

**Potential State Premium Subsidy Wrap:
Using Expected Contribution Rate Reduction Method**

Background: The ACA provides financial help for premiums via 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 customer would have to pay above that to purchase a benchmark plan. Because the District’s Medicaid eligibility goes to 215% of poverty for childless adults and even higher for parents and children, people below that level effectively pay nothing for coverage through Medicaid, but could have to pay substantial premiums for private coverage in the 216-400% of poverty range.

Wrap Proposal: This approach would reduce the contribution percentage using local funds. We modeled reducing the percent of income by 1.5, 1.75, or 2.01 points. For example, at the 1.5 point level, a household at 250% of poverty would spend no more than 6.6% of their income on premiums to purchase a benchmark plan. A combination of federal APTC and local subsidy would cover the remaining cost of the benchmark plan, with local funds covering the portion above what the customer would have been eligible for had only the federal formula been used. This proposal is modeled on a premium subsidy program implemented by the state of Vermont.

Program Features

- Same eligibility rules and calculation method as Advance Premium Tax Credits
- No additional application
- No reconciliation at the end of the year for the local subsidy

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.

	Total Premium Reduction per Month Options (APTC + State Subsidy)			
<i>Household</i>	ACA only	1.5 Point State Support + APTC	1.75 Point State Support + APTC	2.01 Point State Support + APTC
A single 32-year-old (\$30,150 annually)	\$63.01	\$100.70	\$106.98	\$113.51
A family of 3 (ages 45, 42, and 14) (\$61,260 annually)	\$495.52	\$572.10	\$584.86	\$598.13

State Subsidies and Back of the Envelope Estimated Cost Projections¹

1.5 Point Increased State Support

- Customers would receive a monthly state subsidy of between \$0 and \$60.30
- Cost Estimate = \$579,934

1.75 Point Increased State Support

- Customers would receive a monthly state subsidy of between \$0 and \$70.35
- Cost Estimate = \$683,971

2.01 Point Increased State Support

- Customers would receive a monthly state subsidy of between \$0 and \$80.80
- Cost = \$795,230

Detailed Table Showing Various Altered Expected Percent of Income Contribution Rates*

	ACA Federal Contribution Rate (ECR)	1.5 Point State Support	1.75 Point State Support	2.01 Point State Support
Less than 133% FPL	2.01%	0.51%	0.26%	0%
133 to 150% FPL	3.02% to 4.03%	1.52% to 2.53%	1.27% to 2.28%	1.01% to 2.02%
150 to 200% FPL	4.03% to 6.34%	2.53% to 4.84%	2.28% to 4.59%	2.02% to 4.33%
200 to 250% FPL	6.34% to 8.1%	4.84% to 6.6%	4.59% to 6.35%	4.33% to 6.09%
250 to 300% FPL	8.1% to 9.56%	6.6% to 8.06%	6.35% to 7.81%	6.09% to 7.55%
300 to 400% FPL	9.56%	8.06%	7.81%	7.55%

*Percentages are adjusted from 133% of poverty because even though Medicaid goes to 215% of poverty or higher in the District, there are people ineligible for Medicaid.

¹ ASSUMPTIONS: a) We used proposed 2018 rates since rates have not been finalized. b) We used age/income mixes most likely to gain a state subsidy, based on current DC Health Link enrollment. c) We assume an increase in APTC eligible population by 500 people (approximately a 50% increase).