

You will be buying a different policy



Your health plan will pay a significant percentage of costs



Your insurance will provide more comprehensive benefits



You can't be denied coverage for preexisting conditions, and you can't be charged higher premiums for poor health status



Higher anticipated enrollment among older individuals means higher health care costs



Many people will be eligible for subsidies



SIX WAYS

the Affordable Care Act will Impact Individual Health Insurance

Beginning in 2014, the Affordable Care Act (ACA) will fundamentally change the New York insurance market, providing more comprehensive benefits and expanding and subsidizing coverage for some individuals and small businesses. The ACA was designed to enable New Yorkers to get more comprehensive coverage that is also more affordable. Not only is insurance coverage different under the ACA, the method by which many purchase coverage is also changing. The ACA creates state-based marketplaces called exchanges for individuals and small businesses to purchase insurance for their employees. It is projected that more than one million New Yorkers¹ who previously were uninsured will get coverage as a result of marketplace reforms, expanded Medicaid eligibility and federal subsidies.

Factors such as higher enrollment, more comprehensive benefits and cost-sharing limitations—and many others—will affect health care costs and, in turn, health insurance premiums in different ways.

The biggest impacts will be seen in the individual health insurance market. With three out of four New Yorkers receiving their coverage through their employers or the government, only a small segment of the state's population will purchase their insurance through the New York Health Benefits Exchange. While many of these individuals will pay less for coverage, some New Yorkers will see premiums rise.

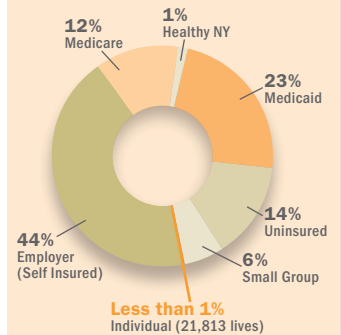
Here are some of the cost pressures that will impact health coverage in the individual market beginning in 2014.

1 You will be buying a different policy.

Individual coverage in New York will dramatically change in 2014. Many people buying coverage for themselves and their families will be able to choose from an entirely new selection of policies with more comprehensive benefits and services known as the "essential health benefits" package. Beginning in 2014, all new insurance policies must include these essential benefits.

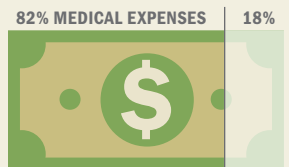
As a result of these changes, consumers in the individual market will be purchasing coverage that more closely resembles employer-sponsored insurance. For some New Yorkers in the individual market, this coverage will cost more than the policies they have today, while others will find the cost of coverage is less.

Sources of Health Insurance in New York



Sources: NYS Dept. of Health Enrollment Report, December 2012; Kaiser Family Foundation State Health Facts

ACA Fast Fact



82% OF YOUR PREMIUMS GO DIRECTLY TO MEDICAL EXPENSES.

While the ACA requires health plans to spend 80 cents of every \$1 in premiums on medical goods and services, New York's requirements are higher—plans must spend 82 cents of every \$1 and only 18 cents or less can go to non-medical expenses, such as administrative costs and profits. If plans don't spend at least 82 cents on medical costs, they must issue rebates.



For more information, go to www.nyhpa.org

¹ The Coverage and Cost Effects of Implementation of the Affordable Care Act in New York State; The Urban Institute Health Policy Center; March 2012

6 WAYS the Affordable Care Act will Impact Individual Health Insurance

2 Your health plan will pay a significant percentage of costs.

The ACA requires health plans to cover a significant percentage of average costs. For some individuals in New York, it means that premiums will be lower and cover more benefits and services. In addition, the ACA requires that out-of-pocket expenses (co-pays, deductibles and co-insurance) be capped, and prohibits health insurers from imposing any annual or lifetime limits on your coverage.

Under the ACA, health plans must cover a minimum of 60% of average costs under a so-called "bronze plan." Consumers can also choose among plans where the insurer pays 70% (silver plans), 80% (gold plans) or 90% (platinum plans) of average costs. With these plans, the premiums will be higher but out-of-pocket costs will be lower.



Out-of-Pocket Costs for Exchange Plans

Benefit/ Type of Service	Platinum (88-92%)	Gold (78-82%)	Silver (68-72%)	Bronze (58-62%)
Maximum annual out-of-pocket (includes deductible)	\$2,000	\$4,000	\$5,500	\$6,350
Deductible, medical	\$0	\$600	\$2,000	\$3,000
Primary care visit	\$15	\$25	\$30	50% cost sharing
Specialists	\$35	\$40	\$50	50% cost sharing
Hospital stay	\$500	\$1,000	\$1,500	50% cost sharing
ER visit (waived if admitted to hospital)	\$100	\$150	\$150	50% cost sharing
Certain preventive services	No cost sharing			

This chart provides information on co-payment and co-insurance costs of different plans that will be available on the Health Benefits Exchange, as per New York's standard benefit design.

