: Impact on Health Insurance Coverage

**FIGURE.** House GOP Plan Would Reverse All ACA Coverage Gains, Non-elderly uninsured rate 2010-2026

Source: National Health Interview Survey; Congressional Budget Office

AHCA: Impact on Health Insurance Coverage

**FIGURE.** Share of Nonelderly Adults Without Health Insurance Coverage Under Current Law and Under AHCA, by Age and Income Level, 2026

SOURCE: CONGRESSIONAL BUDGET OFFICE
AHCA: Distribution of Tax Cuts

**FIGURE.** With ACA Repeal, Top 400 Households Get Tax Cuts Worth More Than Premium Tax Credits for 800,000 People in 20 States and D.C.

- **Approximate tax cut for top 400, 2017:** $2.8 billion
- **Value of premium tax credit, 2019:** $2.7 billion

- Nevada
- Oregon
- Utah
- Kentucky
- CO, MN, AR, IA, AK, WV, WY, MT, SD, VT, NM, DE, NH, RI, ND, HI, D.C.

**FIGURE.** Repealing Major ACA Revenue Provisions Would Mostly Benefit Millionaires, Share of Net Tax Cuts 2025

- Millionaires: 57%

After-tax premium increase for 64 year old making $26,500: $12,900
Tax cut for 64 year old making $1,000,000: $12,900

SOURCE: CENTER ON BUDGET AND POLICY PRIORITIES