COLORADO CENTER on LAW & POLICY

Justice and Economic Security for *all* Coloradans

Affordable Care Act at 3: Key components implemented so far provide bridges to coverage

ISSUE BRIEF
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The Colorado Center on Law and Policy is a nonprofit, nonpartisan research and advocacy organization seeking justice and economic security for all Coloradans.

Last month marked the third anniversary of President Obama's signing of the health reform bill, known as the Affordable Care Act (ACA). Many of the key provisions of the law, including prohibitions on exclusions because of preexisting conditions, elimination of annual limits, the establishment of health insurance exchanges, and expansion of Medicaid go into effect in January. Together, these insurance market reforms and coverage expansions will add 30 million Americans to the ranks of the insured.

When drafting the law, members of Congress recognized that Americans who need access to affordable, quality health insurance could not wait until 2014, when many of the law's major reforms become effective. While federal agencies are working to fully implement the law, Congress has created several provisions and programs to bridge the coverage gap between the time of the law's passage and its full implementation.

Eliminating preexisting condition exclusions for children

Before the passage of the ACA, insurers could deny coverage to people who had preexisting conditions. Millions of Americans, including many children, suffer from preexisting conditions that can be as mild as allergies or as serious as cystic fibrosis.

Many children are covered by "child-only" policies. These insurance plans provide coverage for children younger than 19-years old with no parent or other beneficiary also covered under the policy. Children whose parents or guardians work for an employer that does not offer dependent coverage or who are covered by Medicare may need to purchase a "child only" policy. Before the passage of the health reform law, insurers in Colorado and all but a handful of other states could deny children health insurance coverage if they suffered from a preexisting condition.

Since September 2010, the ACA has prohibited insurers from denying coverage to children with preexisting conditions. The law will prevent exclusions for adults with preexisting conditions beginning in 2014.

As a result of this provision, many insurers stopped offering "child only" policies. In response, 22 states, including Colorado, passed laws and issued new regulations to require insurers to continue to offer "child only" policies. Colorado's law passed the General Assembly in 2011 and requires any insurance company that sells

individual policies to adults and families, to also sell child-only policies. Current Colorado law allows insurers to charge higher premiums to children with preexisting conditions. But starting in January, insurers will no longer be able to vary premiums based on health status.

Pre-existing Condition Insurance Plan Program

In 2010, the Affordable Care Act established the Preexisting Condition Insurance Plan (PCIP) program to provide health insurance to many who had been shut out of the health insurance market because of their health. Since July 2010, people who had been denied insurance because of a health condition or have a preexisting condition and have been without insurance for the past six months could receive insurance through the PCIP program. More than 134,000 people, including 2,200 Coloradans, have gained coverage through this program.

Premiums for the PCIP program were set based on what healthy people pay for insurance in the individual insurance market. By law, premiums vary based on age, geography, and tobacco use and range from $139 to $763 per month. PCIP covers at least 65 percent of allowable medical expenses and limits out of pocket spending to $6,250 in 2013. Congress recognized that premiums and cost sharing would not be sufficient to cover the cost of providing care for this high-risk pool and budgeted an additional $5 billion to cover additional costs. Nationally, the average cost per enrollee was more than $32,000 in 2012.

Because of limited funding from Congress, the PCIP program stopped enrolling individuals on March 2. Those individuals with preexisting conditions who are not currently enrolled in PCIP will need to wait until 2014 in order to be guaranteed the ability to purchase health insurance in the individual market.

Support for early retirees

Fewer than half of Americans between the ages of 55 and 64 work full time. Those who retire early often lose access to affordable health insurance. Because of the high cost of providing insurance, a smaller and smaller portion of employers are offering health insurance to early retirees. Between 1988 and 2008, the percentage of employers who offered health insurance for early retirees dropped from 66 percent to 31 percent. Individuals between the ages of 55 and 64, while not yet eligible for Medicare, are more likely than younger people to suffer from a health condition that may cause them to be denied insurance in the individual market. Even if early retirees can purchase insurance, insurers charge people several times more in premiums simply because they are older, making paying for health insurance financially burdensome.

The ACA provided $5 billion to help employers, including state and local governments, cover the cost of providing health insurance to early retirees and bring down premiums. Through this program, an employer is reimbursed for 80 percent of the cost of providing care in excess of $15,000, but not above $90,000, per enrollee. These funds must be used to directly lower costs for beneficiaries. In Colorado, 48 employers including many local governments received financial assistance to provide retiree health care under this provision. The program quickly exhausted its funding and stopped accepting application in May of 2011.

Coverage for young adults

Fifty-seven percent of the nation's uninsured are under the age of 35. Many children rely upon their parents health insurance to get coverage, but before the passage of the ACA, plans were allowed to kick dependents off their parents plans often as early as age 19. No longer being eligible for coverage under their parents plan made obtaining affordable, quality health insurance challenging.

Since September 2010, the ACA has required any insurance plan in the group or individual market that

provides dependent coverage for children to continue to make that coverage available until the child turns 26. By the end of 2011, more than 3 million young people, including 50,000 Coloradans, had been able to obtain coverage because of this requirement.