DRAFT ACA Working Group Recommendations

ACA Working Group Meeting October 30, 2017

The HBX ACA Working Group recommends the following policies in order to provide stability in response to actions, or inactions, at the federal level that are having a destabilizing effect on the local health insurance market and markets nationwide. ***A sustained and substantial commitment to these policies over multiple years can best achieve predictable premiums and consistent affordability. Such a commitment is also critical to support the operational investment necessary to implement these policies.***

DISTRICT INDIVIDUAL RESPONSIBILITY FALLBACK POLICY

The District of Columbia will implement and collect an individual responsibility requirement penalty for taxpayers beginning for 2019 where the federal government fails to enforce the federal Affordable Care Act individual responsibility requirement and the taxpayer owes a federal penalty under the ACA. If the ACA penalty is paid at the federal level, no penalty is assessed on District taxes.

Any funds received through the local individual responsibility requirement will be placed in a new HBX managed fund to be used for the sole purpose of insurance market stabilization. This policy should be implemented in a time and manner that minimizes the operational costs for carriers and the District government.

This is not implementing an individual mandate in the District, this is a fallback to the extent there is a federal individual responsibility requirement and it's not enforced.

DISTRICT FALLBACK POLICY TO PAY COST-SHARING REDUCTION PAYMENTS TO THE CARRIERS IF THE FEDERAL GOVERNMENT FAILS TO MAKE SUCH PAYMENTS

The District of Columbia will pay carriers the equivalent of the Cost Sharing Reduction (CSR) payments due to carriers by the Federal Government under the Affordable Care Act where the Federal Government fails to make such payments.

This policy should be implemented in a time and manner that minimizes the operational costs for carriers and the District government.

LOCAL REINSURANCE PROGRAM

The District of Columbia will implement a local reinsurance program beginning in the 2019 plan year based on carriers' claim costs. The program will take into account the availability of federal reinsurance. This policy should be implemented in a time and manner that minimizes the operational costs for carriers and the District government.

Estimated Funding Required to Reduce Claims Costs*

10% Claims Reduction$7.4 million to $8.8 million

20% Claims Reduction$14.8 million to $17.7 million

Historical Federal Reinsurance Payment to Individual Market Carriers

2016	$ 4,238,057
2015	$ 6,049,699
2014	$ 4,288,060

* Projected on a 2018 plan year cost basis.

LOCAL DISTRICT SUBSIDY IN ADDITION TO FEDERAL APTC PAYMENTS.

The District of Columbia will implement an annual local subsidy beginning for plan year 2019, or if not practicable, as soon as possible thereafter, that would be in addition to federal Advance Premium Tax Credits for those under 400% of the federal poverty level. The subsidy would make premiums more affordable for those at or below 400% of the federal poverty level (FPL), providing greater assistance to those just above Medicaid levels phasing out as income increases up to 400% FPL by reducing the contribution percentage of individuals using local funds.

A substantial multi-year commitment to the funding of the local subsidy is required to justify the administrative cost to operationalize the program, and to properly inform consumers who will rely on the additional subsidy. The subsidy would have the same eligibility rules and calculation method as Advance Premium Tax Credits, would not require an additional application for the subsidy, would not require reconciliation at the end of the year, would be provided directly to carriers, and should be implemented in a time and manner that minimizes the operational costs for carriers and the District government. ***This provision will not be implemented if it will lower APTC or constitute additional taxable income to the eligible consumer.***

Estimated Funding Required*

- Current APTC population plus an additional 1,000-person increase = $2,698,402.15
- Current APTC population plus an additional 2,000-person increase = $4,073,107.10
- Current APTC population plus an additional 3,000-person increase = $5,447,812.04

*Projected for proposal below using proposed 2018 rates since rates have not been finalized.

Proposal

The ACA provides financial help for individual market premiums through Advance Premium Tax Credits (APTC). APTC amounts are based on specific contribution rates (a percentage of income). For example, in 2018, a household at 250% of poverty is expected to spend a maximum of 8.1% of its income on premiums. If the cost of a benchmark plan exceeds the expected contribution, APTC covers whatever the family would have to pay above that to purchase a benchmark plan. Individuals and families are ineligible for APTC if they are eligible for the Medicaid program. This proposed subsidy approach would reduce the ACA contribution percentage of individuals further using local funds as reflected below:

FPL Level	ACA Federal Contribution Rate for APTC	DC Adjusted Contribution Rate for DC Subsidy
Less than 133% FPL	2.01%	0%
133 to 150% FPL	3.02% to 4.03%	0%
150 to 200% FPL	4.03% to 6.34%	0%
200 to 250% FPL	6.34% to 8.1%	0 – 1.5%
250 to 300% FPL	8.1% to 9.56%	1.5 – 4.5%
300 to 400% FPL	9.56%	4.5 – 7.5%

Examples

The impact on a customer's total subsidy amount (APTC + state subsidy) varies based on income and the ages of the household members. This chart highlights how a state subsidy could increase financial help for premium reductions.

	2018 Monthly Premium for Second Lowest Cost Silver Plan (Full Cost)	Consumer Portion of 2018 Monthly Premium for Second Lowest Cost Silver Plan (APTC Only)	Consumer Portion of 2018 Monthly Premium for Second Lowest Cost Silver Plan (APTC + State Subsidy)
A single 32-year-old ($30,150 annually – 250% FPL)	$271.38	$208.37	$42.55
A family of 3 (ages 45, 42, and 14) ($71,470 annually – 350% FPL)	$959.31	$463.79	$374.52

NOTE ON ACA WORKING GROUP

More information on the ACA Working Group process, discussions, and recommendations will be available in an ACA Working Group report.