

# UNIVERSAL HEALTHCARE COUNCIL 2013 OVERVIEW OF THE AFFORDABLE CARE ACT

## Introduction

The Patient Protection and Affordable Care Act (ACA) was signed into federal law on March 23, 2010. While many reforms and provisions have taken effect gradually over the past three years and some are not effective until as late as 2018, January 2014 marks the start of an important year for ACA implementation at the local level. This document provides a brief background on Affordable Care Act provisions relevant to the work of the Universal Healthcare Council.

## ACA Overview

ACA provisions aimed at decreasing the number of uninsured and increasing affordability of health care fall under the categories of shared responsibility, coverage expansion, and insurance market reforms.

**Shared responsibility** falls on two groups: individuals and employers.

- **Individuals** → Starting January 1<sup>st</sup>, 2014, most Americans are required to carry health insurance that meets Minimum Essential Coverage (MEC) requirements. Qualifying coverage includes certain government-sponsored plans, employer-sponsored plans, grandfathered plans, plans in the individual market, and plans sold through health insurance exchanges. Coverage that provides only dental or vision benefits does not qualify as MEC.
  - **Shared responsibility payment:** Individuals choosing not to enroll in MEC, and any dependents without MEC, are subject to an annual penalty when filing taxes. For 2014, the penalty is 1% of taxable income or \$95, increasing to 2% of taxable income or \$325 in 2015, and 2.5% of taxable income or \$695 in 2016. After 2016, the payment will be increased and adjusted for cost of living.
  - **Exemptions:** The penalty is waived for individuals who are without qualified coverage for no more than three consecutive months and those who are exempt from the requirement to carry insurance. Exemptions are granted for undocumented immigrants, economic hardship, incarcerated persons, members of Indian tribes, religious beliefs, persons for whom the lowest cost

plan exceeds 8% of household income, and persons below the federal income tax filing threshold.

- **Employers**→ Beginning January 1, 2015, ACA imposes a penalty on employers with 50 or more full-time equivalent (FTE) employees that fail to insure their employees in certain circumstances. Noncompliant employers face penalties, also known as shared responsibility payments, for either failing to offer coverage or for offering unaffordable coverage:
  - **No coverage** is defined as an employer that offers coverage for fewer than 95% of FTEs.
    - The penalty is imposed if at least employee receives a low income subsidy through Covered California.
    - The penalty is equal to \$2,000 multiplied by the number of FTEs beyond the first 30.
  - **Unaffordable coverage** is defined as health insurance that pays for less than 60% of covered health care expenses OR health insurance that pays for ≥60% of covered health care expenses but the employee would have to pay >9.5% of their family income for coverage.
    - The penalty is imposed if at least employee receives a low income subsidy through Covered California.
    - The penalty is the greater of \$3,000 multiplied by the number of FTEs receiving a subsidy, OR \$2,000 multiplied by the number of FTEs beyond the first 30.
  - At a minimum, large employers that offer insurance that covers at least 60% of health expenses at a cost to employees of no more than 9.5% of family income would avoid penalties.

**Coverage expansion** is achieved through Medicaid reforms and the creation of Health Insurance Exchanges.

- **Medicaid reforms**→ With coverage beginning January 1, 2014, states may expand their Medicaid programs to cover individuals earning less than 133% of the Federal Poverty Level (FPL; \$15,282 per year for an individual and \$31,322 for a family of four). This provision streamlines Medicaid eligibility guidelines and allows states to cover previously ineligible populations comprised of non-disabled, childless adults. The federal government will

bear the cost of covering the newly eligible population at 100% for the first three years, tapering down to 90% in 2020 and beyond. California has chosen to expand Medi-Cal and expects to cover 1.6 million new enrollees statewide, with open enrollment beginning in October 2013.

- **Health Insurance Exchanges** → Beginning January 1<sup>st</sup>, 2014, the ACA requires the establishment and operation of an online marketplace in each state, where individuals and small businesses may compare and purchase health insurance plans. Covered California, California's Exchange, will begin open enrollment in October 2013 for plans effective January 2014. Five health insurers will have plans on Covered California that will be available for San Franciscans: Anthem Blue Cross, Blue Shield, Chinese Community Health Plan, Kaiser, and HealthNet.
  - **Individual consumers** will have a choice of plans from tiers that vary by actuarial value (the percentage of benefit costs covered by the plan), ranging from 60% in the Bronze tier to 90% in the Platinum. If eligible, certain persons may also enroll in a low-premium, high-deductible catastrophic coverage plan. All plans offered on Covered California must offer a set of minimum benefits and comply with annual out-of-pocket cost limits based on individual or family income. Qualified persons earning between 133-400% of FPL (up to \$45,960 per year for an individual and \$94,200 for a family of four) will be eligible for federal tax credits and out-of-pocket cost sharing subsidies to help afford coverage through the Exchange.
  - **Small businesses**, defined as those with fewer than 50 full-time employees, will also be able to purchase plans through Covered California. Businesses with fewer than 25 employees will be eligible for tax subsidies.

