



Affordability on California's Individual Market Under the ACA: Despite Tremendous Progress, Coverage Still Too Expensive for Many

The Affordable Care Act (ACA) created new, more-affordable health coverage options for low- and moderate-income consumers by expanding Medicaid (called Medi-Cal in California) and providing subsidies to those purchasing their own coverage on the individual market. Five years into the full implementation of the ACA, close to five million Californians benefit from these new options. However, costs remain high for some, particularly for many purchasing coverage in the individual market.

This issue brief explores trends in key data on the affordability of health coverage in California, to highlight both progress and remaining challenges to affordability on the state's individual market under the ACA.

Introduction

California's individual health insurance market is a crucial backstop for people who cannot access affordable health insurance through the ways most Californians gain coverage — jobs, Medi-Cal, and Medicare. About 2.2 million Californians currently

participate in the individual market, with about 1.3 million buying through Covered California, the state's ACA health insurance marketplace, and the rest purchasing coverage off-exchange.¹

Affordability challenges have always tended to be worse for those on the individual market because these consumers don't have an employer helping to cover the cost of their health care. The ACA was designed to help by offering premium subsidies and other assistance to reduce out-of-pocket costs for low- and moderate-income consumers who purchase insurance through the ACA health insurance marketplace. Roughly 1.2 million Californians receive financial assistance when purchasing coverage on the individual market through Covered California.²

Despite this progress, a 2017 survey found that 40% of enrollees in California's individual market reported that it was somewhat or very difficult to afford their premiums in the past year. Roughly one-third reported having difficulty paying for deductibles, co-insurance, and copays when they access health care. Nearly a third reported overall financial stress due to

health care costs, which resulted in cutting back on necessities like food and rent, borrowing money, or both.³

To better understand affordability challenges for Californians purchasing insurance through the individual market, this brief will explore three key data points:

- ▶ Californians’ median out-of-pocket spending for health care, which includes costs for premiums and cost sharing such as deductibles, copays, and co-insurance
- ▶ The share of Californians who report “high-burden” spending on health care, which is defined as spending more than 10% of family income on premiums and cost sharing such as deductibles, copays, and co-insurance
- ▶ The share of Californians reporting cost as a reason for delaying or forgoing care

To understand how Californians’ spending and health care cost burden have changed since the ACA was implemented, the authors examine trends from 2013, the last year before full implementation of the ACA, to 2017, the most recent year for which these data are available. To put individual market affordability challenges in context, the authors also compare spending and cost burden experienced by those relying on the individual market to Californians with employer-sponsored coverage.

Key Findings

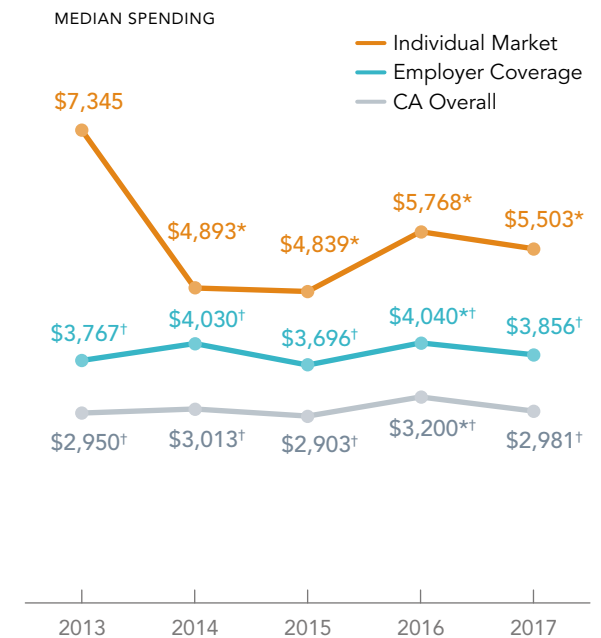
Under the ACA, spending on health care dropped dramatically for Californians relying on the individual market, but still remained higher than for those with employer-sponsored coverage.

Median spending on health care (defined as family spending on premiums and other out-of-pocket costs such as copays, co-insurance, and deductibles) among all Californians was statistically unchanged from \$2,950 in 2013 to \$2,981 in 2017 (Figure 1). Among Californians in the individual market, however, median spending declined dramatically — from \$7,345 in 2013 to \$5,503 in 2017, a change that was statistically significant. This decline was likely driven by the availability of ACA subsidies for consumers on Covered California.

Despite this decline, however, median spending for Californians with individual coverage remained significantly higher than those with employer coverage (\$3,856). This finding reflects the fact that many in the individual market, particularly those who do not receive subsidies, continued to shoulder much higher costs than those who got coverage through their jobs, usually with the employer contributing to cover the cost.

