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Updated Estimates of the Uninsured in New Mexico and Health Care Reform Options to Improve Affordability of Marketplace Coverage

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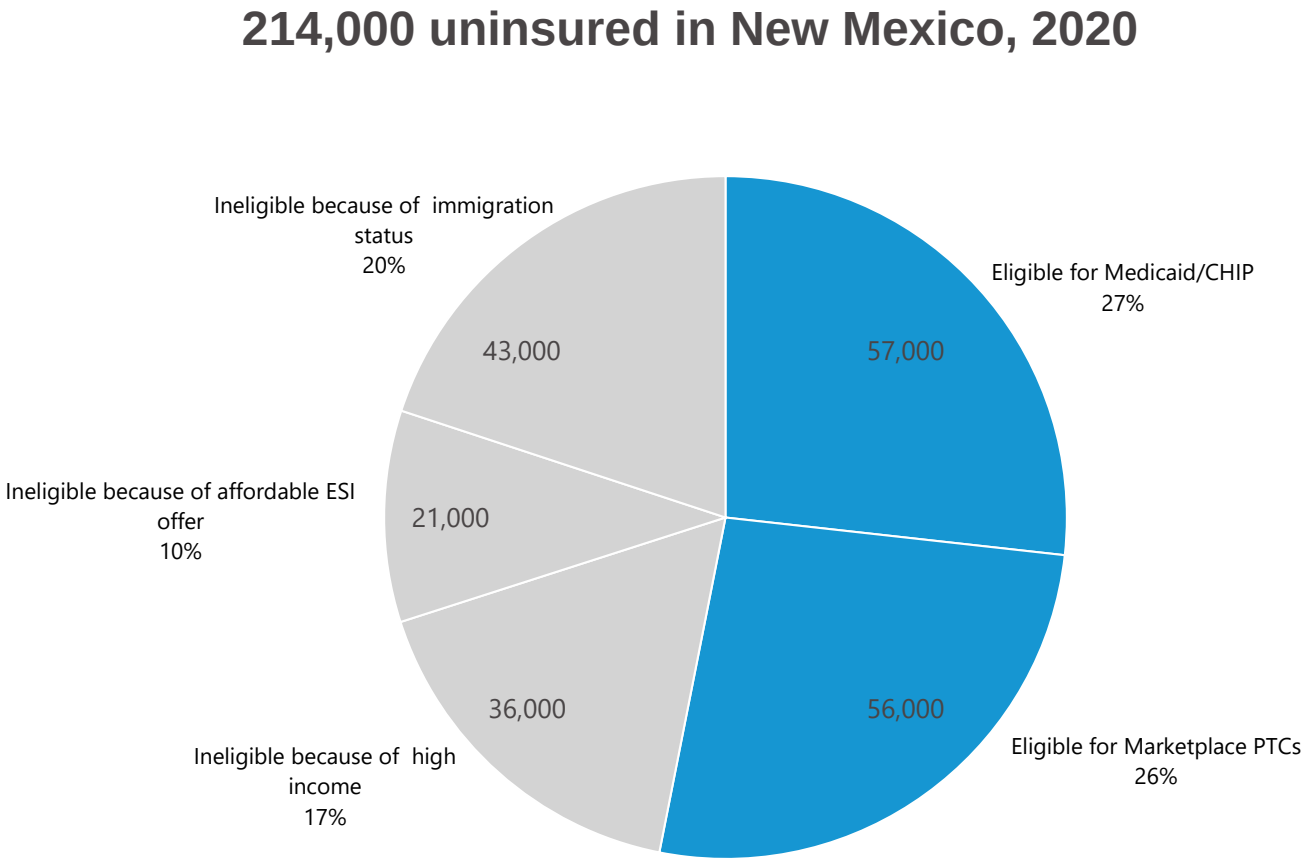
About the Urban Institute

- The Urban Institute is a trusted source for unbiased, authoritative insights that inform choices about the well-being of people and places in the United States.
- We are a nonprofit research organization that believes decisions shaped by facts have the power to improve public policy and practice, strengthen communities, and transform people's lives for the better.
- The Health Policy Center at Urban Institute has a long history of health policy simulation work, including extensive experience working with state and national policymakers to examine the coverage effects, costs, and financing of alternative strategies to cover the uninsured.

