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Health Care Reform Increases the Availability of Health Insurance

The Affordable Care Act (ACA) will greatly increase the availability of health insurance and broadly impact the delivery of health care in America. This Fact Sheet looks specifically at how the legislation helps expand health insurance coverage and make it more affordable.

In 2009, 50.7 million people—nearly 17 percent of the U.S. population—were uninsured. The ACA will increase the availability of health insurance to millions of Americans by providing new options for people to access coverage.

Immediate Access to Health Insurance Coverage for Persons with Preexisting Medical Conditions

The ACA created the Pre-Existing Condition Insurance Program (PCIP) to provide health insurance coverage to U.S citizens and lawfully present immigrants who have a preexisting medical condition and have been uninsured for at least six months.

- An appropriation of $5 billion is made to subsidize the cost of claims in the program.
- Twenty-seven states are running this new program for their residents. The Department of Health and Human Services is running PCIP in 23 states and the District of Columbia.
- The program began on July 1, 2010, and expires January 1, 2014, when the health insurance exchanges are to begin operation.

Extension of Health Insurance Coverage to Dependent Children up to Age 26

Children have generally been allowed to maintain dependent status on family policies through age 18. Those older than age 18 have been allowed to remain on policies if they are full-time students or are unable to become self-supporting owing to mental or physical challenges. In 2008, an estimated 8.8 million dependent children (31 percent of those ages 19 to 25) were uninsured.

The new legislation requires insurers to extend coverage to dependent children up to age 26 for all individual and group policies if they otherwise offer dependent coverage.

- Group plans before January 1, 2014, are not required to extend dependent coverage if an adult dependent has access to other employer-sponsored coverage.
- This requirement is effective for plan years beginning on or after September 2010.
- Plans may implement this extension earlier on a voluntary basis.

Medicaid Program Expanded to Capture Poor Childless Adults

For the first time in history, the Medicaid program will cover all persons under age 65 who are not otherwise eligible for Medicare with household incomes up to 138 percent of the federal poverty level (FPL), regardless of whether they have dependent children. (See table 1.)

- States have the option to expand Medicaid eligibility to childless adults beginning April 1, 2010.
- States will receive significant funding from the federal government to finance this new Medicaid coverage expansion beginning January 1, 2014.

Table 1
Federal Poverty Guidelines (2011)

Federal Poverty Level	Household Income for an Individual	Household Income for a Family of Three
100%	$10,890	$18,530
138%	$15,028	$25,571
200%	$21,780	$37,060
250%	$27,225	$46,325
300%	$32,670	$55,590
400%	$43,560	$74,120

For more details, see AARP Fact Sheet FS 185, "Health Reform Provides New Federal Money to Help States Expand Medicaid."

Creation of Health Insurance Exchange for Individuals and Small Businesses to Purchase Coverage

Beginning January 2014, individuals and small businesses (those with fewer than 100 employees) will have another option for health coverage: They will be able to purchase qualified health plans through health insurance exchanges.

- Four categories of qualified health insurance plans will be offered through the exchanges:
  1. Bronze plan—covers 60 percent of the benefit costs of the plan (60 percent actuarial value)
  2. Silver plan—covers 70 percent of the benefit costs of the plan (70 percent actuarial value)
  3. Gold plan—covers 80 percent of the benefit costs of the plan (80 percent actuarial value)
  4. Platinum plan—covers 90 percent of the benefit costs of the plan (90 percent actuarial value)

Premium tax credits and cost-sharing subsides will be available for individuals and families to help make coverage in the exchanges affordable. They will be tied to the second-lowest-cost silver plan.

- Premium assistance tax credits will be set on a sliding scale up to 400 percent of FPL. Premium contributions will be capped at a specified share of household income. (See table 2.)

Table 2
Premium Assistance Tax Credits

Household Income Tier as Percentage of Federal Poverty Level	Premiums Capped at Percentage of Income
Up to 133%	2% of income
133–150%	3–4% of income
150–200%	4–6.3% of income
200–250%	6.3–8.05% of income
250–300%	8.05–9.5% of income
300–400%	9.5% of income

- Subsidies will reduce cost sharing for people up to 250 percent of FPL by increasing the actuarial value of the plan for specified household incomes. (See table 3.)

Table 3
Cost-Sharing Subsidies

Income as Percentage of Federal Poverty Level	Actuarial Value
100–150%	94%
150–200%	87%
200–250%	73%

- Subsidies will lower the total out-of-pocket limit on cost sharing for people with incomes up to 400 percent of FPL. These limits are based on the maximum out-of-pocket limits for Health Savings Accounts (HSAs). In 2011, HSA maximum out-of-pocket limits are $5,950 and $11,900 for individual and family coverage, respectively. (See table 4.)

Table 4
Out-of-Pocket Cost-Sharing Limits

Income Level as Percentage of Federal Poverty Level	Maximum Out-of-Pocket Limits Based on Health Savings Account
100–200%	Two-thirds of maximum
200–300%	One-half of maximum
300–400%	One-third of maximum

- From 2014 to 2018, premium contributions will be adjusted to reflect any excess premium growth over the rate of income growth.
- In 2019, premium credits will be adjusted to reflect any excess premium growth over the Consumer Price Index if aggregate premium and cost-sharing credits exceed 0.504 percent of the gross domestic product.
- Individuals who have access to employer coverage are not eligible for these credits unless the employer plan has an actuarial value of less than 60 percent or the employee's share of the premium exceeds 9.5 percent of his or her income.
- Access to the exchanges is restricted to U.S. citizens and lawfully present immigrants.
- In 2017, states may allow businesses with more than 100 employees to participate in the exchanges.

This Fact Sheet will be updated as health reform implementation proceeds.

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