



HEALTH

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

Peter Hussey, Ph.D.

# What effect will the ACA have on:

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

# 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**

# 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

# 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**

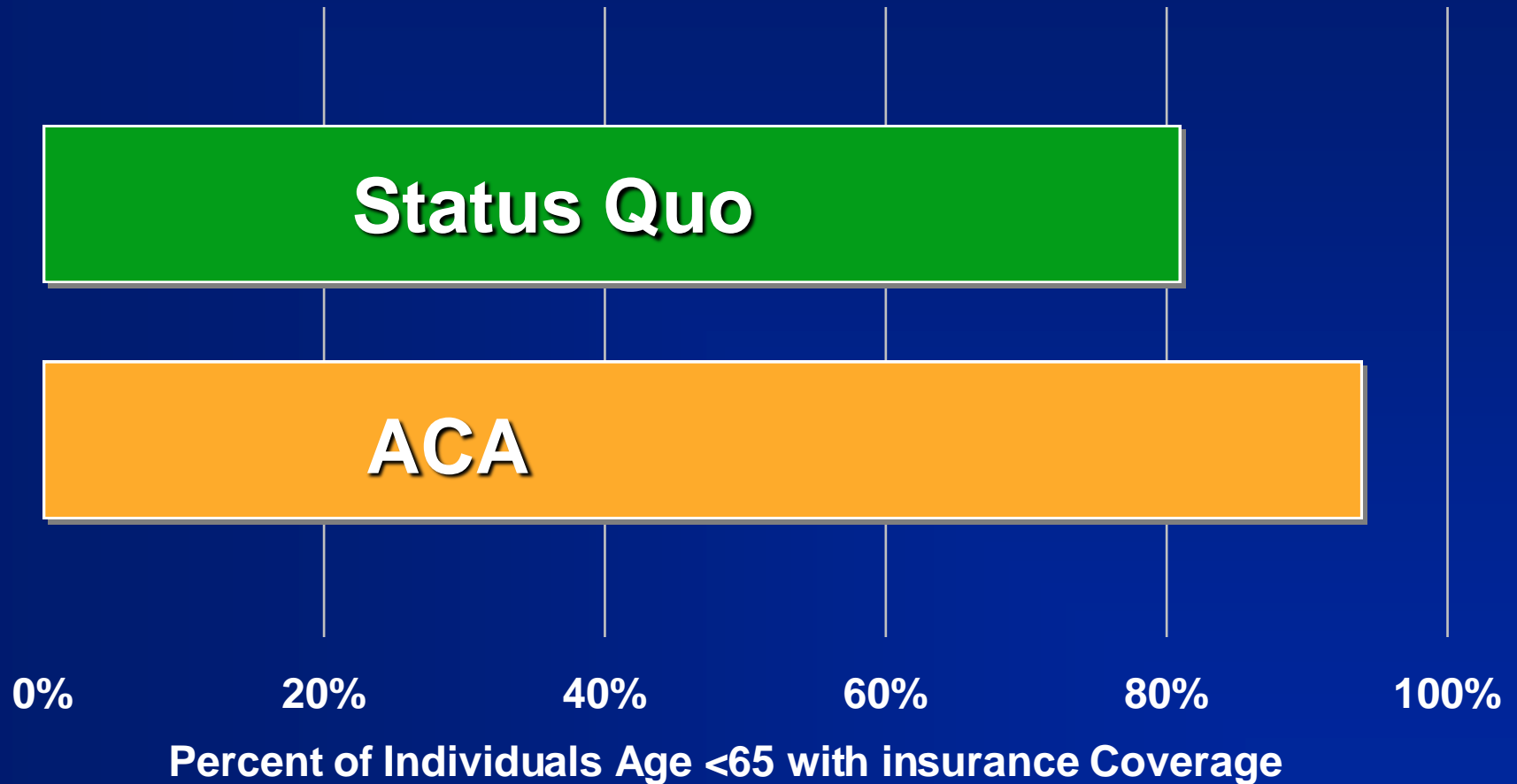
