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Eligibility for Medi-Cal and the Health Insurance Exchange in California under the Affordable Care Act

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The Affordable Care Act (ACA) will expand access to coverage and make health care more affordable for low- and middle-income Californians. Two of the major new sources of increased access will be an expansion in Medi-Cal and the creation of health insurance exchanges. Under the final legislation, the health insurance exchanges will be established and run at the state level, or at the regional level through agreement between states.

In this brief we estimate the number of Californians who will potentially benefit from the coverage expansion: how many will be newly eligible for Medi-Cal, for subsidized individual or small group coverage in the exchange, and for coverage in the exchange without subsidies. These estimates are based on the 2007 California Health Interview Survey (CHIS), adjusted for population growth to 2016. They do not take into account potential shifts in employer coverage in response to the law. This brief focuses on the number of Californians eligible for coverage rather than the number who will actually enroll.

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Access to Coverage

The ACA will expand Medi-Cal to adults and children in families with incomes up to 133 percent of the Federal Poverty Level (FPL). It will also provide premium and cost sharing subsidies to individuals in families with incomes below 400 percent FPL who do not qualify for Medi-Cal and do not have affordable coverage through an employer. The subsidies will be applied to plans purchased in a health insurance exchange, a marketplace that will offer a choice of plans that meet standards for coverage and that will provide information to consumers to help them make educated choices about the policies they are purchasing.

Individuals who do not qualify for subsidies in the exchange will still benefit from the insurance market reforms that require insurers to cover all applicants and do not allow for differential costs based on pre-existing conditions. The majority of those who will fit this category are individuals in families with incomes over 400 percent FPL. Families with incomes under 400 percent FPL might not qualify for subsidies if they are young enough and their income is high enough that subsidies are not needed for them to be able to afford to purchase health coverage within the specified income thresholds.

We find that more than 2.0 million Californians who are uninsured, in the individual market or have unaffordable employer-sponsored insurance in 2016 will qualify for Medi-Cal under the ACA.¹ An additional 2.4 million will be eligible for subsidies in the exchange and 2.2 million will be eligible to purchase coverage in the exchange without subsidies (Table 1).

Table 1.

Eligibility for Benefits for Californians: Combined Uninsured, Individual Market and Unaffordable Employer-Sponsored Insurance in 2016 (ages 0–64)

	Affordable Care Act
Medi-Cal eligible	2,010,000
Eligible for premium or cost-sharing subsidies in exchange	2,370,000
Eligible for exchange with no subsidies	2,150,000
Total	6,530,000

Source: California Health Interview Survey 2007. Population growth estimates from the U.S. Census Bureau.

All of the eligibility estimates in this brief are point in time estimates, rather than estimates of the cumulative number of individuals who will benefit over a year.

Small Businesses

Small businesses with fewer than 100 employees will be eligible to purchase coverage through the Small Business Health Options Program (SHOP) Exchange. States have the option of providing a single exchange for individuals and small businesses or developing these as separate entities.

Small businesses with 25 or fewer full-time equivalent employees with average wages of no more than \$50,000 are eligible for tax credits towards the purchase of coverage. Starting in 2014, the tax credits will only be available through the exchange.

Using the 2007 CHIS and adjusting the population to 2016, if current coverage trends remain stable, 3.76 million workers and their dependents will be eligible for coverage through a small business, of which 450,000 will benefit from subsidized coverage.

Total Eligibility for the Exchanges

In total, 8.3 million Californians will be eligible for individual or small group coverage in the exchange with or without subsidies (Table 2). Of those, 2.8 million will be eligible for subsidized coverage due to income or via employers who will benefit from the small business tax credit.

Table 2.
Eligibility for California Exchange in 2016 (ages 0–64)

	With premium or cost-sharing subsidies	Without subsidies	Total
Eligible for individual market in the exchange	2,370,000	2,150,000	4,520,000
Eligible for small group plan offered by employer	450,000	3,310,000	3,760,000
Total	2,820,000	5,460,000	8,280,000

Source: California Health Interview Survey 2007, March Current Population Survey 2004-2009. Population growth estimates from the U.S. Census Bureau.