About the Health Insurance Policy Simulation Model (HIPSM)

- The Health Insurance Policy Simulation Model (HIPSM) is a detailed microsimulation model of the health care system designed to estimate the cost and coverage effects of proposed health care policy options.
- HIPSM is based on two years of data from the American Community Survey, which provide a representative sample of families that is large enough for us to produce estimates for individual states and smaller regions such as cities.
- Our most notable work in health reform simulation, using an earlier version of HIPSM, yielded a road map for the landmark 2006 Massachusetts health care reform legislation. That law expanded coverage and created a subsidized private insurance market for low-income residents.
- HIPSM itself has been used in many analyses of the Affordable Care Act and proposed alternatives since 2010, including studies of:
    - Medicaid expansion
    - ACA repeal and replace proposals
    - Single-payer and other universal coverage proposals

ACA improved coverage, access, & affordability, but gaps remain



Other states have improved marketplace affordability

- Several states have implemented policies to improve affordability of marketplace coverage:
  - Premium tax subsidy enhancements in California, Massachusetts, and Vermont
  - Basic Health Programs (BHP) in New York and Minnesota

Three groups of options for state supplemental assistance

1. Enhanced premium tax credits
2. Enhanced premium tax credits combined with cost-sharing subsidies
3. Basic Health Program

Group 1
Enhanced premium tax credits

Percentage-of-income caps for marketplace premium tax credits under current law and state enhanced assistance options, 2020

	Current Law (ACA)	Enhanced premium assistance 1	Enhanced premium assistance 2	Enhanced premium assistance 3
100%-138% of FPL	2.06-2.06%	0.0-0.0%	0.0-0.0%	0.0-0.0%
139%-150% of FPL	3.09-4.12%	1.5-3.5%	0.0-2.0%	0.0-0.0%
150%-200% of FPL	4.12-6.49%	3.5-5.5%	2.0-4.0%	0.0-3.0%
200%-250% of FPL	6.49-8.29%	5.5-7.0%	4.0-6.0%	3.0-4.0%
250%-300% of FPL	8.29-9.78%	7.0-8.5%	6.0-8.5%	4.0-8.5%
301%-400% of FPL	9.78-9.78%	8.5-8.5%	8.5-8.5%	8.5-8.5%

Notes: ACA is Affordable Care Act. FPL is federal poverty level.

Annual Premiums for Benchmark Coverage Paid by a Family of Two Adults under Current Law and Enhanced Premium Assistance for Nongroup Insurance, 2020

	Annual family income	Current Law (ACA)	Enhanced premium assistance 1	Enhanced premium assistance 2	Enhanced premium assistance 3
175% of FPL	$30,170	$1,593	$1,351	$899	$443
225% of FPL	$38,790	$2,859	$2,418	$1,932	$1,354
275% of FPL	$47,410	$4,276	$3,667	$3,425	$2,941
325% of FPL	$56,030	$5,480	$4,763	$4,763	$4,763
375% of FPL	$64,650	$6,323	$5,495	$5,495	$5,495

Source: Urban Institute Health Insurance Policy Simulation Model, 2020
Notes: ACA is Affordable Care Act. FPL is federal poverty level.

Effects of enhanced premium tax credits, 2020

	Enhanced Premium Assistance 1	Enhanced Premium Assistance 2	Enhanced Premium Assistance 3
Increase in number of insured people	11,000	14,000	18,000
Additional state cost	$14 million	$31 million	$52 million

Source: Urban Institute Health Insurance Policy Simulation Model, 2020

Group 2
Enhanced premium tax credits combined with cost-sharing subsidies

Actuarial value of standard coverage provided for eligible enrollees under current law and enhanced state assistance

Income range	Current Law	Enhanced premium and cost-sharing assistance
0%-150% of FPL	94%	94%
151%-200% of FPL	87%	94%
201%-250% of FPL	73%	87%
250%-300% of FPL	70%	80%
300%-400% of FPL	70%	80%

Note: FPL is federal poverty level.

Example cost-sharing levels for single coverage at different AV levels:
70% AV: $3,500 deductible, 10% coinsurance, $7,150 out-of-pocket maximum
80% AV: $1,200 deductible, 15% coinsurance, $6,000 out-of-pocket maximum
87% AV: $ 700 deductible, 15% coinsurance, $2,250 out-of-pocket maximum
94% AV: $ 200 deductible, 10% coinsurance, $1,000 out-of-pocket maximum

Effects of enhanced premium tax credits and cost-sharing subsidies, 2020

	Enhanced premium and cost-sharing assistance 1	Enhanced premium and cost-sharing assistance 2	Enhanced premium and cost-sharing assistance 3
Increase in the number of insured people	20,000	22,000	23,000
Additional state cost	$26 million	$45 million	$68 million

