

# How the Affordable Care Act Makes Health Coverage More Affordable

## Ways the Health Care Law Makes Coverage More Affordable

- Provides fairer treatment for people with pre-existing health conditions
- Helps low- and middle-income Americans buy health coverage
- Provides fairer and more affordable health coverage for women
- Provides fairer and more affordable health coverage for older Americans
- Helps young adults buy health coverage

**57.2 million non-elderly adults**



**have a pre-existing health condition**

The Affordable Care Act guarantees that more Americans can afford health coverage by creating consumer protections and providing financial assistance to help people purchase coverage. While many protections already exist for those with job-based coverage, new protections will now apply for people who have to purchase insurance on their own in the individual market. These protections, combined with financial assistance, ensure that consumers have access to fairer, more comprehensive, and more affordable health coverage.

## Fairer Treatment for People with Pre-Existing Health Conditions

Starting in 2014, the Affordable Care Act prohibits insurance companies from denying people coverage if they have pre-existing conditions, denying them particular services due to their pre-existing conditions, or charging them more for coverage based on their health status. Without the passage of the Affordable Care Act, people with pre-existing conditions would have continued to have a hard time getting and affording health coverage.

Families USA found that 57.2 million non-elderly adults and children (or more than one out of every five people under the age of 65) in the United States have a pre-existing condition that could lead to a denial of coverage in today's individual market.<sup>1</sup> In addition, millions of other people would likely be charged higher rates or denied specific services for their conditions. In total, the U.S. Department of Health and Human Services estimates that 129 million non-elderly Americans—that's one out of every two people under the age of 65—have a pre-existing condition that could lead to a denial of coverage, a higher premium rate, or a denial of specific services in today's health insurance market.<sup>2</sup>

Even those who are healthy now could have been affected in the future if the Affordable Care Act had not passed—between 15 and 30 percent of people who are currently healthy are likely to develop a condition that could have led to higher premium rates, exclusions of coverage, or an outright denial of health insurance within the next eight years.<sup>3</sup>

The Affordable Care Act ensures access to coverage for individuals with pre-existing conditions in 2014 and beyond and provides peace of mind to people who are currently healthy by guaranteeing that they can't be denied coverage or charged more if they do get sick.

## Help Buying Health Coverage for Low- and Middle-Income Americans

Individuals and families with incomes up to four times the federal poverty level (up to about \$46,000 for an individual and about \$94,000 for a family of four in 2013) will be eligible for financial assistance, in the form of premium tax credits, to help them buy health coverage in their state's insurance marketplace starting in 2014. The help that they receive will be based on a sliding scale: The lowest-income individuals and families will receive the largest credit. The new premium tax credits will protect individuals or households from spending more than a certain set share of their income on health insurance premiums. Though this financial assistance is referred to as "premium tax credits," a person doesn't have to owe taxes to receive the help. The funds are available to directly pay the insurance company when consumers buy insurance. (For an example of the amount of assistance one might receive, see the box, "Getting Financial Help in Insurance Marketplaces," on page 4.) In addition, many states will expand their Medicaid programs in 2014, providing a new coverage option for millions of people who earn less than 138 percent of the federal poverty level (about \$16,000 for an individual and \$32,000 for a family of four in 2013).

## Fairer and More Affordable Health Coverage for Women

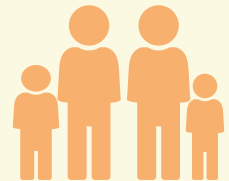
Currently, 37 states allow gender rating in the individual market, which means insurers can charge women and men different premiums for identical coverage.<sup>4</sup> In the capital cities of these states, 92 percent of bestselling plans charged 40-year-old women more than they charged 40-year-old men for the same plan.<sup>5</sup> Maternity coverage cannot explain the difference in premiums because only 3 percent of these plans included maternity services.<sup>6</sup> Under the Affordable Care Act, beginning in 2014, this unfair practice will no longer be permitted and the costs of coverage for men and women are required to be equal.

## Fairer and More Affordable Health Coverage for Older Americans

In 48 states and the District of Columbia, insurers are allowed to charge older people higher premiums than younger people.<sup>7</sup> According to America's Health Insurance Plans (AHIP), premium rates for older individuals are often five times the rate charged to younger individuals.<sup>8</sup> The Affordable Care Act places limits on how much insurers can charge older adults: Insurers will only be able to charge older adults a maximum of three times the premium rate for

### How the Affordable Care Act Helps All Americans

#### Low- and Middle-Income Individuals and Families



Provides financial assistance and health coverage options

#### Women



Eliminates gender rating in women's health coverage

#### Older Americans



Places limits on higher health insurance premiums

#### Young Adults



Enables them to stay on a parent's plan and provides other coverage options

younger individuals. Under the Affordable Care Act, people will be able to afford coverage over the entire span of their lifetime.

## Help Buying Health Coverage for Young Adults

Some opponents of the Affordable Care Act have asserted that young adults will be faced with significantly higher premiums due to the new law. While it is true that some young, healthy individuals may pay a little more in premiums for health coverage, most will actually pay *less* for coverage due to the availability of financial help to purchase coverage in the new insurance marketplaces. The Urban Institute estimates that 96 percent of young adults (aged 21 to 27) who buy single policies through the new individual insurance marketplaces will be eligible for premium tax credits to help them afford health coverage.<sup>9</sup> (To see an example of how the amount of assistance might be determined for a young adult, see the box, “Getting Financial Help in Insurance Marketplaces,” on page 4.)