These numbers signify low- and high-end estimates of the total number of Californians that will be eligible to enroll in the exchange. The exchange is likely to start with the subsidized population and grow over time based on the ability to reduce administrative costs and provide an easy and accessible marketplace to purchase coverage. Additionally, California may decide to offer a choice of health plans to Healthy Families enrollees through the exchange, which would add more than 1.1 million children to the exchange in 2016.²

California currently has an estimated 1.2 million uninsured undocumented immigrants (18.9 percent of all uninsured) who will not be eligible to purchase subsidized or unsubsidized coverage in the exchange and will not be eligible for Medi-Cal.³

Conclusion

The ACA will provide a direct benefit to a significant number of Californians. We estimate that close to 4.4 million people who are either uninsured, in the individual market, or with unaffordable job-based coverage will be eligible for Medi-Cal or for subsidies in the new exchange. If all eligible Californians enroll, the new health insurance exchange will have between 12 and 34 percent of the private insurance market in the state, providing the potential to become a significant cost containment force in the market. If Healthy Families plans are offered through the exchange, this increases to between 15 and 37 percent of the private insurance market.

Methodology

Results reported in Table 1 were calculated using the public use file of the 2007 California Health Interview Survey (CHIS) augmented with the data sources described in the next two paragraphs.

While the public use CHIS records individuals as citizen or non-citizens, for confidentiality it does not show whether non-citizens hold a green card. Green card status for uninsured adults was estimated using Exhibit 2 in a recent report (Lavarreda, Brown 2009)⁴ which uses confidential CHIS data on immigration documentation status. In addition, the CHIS identifies non-citizen children who were uninsured due to immigration status or who were below 250 percent FPL and ineligible for Healthy Families. We assumed all children who met these criteria did not hold a green card.

To determine the fraction of workers offered affordable job-based coverage we first calculated the distributions of single and family employee contributions from the 2007 California Employer Health Benefit survey. Next, we determined the thresholds which will make employee contributions “affordable” or “unaffordable” from family income. The distribution of employee contributions was then used to calculate the likelihood that a worker and his or her family members were required to take up insurance or allowed to opt out of job-based coverage.

The total number of Californians eligible for a small group plan in Table 2 is based on the number of small business workers with coverage through their employer from the 2007 California Health Interview Survey (CHIS) and the average number of adult and child dependents on their health policies from the March Current Population Survey 2004-2009. The estimate of the number of Californians who will receive subsidies via employers qualifying for the small business tax credit is based on CBO’s estimate that 12 percent of small group enrollees would benefit from the small business tax credit in 2016.⁵ The CBO defined the small group market as plans sponsored by firms with 50 or fewer employees, but we assume the ratio of enrollees who would benefit from the tax credit would be similar for plans offered by firms with 51-100 employees. This matches with our estimates using the California Employer Health Benefit Survey, that in 2007 approximately 14 percent of all small business workers and 5 percent of small business workers with job based coverage work for employers who qualify for the tax credit. In 2016, depending on the behavior of employers, the percentage should fall in between 5 percent and 14 percent.

The estimated share of the private insurance market that will be in the exchange assumes a private insurance market of 24.5 million enrollees. This includes the number of Californians currently enrolled in employer-sponsored coverage or an individual market health plan (using 2007 CHIS data adjusted with population growth estimates from the U.S. Census Bureau), plus the number of additional Californians who will be eligible to get coverage in or outside the exchange (Table 1) and the estimated number of dependents who will take-up employer-sponsored offered to a spouse or parent. The estimated share of the private insurance market that will be in the exchange if Healthy Families plans are offered assumes a private insurance market of 25.6 million enrollees, including Healthy Families enrollees.

Endnotes

¹ This estimate takes into account the 5 percentage point income disregard.

² Healthy Families enrollment based on California Budget Project estimate, February 26, 2010 (accessed at http://www.cbp.org/pdfs/2010/100226_HFP_Cuts_%20Fact_Sheet.pdf), adjusted using population growth estimates from the U.S. Census Bureau.

³ 2007 California Health Interview Survey (CHIS); Shana Alex Lavarreda and E. Richard Brown, "National Health Care Reform Will Help Four Million Uninsured Adults and Children in California," UCLA Center for Health Policy Research publications, October 2007. Available at http://www.healthpolicy.ucla.edu/pubs/files/HCR_FS_10-09.pdf

⁴ Shana Alex Lavarreda and E. Richard Brown, "National Health Care Reform Will Help Four Million Uninsured Adults and Children in California," UCLA Center for Health Policy Research publications, October 2007. Available at http://www.healthpolicy.ucla.edu/pubs/files/HCR_FS_10-09.pdf

⁵ Congressional Budget Office, Letter to Senator Bayh, "An Analysis of Health Insurance Premiums under the Patient Protection and Affordable Care Act," November 30, 2009.

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