



Predicted Effects of the Patient Protection and Affordable Care Act (ACA) on States

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What effect will the ACA have on:

- Insurance coverage in my state?
- The state budget?

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About RAND

- RAND is a nonprofit, nonpartisan research organization
- Our COMPARE initiative provides information and tools to help policymakers, the media, and other interested parties understand, design, and evaluate health policies
- We are currently working with states and federal agencies on implementation of ACA provisions

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Major Insurance Reforms in the ACA

- Medicaid expansion to 133% of the federal poverty level (FPL)
- Health insurance exchanges for individuals and small businesses
- Individual mandate to buy insurance or pay a penalty
- Federal subsidies for individuals at 100-400% of the FPL
- Penalties on mid-sized and large employers that do not provide insurance

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Likely Consequences for States

- Changes in enrollment in Medicaid
- Changes in enrollment in state employee insurance
- Changes in availability and cost of coverage for businesses and individuals

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States Will Face Important Decisions

- Is it better to operate an exchange independently, participate in a regional exchange, or defer to HHS?
- How should governance and financing of the exchange be organized?
- Should larger businesses be eligible to offer coverage to their employees through the exchange?
- Should businesses and individuals use the same or separate exchanges?

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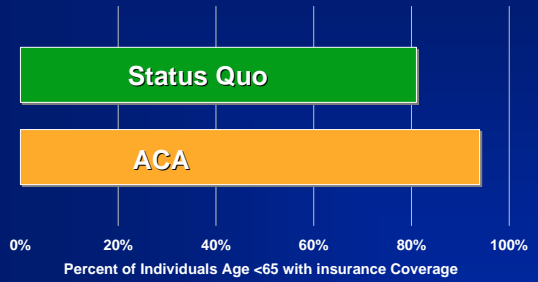
RAND Simulated the Effects of the ACA

- Microsimulation approach—allows for dynamic feedback between firms and individuals
- Individuals make choices by comparing the costs and benefits of insurance options
- Firms make choices using a “group choice” model which aggregates worker preferences
- Insurance premiums are computed for:
 - Small, medium, and large group markets
 - Plans on the exchange
 - Traditional non-group market (in the status quo)
- Analysis conducted at the national level and for one state in 2016

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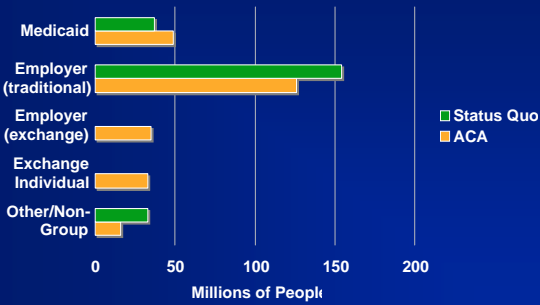
Insurance Coverage Will Increase



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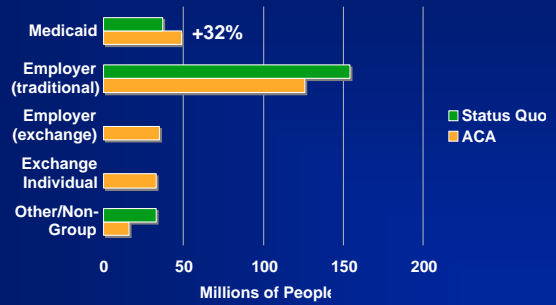
Sources of Insurance Coverage Will Change



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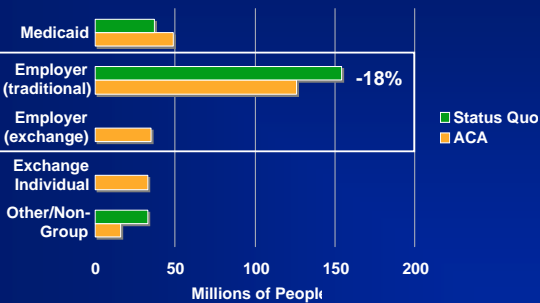
Medicaid Enrollment Will Increase Substantially



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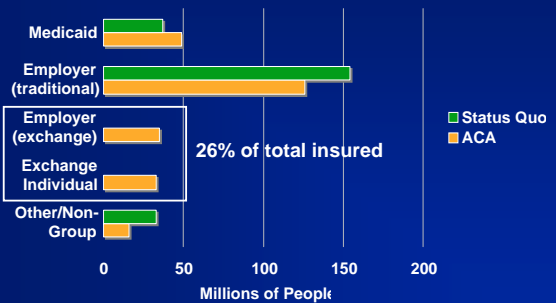
Employer-Based Insurance Will Shift to Exchanges



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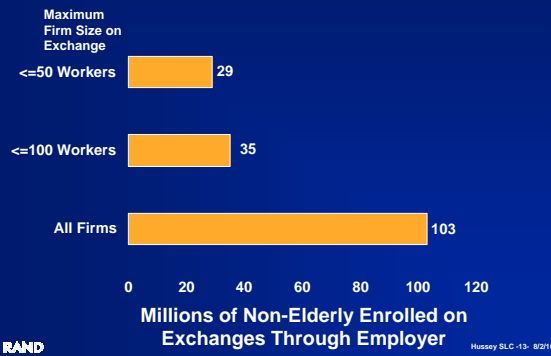
One of Four Non-Elderly People Will Be Insured Through Exchanges



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Exchange Enrollment Decisions Are Highly Sensitive To Firm Size Eligibility Limits



How Will This Affect State Budgets?

Potential Positive Impacts

- Increased Medicaid enrollment among currently eligible
- Increased Medicaid enrollment among newly eligible
- Administrative costs
- State employees

Potential Negative Impacts

- State-funded health coverage shifted to Medicaid
- Reduced uncompensated care pools
- Increase in premium assessments

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Effect on State Budget Depends on Current Medicaid Eligibility

Estimated Effect of ACA on a State Budget (in \$Billions)		
	Status Quo	ACA
Medicaid	1.50	1.67
State coverage for low-income childless adults	1.46	0.00
State employees	0.30	0.28
Total	3.27	1.96

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Summary

- Number of insured will increase substantially
- Employer-based insurance will continue to dominate, but will shift to exchanges
- Impact on state budgets could be positive or negative and will vary by state
- Impact will depend on:
 - Implementation decisions made by your state
 - Current state coverage policy

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