



# California Council on Gerontology & Geriatrics

## POLICY FORUM

### ABC's of the ACA: Basics of the Affordable Care Act

October 18, 2013

Ethel Percy Andrus Gerontology Center, Room #224  
University of Southern California

**12:00pm** Networking Lunch

**1:00pm** Introduction to the Affordable Care Act (ACA)

*Daphna Gans, PhD*

Assistant Professor of Medicine, UCLA David Geffen School of Medicine, Division of Geriatrics;

Assistant Director for Academic Programs, UCLA Multicampus Program for Geriatric Medicine & Gerontology;

Faculty Associate, UCLA Center for Health Policy Research

**1:20pm** Overview of the Affordable Care Act

*Dylan Roby, PhD*

Assistant Professor, Health Policy and Management, UCLA Fielding School of Public Health;

Director, Health Economics and Evaluation Research Program, UCLA Center for Health Policy Research

Including: The Exchanges, Medi-Cal Expansion, Effects of the ACA on Medicare, and Workforce Issues

**2:05pm** “Dual Eligibles” and Cal MediConnect

*Aileen Harper*

Executive Director, Center for Health Care Rights

**2:25pm** Panel Discussion

*Moderator:* Daphna Gans, PhD

*Panel:* Dylan Roby, PhD & Aileen Harper

**2:50pm** Closing Remarks

**3:00pm** Adjourn

# Basics of the Affordable Care Act

## Why do we need the ACA?

The Affordable Care Act, also known as “the ACA” or “ObamaCare”, was designed to control our nation’s high health care spending and costs, while ensuring quality of care. Health insurance and healthcare are currently unaffordable or inaccessible to many individuals and families, which often leaves them uninsured or underinsured. Furthermore, the abundant health disparities across our nation are perpetuated by this inaccessibility of healthcare. The current system also lacks an emphasis on prevention, which may adversely affect health status and quality of life for many and may result in higher healthcare spending. Additionally, our quickly aging population could pose a strain on our system if we do not implement changes to ensure its financial viability.

## What does the ACA do?

- Implements rules and regulations on health insurance and healthcare to control costs.
- Implements rules on how insurers set premium costs.
- Enforces the Employer Mandate: businesses with 50+ FTE employees must provide a health insurance plan option for their employees, or face a penalty.
- Requires all health insurance plans to include the 10 Essential Health Benefits.
- Makes health insurance and healthcare affordable for those that need it most (the currently uninsured and underinsured populations).
- Expands the Medicare program.
- Establishes the Health Insurance Marketplaces (a.k.a. The Exchanges) for easy consumer use.
- Offers tax breaks and incentives to small businesses for contributing to their employees’ health insurance.
- Improves the quality of healthcare by promoting prevention, quality of services, and innovation.

## Making Healthcare Affordable

Certain provisions will be made under the ACA to make healthcare affordable to those that would not be able to pay for health insurance or access care otherwise. Some of these provisions include:

- Medicaid (Medi-Cal) Expansion: More people will be eligible for Medicaid (Medi-Cal), including some childless adults, in some states.
- Premium Assistance: For those up to 400% of the poverty level, the government will provide subsidies based on family size and income.
- Cost-sharing Assistance: Provision of support in co-payments, co-insurance, and deductibles based on a sliding scale to help protect low-income families from having high out-of-pocket expenses for healthcare.

## 10 Essential Health Benefits

The 10 Essential Health Benefits include:

- Preventative and Wellness services coverage
- Hospitalization coverage
- Ambulatory services coverage
- Emergency services coverage
- Prescription drugs coverage
- Maternity and newborn care coverage
- Pediatric services coverage
- Mental health and substance use services coverage
- Rehabilitative and habilitative services coverage
- Laboratory services coverage

# Basics of the Affordable Care Act

## Penalties

The goal of implementing penalties is to make the cost of health insurance plan premiums less than or equal to the fine, in hopes that most people will opt for purchasing an insurance plan. Individuals will still have the choice of not participating.

