Ensuring Affordable Coverage in New Mexico’s Exchange

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Goals for Today

• How do Exchange tax credits and subsidies work to make coverage more affordable?

• What is the Affordability Problem and how do we solve it?
## Eligibility for Insurance Affordability Programs after 2014: Adults

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Medicaid up to 138% FPL</th>
<th>Subsidized Exchange Coverage between 100% and 400% FPL</th>
<th>Unsubsidized Exchange Coverage above 400% FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$15,415</td>
<td>$11,170-$44,679</td>
<td>$44,680</td>
</tr>
<tr>
<td>2</td>
<td>$20,879</td>
<td>$15,130-$20,879</td>
<td>$60,520</td>
</tr>
<tr>
<td>3</td>
<td>$26,344</td>
<td>$19,090-$26,344</td>
<td>$76,360</td>
</tr>
<tr>
<td>4</td>
<td>$31,809</td>
<td>$23,050-$31,809</td>
<td>$92,200</td>
</tr>
</tbody>
</table>
How Does Exchange Financial Assistance Work?

If you have insurance, you spend money on health coverage in two ways:

1. **Premiums**: The amount you pay per month have health insurance.

2. **Cost-Sharing**: The amount you pay out of pocket in addition to premiums to get healthcare (copayments, deductibles).
How Does Exchange Financial Assistance Work?

Healthcare reform law helps with both types of costs:

1. Premium payments are limited to a certain percentage of your income. The rest is covered by a tax credit.

2. Cost-sharing is limited by a hard cap on out-of-pocket costs plus extra protections for lower-income people.
Example: Family of 4 at 350% FPL

Monthly Income: $6,723 (2 parents earning $19.50/hour each)

Premium Costs: $1,394
Tax Credits: $756
Premiums Owed: $639

Annual Penalty: 2014: $305
2016: $2,085
Example: Family of 4 at 250% FPL

Monthly Income: $4,802
(2 parents earning $14/hour each)

Premium Costs: $1,394
Tax Credits: $1,008
Premiums Owed: $387

Penalty:
2014: $305
2016: $2,085
What is the Affordability Problem?

BUDGET: 2 Parents + 2 Children (Albuquerque)

$760  Housing
$643  Food
$998  Childcare
$482  Transportation
$337  Other Necessities
$294  Taxes

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$3,514 per month

Source: Economic Policy Institute
What is the Affordability Problem?

### Monthly Surplus/Deficit for Family of 4 in Albuquerque

<table>
<thead>
<tr>
<th>Income as % of FPL</th>
<th>Monthly Income</th>
<th>Support from Public Programs (food stamps, etc.)</th>
<th>Surplus/Deficit Each Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>90% FPL</td>
<td>$1,729</td>
<td>$1,446</td>
<td>($339)</td>
</tr>
<tr>
<td>115% FPL</td>
<td>$2,209</td>
<td>$630</td>
<td>($675)</td>
</tr>
<tr>
<td>150% FPL</td>
<td>$2,881</td>
<td>$469</td>
<td>($164)</td>
</tr>
<tr>
<td>200% FPL</td>
<td>$3,841</td>
<td>$0</td>
<td>$327</td>
</tr>
<tr>
<td>250% FPL</td>
<td>$4,802</td>
<td>$0</td>
<td>$1,288</td>
</tr>
</tbody>
</table>
What is the Affordability Problem?

Expected Contribution for Coverage in the Exchange, Family of 4 in Albuquerque

<table>
<thead>
<tr>
<th>Income as % of FPL</th>
<th>Surplus/Deficit Each Month</th>
<th>Expected Premium (with federal financial help)</th>
</tr>
</thead>
<tbody>
<tr>
<td>90% FPL</td>
<td>($339)</td>
<td>FULL PRICE no financial assistance</td>
</tr>
<tr>
<td>115% FPL</td>
<td>($675)</td>
<td>$44</td>
</tr>
<tr>
<td>150% FPL</td>
<td>($164)</td>
<td>$115</td>
</tr>
<tr>
<td>200% FPL</td>
<td>$327</td>
<td>$242</td>
</tr>
<tr>
<td>250% FPL</td>
<td>$1,288</td>
<td>$387</td>
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What is the Affordability Problem?

- Most families with incomes up to 200% FPL will struggle to pay their share of premiums
  - Some will stay uninsured (and may pay penalty)
  - Some will get covered, but be underinsured
    - Likely to cost $0 out of pocket
    - But these plans have very high copays/deductibles
    - 40% of costs paid out of pocket; no cap until $4,000

- What is the solution?
  - Full implementation of the Medicaid Opportunity
  - BHP or other bridge program for 138-200% FPL
Potential Solutions to Affordability Problem

• Basic Health Program
  – Option under ACA for people 138-200% FPL
  – NM leg studied & CLP produced report

• Change to federal tax credits
  – Provision to study in law

• Other solutions:
  – Charity/indigent care
  – State premium assistance
The SHOP Exchange

- Under ACA, small employers can get a tax credit for 50% of their costs (35% for non-profits) of health coverage for employees.

- To get the credit, employer must:
  - Pay at least half of cost of premiums
  - Provide plan with at least 60% actuarial value

- If your employer offers coverage that is “affordable” (<8% of income), you can’t get tax credits in the individual Exchange.