# States Will Face Important Decisions

- **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?**

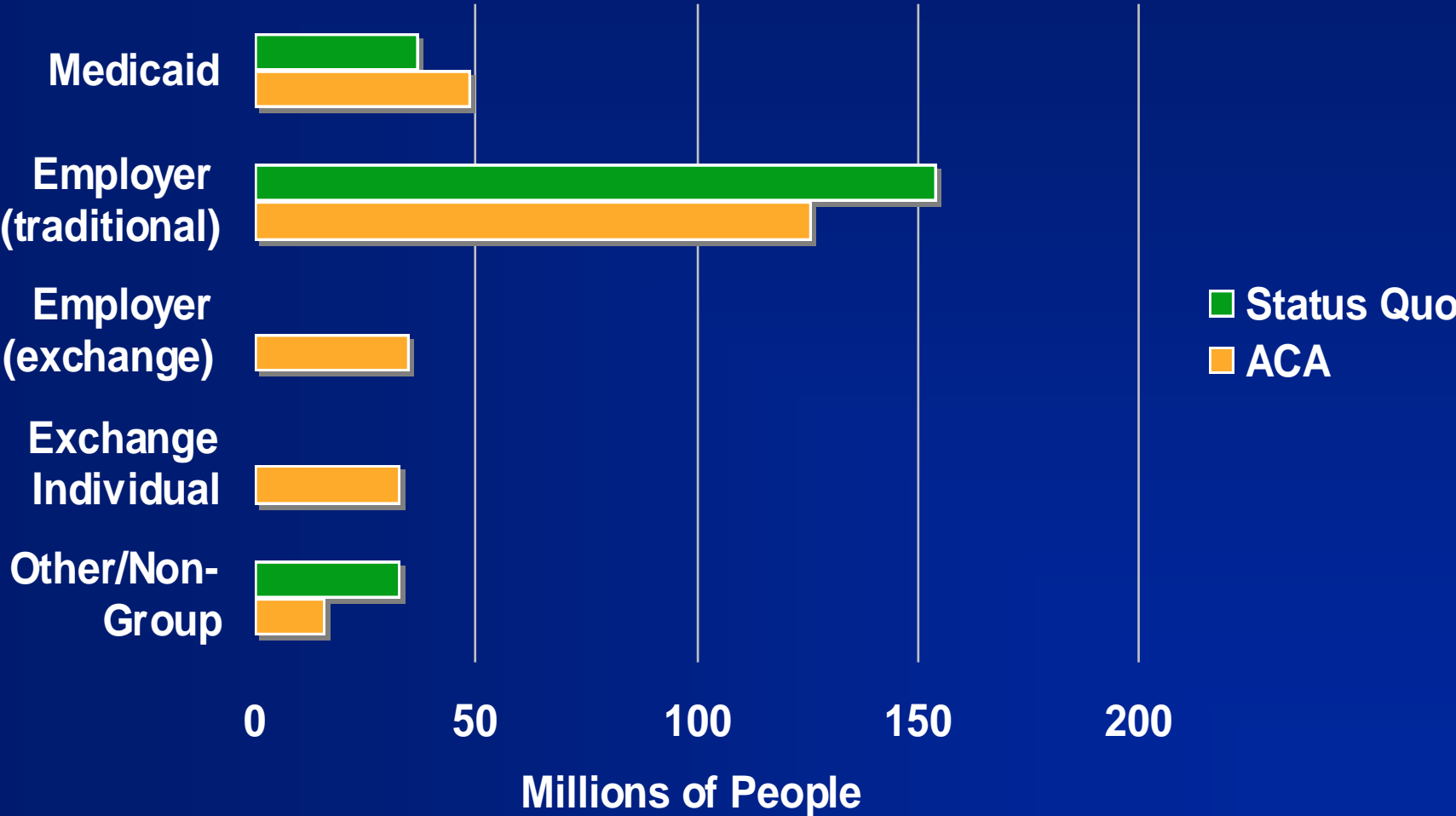
# RAND Simulated the Effects of the ACA

