The Affordable Care Act: A Brief Review

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Today, about 28 million Americans are uninsured, down from 41.3 million in 2013. This is largely due to the implementation of the 2010 Patient Protection and Affordable Care Act (ACA). The ACA was the first major health reform law passed in the U.S. since the passage of Medicare and Medicaid in 1965. The law reorders many aspects of the health insurance and health care delivery systems and the relationships between these systems. Some provisions of the ACA, for example the individual mandate that required most U.S. citizens and legal residents to have health insurance and the Medicaid expansions to all non-elderly adults with incomes up to 138% FPL (the federal poverty guidelines) were highly debated in the U.S. legal systems and covered by media. However, there are many other provisions in the ACA that are highly important that did not draw particular media attention.

Unlike most developed nations, the U.S. does not have a unified healthcare system. The U.S. healthcare system is also not known for providing services that are efficient, cost-effective and equitable. Compared to other developed countries, the U.S. spends over twice as much on healthcare per person, yet it ranks at or near the bottom on major health outcome measures including life expectancy, infant mortality, and obesity rates. Depending on income and ability to pay, Americans receive healthcare through a patchwork of public or private insurance plans; federal, state, and local governments; and healthcare institutions and providers who are usually not connected and who do not necessarily share patient care information. Although there is general agreement in the U.S. about the problems facing the health care systems including high uninsured rates, health disparities, high costs and quality concerns, policymakers and Americans disagree about best solutions.

Most people in the U.S. are privately insured and obtain their health insurance through their employer. Another significant portion of the population is publicly insured. The two major public insurance programs in the U.S. are Medicaid for the poor and Medicare for the elderly. Lastly, a substantial proportion of Americans are uninsured or under-insured. ACA's provisions impact all Americans regardless of their insurance status. A discussion about all aspects of the ACA will surely require a much larger section as the law itself is hundreds of pages long. In the next few paragraphs, I will highlight only major provisions of the ACA.

I will start the discussion by the provisions that aim to decrease the number of uninsured and underinsured in the U.S. One of the most debatable provisions is the individual mandate. It required U.S. citizens and legal residents to have qualifying health insurance. Individuals without coverage pay an annual tax penalty. Eligible individuals with low incomes receive premium tax credits to purchase insurance and the credit amount is based on the cost of the insurance plan and individuals' or households' income. Individuals who are eligible for public programs, including Medicare, Medicaid, or for employer-sponsored coverage that meets affordability and minimum value standards are not eligible for tax credit. The ACA also provide dependent coverage for children up to age 26 for all individual and group policies. This means that recent college graduates could remain on their parents' plan until they could find employment. During the economic recession of 2008 and until today, many young American adults struggle to find employment that provides adequate health benefits, and due to low or no income, they chose to remain uninsured.

The ACA expanded Medicaid eligibility to all non-elderly adults with incomes up to 138% FPL. Since Medicaid is jointly administered by the federal government and the states, states have the choice to set eligibility criteria and benefits, therefore, Medicaid eligibility and benefits vary

by each state. Currently, 32 states including DC adopted Medicaid expansions and 19 states did not adopt. To finance the eligibility expansion, states that adopted the expansions will receive 100% federal funding for 2014 through 2016, 95% federal financing in 2018, 93% federal financing in 2019, and 90% federal financing for 2020 and subsequent years.

For consumers and small businesses with up to 100 employees, the ACA created state-based health insurance and Small Business Health Options Program (SHOP) exchanges through which individuals and small businesses purchase qualified coverage. Before the ACA, individuals and small businesses had limited options for qualified insurance coverage. The exchanges offer navigator services by phone or in person to help consumers select the most suitable coverage available for them. The federal government established exchanges in states that choose not to establish their own. In turn, employers with 50 or more full-time employees that do not offer coverage meeting standards for affordability and minimum value will be imposed to pay tax penalty.

Another very important individual health insurance market rule under the ACA includes prohibiting pre-existing condition exclusions. Before the ACA, many Americans with pre-existing conditions such as diabetes or heart disease could have been denied health insurance coverage, waitlisted or offered unreasonably expensive premiums in the individual health insurance marketplace. As a result, these individuals with dire need for healthcare had limited access to care and had to rely on a patchwork of publicly available resources that are not guaranteed or consistent.

Prior to the ACA, plans were variant on the choice and amount of benefits and coverage they offered, which left many Americans underinsured and with limited access to healthcare. Under the ACA, all plans offered in the

individual and small group markets cover ten categories of essential health benefits including ambulatory care, hospitalization, maternity and newborn care, mental health and substance use care, prescription drugs, rehabilitative services, laboratory services, preventive care, chronic disease management, and pediatric dental and vision care. Cost sharing is prohibited for preventive health benefits. Furthermore, the ACA prohibits lifetime and annual dollar limits on coverage. Therefore, a patient with a serious life threatening condition like cancer cannot be denied coverage for essential services that she needs because the lifetime or annual dollar limit on coverage has exceeded. Unlike popular beliefs, abortion coverage is not required under the ACA.

Medicare beneficiaries will also be impacted by the ACA. When Medicare prescription drug coverage (Part D) was first introduced in 2006, there was a coverage gap between the initial coverage period and the catastrophic coverage period, also known as the 'donut hole'. This means that for beneficiaries who need large number of drugs, a substantial portion of the cost is paid out-of-pocket despite having Part D drug benefit coverage. By 2020, this coverage gap in drug benefit coverage will be eliminated under the ACA.

The ACA has also provisions to incentivize the establishment of novel healthcare delivery systems to improve value. A new Center for Medicare and Medicaid Innovation was established under the ACA with the aim to research and implement novel strategies to control costs and promote quality. For example, Medicare's Accountable Care Organizations (ACO) are one of the key delivery system reforms supported by the ACA. An ACO is a group of providers who come together and agree to be accountable for the quality, cost, and overall care for Medicare beneficiaries who are assigned to it. Under the shared savings program, the ACO can share savings with the federal government if the ACO can provide care for costs below the benchmark calculated at the beginning of the year. Early studies about the impact of the ACOs on quality of care and cost savings showed mixed findings, however, to evaluate the complete picture, longer years of data are needed.

Additional services and administrative functions under the ACA are financed through a system of tax penalties associated with individual and large employer mandate, increase the Medicare payroll tax for higher-income taxpayers, new taxes on health insurers, new taxes on pharmaceutical manufactures, new excise tax on the sale of medical devices, and increasing limitations on spending from tax preferred health savings account.

The fate of the ACA is unknown as of today. The recent administration and Republicans in Congress have committed to repealing and replacing the ACA. Alternative proposals are currently being considering by policymakers in Washington, D.C. The Congressional Budget Office estimated that over a 10-year period, repealing the ACA, which is currently being considered in Congress, would increase federal budget deficits by $353 billion. Ultimately, the enactment of the ACA successfully brought health reform discussions into the national agenda, and highlighted discussions about the importance of equitable health for all Americans.

Additional Readings

The Henry J. Kaiser Family Foundation. Health Reform. Retrieved March 3, 2017 from: http://kff.org/health-reform/

Wilensky SE & Teitelbaum JB. 2016 Annual Health Reform Update. Jones & Bartlett Learning, Burlington, MA.