



# ASPE

## RESEARCH BRIEF

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### HEALTH INSURANCE MARKETPLACE 2015: AVERAGE PREMIUMS AFTER ADVANCE PREMIUM TAX CREDITS THROUGH JANUARY 30 IN 37 STATES USING THE HEALTHCARE.GOV PLATFORM

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Arpit Misra and Thomas Tsai

The Affordable Care Act helps families afford health insurance coverage by providing financial assistance in the form of advanced premium tax credits and cost-sharing reductions in the Health Insurance Marketplaces (the “Marketplaces”). From November 15, 2014 through January 30, 2015, almost 7.5 million individuals had selected or been automatically re-enrolled into 2015 Marketplace plans in the 37 states that use the HealthCare.gov platform.<sup>1</sup> The vast majority of these individuals are receiving financial assistance. Data in this report are preliminary, and data in this report will be updated after the close of the 2015 Open Enrollment Period.

Premium tax credits are available to reduce premium costs for qualified individuals.<sup>2</sup> As an initial step to assess the affordability of coverage for individuals selecting or being automatically reenrolled into Marketplace plans during the 2015 Open Enrollment Period, this report measures 1) the proportion of individuals with plan selections paying a reduced monthly premium as a result of the advance premium tax credit; 2) the effect of advance premium tax credits on net premium costs; and 3) the proportion of individuals who could receive a plan with a net premium cost of less than \$100.

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<sup>1</sup> All premium estimates in this report are based on plan selections during the 11-15-14 to 1-30-15 reporting period.

<sup>2</sup> The premium tax credit (“PTC”) is calculated as the difference between the cost of the adjusted monthly premium of the second-lowest cost silver plan with respect to the applicable taxpayer and the applicable contribution percentage that a person is statutorily required to pay determined by household income. An individual may choose to have all or a portion of the PTC paid in advance (advance premium tax credit or “APTC”) to an issuer of a qualified health plan in order to reduce the cost of monthly insurance premiums. APTCs are generally available for individuals with a projected household income between 100 percent (133 percent in states that have chosen to expand their Medicaid programs) and 400 percent of the Federal Poverty Level (FPL). For 2015, the percentage of household income that a qualified individual or family will pay toward a health insurance premium ranges from 2.01 percent of household income at 100 percent of the FPL to 9.56 percent of income at 400 percent of FPL. For more information on the required contribution percentage, see <http://www.irs.gov/pub/irs-drop/rp-14-37.pdf>

### Key Highlights

In the 37 States using the HealthCare.gov platform from November 15, 2014 through January 30, 2015, among consumers who selected or were re-enrolled in a plan for 2015 coverage:

- More than 8 in 10 individuals with a plan selection for 2015 Marketplace plans qualify for an advance premium tax credit.
- Advance premium tax credits will reduce premium costs by over \$1 billion a month.
- Almost 6.5 million individuals qualify for an average advance premium tax credit of \$268 per month.
- The average advance premium tax credit covers about 72 percent of the gross premium.
- The average net premium is \$105 per month among individuals with plan selections qualifying for an advance premium tax credit.
- Nearly 8 in 10 individuals had the option of selecting a plan with a premium of \$100 or less after applying the advance premium tax credit.

### More than 8 in 10 Individuals in the Marketplace Receive an Advance Premium Tax Credit in the 37 States Using the HealthCare.gov Platform

In all 37 states using the HealthCare.gov platform, the large majority of individuals selecting or being automatically reenrolled into a Marketplace plan qualify for an advance premium tax credit, with almost 6.5 million individuals qualifying for an advance premium tax credit. Across all 37 states using the HealthCare.gov platform, 87 percent of individuals with a plan selection qualify for an advance premium tax credit.<sup>3,4</sup> Based on plan selections and re-enrollments as of January 30, 2015 for the current open enrollment period, advance premium tax credits are estimated to reduce premiums by over \$1 billion a month for individuals selecting health insurance coverage through the Marketplaces in the 37 states using the HealthCare.gov platform.<sup>5</sup>

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<sup>3</sup> An individual qualifying for an advance premium tax credit was defined as any individual with an APTC amount >\$0.