- **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**

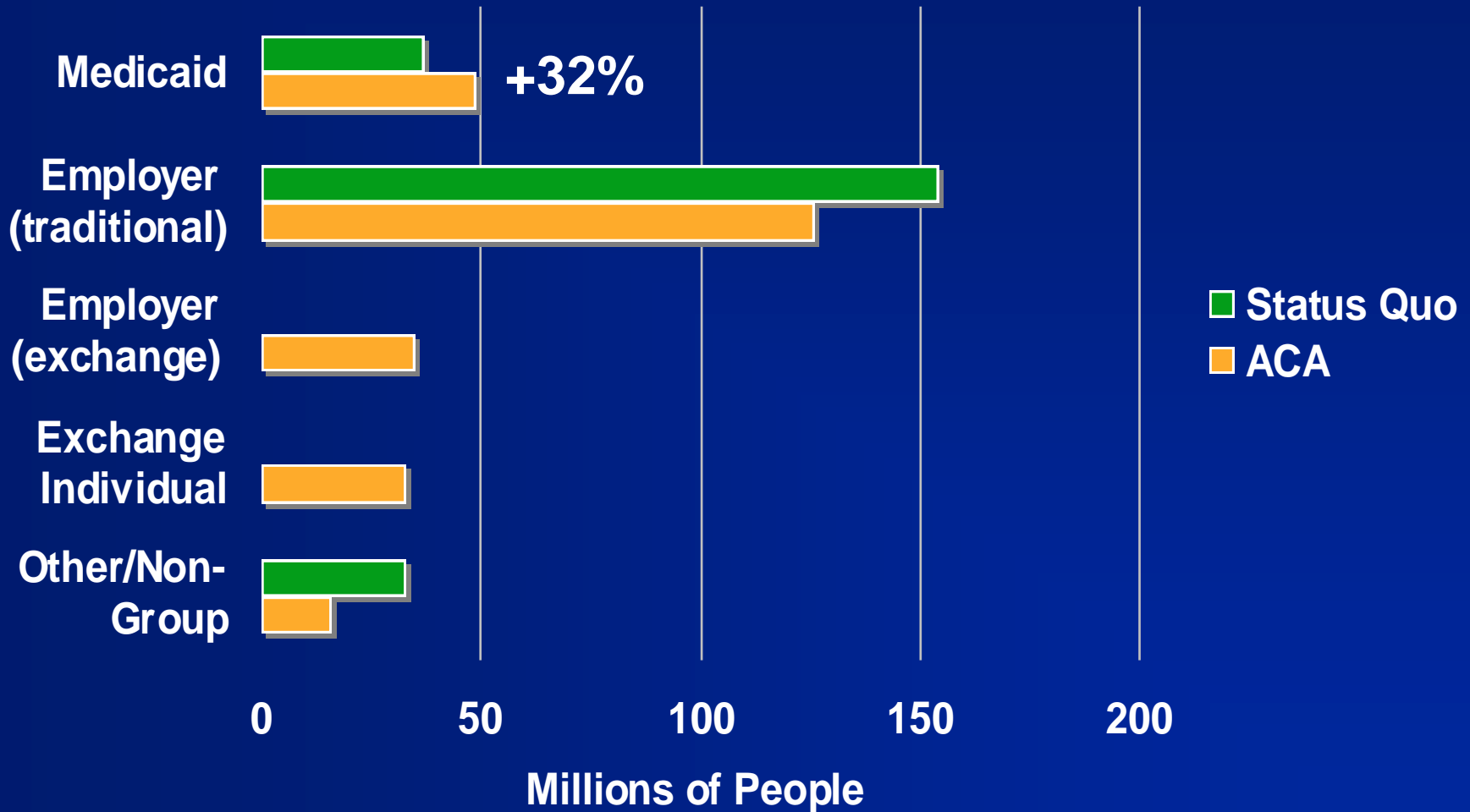
# Insurance Coverage Will Increase



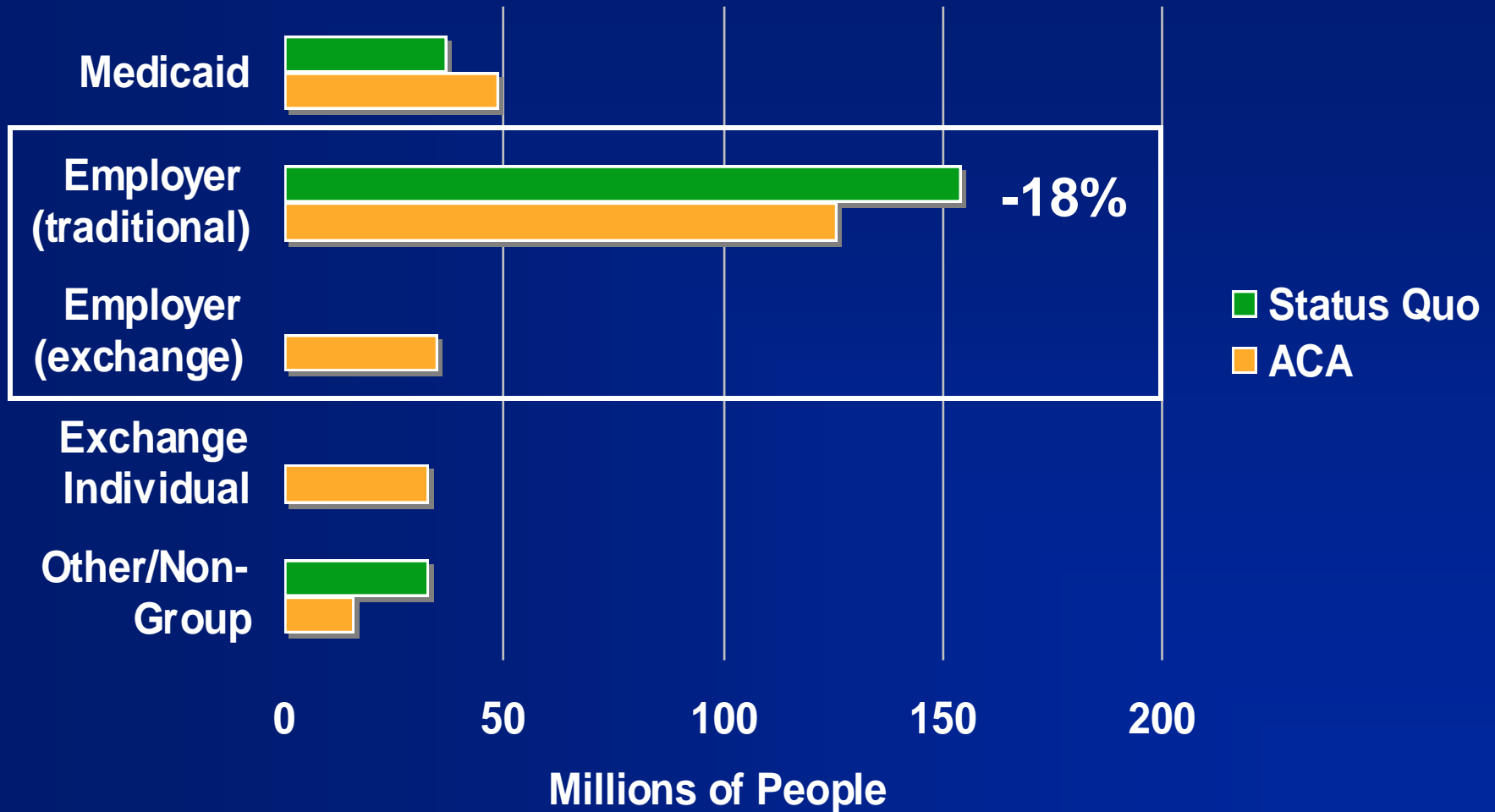
# Sources of Insurance Coverage Will Change



