

# ITUP

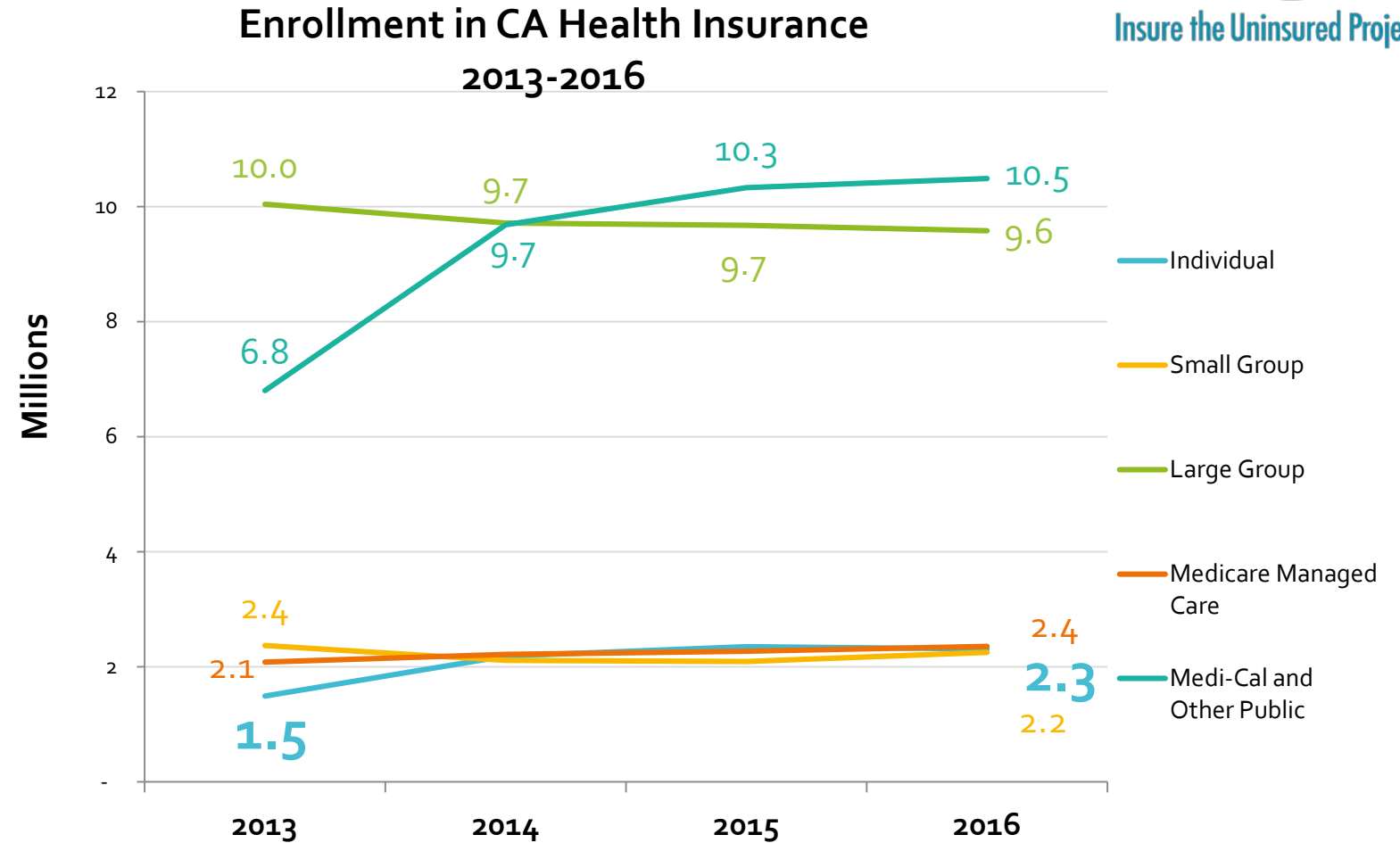
Insure the Uninsured Project

**Assembly Select Committee on Health Delivery  
Systems and Universal Coverage**  
Individual Health Insurance Market

October 23, 2017  
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Executive Director

California individual market grew by 53 percent from 2012 to 2016

61% of individual coverage is through the state exchange, Covered California



Source: California Health Care Foundation

California Department of Managed Health Care, "Enrollment Summary Report," 2013-2016  
 California Department of Insurance, "Health Insurance Covered Lives Report", 2013-2016

## Pre-ACA Individual Market in California

The individual market in CA was not really a viable option for many people with low incomes or pre-existing conditions

- Coverage priced out of reach for most low and moderate income Californians
- Many policies with limited benefits and inadequate coverage; no minimum value standard
- Annual and lifetime dollar limits on benefits
- No limits on consumer out-of-pocket costs
- Premium rates not publicly available; Limited regulatory review of rates and rate increases

The individual market in CA was not really a viable option for people with low incomes or pre-existing conditions

## Pre-ACA Individual Market in California

- Insurers free to deny coverage to individuals, limit coverage, or charge higher rates based on an individual's health status, claims history or pre-existing condition
- Common conditions triggering a denial included cancer, diabetes and mental disorders, but also individuals with less obvious conditions such as asthma, acne, and obesity

## California's High-risk pool failed to fully address pre-ACA individual market failures

### California's High-Risk Pool:

- Starting in 1991, California administered a high-risk pool for individuals denied private coverage - the Major Risk Medical Insurance Program
- MRMIP was plagued by inadequate funding and waiting lists for coverage
- Premiums were expensive, at 137.5% of market rates
- Subject to very low annual and lifetime dollar limits on coverage (\$75,000 per year and \$750,000 lifetime)
- MRMIP served more than 100,000 Californians over the life of the program