Statistical significance is a mathematical test that helps researchers assess whether differences are real or the result of random chance. If a change is “statistically significant,” researchers are confident the change occurred due to a factor other than random chance. “Statistically unchanged” differences and changes that are “not statistically significant” may be due to random chance.

Figure 1. Family Spending on Health Care, by Coverage Type, California, 2013–17



*Statistically significant difference from 2013 at the 95% level.

[†]Statistically significant difference from individual market coverage at the 95% level.

Definitions: *Median spending* includes amounts for premiums and cost sharing such as deductibles, copays, and coinsurance.

Source: SHADAC analysis of Current Population Survey (CPS) data.

Individual market consumers saw the greatest decline in high-burden spending after ACA implementation, but still fared worse than those with employer-sponsored coverage.

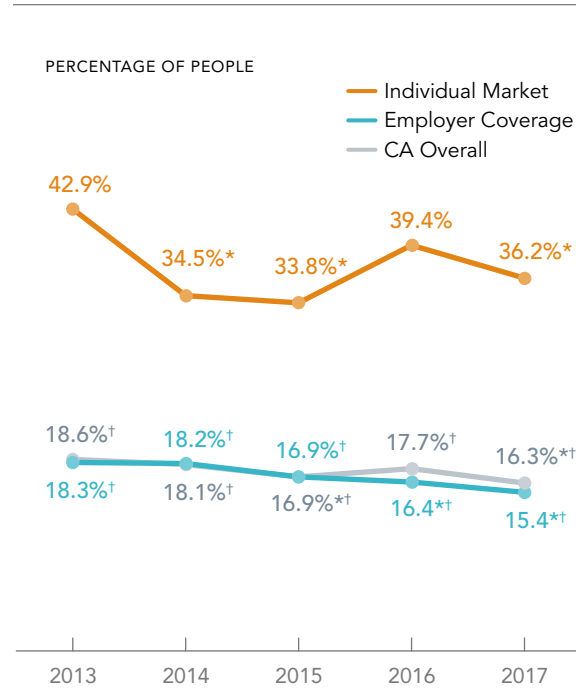
Statewide, the share of people who reported high-burden spending (spending more than 10% of family income for premiums and cost sharing such as copays, co-insurance, and deductibles) declined from 18.6% to 16.3% between 2013 and 2017, a change that was statistically significant.

As with median spending, the largest improvements on this measure under the ACA were among those with individual coverage (Figure 2). The share of those in the individual market reporting high-burden spending dropped from 42.9% in 2013 to 36.2% in 2017. However, the share of those with individual coverage reporting high-burden spending remained more than double the share with employer-sponsored insurance (15.4%), a difference that is statistically significant.

Individual market consumers were far more likely to report cost as the reason for delaying or forgoing care than those with employer-sponsored coverage.

The share of Californians who report forgoing or delaying care has declined following the ACA, from 13.9% in 2013 to 11% in 2017, a drop that was statistically significant (Figure 3). Similarly, those who do report delaying or forgoing care were less likely to report cost as the main reason for doing so following implementation of the ACA, dropping from 55.4% in 2013 to 45.1% in 2017, also a statistically significant difference.

Figure 2. High-Burden Spending on Health Care, by Coverage Type, California, 2013–17



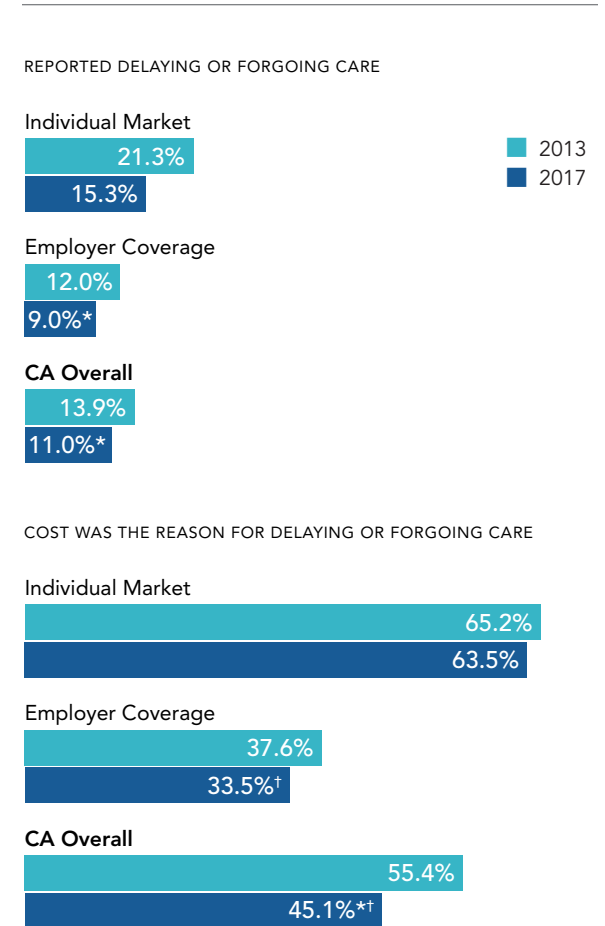
*Statistically significant difference from 2013 at the 95% level.