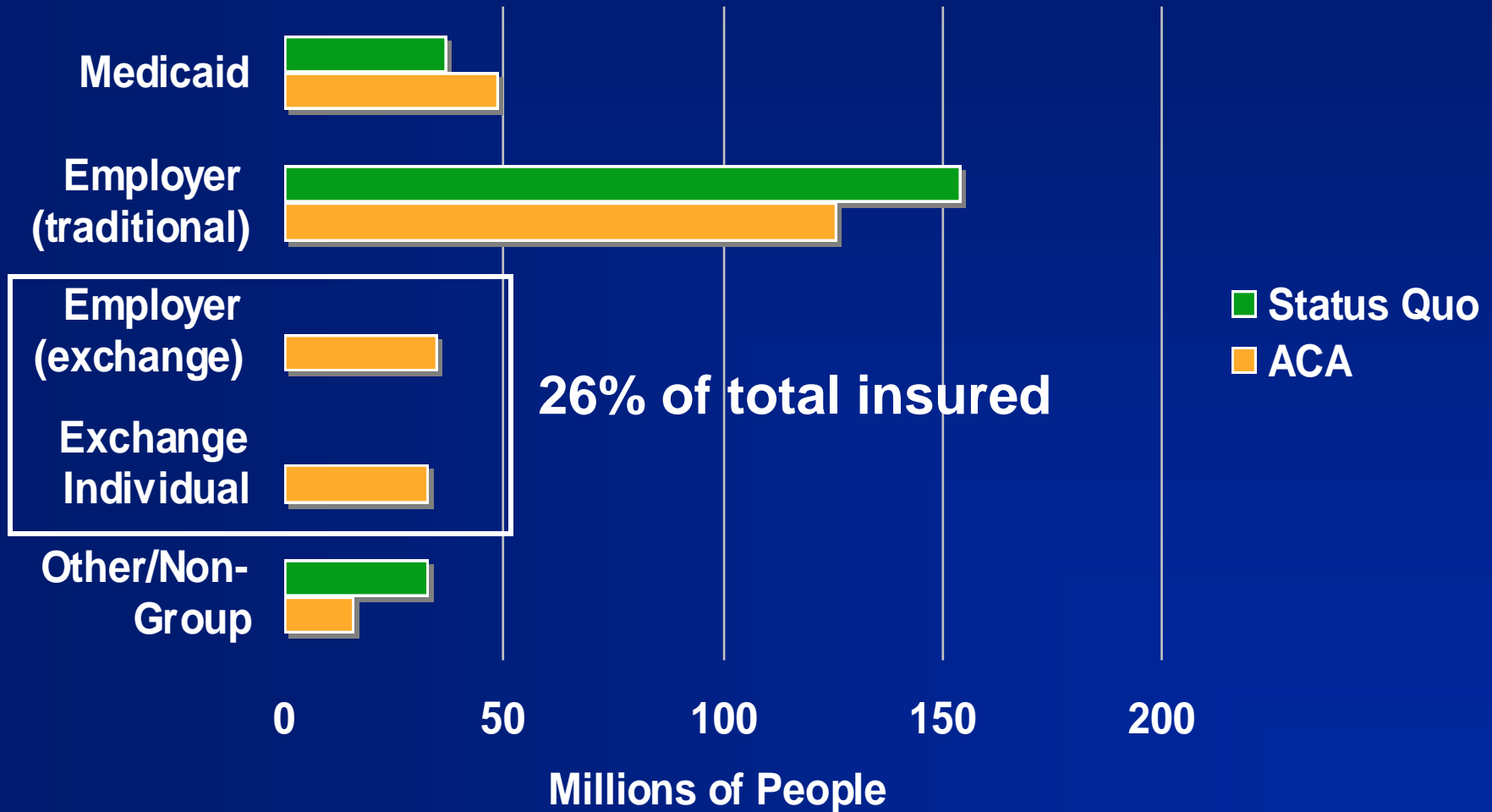
# Medicaid Enrollment Will Increase Substantially