<sup>4</sup> Averages in this brief refer to plan-selection-weighted averages across individuals with plan selections with advance premium tax credits in the 37 HealthCare.gov states.

<sup>5</sup> Data included in this report are based on plan selections as of January 30, 2015. APTC payments are made on effectuated policies (rather than plan selections), and as such actual APTC payment amounts paid may differ. Information regarding effectuated enrollment and payment from the financial system will be available at a later date.

## **Advance Premium Tax Credits Significantly Reduce Monthly Consumer Premiums in the States Using the HealthCare.gov Platform**

Substantial financial relief from monthly premium costs is available for individuals qualifying for advance premium tax credits. On average, advance premium tax credits reduced monthly premiums for individuals by 72 percent. Among individuals qualifying for an advance premium tax credit, average gross monthly premiums before advance premium tax credits for 2015 coverage would have been \$374. The average advance premium tax credit amount for qualifying individuals was \$268, resulting in a net premium after advance premium tax credit of \$105.

### **Nearly 8 in 10 Individuals Could Select a Plan with a Premium of \$100 or Less after Applying the Advance Premium Tax Credit in the HealthCare.gov States**

Across all consumers plan selections with or without advance premium tax credits, 79 percent have available an option with a net premium of less than \$100 after the advance premium tax credit given the available plans in their rating areas.<sup>6</sup> Based on *actual* plan choices and re-enrollments to date, 53 percent of individuals have selected or re-enrolled in a plan with a net premium of \$100 or less after advance premium tax credit.

Similarly, 66 percent of individuals could select a plan with a premium of \$50 or less after the advance premium tax credit, but based on plan selections and re-enrollment to date, only 31 percent of individuals have selected or re-enrolled in plans with a net premium of \$50 or less after the advance premium tax credit.<sup>7</sup>

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<sup>6</sup>For more information see the ASPE Issue Brief “Health Plan Choice and Premiums in the 2015 Health Insurance Marketplace” (December 2014), available at:

<http://aspe.hhs.gov/health/reports/2015/premiumReport/healthPremium2015.pdf>.

<sup>7</sup> Among new plan selections and re-enrollments qualifying for an APTC, 89 percent of individuals could have selected a plan with a premium after tax credit of \$100 or less, but among actual plan selections or re-enrollments, 61 percent of individuals have selected a plan with premium after tax credit of \$100 or less. Similarly 76 percent of individuals qualifying for an APTC could have selected a premium after credit of \$50 or less, but among actual plan selections or re-enrollments, 35 percent of individuals qualifying for an APTC have selected a plan with a premium after advance premium tax credit of \$50 or less.

**TABLE 1: Reduction in Average Monthly Premiums from Advance Premium Tax Credits from November 15, 2014 through January 30, 2015, 37 HealthCare.gov States<sup>8</sup>**

State	Total Number of Individuals with a Plan Selection (as of 1-30-15)	Percent of Plan Selections with APTC	Average Monthly Premium before APTC	Average Monthly Premium After APTC	Average Monthly Premium After APTC	Average Percent Reduction in Premium after APTC
Alaska	17,466	88%	\$652	\$534	\$119	82%
Alabama	142,525	89%	\$360	\$268	\$92	75%
Arkansas	56,970	88%	\$397	\$287	\$110	72%
Arizona	174,440	75%	\$288	\$158	\$130	55%
Delaware	21,276	83%	\$411	\$265	\$146	64%
Florida	1,339,791	93%	\$384	\$297	\$88	77%
Georgia	448,512	90%	\$353	\$277	\$76	79%
Iowa	38,243	85%	\$380	\$263	\$117	69%
Illinois	296,293	78%	\$343	\$210	\$133	61%
Indiana	193,567	88%	\$446	\$325	\$120	73%
Kansas	82,960	80%	\$307	\$214	\$94	70%
Louisiana	148,552	89%	\$430	\$322	\$108	75%
Maine	64,069	89%	\$434	\$337	\$97	78%
Michigan	304,679	88%	\$373	\$240	\$133	64%
Missouri	219,065	88%	\$370	\$284	\$86	77%
Mississippi	87,356	94%	\$411	\$364	\$47	89%
Montana	48,356	84%	\$351	\$232	\$119	66%
North Carolina	479,748	92%	\$418	\$317	\$100	76%
North Dakota	15,997	86%	\$375	\$230	\$145	61%
Nebraska	64,008	88%	\$355	\$245	\$110	69%
New Hampshire	47,434	70%	\$392	\$251	\$141	64%
New Jersey	216,425	83%	\$481	\$309	\$172	64%