†Statistically significant difference from individual market coverage at the 95% level.

Definitions: *High-burden spending* is spending more than 10% of family income on health care, which includes amounts for premiums and cost sharing such as deductibles, copays, and coinsurance.

Source: SHADAC analysis of Current Population Survey (CPS) data.

Figure 3. Delaying or Forgoing Care, by Coverage Type, California, 2013 and 2017



*Statistically significant difference from 2013 at the 95% level.

†Statistically significant difference from individual market coverage at the 95% level.

Source: SHADAC analysis of Current Population Survey (CPS) data.

However, despite statewide progress following implementation of the ACA, Californians with individual coverage who do delay or forgo care were much more likely to cite cost as the main reason. The share of those with individual coverage who report cost as the main reason for delaying or forgoing care (63.5%) was nearly double that of those with employer-sponsored coverage (33.5%), a difference that is statistically significant.

There could be multiple reasons that cost remained a more common reason for delaying or forgoing care among people with individual coverage compared to those with employer-sponsored coverage. Those who receive premium subsidies may still struggle to cover the costs of deductibles, copays, and co-insurance. Those ineligible for premium subsidies may face these challenges as well as high premium costs; this could be particularly challenging among Californians with modest incomes just above 400% FPL, the income limit to qualify for subsidies (\$48,560 for an individual, or \$100,400 for a family of four for coverage effective in 2019). Unsubsidized consumers who are older and/or live in particularly high-cost regions are also particularly vulnerable.⁴

Find more resources for understanding the individual health insurance market at www.chcf.org/individualmarketaffordability.

Looking Ahead

California's robust implementation of the Affordable Care Act has improved affordability on the individual market. Yet affordability challenges are still greater for those in the individual market compared to those with employer-sponsored coverage, and many individual market consumers report difficulty paying for coverage and care.

In recognition of these problems, California policymakers are considering a range of proposals to improve affordability on the individual market. If they are enacted, it will be important to continue to monitor the data discussed above and other key indicators of affordability to assess the impact of new policies.

Methods

Estimates of median out-of-pocket and high-burden spending were based on State Health Access Data Assistance Center (SHADAC) analysis of the Current Population Survey's Annual Social and Economic Supplements public use microdata files. *Family* is defined as the health insurance unit, which includes one or more individuals in a household who would likely be considered a family unit in determining eligibility for private or public coverage.

Estimates of delayed and forgone care were based on UCLA Center for Health Policy Research analysis of the California Health Interview Survey data.

Statistical significance for all estimates was calculated at the 95% confidence level.

About the Author

Lacey Hartman, MPP, is a senior research fellow at the State Health Access Data Assistance Center (SHADAC), where she leads a range of projects aimed at helping states use data to inform policy.

About the Foundation

The California Health Care Foundation is dedicated to advancing meaningful, measurable improvements in the way the health care delivery system provides care to the people of California, particularly those with low incomes and those whose needs are not well served by the status quo. We work to ensure that people have access to the care they need, when they need it, at a price they can afford.

CHCF informs policymakers and industry leaders, invests in ideas and innovations, and connects with changemakers to create a more responsive, patient-centered health care system.

For more information, visit www.chcf.org.

Endnotes

1. Katherine Wilson, *California Health Insurance Enrollment*, California Health Care Foundation (CHCF), November 2018, www.chcf.org; and “State Releases Data on California 2017 Health Insurance Enrollment,” CHCF, August 1, 2018, www.chcf.org/blog. See also *Covered California and Individual Health Insurance*, Insure the Uninsured Project, March 12, 2019, www.itup.org.
2. Marian Mulkey and Katherine Wilson, *Affordability on California’s Individual Market*, CHCF, April 2019, www.chcf.org. Based on Covered California, Active Member Profile, June 2018.
3. Vicki Fung, Catherine Liang, and John Hsu, *Health Insurance and Health Care Affordability Perceptions Among Individual Insurance Market Enrollees in California in 2017*, California Health Care Foundation, May 2018, www.chcf.org. Includes those purchasing coverage through Covered California and outside of the state-based marketplace.
4. See Laurel Lucia and Ken Jacobs, *Towards Universal Health Coverage: California Policy Options for Improving Individual Market Affordability and Enrollment*, UC Berkeley Labor Center, laborcenter.berkeley.edu; and Mulkey and Wilson, *Affordability*.