**Insurance market reforms**, some of which are already in effect, include:

- Guaranteed Issue (insurers may not deny coverage to anyone seeking it)
- Elimination of annual limits on covered benefits
- Elimination of pre-existing condition exclusions
- Extended coverage for adults younger than 26 under their parents' insurance
- Elimination of premium rating based on gender or health status
- Coverage of preventive and primary care services without cost-sharing

- Requirement for insurers to spend at least 80% of premiums on medical services or make rebates to consumers
- Effective January 1<sup>st</sup>, 2014, requirement for all non-grandfathered individual and small group plans to provide an essential health benefits package from defined benefit categories, while covering at least 60% of plan costs and maintaining limits on cost-sharing

## **Introduction**

The City and County of San Francisco has a long-standing commitment to providing access to health care for all San Franciscans. This document provides background on local programs and policies seeking to extend coverage to San Franciscans without access to or eligibility for commercial insurance and state/federal public programs.

## **Health Care Security Ordinance (HCSO):**

As a result of the work of the previous Universal Healthcare Council, the Health Care Security Ordinance was passed in 2006. In addition to creating the Healthy San Francisco Program, the HCSO established employer responsibilities toward employees' health care costs. Effective 2008, the Employer Spending Requirement (ESR) under the HCSO obligates all for-profit San Francisco employers with 20 or more employees to make health care expenditures on behalf of employees working a minimum of 8 hours per week. Non-profit employers with 50 or more employees are also subject to the ESR. In 2013, the minimum health care expenditure rates are \$1.55/hour per covered employee for small/medium employers and \$2.33/hour for large employers. Employers may comply with the ESR by choosing any, or any combination of, the following:

- **Offer health insurance** → if plan expenditures do not satisfy minimum health care expenditure rates, employer must also establish a health reimbursement account
- **Establish individual Health Reimbursement Accounts (HRA)** → these funds must be irrevocably allocated for the employee's use and available for a minimum of 24 months after the date of allocation. Effective January 1<sup>st</sup>, 2014, HRAs that are not coupled with a health insurance plan are disallowed under the Affordable Care Act.
- **Contribute to City Option** → if the employer elects to make payments to the City, employees have the option to enroll in Healthy San Francisco or to have the money deposited in a medical reimbursement account (MRA)

## **Healthy San Francisco (HSF)**

Healthy San Francisco was created at the recommendation of the 2006 Universal Healthcare Council and began enrollment in 2007. While HSF is administered by the San Francisco Health Plan, it is not insurance. Rather, it is an access program that connects enrollees with a citywide network of medical and behavioral health care providers. San Francisco residents with incomes up to 500% of FPL, and who are not eligible for other public insurance programs, are eligible to participate in Healthy San Francisco. Since 2007, HSF has provided access to care for over 116,000 uninsured residents. City residents may enroll in Healthy San Francisco by one of three avenues:

- Their employer chooses the City Option to comply with the Employer Spending Requirement under the Health Care Security Ordinance. During FY2011-12, 1,429 employers contributed to the City Option, and 40,479 HSF enrollees received some employer contribution.
- They do not qualify for any state or federal health insurance programs. This category generally covers undocumented persons.
- Their incomes fall below 500% of FPL.

## **Healthy Kids (HK)**

Healthy Kids provides insurance for medical, dental, vision, and behavioral health services for children aged 0-18. To be eligible, a child must be from a family earning less than 300% of the federal poverty level (FPL), and must not be eligible for any other public insurance program (Medi-Cal or Healthy Families). Healthy Kids is administered by the San Francisco Health Plan, with annual premiums ranging from \$48 - \$189 per child. Under the Affordable Care Act, all citizen and legally present children currently eligible for HK will transition to Medi-Cal.