**2014:** \$95 per adult, \$47.50 per child (up to \$285 per family) OR 1.0% of family income, whichever is greater

**2015:** \$325 per adult, \$162.50 per child (up to \$975 per family) OR 2.0% of family income, whichever is greater

**2016:** \$695 per adult, \$347.50 per child (up to \$2,085 per family) OR 2.5% of family income, whichever is greater

\*\* Exemptions apply for individuals/families when they are 100% below the poverty level, are not required to file taxes, have religious objections, have a coverage gap < 3 months, are American Indians, are undocumented immigrants, or are incarcerated individuals. \*\*

## Health Insurance Marketplaces / “The Exchange” - Covered California for CA -

Health Insurance Marketplaces (the “Exchanges”) will be state specific, and the Exchange for California is called Covered California. If a state does not decide to set up its own Exchange, the Department of Health and Human Services (DHHS) will do it for that state. These Exchanges are easy-to-use, one-stop-shops where private health insurance plans with their own provider networks are made available to the general public. It will be easy to compare plans in the Exchanges, and premiums will be kept competitive.

The plans offered through the Exchanges are required to include the 10 Essential Health Benefits, and premiums can only be adjusted based on age, family size, income, and home location (in some states, a “smoking surcharge” may apply). Four different levels of coverage will be available (Bronze, Silver, Gold, Platinum, and Catastrophic) and mainly differ in deductible and monthly premium, based on actuarial value. These plans in the Exchanges all satisfy the Minimum Coverage Provision.

Small Business Health Options Programs (SHOPs) are also being set up through the Exchanges and are the only place where small business employers can access plans that will qualify for a tax credit. These will not open until 2014 for employers with <50 FTE (for coverage starting in January 2015) and will not open until 2015 for employers with <100 FTE (for coverage starting in 2016).

## What does this Mean for the Senior Population?

The goal is to have more people coming into Medicare with fewer health conditions and/or better managed chronic health conditions. By offering affordable health insurance and healthcare options that promote prevention and wellness, the hope is that people will be healthier throughout their lives and experience a higher quality life.

Medicare coverage is protected under the ACA, and benefits cannot be taken away. Individuals will still be able to choose their own healthcare providers, and there is no cost-sharing for preventative and wellness services. Cheaper prescription drugs will be made available through discounts and rebates, and the prescription drug “doughnut hole” will be eliminated by 2020. The ACA also improves the quality of care by requiring better care after hospital discharge, providing incentives for providers to improve health outcomes, investing in quality of care measures, and implementing better ways of coordinating care. There will be reduced payments to private Medicare Advantage plans. Also, the changes in Medicare work to strengthen the financial health of Medicare by reducing Medicare fraud and slowing the growth of healthcare spending.

# Basics of the Affordable Care Act

## Phase I: Already in Effect Now

These items have already been phased into our current health system under the ACA:

- The Medical Loss Ratio (MLR) applies to insurers, which limits health insurance administrative costs.
- Preventative and wellness services (i.e. annual exams, labs, etc.) are covered under health insurance and require no cost-sharing or additional out-of-pocket expenses.
- Young adults (up to age 26) can remain on parents' health insurance plans.
- Children cannot be denied coverage because of a pre-existing condition (i.e. asthma, diabetes).
- A state high-risk pool has been established for the "uninsurables", or those that would be too much of a risk for private insurers to take on at the moment. This pool is funded by the government.
- Small businesses with up to 25 FTE employees can qualify for tax credits for providing health insurance plans for their employees.
- The Health Insurance Marketplaces/"The Exchanges" are currently being set up to be made available for consumers. Many are open now, and the coverage for these plans starts as early as January 2014.

## Phase II: January 1, 2014 and Beyond

The majority of the changes ACA makes to our healthcare system apply on or after January 1, 2014. These include:

- The Minimum Coverage Provision:  
Penalties (% of income or flat fee, whichever is greater) apply if individuals or families do not meet the minimum coverage requirements. The penalties also progressively increase between 2014 and 2016.
- Insurers can only base their premiums on 5 factors:
  - Age (3:1)
  - Family size
  - Family income
  - Location of household
  - Smoking status (some states will apply a smoking surcharge)

\*\*\* Premiums can NO LONGER factor in gender or pre-existing condition.
- A person CANNOT be denied coverage based on a pre-existing condition.
- Lifetime benefits maximums will no longer apply, which is especially important for those with long-term health conditions, such as cancer and diabetes.
- Caps will be placed on deductibles and out-of-pocket expenses for healthcare services.
- Expansions and improvements will be made to the Medicare program.
- Enhanced small business tax credits will be available starting 2015 and 2016.
- Small Business Health Options Programs (SHOPs) will open in the Health Insurance Marketplaces for 2015 and 2016, providing employers an easier way to offer employees health insurance.

