



# Children's Action Alliance

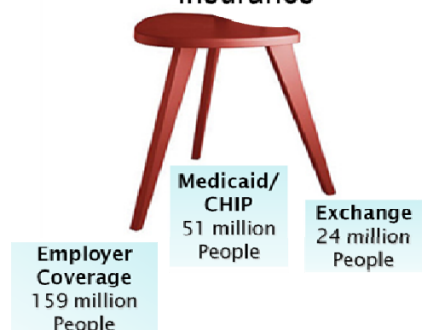
A Voice for Arizona's Children since 1988

## Health Reform: Opportunities for Arizona

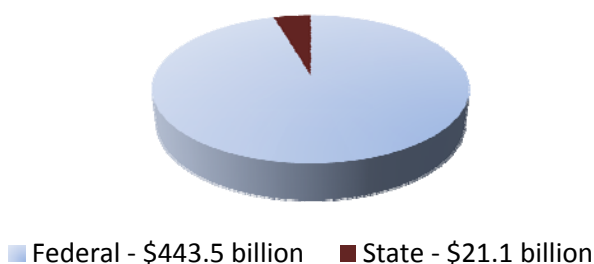
September 2010

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) became law. The purpose of PPACA was to expand health insurance coverage to 32 million additional American citizens and legal US residents, assure that reliable and affordable health insurance would be available when Americans need it, and protect patients from abuses by the health insurance industry.

### Three Legged Stool of U.S. Health Insurance



### Who Pays for Medicaid Expansion Nationwide?



Source: Center for Medicare & Medicaid Services. Coverage data is for 2019; cost data is 2010-2019.

How does health reform expand coverage?

- **24 million Americans and 746,000 Arizonans will have health insurance through an “exchange.”<sup>1</sup>** Starting in 2014, individuals and small businesses can purchase health insurance through a health insurance exchange in their state, which is a marketplace where consumers can compare and purchase different health plans. Just as travelers once worked through travel agents and now use online websites to compare and make reservations, many health consumers will now turn to exchanges to find their insurance. States will have considerable flexibility in setting up their exchanges, and can decide the rules that allow health insurance companies to sell insurance in the exchange. Additionally, exchanges will spread risk broadly among hundreds of thousands of Arizonans, so small businesses will no longer be priced out of the insurance market just because they hire an employee with chronic health conditions. Health insurance purchased through the exchange is portable, so patients can keep their doctor and their health plan if they change jobs to another small business that buys health insurance through the exchange.
- **Medicaid will cover 16 million more Americans and 200,000 more Arizonans.<sup>2</sup>** Medicaid was created 45 years ago, and uses state money together with federal Medicaid funds to cover low-income citizens and legal US residents with health insurance. In Arizona, Medicaid is known as AHCCCS. Under health reform, eligibility for AHCCCS will be expanded to families with incomes up to 133% of the federal poverty level, or about \$29,000 a year for a family of four (currently it is limited to 100% of the poverty level for most groups).

<sup>1</sup> “Impact Arizona: Healthcare Reform Hits Arizona,” St. Luke’s Health Initiatives, September 2010: [http://www.slhi.org/publications/studies\\_research/pdfs/ImpActArizonaOct-10.pdf](http://www.slhi.org/publications/studies_research/pdfs/ImpActArizonaOct-10.pdf)

<sup>2</sup> Ibid

- **Most Americans will still get health insurance through their employer.** Once health reform is fully implemented, 159 million Americans will continue to have health insurance through their employer. Many changes made to health insurance policies under health reform will not apply to these “grandfathered” plans immediately.
- **Young adults can stay on their parents’ health insurance policies up to age 26.** Young adults are more likely to be without health insurance than any other age group, even though they are relatively healthy and inexpensive to insure. Young adults often have entry-level jobs that do not offer health insurance, or may feel that because they are healthy they are “invincible” and do not need health insurance. Starting in September 2010, young adults may stay on their parents’ health insurance as a dependent up to age 26. Young adults will also have the choice of purchasing catastrophic-only coverage in the exchange that will be lower cost, but provide fewer benefits.

*How does health reform make health care more affordable?*

- **Health Insurance Exchanges will provide affordability subsidies.** Individuals and families purchasing health insurance on their own through the exchange will receive subsidies to pay for part of their premium costs. Subsidies are based on income, and are available for families with incomes up to 400% of the federal poverty level, or about \$88,000 a year for a family of four.
- **Small businesses receive tax credits to offset cost of health insurance for their employees.** Beginning in 2010, 72,600 small businesses in Arizona will be eligible to receive tax credits that will pay up to 35% of the cost of the premiums for their employees. For qualifying businesses, the tax credit will eventually cover 50% of the employer’s cost of the premium.<sup>3</sup> While small businesses are not required to offer coverage, the tax credits will make it more affordable if they do.
- **Health insurance companies must spend a minimum amount of patient premiums on patients’ health.** Depending on the size of the group covered, health insurance companies will be required to spend 80 or 85 percent of the money they collect in premiums on medical services for patients. Any extra money collected beyond this must be refunded to the patients.

*How are consumers protected?*

- **You can no longer be denied health insurance due to a pre-existing condition.** Starting in 2010 for children and in 2014 for adults, health insurance companies can no longer deny coverage for someone based on a pre-existing condition.
- **No more lifetime or annual limits on care; no rescissions.** Starting in September 2010, health insurance companies can no longer stop providing care just because you get sick. Also, health insurance companies may no longer drop you from your policy for minor technical issues on your application (they may still drop policies in cases where fraud was committed by the patient).

As much of health reform is implemented at the state level, Arizona faces key decisions, while also having an opportunity to craft our own unique exchange.

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<sup>3</sup> “A Helping Hand for Small Businesses: Health Insurance Tax Credits,” Small Business Majority & Families USA, July 2010: [http://smallbusinessmajority.org/pdf/tax\\_credit/Helping\\_Small\\_Businesses.pdf](http://smallbusinessmajority.org/pdf/tax_credit/Helping_Small_Businesses.pdf)