## **Healthy Workers (HW)**

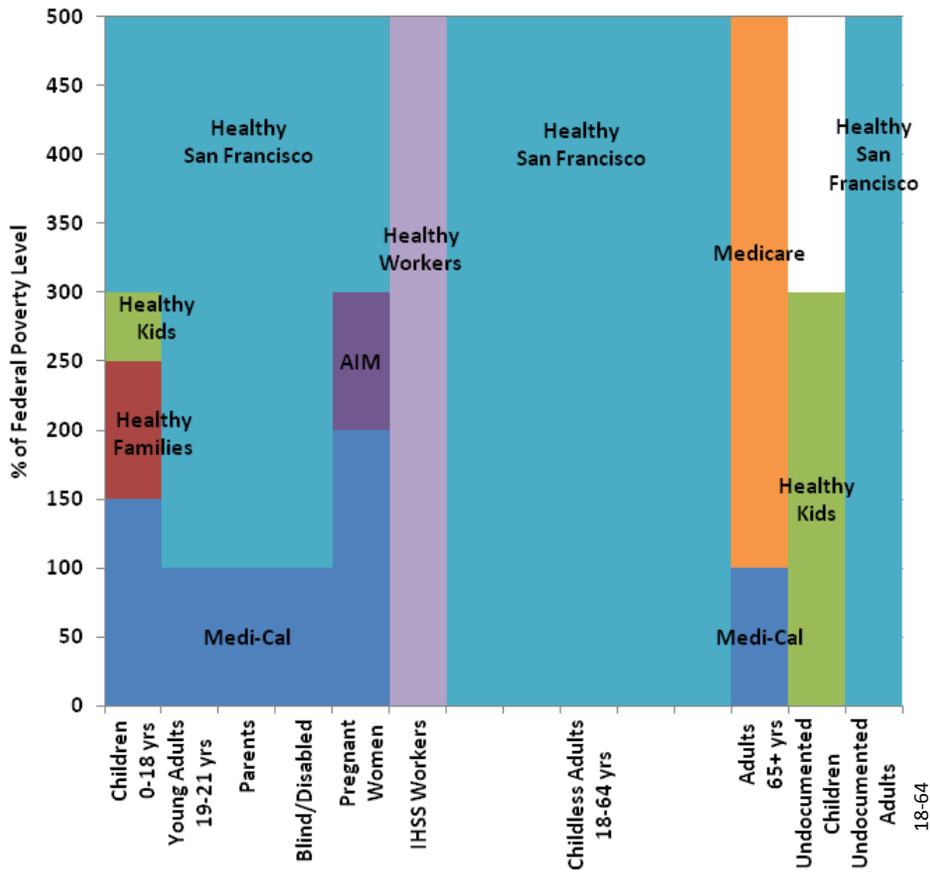
Healthy Workers provides group health insurance to registered In-Home Supportive Services (IHSS) workers, as well as certain temporary, exempt as-needed employees of the City and County of San Francisco. Plan enrollees have access to a full range of medical, vision, and mental health care. Administered by the San Francisco Health Plan, Healthy Workers is funded by a combination of City and County General Fund and federal/state reimbursement.