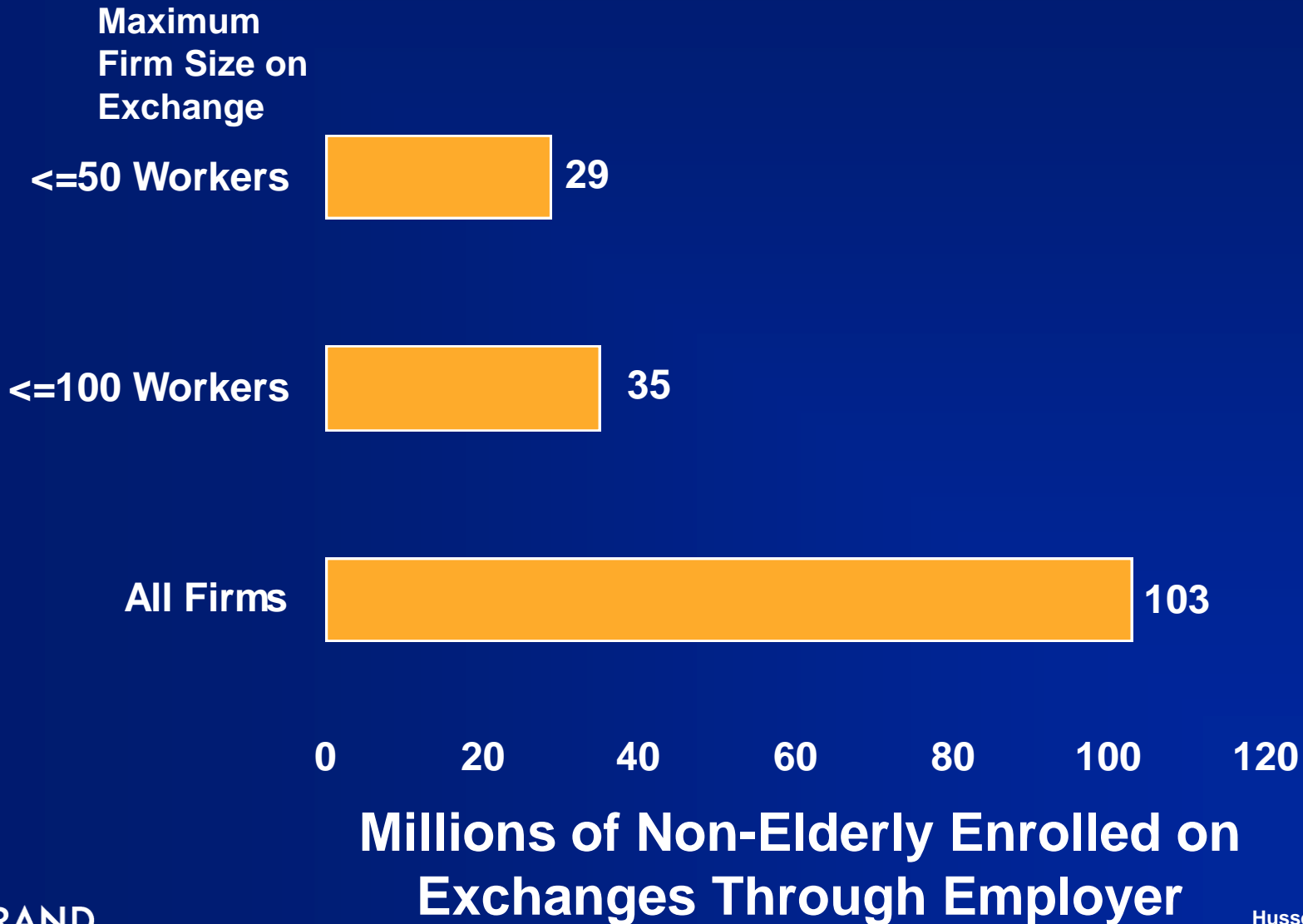
# Employer-Based Insurance Will Shift to Exchanges



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



# 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

# 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

# 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**



**Visit us at:**  
**[www.randcompare.org](http://www.randcompare.org)**

**Email: [Peter\\_Hussey@rand.org](mailto:Peter_Hussey@rand.org)**