

Ensuring Affordable Coverage in New Mexico's Exchange

Kelsey McCowan Heilman, Staff Attorney
New Mexico Center on Law and Poverty
kelsey@nmpovertylaw.org • (505) 255-2840

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

Household Size	Medicaid up to 138% FPL	Subsidized Exchange Coverage between 100% and 400% FPL	Unsubsidized Exchange Coverage above 400% FPL
1	\$15,415	\$11,170-\$44,679	\$44,680
2	\$20,879	\$15,130-\$20,879	\$60,520
3	\$26,344	\$19,090-\$26,344	\$76,360
4	\$31,809	\$23,050-\$31,809	\$92,200

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

\$3,514 per month



Source: Economic Policy Institute

What is the Affordability Problem?

Monthly Surplus/Deficit for Family of 4 in Albuquerque

Income as % of FPL	Monthly Income	Support from Public Programs (food stamps, etc.)	Surplus/Deficit Each Month
90% FPL	\$1,729	\$1,446	(\$339)
115% FPL	\$2,209	\$630	(\$675)
150% FPL	\$2,881	\$469	(\$164)
200% FPL	\$3,841	\$0	\$327
250% FPL	\$4,802	\$0	\$1,288

What is the Affordability Problem?

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

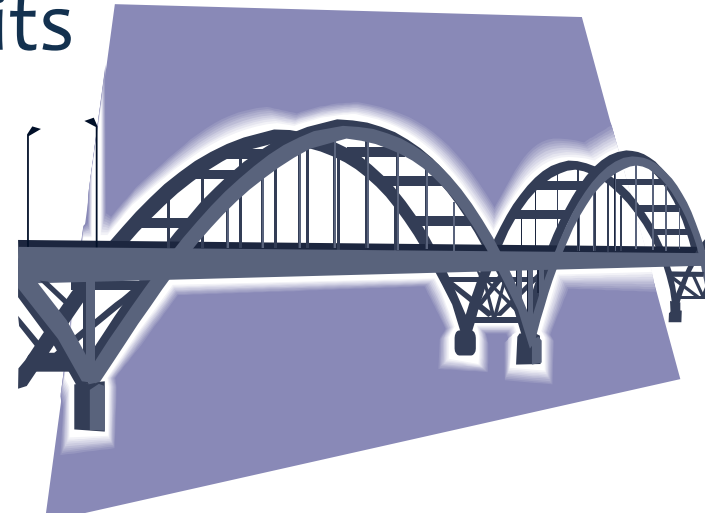
Income as % of FPL	Surplus/Deficit Each Month	Expected Premium (with federal financial help)
90% FPL	(\$339)	FULL PRICE <i>no financial assistance</i>
115% FPL	(\$675)	\$44
150% FPL	(\$164)	\$115
200% FPL	\$327	\$242
250% FPL	\$1,288	\$387

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