## **Health Care Accountability Ordinance (HCAO)**

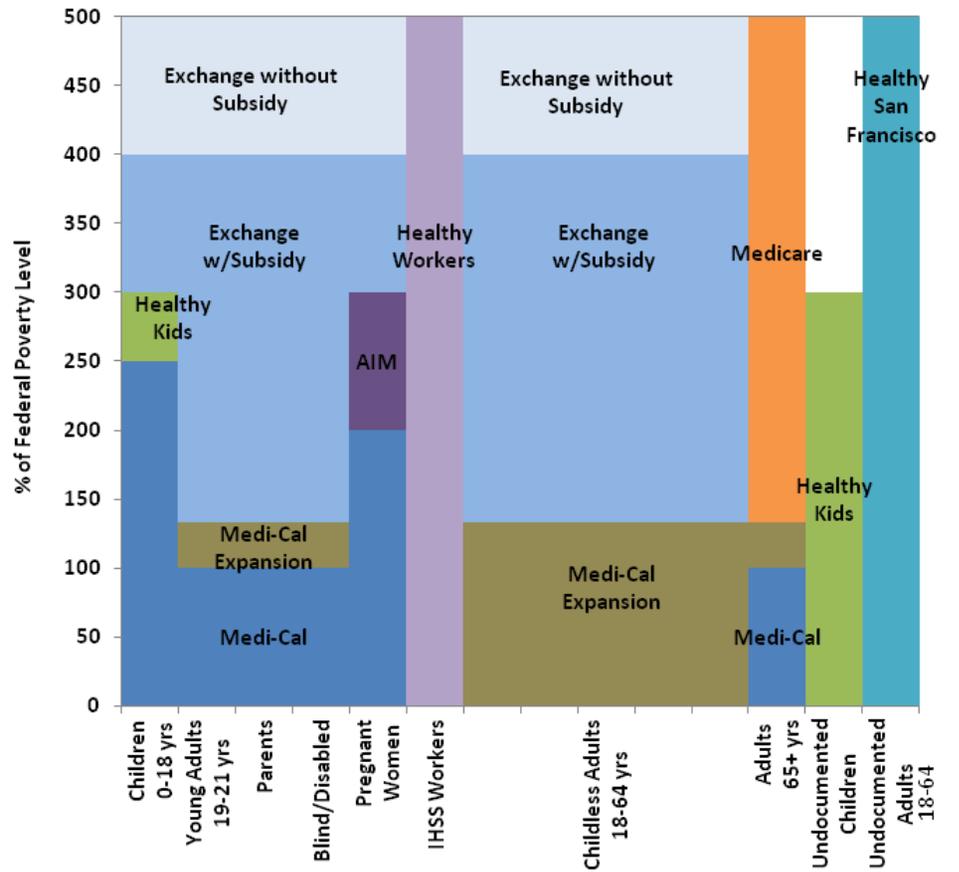
Effective July 1, 2001, the Health Care Accountability Ordinance obligates all City contractors with annual contracts of over \$25,000 (\$50,000 for non-profits) and some tenants at city air and sea ports to provide health coverage for their employees. Covered contractors, defined as those with 20 or more employees, and any covered subcontractors, must offer health plan benefits to their employees. The health plan benefits must meet Minimum Standards, set by the Department of Public Health, and the contractor must pay 100% of employees' premiums. Contractors who do not offer a health plan may choose instead to make payments to the City for use by the Department of Public Health. The current rate of expenditure for this option is \$4.00/hour per covered employee, not to exceed \$160/week per covered employee.