Source: Urban Institute Health Insurance Policy Simulation Model, 2020

Effects of enhanced premium tax credits and cost-sharing subsidies, 2020

	Enhanced premium assistance 1	Enhanced premium assistance 2	Enhanced premium assistance 3	Enhanced premium and cost-sharing assistance 1	Enhanced premium and cost-sharing assistance 2	Enhanced premium and cost-sharing assistance 3
Increase in the number of insured people	11,000	14,000	18,000	20,000	22,000	23,000
Additional state cost	$14 million	$31 million	$52 million	$26 million	$45 million	$68 million

Source: Urban Institute Health Insurance Policy Simulation Model, 2020

Basic Health Program and Reinsurance

Basic Health Program

- Similar to extending Medicaid expansion from 138 to 200% FPL, for adults currently eligible for PTCs
- State would contract with private MCOs
  - Benefits must be more generous than marketplace plans
  - Costs to households must be lower than marketplace costs
- Federal government pays 95% of PTCs otherwise paid for enrollees
- Savings to state can result from lower provider payment rates
- One caveat: BHP reduces number of people enrolled in marketplace, may lead to fewer participating insurers and less competition

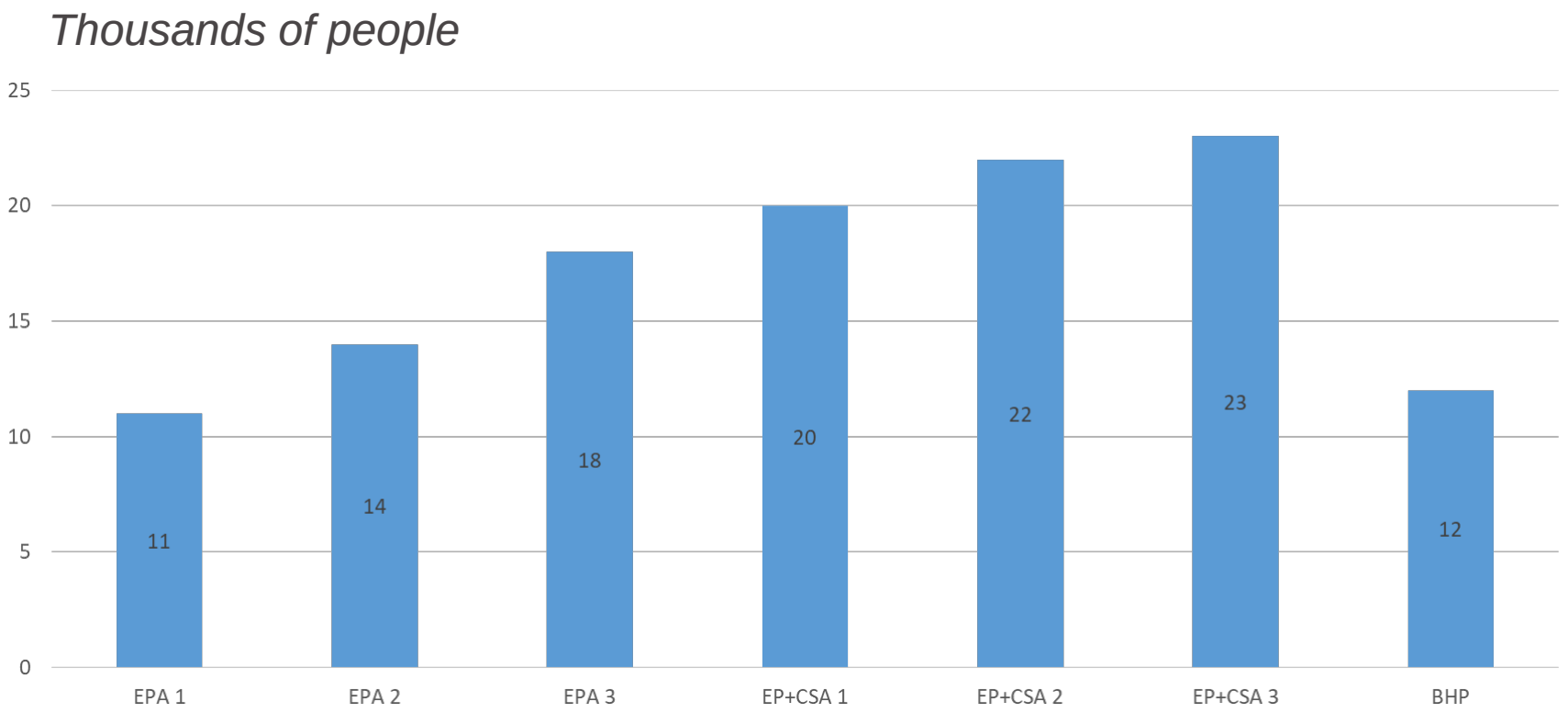
BHP works best in states with high marketplace premiums and those without MCOs already participating in marketplace. Neither is the case in New Mexico.