## Special Thanks to:

**USC Davis**  
School of Gerontology



# References and Resources:

- American Public Health Association. "ACA Basics and Background". (2013). < <http://www.apha.org/advocacy/Health+Reform/ACAbasics/#Basics2> >
- American Public Health Association. "Minimum Coverage Provisions". (2013). < [http://www.apha.org/advocacy/Health+Reform/ACAbasics/MC\\_provision.htm](http://www.apha.org/advocacy/Health+Reform/ACAbasics/MC_provision.htm) >
- American Public Health Association. "Supreme Court Decisions". (2013). < [http://www.apha.org/advocacy/Health+Reform/court\\_cases/](http://www.apha.org/advocacy/Health+Reform/court_cases/) >
- American Public Health Association (APHA). "Why Do We Need the Affordable Care Act?". (Aug. 2012). < [http://www.apha.org/NR/rdonlyres/19BEA341-A7C3-4920-B2BC-65BDC846B803/0/WhyWeNeedtheACA\\_Aug2012.pdf](http://www.apha.org/NR/rdonlyres/19BEA341-A7C3-4920-B2BC-65BDC846B803/0/WhyWeNeedtheACA_Aug2012.pdf) >
- CalDuals. "Dual Eligibles Fast Facts". (n.d.) < [http://www.calduals.org/background/fast\\_facts/](http://www.calduals.org/background/fast_facts/) >
- California Health Advocates. "Medi-Cal (for People with Medicare)". (2013). < <http://www.cahealthadvocates.org/low-income/medi-cal.html> >
- California Health Advocates. "Medicare Savings Programs (MSPs)". (2013). < <http://www.cahealthadvocates.org/low-income/savings.html> >
- California Health Report. (HealthyCal.org; Daniel Weintraub). "Older Adults Might be the Biggest Winners from ACA". Sept. 23, 2013. < <http://www.healthycal.org/archives/13611> >
- Centers for Medicare & Medicaid Services (CMS). "About the Medicare-Medicaid Coordination Office". July 2013. < <http://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/index.html> >
- Centers for Medicare and Medicaid Services (CMS). "Medicare-Medicaid General Information". (June 2013). < <http://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/MedicareMedicaidGeneralInformation.html> >
- Covered California. "Covered California: A Preview for Californians". (2013). < <https://www.coveredca.com/hbex/PDFs/101-presentations/101%20Consumer%20Region%2016.pdf> >
- Covered California. "Fact Sheet: Covered California". (Oct. 2013). < [https://www.coveredca.com/PDFs/English/Lo-res/Covered\\_California\\_About\\_fact\\_sheet\\_English.pdf](https://www.coveredca.com/PDFs/English/Lo-res/Covered_California_About_fact_sheet_English.pdf) >
- Covered California. "Fact Sheet: Getting Financial Help". (Oct. 2013). < [https://www.coveredca.com/PDFs/English/Lo-res/Covered\\_California\\_Getting\\_Financial\\_Help\\_fact\\_sheet\\_English.pdf](https://www.coveredca.com/PDFs/English/Lo-res/Covered_California_Getting_Financial_Help_fact_sheet_English.pdf) >
- Covered California. "Fact Sheet: Getting Yourself and Your Family Covered". (Oct. 2013). < [https://www.coveredca.com/PDFs/English/Lo-res/Covered\\_California\\_Getting\\_Covered\\_fact\\_sheet\\_English.pdf](https://www.coveredca.com/PDFs/English/Lo-res/Covered_California_Getting_Covered_fact_sheet_English.pdf) >
- Covered California. "Fact Sheet: Small Business". (Oct. 2013). < [https://www.coveredca.com/PDFs/English/Lo-res/Covered\\_California\\_Small\\_Business\\_fact\\_sheet\\_English.pdf](https://www.coveredca.com/PDFs/English/Lo-res/Covered_California_Small_Business_fact_sheet_English.pdf) >
- Covered California. "Income Guidelines". (2013). < <https://www.coveredca.com/shopandcompare/#incomeGuidelines> >
- Department of the Treasury Internal Revenue Service (IRS). "Affordable Care Act Tax Provisions". (Sept. 2013). < <http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions> >