# State and Federal Programs Available in San Francisco At-a-Glance

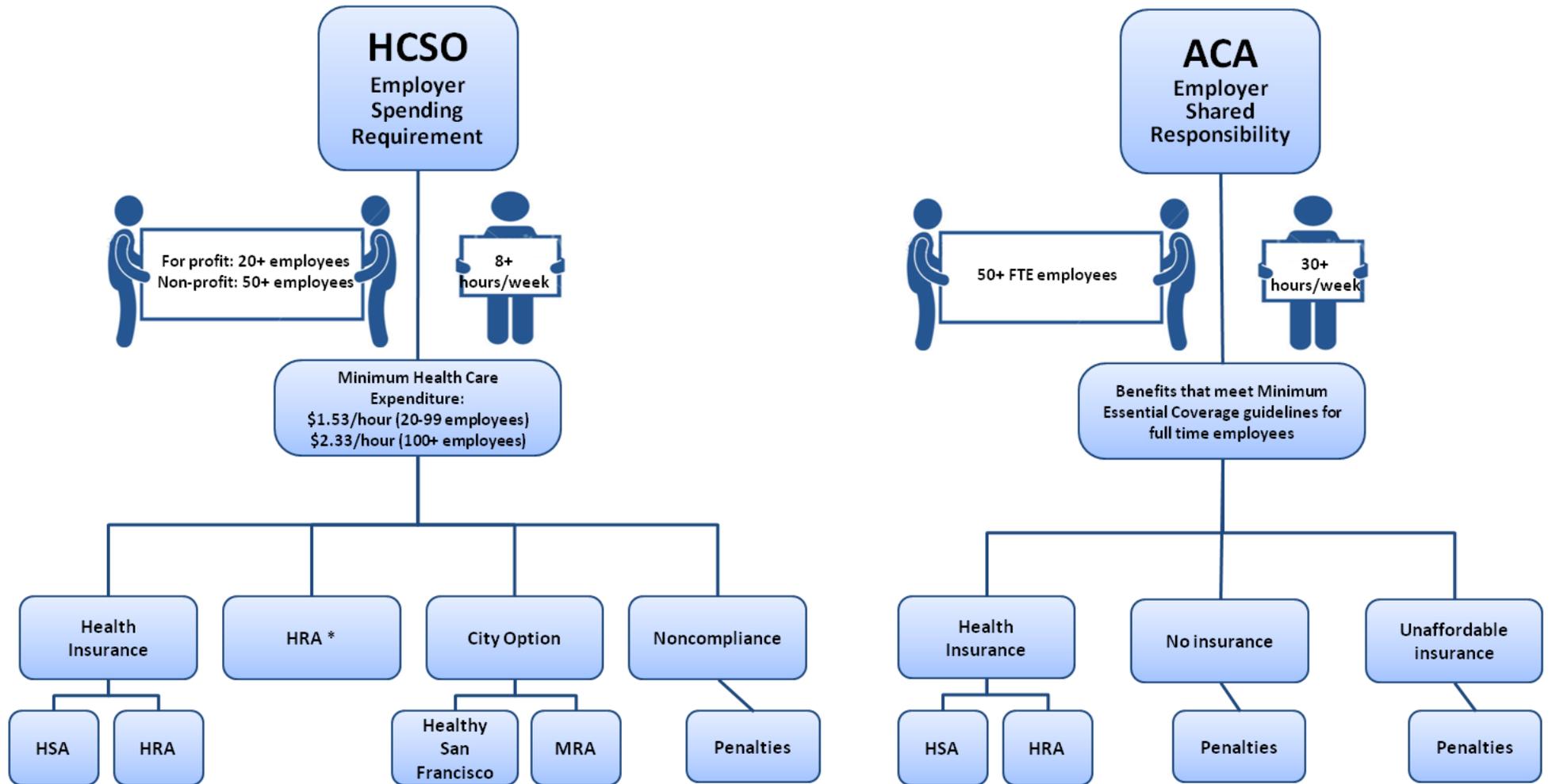
Current



2014



# Key Employer-related Provisions under the Health Care Security Ordinance (HCSO) & the Affordable Care Act (ACA) At-a-Glance



 = Covered Employer  
 = Covered Employee

HRA = Health Reimbursement Account  
 HSA = Health Savings Account  
 MRA = Medical Reimbursement Account

\* Effective January 2014, the ACA disallows HRAs that are not integrated with group health insurance.

# UNIVERSAL HEALTHCARE COUNCIL 2013 INSURANCE STATUS IN SAN FRANCISCO

## Introduction

Close to 90% of San Franciscans have some form of health insurance through private or public coverage. Using the latest available data<sup>1</sup>, this document provides a snapshot of how San Franciscans get health care coverage and who remains uninsured.

## Insured

The major factors delineating how people get health insurance are age, income, and employment.

## Age

Children under 18 years of age are covered by their parents' insurance or by state and federal low-income health programs, depending on household income. California law extends Medi-Cal coverage to eligible young adults under 21, and the Affordable Care Act (ACA) allows young adults under 26 to remain on their parents' private insurance.

Persons aged 65 and older are covered by Medicare, and in the case of low-income or disabled seniors, also by Medi-Cal.

The large majority of San Francisco's population (72%) falls within the 18-64 age range; this group also accounts for the majority of the City's workforce and is the group that would be most impacted by ACA implementation.

Exhibit 1: San Franciscans' Insurance Status by Type and Age

Type of insurance	Age % of San Franciscans			
	Under 18	18-34	35-64	65+
<b>Private</b>	65.2%	72.4%	71.4%	2.9%
<b>Public</b>	26.4%	8.4%	14.1%	51.9%
<b>Public &amp; Private</b>	4.3%	1.1%	2.7%	44.3%
<b>None</b>	4.1%	18.1%	11.8%	0.9%

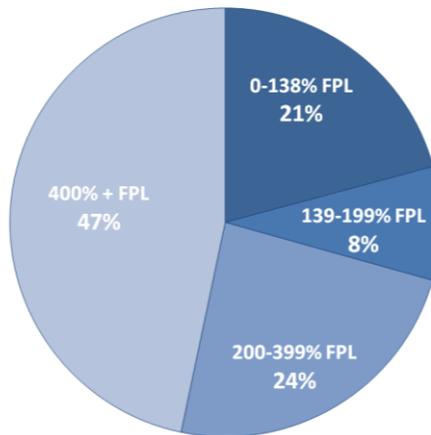
<sup>1</sup> Data source: American Community Survey, 1 Year Estimates, 2011