3 Your insurance will provide more comprehensive benefits.

The ACA requires all plans offered through New York's Health Benefit Exchange to cover a wide range of benefits and services that may or may not have been included in many health plans prior to 2014, such as prescription drugs and pediatric dental and vision care. For example, the Healthy New York program has a streamlined benefit package that covers most essential health needs and offers an optional prescription drug benefit. Beginning in January 2014, individual New Yorkers who had coverage through the Healthy New York program will no longer have that option. Instead, they will buy one of the many products that will be available through the Health Benefit Exchange, with those products required to include the new broader essential health benefits package. Covering these new benefits will increase total health care costs, which will in turn raise premiums.



Essential Health Benefits

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health & substance abuse services
- Prescription drugs
- Rehabilitative and habilitative
- Laboratory services
- Preventive/wellness services, disease management
- Pediatric dental and vision care

All Individual and Small Group policies on and off-Exchange must cover all ten categories of minimum Essential Health Benefits.

ACA Fast Fact

MANY PREVENTIVE SERVICES ARE COVERED FREE OF CHARGE.

Health plans are required to cover a wide range of preventive services with no cost-sharing (no co-pays, deductibles or co-insurance). These include well-baby and well-woman checkups, childhood immunizations, screenings for obesity, cholesterol, blood pressure and certain cancers, as well as certain mental health screenings and education/counseling services. Although you no longer have to pay out-of-pocket for these services, the costs will be rolled into the price of your premium.



6 WAYS the Affordable Care Act will Impact Individual Health Insurance

4 You can't be denied coverage for preexisting conditions and you can't be charged higher premiums for poor health status.

The ACA requires health plans to issue coverage to anyone who applies for it—this is known as guaranteed issue—and plans will be prohibited from charging higher prices based on health status—a practice called community rating. In New York, in addition to barring higher prices based on a person's health status, community rating also prevents price differences based on age or gender. Prior to adoption of the ACA, New York did allow a waiting period—up to 13 months—before plans were required to cover a person's preexisting condition. The reason behind the waiting period was to discourage people from waiting to get health insurance coverage until they had a serious illness.

Since 1996, New York has required all HMOs in the state to provide coverage to individuals not offered benefits by an employer or who are self-employed.



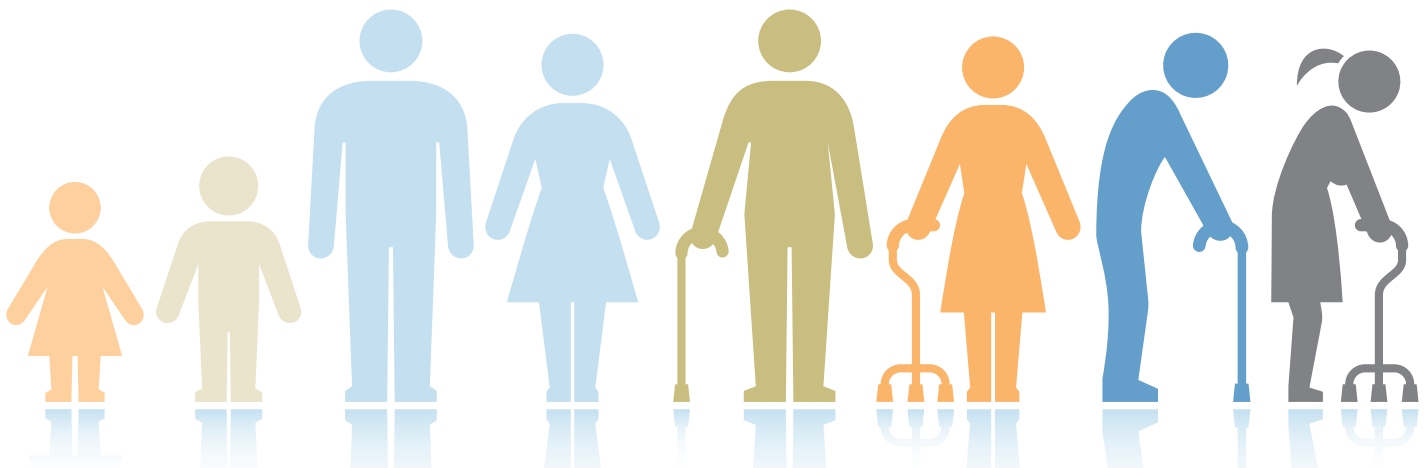
Known as the Individual Direct Pay market, health insurers offer two standardized, comprehensive plan options. New Yorkers enrolled in this program—currently only about 21,000 individuals—tend to have chronic conditions that are expensive to care for.

Another New York program for individuals and sole proprietors is the Healthy New York program. This program offers a comprehensive, but more streamlined benefit package, as well as state funding to help keep premium costs affordable.

Under the ACA, both the Direct Pay and Healthy New York program for individuals will be eliminated. People who previously were required to wait some period of time to get coverage for preexisting conditions will be able to get it immediately. Shifting these individuals into the Health Benefits Exchange and paying for these individuals' costly medical conditions will increase the total health care costs of everyone in the insurance pool on average.