The Affordable Care Act also helps young adults by giving them more coverage options. Many young adults now get coverage through an employer, and they can continue to do so in 2014. But for young people who do not yet have a job that offers coverage, the Affordable Care Act provides several options. For example, young adults may now stay on their parents’ plans until they are 26 years old. We can already see the positive effects of this protection: More than 3 million young adults have gained coverage since the provision went into effect in September 2010.<sup>10</sup> In 2014, many states are going to expand their Medicaid programs, and in these states, many young adults with low incomes will be eligible for this coverage. Lastly, young adults can shop for coverage in a new health insurance marketplace in 2014. There, in addition to more comprehensive coverage, young adults have the option of purchasing what are known as “catastrophic plans,” which have higher deductibles and subsequently lower premiums (but they cannot use premium credits to purchase these thinner plans).

### Affordable Plans, Better Health Coverage

Before the Affordable Care Act passed, many people were unpleasantly surprised to find large holes in their health coverage: Plans did not cover services that people needed or plans had arbitrary annual and lifetime dollar limits on coverage. People may have thought that they were getting a good deal when they bought an “affordable” plan because they were paying a low premium, but it turns out that their insurance would not really protect them. If they got sick, they faced unaffordable costs for services that weren’t actually covered by their plans at all or they were subject to restrictive limits.

Under the Affordable Care Act, plans will provide much better protection. New health insurance plans already must offer preventive care at no cost (that is, people don’t have to pay copayments, a deductible, or other cost-sharing for preventive services). Plans are no longer allowed to set lifetime dollar caps on coverage, and annual dollar limits on services will not be allowed beginning in 2014. Also in 2014, plans in the individual and small group markets will have to cover a certain set of benefits, referred to as essential health benefits, ranging from hospital coverage to prescription drugs to mental health care. Together, these provisions ensure that when consumers buy a health plan, they get real coverage that protects them from excessively high costs when they need care.

## Getting Financial Help in Insurance Marketplaces

The following is a hypothetical example of how much help a person might receive to purchase coverage in a new state insurance marketplace.

Audrey is a 25-year-old uninsured veterinary technician. She makes just under \$23,000 a year, or 200 percent of the federal poverty level. People at Audrey's income level do not have to pay more than 6.3 percent of their annual income for their state's benchmark plan (defined as a plan in the marketplace that has a mid-level price and amount of coverage). For Audrey, 6.3 percent of her income is \$1,450. If we assume that the benchmark plan costs \$3,030 a year, then her tax credit will be approximately \$1,580. She can put that \$1,580 toward buying the benchmark plan, and then she'd pay \$1,450 a year; or she could put her tax credit toward the cost of buying another plan in the marketplace that fits her needs.

To learn more about how premium tax credits work and how they will help millions of Americans afford coverage, see our report, *Help Is at Hand: New Health Insurance Tax Credits for Americans*, available online at <http://familiesusa2.org/assets/pdfs/premium-tax-credits/National-Report.pdf>.

## Endnotes

<sup>1</sup> Kim Bailey, Christine Sebastian, and Kathleen Stoll, *Health Reform: Help for Americans with Pre-Existing Conditions* (Washington: Families USA, May 2010), available online at <http://www.familiesusa.org/assets/pdfs/health-reform/pre-existing-conditions.pdf>.

<sup>2</sup> Assistant Secretary for Planning and Evaluation, *At Risk: Pre-Existing Conditions Could Affect 1 in 2 Americans: 129 million People Could Be Denied Affordable Coverage without Health Reform* (Washington: U.S. Department of Health and Human Services, November 2011), available online at <http://www.healthcare.gov/news/reports/preexisting.html>.

<sup>3</sup> Ibid.

<sup>4</sup> Danielle Garrett, *Turning to Fairness: Insurance Discrimination against Women Today and the Affordable Care Act* (Washington: National Women's Law Center, March 2012), available online at [http://www.nwlc.org/sites/default/files/pdfs/nwlc\\_2012\\_turningtofairness\\_report.pdf](http://www.nwlc.org/sites/default/files/pdfs/nwlc_2012_turningtofairness_report.pdf).

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Kaiser Family Foundation, *statehealthfacts.org*, Individual Market Rate Restrictions (Not Applicable to HIPAA Eligible Individuals), 2012, available online at <http://www.statehealthfacts.org/comparetable.jsp?cat=7&ind=354>.

<sup>8</sup> America's Health Insurance Plans, *Age Rating*, available online at <http://ahip.org/Issues/Age-Rating.aspx>.

<sup>9</sup> Linda Blumberg and Matthew Buettgens, *Why the ACA's Limits on Age-Rating Will Not Cause "Rate Shock": Distributional Implications of Limited Age Bands in Nongroup Health Insurance* (Washington: Urban Institute, March 2013), available online at [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2013/rwjf404637](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2013/rwjf404637).

<sup>10</sup> Benjamin D. Sommers, *Number of Young Adults Gaining Insurance Due to the Affordable Care Act Now Tops 3 Million* (Washington: Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, June 19, 2012), available online at <http://aspe.hhs.gov/aspe/gaininginsurance/rb.pdf>.

### This publication was written by:

Elizabeth Hagan, Health Policy Intern

### The following Families USA staff contributed to the preparation of this publication:

Cheryl Fish-Parcham, Deputy Director, Health Policy

Claire McAndrew, Senior Policy Analyst

Tara Bostock, Editor

Carla Uriona, Director of Publications

Nancy Magill, Senior Graphic Designer

1201 New York Avenue NW, Suite 1100  
Washington, DC 20005

202-628-3030 • [info@familiesusa.org](mailto:info@familiesusa.org)  
[www.FamiliesUSA.org](http://www.FamiliesUSA.org)

[www.facebook.com/FamiliesUSA](http://www.facebook.com/FamiliesUSA)  
@FamiliesUSA

A complete list of Families USA  
publications is available at:  
[www.familiesusa.org/resources/publications](http://www.familiesusa.org/resources/publications).

© May 2013, Families USA