**Income**

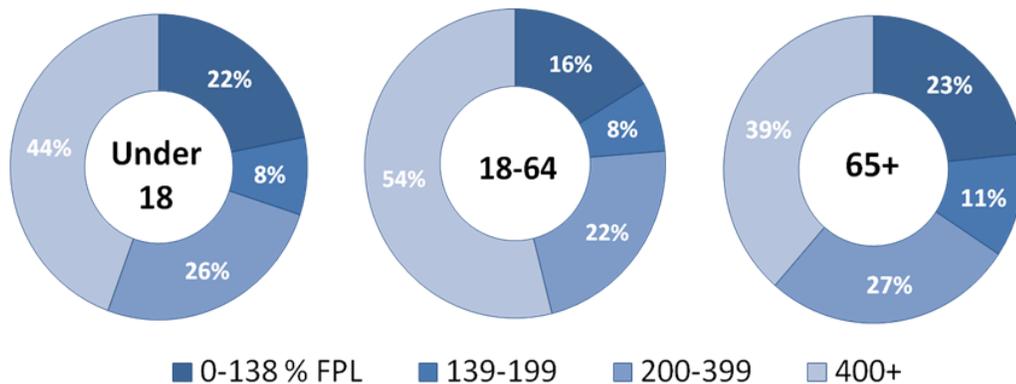
Household income, as a percentage of the federal poverty level (FPL), determines eligibility for state and local public insurance programs, including Medi-Cal (up to 133% of FPL starting 2014), Healthy Kids (up to 300% of FPL), and Healthy San Francisco (up to 500% of FPL). Under the ACA, people earning between 133-400% of FPL (~\$15,000 - \$46,000 per year) will be eligible for subsidized coverage on the Exchange. Among San Franciscans in each age bracket, those with incomes above 400% of FPL comprise the largest proportion of people with insurance, and those earning between 133-199% of FPL account for the smallest.

Exhibit 2a: While more than half of San Franciscans earn less than \$46,000 per year, those with higher incomes form the majority of those with insurance

**San Francisco's Population by Federal Poverty Level**



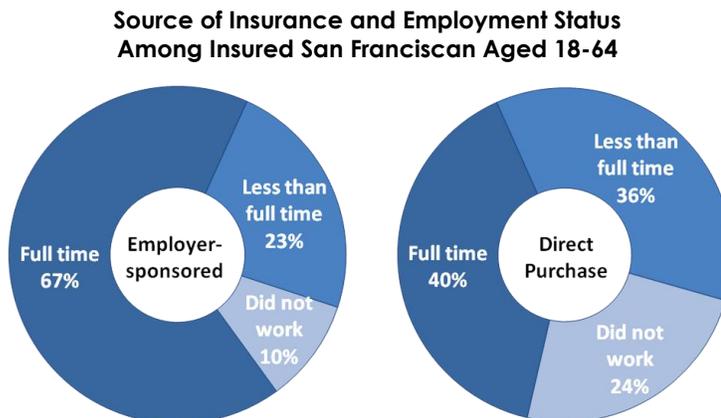
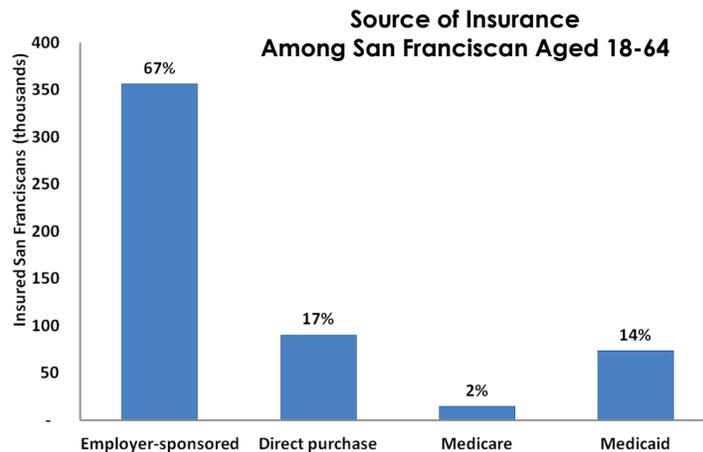
**% of San Franciscans with Health Insurance by Age and Federal Poverty Level (FPL)**



## Employment

Private, employer-sponsored coverage accounts for the largest proportion of insured San Franciscans, with 67% of insured 18-64 year olds participating in employer plans. However, employer-sponsored insurance is generally available only to full-time employees, as indicated by the sharp decrease in the numbers of part-time or unemployed persons with employer-sponsored plans. If they do not qualify for public programs, individuals without an offer of coverage from their employer may purchase directly on the insurance market. Insured San Franciscans working less than full time account for only 23% of those participating in employer-sponsored plans, but represent 36% of those with direct purchase insurance. Beginning in 2014, individuals who are not eligible for public programs or are not offered affordable employer-sponsored coverage will be able to purchase plans on Covered California.