<sup>8</sup> Source: ASPE computation of CMS data for 37 states using the HealthCare.gov platform as of 1-30-15.

State	Total Number of Individuals with a Plan Selection (as of 1-30-15)	Percent of Plan Selections with APTC	Average Monthly Premium before APTC	Average Monthly APTC	Average Monthly Premium After APTC	Average Percent Reduction in Premium after APTC
New Mexico	44,431	75%	\$332	\$202	\$130	61%
Nevada	56,421	90%	\$373	\$248	\$125	67%
Ohio	202,379	84%	\$397	\$247	\$150	62%
Oklahoma	105,668	79%	\$302	\$208	\$95	69%
Oregon	94,126	78%	\$343	\$203	\$141	59%
Pennsylvania	429,996	81%	\$361	\$230	\$132	64%
South Carolina	172,360	88%	\$373	\$283	\$90	76%
South Dakota	18,554	88%	\$364	\$234	\$130	64%
Tennessee	193,207	82%	\$321	\$211	\$110	66%
Texas	969,461	86%	\$337	\$242	\$95	72%
Utah	120,391	88%	\$250	\$159	\$92	63%
Virginia	329,447	83%	\$353	\$260	\$93	74%
Wisconsin	182,581	89%	\$450	\$319	\$130	71%
West Virginia	28,482	85%	\$457	\$314	\$143	69%
Wyoming	18,463	91%	\$558	\$423	\$135	76%
<b>Total for 37 States Using HealthCare.gov Platform</b>	<b>7,473,699</b>	<b>87%</b>	<b>\$374</b>	<b>\$268</b>	<b>\$105</b>	<b>72%</b>

## **Methodology and Limitations**

Enrollment information is based on active qualified health plan (QHP) selections in the CMS Multidimensional Insurance Data Analytics System (MIDAS) from November 15, 2014 to January 30, 2015. We use the term “enrollees” to refer to individuals with active Marketplace individual market health plan selections; it does not refer to “effectuated enrollees”—individuals who selected a health plan and paid the premium.<sup>9</sup> Data in this report are based on plan selections and auto-reenrollment: as such, they do not reflect (a) any updated information for re-enrollees that could change the premium or value of the advance premium tax credits that may have occurred after January 30, 2015; and (b) effectuated enrollees for whom coverage takes effect after payment of monthly premiums.

### ***Average Premiums***

For the purposes of this analysis, an individual qualifying for an advance premium tax credit is defined as any individual with an advance premium tax credit greater than \$0. Averages for gross premiums, advance premium tax credits, and net premiums after applicable advance premium tax credits are taken over all individual enrollees qualifying for an advance premium tax credit with non-zero advance premium tax credit amounts in the MIDAS database.

The advance premium tax credit amounts used in this report reflect the amounts active in MIDAS when the data were analyzed. Some individuals have elected to take a smaller advance premium tax credit than they were eligible for and instead will receive the remaining amount when they file their taxes in 2016. In addition, for individuals automatically re-enrolled in 2015 coverage, the APTC was held constant at the amount the individual was eligible for in 2014 unless individuals actively updated household income. Thus, data on advance premium tax credits for auto-enrolled individuals may not reflect any changes in household income or in the benchmark premium for the second-lowest cost silver health plan in 2015. Due to these factors, the estimates in this report may vary from the actual after-tax-credit premiums individuals will pay for 2015 coverage.

