



**REVIVED, RESUSCITATED, REVISITED
(AND NOW ENACTED!)
What Will Health Reform Mean for California?**

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March 25, 2010

Coverage Expansions

- Would cover 32 million of the uninsured by 2019, according to CBO.
- Results in 94% coverage of legal residents.
- Greatest coverage gains since enactment of Medicare/Medicaid.
- Urban Institute estimates that roughly 3.75 million of California's uninsured would become newly eligible. Another 1.5 million are already Medicaid eligible.
- Primary coverage mechanisms are:
 - Medicaid expansion
 - Subsidies for the purchase of coverage through new exchange
 - Tax credits for small employers to offer coverage

1. Medicaid and Other Public Programs

- Requires states to expand their Medicaid programs on January 1, 2014 to non-elderly adults and children up to 133% of the federal poverty level (\$29,400 for a family of four).
 - Includes childless adults, who generally could not be covered under Medicaid under prior law.
 - Includes people with disabilities.
 - States have the option to cover these populations at regular Medicaid match starting on January 1, 2011.

Federal Support for Medicaid Expansion

- Federal government will pick up the overwhelming bulk of expansion costs.
- The federal matching rate for “newly eligibles” will be:
 - 2014-2016: 100%
 - 2017: 95%
 - 2018: 94%
 - 2019: 93%
 - 2020 and beyond: 90%
- Additional help for existing childless adults in expansion states for their existing childless adult populations.
- Regular match for current eligibles who newly enroll.

Benefits for the Newly Eligible

- States are required to provide “benchmark” benefits to the newly eligible population, rather than the regular Medicaid package.
- Affects non-disabled adults.
- Benchmark benefits can be as good as regular Medicaid package or much weaker, and more akin to typical private insurance plans. Up to the state.

Maintenance of Effort

- States cannot reduce Medicaid eligibility or make enrollment procedures more restrictive for children through the end of fiscal year 2019.
- States cannot reduce eligibility or make procedures more restrictive for adults through the end of calendar year 2013.
- Exception for adults above 133% of poverty in states with deficits.

Eligibility Determination and Enrollment

- Uses new income counting rules starting in 2014, based on modified adjusted gross income (similar to tax code to allow better alignment).
- Takes existing disregards into account by allowing 5 percentage point bumpup.
- Extends presumptive eligibility option for children and pregnant women to newly eligible populations (and existing parents).
- Must have coordinated procedures with exchange.

Primary Care Physician Rate Increases

- Requires states to increase primary care physician rates to 100% of Medicare in 2013 and 2014.
- Federal government will pick up 100% of the increase in costs.

CHIP

- Current authorization of CHIP runs through the end of fiscal year 2013.
- Extends CHIP through 2015 with extra \$40 billion.
 - \$19.147 billion in 2014
 - \$21.061 billion in 2015
- Maintenance of effort: no cuts to CHIP eligibility and procedures through end of fiscal year 2019, except where run out of CHIP funds.
- Requires Secretary to study comparability of CHIP to exchange plans by 2015.

State Coverage Option

- States may elect to provide health coverage through managed care plans, rather than through the exchange. Modeled on Washington's Basic Health Program.
- For those between 133% and 200% of poverty.
- Funding equals 95% of what would have spent on subsidies in the exchange.
- Must meet cost-sharing and benefit standards.

2. Tax Credits for Individuals and Families

- New tax credits for people to purchase coverage through the new health insurance exchanges.
- Generally for those between 133% of poverty and 400% of poverty but legal immigrants with lower incomes subject to 5-year bar would be eligible for credits.
- Tied to the second lowest cost “Silver” plan.

Subsidy Scale

% of Poverty	% of Income	Dollar Amount for Family of Four
100%	2%	\$441
133%	3%	\$886
150%	4%	\$1,323
200%	6.3%	\$2,778
250%	8.05%	\$4,437
300%	9.5%	\$6,284
400%	9.5%	\$8,379

Subsidies for Cost-Sharing

- Subsidy eligible are given subsidies to purchase at least a “Silver” plan with an actuarial value of 70%.
- But those with incomes below 250% of poverty get higher actuarial values.
 - Below 150% of poverty: 94%
 - 150-200% of poverty: 87%
 - 200-250% of poverty: 73%
- Lower maximum OOP caps as well.

Eligibility Determination

- Modified adjusted gross income.
- Generally relies on tax return from previous tax year.
- Reconciliation required but payback amounts are limited.
- Intended to be aligned with Medicaid income counting rules.

3. Small Employer Tax Credits

- Tax credits for small employers that offer health coverage.
- Employers must contribute at least 50% of the cost.
- Full credit available to firms with 10 or fewer workers and average wages of \$25,000 or less.
- Credit phases out by size (up to 25) and by wages (up to \$50,000).
- Credit is 35% for 2010-2013. 50% for 2014 and beyond (but only for 2 years).
- Credit is 25% and 35% respectively for nonprofits.

4. Revenues to Offset Health Reform

- Biggest revenues come from increase in Medicare taxes on high-income taxpayers.
- Excise tax on high cost plans.
- Fees on health industry (insurers, drug and device manufacturers).
- Modification of existing health-related tax subsidies.
- Closing of corporate tax loopholes.

Increase in Medicare HI Tax

- Currently, workers pay 1.45% in Medicare taxes (with employers paying the other 1.45%), though economists assume they pay all 2.9%.
- Increases the Medicare tax by 0.9 percentage points for those with incomes of \$200,000 (\$250,000 for joint filers)
- Also 3.8% tax on unearned income (which is currently exempt) and is primarily investment income. Applies to those with incomes of \$200,000 (\$250,000 for joint filers).
- Revenues of \$210 billion over 10 years.

Excise Tax on High-Cost Plans

- Does not take effect until 2018.
- 40% tax on insurers.
- Affects only portion of premium in excess of \$10,200 for individuals and \$27,500 for family coverage.
- Higher thresholds for retirees and other high-risk professions (\$11,850, \$30,950).
- Adjustments for age and gender.
- Revenues of \$32 billion over 10 years.

Industry Fees

- Annual fees charged to insurers, drug and device manufacturers. Allocated by market share.
 - \$60 billion from insurers.
 - \$27 billion from drug manufacturers.
 - \$20 billion from device manufacturers.

Modification to Existing Health Tax Subsidies

- Cap on flexible spending accounts of \$2,500.
- Greater penalties on non-medical withdrawals for HSAs.
- Increasing the threshold for deductible medical expenses to 10% of income (except for seniors).

Corporate Tax Loophole Closings

- “Black Liquor”
- Cracking down on tax shelters.
 - Economic substance
 - Corporate reporting
- About \$45 billion over 10 years.