Other than Medicaid, the Affordable Care Act made the most significant changes to the individual health insurance market



### **ACA Improvements to individual insurance**

- Coverage guaranteed regardless of health status or pre-existing condition (known as “guaranteed issue”) Insurers can longer deny coverage
- No coverage or benefit limits because of pre-existing conditions
- Children can stay on parents’ plan until age 26
- Rates based solely on age and geography, not gender or health
- Premium variation for youngest to oldest – 3:1

The Affordable  
Care Act was a  
game changer  
for the  
individual  
insurance  
market

## ACA Improvements to benefits and coverage

- Ten essential health benefits, including mental health and substance abuse treatment
- Preventive services without cost sharing
- Disclosure of relative plan value: What percentage of health care costs the specific benefit plan will cover, with enrollees having to make up the difference (known as actuarial value or “metal tiers”)
  - Bronze (60%)
  - Silver (70%)
  - Gold (80%)
  - Platinum (90%)
  - Catastrophic

# California enacted the first state- based exchange under ACA

## Covered California serves as the state-based marketplace for individual coverage

- Individuals receive premium assistance and cost-sharing subsidies
  - Individuals with incomes 138%-400% of the Federal Poverty Level (FPL) receive tax credits that reduce the monthly premium
  - In addition to tax credits, individuals between 138% and 250% receive discounts on out-of-pocket costs (deductibles, copayments, etc.)
- Of the 1.4 Million enrollees (March 2017), 1.2 million are eligible for subsidies
- 73% of those with subsidies are under 250% FPL and therefore eligible for both tax credits and cost sharing subsidies.

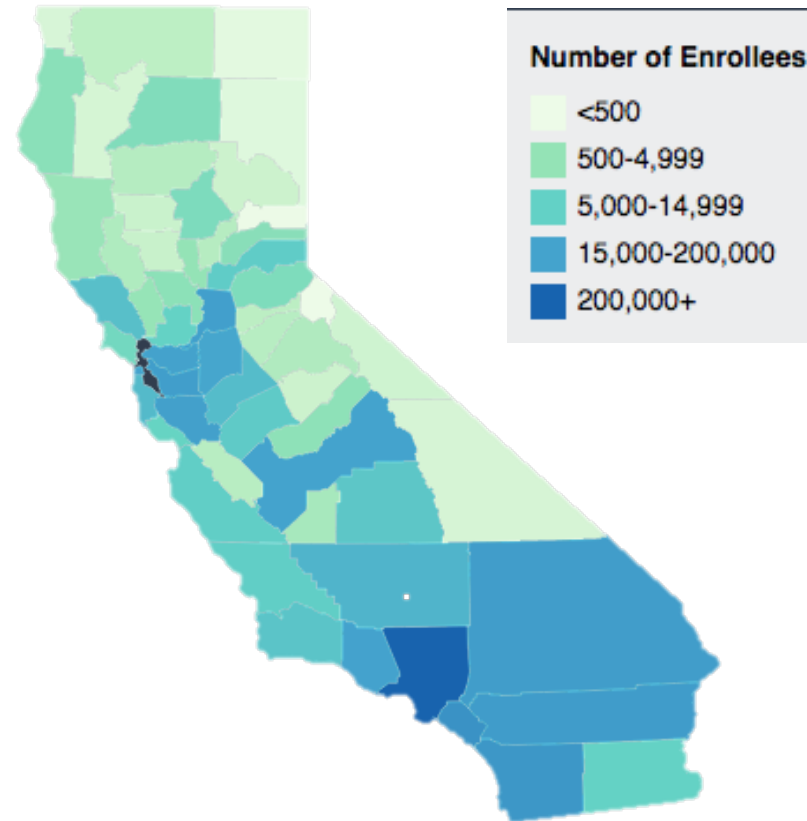


# California enacted the first state- based exchange under ACA

**Covered California serves as the state-based marketplace for individual coverage**

- Contracts with health insurers to offer specific products that comply with state and federal law and Covered California rules
- Conducts robust marketing and outreach to encourage enrollment and renewal of coverage
- Operates an online portal for individuals and families to determine what programs they are eligible for (e.g., Medi-Cal or subsidies through Covered California, etc.)

# Californians with Cost-Sharing Reductions (CSRs), by County *March 2017*



Source: California Healthline, “How Many Californians Depend on Cost-Sharing Subsidies?”  
Covered California, March 2017 Active Member Profile

Covered California enrolls 60% of those with individual coverage but affects everyone with individual coverage

## Covered California is reshaping the individual market – inside and outside the exchange

- Covered California opted to standardize the benefit offerings
- The standard plans at each metal tier define consistent coverage, deductibles, copayments, etc. and allow individual consumers to make apples-to-apples comparisons
- Under California law, health plans both inside and outside of Covered California must offer the standard benefit plans
- Through contracts with health plans, Covered California is setting standards for quality measurement and quality improvement

# Conclusion

- Individual insurance is a coverage option for the small number of individuals not eligible for other public or private coverage (except for undocumented individuals who cannot buy exchange coverage)
- Prior to the ACA, the individual insurance market was subject to few rules and was not a real option for low income individuals or those with pre-existing health conditions
- The ACA was a game changer for the individual market which has grown by more than 50%, becoming a more viable option for low and moderate income uninsured families



**QUESTIONS?**