- Department of the Treasury Internal Revenue Service (IRS). "Medical Loss Ratio (MLR) FAQs". (2013). < [http://www.irs.gov/uac/Medical-Loss-Ratio-\(MLR\)-FAQs](http://www.irs.gov/uac/Medical-Loss-Ratio-(MLR)-FAQs) >
- Department of the Treasury Internal Revenue Service (IRS). "Small Business Health Care Tax Credit for Small Employers". (Aug. 2013). < <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers> >
- Department of the Treasury Internal Revenue Service (IRS). "Small Employer? Get the Credit You Deserve". Publication 4862 (Rev. 2012) Catalog Number 55120X. (n.d.) < <http://www.irs.gov/pub/irs-pdf/p4862.pdf> >
- Kaiser Family Foundation (KFF). "Dual Eligibles: Medicaid's Role for Low-Income Beneficiaries." (2011) < [www.kff.org/medicaid/upload/4091-08.pdf](http://www.kff.org/medicaid/upload/4091-08.pdf) >
- Kaiser Family Foundation. "Health Reform Quiz". (2013). < <http://kff.org/quiz/health-reform-quiz/> >
- Kaiser Family Foundation (KFF). "Obamacare and You: If You Have Job-Based Coverage". (Oct. 2013). < <http://kff.org/health-reform/fact-sheet/obamacare-and-you-if-you-have-job-based-coverage/> >
- Kaiser Family Foundation (KFF). "The Requirement to Buy Coverage Under the Affordable Care Act". (2013). < <http://kff.org/infographic/the-requirement-to-buy-coverage-under-the-affordable-care-act/> >
- Kaiser Family Foundation. (2013). "The YouToons Get Ready for Obamacare: Health Insurance Changes Coming Your Way Under the Affordable Care Act". < <http://kff.org/health-reform/video/youtoons-obamacare-video/> >
- National Association of Counties (NACO). "Affordable Care Act: Health Care Workforce". (n.d.). < <http://www.naco.org/programs/csd/Documents/Health%20Reform%20Implementation/Workforce.pdf> >
- National Conference of State Legislatures (NCSL). "Summary of the Health Workforce Provisions in the Patient Protection and Affordable Care Act: H.R. 3590". (March 2010). < <http://www.ncsl.org/documents/health/HlthWrkfrceProvHR3590.pdf> >
- National Senior Citizens Law Center (NSCLC). "Dual Eligibles Fact Sheet". (n.d.) < <http://www.nsclc.org/wp-content/uploads/2011/12/Dual-Eligibles-Fact-Sheet-Final.pdf> >
- The White House. "Health Care that Works for Americans". (n.d.) < <http://www.whitehouse.gov/healthreform/healthcare-overview> >
- The White House. "Health Reform for American Seniors: The Affordable Care Act Gives America's Seniors Greater Control Over Their Own Health Care". (n.d.). < [http://www.whitehouse.gov/sites/default/files/rss\\_viewer/health\\_reform\\_seniors.pdf](http://www.whitehouse.gov/sites/default/files/rss_viewer/health_reform_seniors.pdf) >
- U.S. Centers for Medicare and Medicaid Services. "Essential Health Benefits". (n.d.). < <https://www.healthcare.gov/glossary/essential-health-benefits/> >
- U.S. Department of Health and Human Services. "2013 Poverty Guidelines". (2013). < <http://aspe.hhs.gov/poverty/13poverty.cfm#guidelines> >
- U.S. Department of Health and Human Services. "Health Insurance Marketplace: 10 Things Providers Need to Know". CMS Product Number 11716-P. August 2013. < <http://marketplace.cms.gov/getofficialresources/publications-and-articles/10-things-providers-need-to-know.pdf> >
- U.S. Department of Health and Human Services. "How the Health Care Law is Making a Difference for the People of California". (Aug. 2013). < <http://www.hhs.gov/healthcare/facts/bystate/ca.html> >
- U.S. Department of Health and Human Services Health Resources and Services Administration. "Affordable Care Act and HRSA Programs". (2013). < <http://www.hrsa.gov/affordablecareact/> >