### ***Premium Tax Credits***

The Affordable Care Act specifies that an individual or family who is eligible for premium tax credits will be required to pay no more than a fixed percentage of their income based on the second-lowest cost silver plan available in the Marketplace in their coverage area. This applicable percentage varies only by household income as a percentage of the Federal Poverty Level (FPL) and does not depend on household members’ ages, the number of people within the household covered through the Marketplace, or Marketplace premiums. (For examples of 2015 incomes and benchmark premiums for those who are eligible for premium tax credits, see Table 2.) The applicable percentage is converted into a maximum dollar amount the household is required to pay annually for the benchmark plan, and the premium tax credit is applied to make up the difference between the maximum dollar amount and the actual premium, if any. The exact dollar amount of the premium tax credit depends on the premium of the second-lowest cost silver

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<sup>9</sup> APTC payments are made on effectuated policies (rather than plan selection) and as such actual APTC payment amounts paid will differ.

plan available to the household and the cost of covering the family members who are seeking Marketplace coverage.

For example, a woman with an income in 2015 equivalent to 218 percent of FPL will pay a maximum amount of \$148 (see Table 2 for 2015 applicable percentages) for the second-lowest cost silver plan in her area. She can choose to buy the second-lowest silver plan if she wishes, and it will cost her up to \$148 after premium tax credits. Her premium tax credit for 2015 will be the difference between \$148 and what the second-lowest cost silver plan premium would be for her in 2015. She can take her premium tax credit and apply it to whatever plan in any metal tier that best fits her needs.

**TABLE 2: Examples of Maximum Monthly Health Insurance Premiums for the Second-Lowest Cost Silver Plan for Marketplace Coverage for a Single Adult in 2015<sup>10</sup>**

Single Adult Income <sup>11</sup>	Percent of the Federal Poverty Level	Maximum Percent of Income Paid toward Second-Lowest Cost Silver Plan	Maximum Monthly Premium Payment for Second-Lowest Cost Silver Plan
\$11,670	100% <sup>12</sup>	2.01%	\$20
\$17,505	150%	4.02%	\$59
\$23,340	200%	6.34%	\$123
\$29,175	250%	8.10%	\$197
\$35,010	300%	9.56%	\$279
\$40,845	350%	9.56%	\$325
\$46,797	401%	Not Applicable	No Limit

Source: Applicable percentages for 2015 coverage are available at: [www.irs.gov/pub/irs-drop/rp-14-37.pdf](http://www.irs.gov/pub/irs-drop/rp-14-37.pdf). The 2014 Federal Poverty Guidelines, used for premium tax credits for 2015 coverage, are at: <http://aspe.hhs.gov/poverty/14poverty.cfm>.

Many families may also be eligible for premium tax credits. For example, suppose a family with an income of \$60,000 was shopping for Marketplace coverage for 2015 for all four family members. The family's household income is equivalent to 252 percent of the FPL; therefore, the family's premium is capped at 8.15 percent of income or no more than \$407 per month for the benchmark second-lowest cost silver plan in its local area. If the premium for the second-lowest cost silver plan for the family is \$805 per month, the family will receive a tax credit of \$398, based on a premium after advance premium tax credits of \$407 ( $\$805 - \$407 = \$398$ ). The family can apply its \$398 premium tax credit toward the purchase of coverage in any metal level. Note that the maximum percent of household income paid toward the second-lowest silver plan is adjusted annually by a measure of the difference between premium growth and income growth.

<sup>10</sup> For more information on premium tax credits, see the Internal Revenue Service final rule on "Health Insurance Premium Tax Credit," (*Federal Register*, May 23, 2012, vol., 77, no. 100, p. 30392; available at: <http://www.gpo.gov/fdsys/pkg/FR-2012-05-23/pdf/2012-12421.pdf>).

<sup>11</sup> Income examples are based on the 2014 federal poverty guidelines for the continental United States. Alaska and Hawaii have higher federal poverty guidelines, which are not shown in this table.

<sup>12</sup> In states expanding Medicaid, individuals and families at 100 percent of the FPL who are eligible for Medicaid coverage are not eligible for premium tax credits.