Marketplace reinsurance

- We analyzed two reinsurance options ($10 million and $25 million) that added reinsurance on top of enhance premium tax credits;
- Neither option increased coverage noticeably beyond the increases achieved through enhanced premium tax credits and cost-sharing subsidies;
- Both options would increase state costs beyond the enhanced subsides;
- One caveat: Reinsurance lowers premiums for those above 400% FPL, but the policy may also reduce subsidies for those below 400% FPL.

Summary of Main Results

Increase in the number of nonelderly New Mexicans with health insurance under 7 reform options to enhance marketplace insurance affordability, 2020

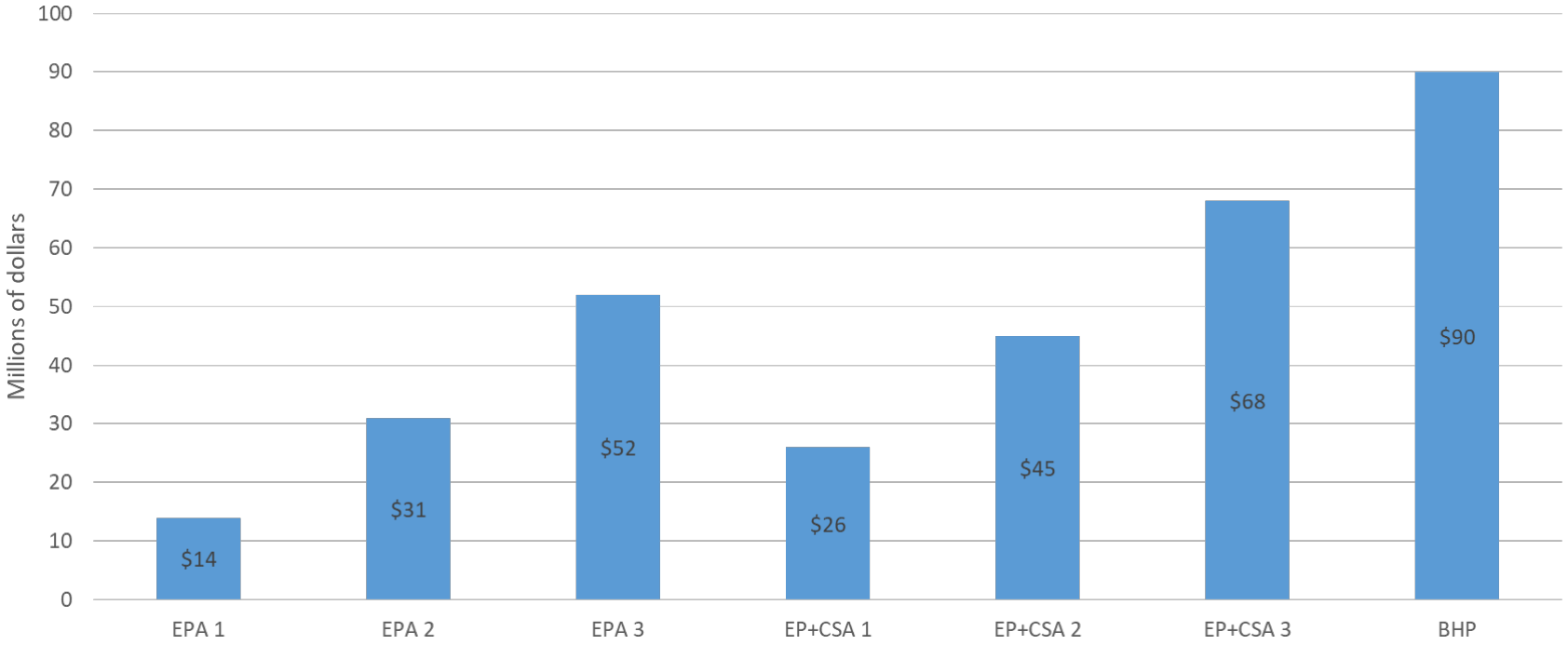


EPA = enhance premium assistance (generosity increases from options 1 to 3)
CSA = cost-sharing assistance
BHP = Basic Health Program

Source: Urban Institute Health Insurance Policy Simulation Model, 2020

Estimated state costs associated with 7 reforms to enhance affordability of marketplace insurance in New Mexico, 2020

Millions of dollars



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