Exhibit 3: Most San Franciscans get insurance through their employers, and full-time employees form the majority of those with insurance



## Uninsured

An estimated 90,106 San Franciscans (11.2%), of whom 84,679 are aged 18-64, did not have health insurance in 2011. The reasons for not having insurance include ineligibility for state/federal public programs, difficulty understanding or navigating the insurance system, cost, or not feeling the need to have insurance. Exhibit 4a depicts which San Franciscans are most likely to be uninsured, while Exhibit 4b details the characteristics among the uninsured.

Exhibit 4a: San Franciscans from the following categories are most likely to be uninsured: 18-64 year olds, those earning less than \$25,000 per year, those who are unemployed, and those who work part-time all year.

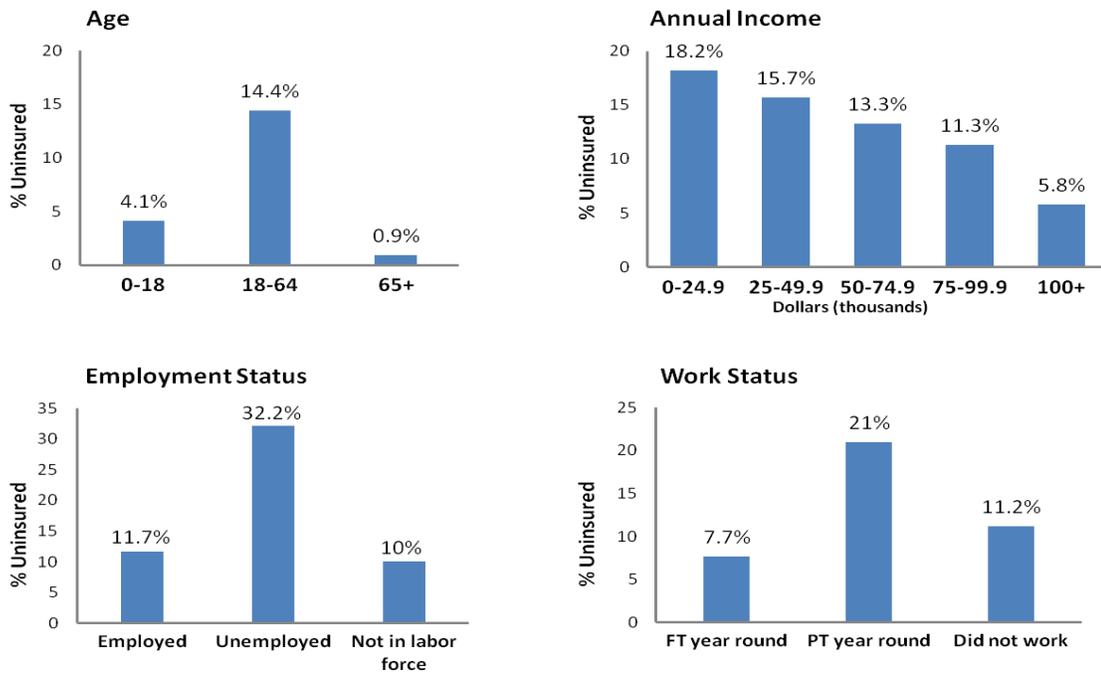
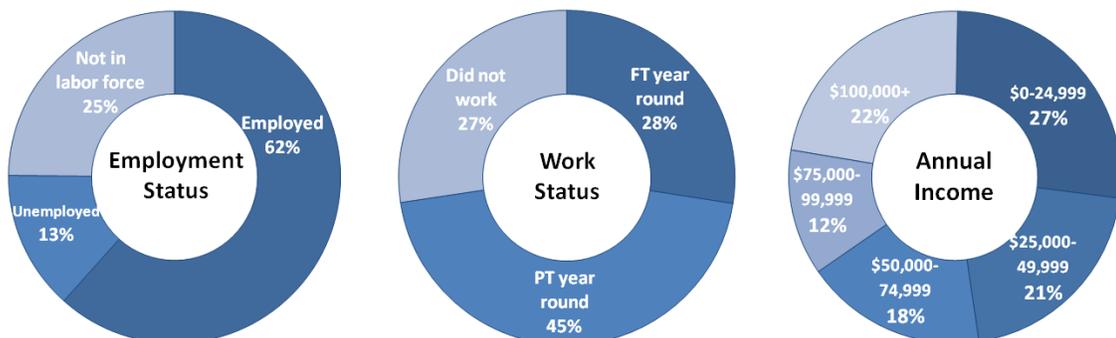