5 Higher anticipated enrollment among older individuals means higher health care costs.

The ACA requires everyone to purchase health insurance or pay a penalty. Currently there is some debate as to exactly who will come into the insurance pool. Some argue that the new exchange coverage will attract a young and healthy population, which will help lower the "risk" and costs for everyone getting this new coverage. Others, however, maintain that the penalties, at least in the early years, are so low that those younger, healthy people will stay out of the pool and that many more of those entering will be Baby Boomers, which will increase the average age of the insured population. Since people tend to need more health care as they age, total health care costs for everyone in the insurance pool will increase. They add that those younger New Yorkers who enroll in the early phase are also more likely to have health care needs that have been neglected due to the cost of coverage. This pent up demand for services will result in higher health spending, with those increased costs being shared by everyone in the insurance pool.



ACA Fast Fact

YOU CAN STAY ON YOUR PARENTS' INSURANCE TO AGE 26.

Although the expansion of Medicaid and federal subsidies will make it easier for low-income New Yorkers to afford insurance, young adults also have the option of staying on their parents' plan to age 26.

6 WAYS the Affordable Care Act will Impact Individual Health Insurance

6 Many people will be eligible for subsidies.

Many individuals and families who currently do not have insurance coverage will qualify for public insurance (Medicaid) or federal subsidies to help them purchase coverage. Some people will qualify for subsidies to help pay their premiums, as well as their out-of-pocket expenses. The subsidies offered through New York's Health Benefit Exchange will mean most moderate- to low-income New Yorkers will pay less for coverage than they did before the ACA and they will have better benefits as well. However, the Congressional Budget Office estimates that more than 40% of people purchasing coverage in the individual market today would be ineligible for premium subsidies.²

² CBO's Analysis of the Major Health Care Legislation Enacted in March 2010"; Testimony before the Subcommittee on Health Committee on Energy and Commerce U.S. House of Representatives, March 30, 2011

Estimated Subsidies for Exchange Plans 2014—Individuals and Families

ANNUAL INCOME	% FPL	UNSUBSIDIZED PREMIUM	POTENTIAL GOVT. TAX CREDIT SUBSIDY	PREMIUM AFTER SUBSIDY
Individual				
\$17,000	148%	\$5,400	\$4,742	\$658
\$28,000	243%	\$5,400	\$2,565	\$2,185
\$40,000	348%	\$5,400	\$954	\$3,800
Family of 4				
\$35,300	148%	\$13,500	\$12,231	\$1,269
\$58,000	243%	\$13,500	\$8,968	\$4,532
\$83,000	348%	\$13,500	\$5,605	\$7,895

Note: Subsidies are only available for people purchasing coverage on their own in the exchange (not through an employer) and are based on silver plan policies. Cost-sharing subsidies in New York will only be available on silver plan policies.

Source: The Henry J. Kaiser Family Foundation Subsidy Calculator; <http://kff.org/interactive/subsidy-calculator/>

Premium calculations based on New York Health Benefit Exchange single premium assumption.

Other factors unrelated to the Affordable Care Act affect premiums too.

Premiums fluctuate year-to-year based on many different factors that increase or decrease the cost of providing medical care to everyone in the insurance pool. Many expenses are outside of health plans' control, but have a significant impact on the cost of insurance, such as:

- **Rising cost of hospitalization, doctors' visits, medical tests, prescription drugs and other health care services.**
- **An aging population. By 2030—when the last Baby Boomers turn 65—20% of the state's population will be over 65.³**
- **Unnecessary treatments, tests, hospitalizations and drugs account for one-third of the money spent on health care in the U.S.**
- **Chronic conditions. About 58% of adult New Yorkers live with at least one chronic condition—like obesity and diabetes—and chronic conditions account for more than 84% of all health care costs.⁴**

As the underlying costs of providing medical care continue to outpace both inflation and national economic growth—reaching \$2.7 trillion nationwide in 2011⁵—so too will the cost of health coverage. New York's health spending has grown at an average of 5.9% per year from 1991 to 2009, when total health care spending was nearly \$163 billion⁶. If no action is taken to relieve these cost pressures that drive up spending, premiums will continue to increase year after year.

New York's health plans are committed to increasing affordability and the quality of care for all New Yorkers. Health plans are working to reduce health care costs by providing a variety of wellness initiatives as well as disease management programs that help improve the overall health and wellbeing of our state's residents. New York's health plans remain dedicated to increasing affordability and quality of care for all, and have long been partners with the state to effect changes that will help achieve these goals. By everyone working together—hospitals, doctors, patients, insurance companies and government—New York will find the right prescription for delivering health care more efficiently and affordably.

³ Administration on Aging; Projected Future Growth of the Older Population; http://aoa.gov/AoARoot/Aging_Statistics/future_growth/future_growth.aspx#state

⁴ New York State Department of Health; Bureau of Chronic Disease

⁵ Centers for Medicare and Medicaid Services. National Health Expenditures 2011: Highlights. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/highlights.pdf>

⁶ Centers for Medicare & Medicaid Services (2011). Health Expenditures by State of Residence: <http://www.cms.gov/NationalHealthExpendData/downloads/resident-state-estimates.zip>



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