Exhibit 4b: Among San Franciscans who do not have insurance, 62% are employed, 45% work part-time all year, and 48% earn less than \$50,000 per year.

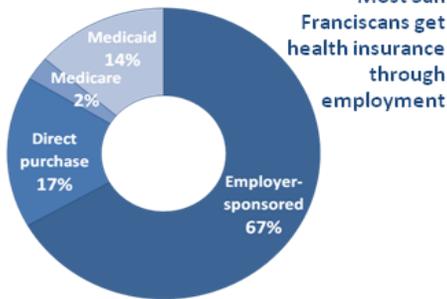
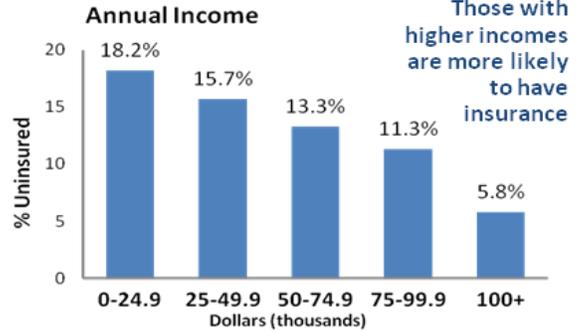


# UNIVERSAL HEALTHCARE COUNCIL 2013 INSURANCE STATUS AT A GLANCE

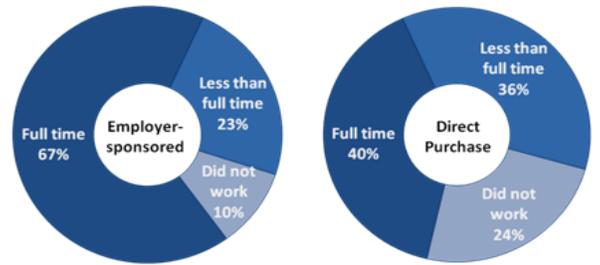
Insured

Most San Franciscans have private insurance

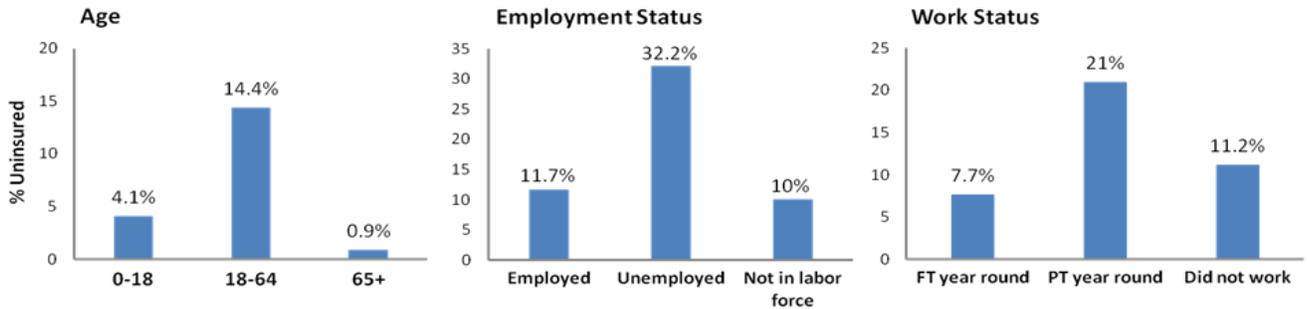
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Those working less than full time are more likely to buy insurance on their own



Among all San Franciscans, 18-64 year olds, those who are unemployed and those who work part time have the highest rates of uninsurance



Uninsured

Among those without insurance, the majority are employed, work part-time, and earn less than \$50,000 per year

