

Senate Health Plan Hits Rural and Older Iowans Hardest *Plan would finance tax cuts for wealthy as 232,000 Iowans lose health coverage*

By Peter Fisher, Iowa Policy Project

The overall effect is now clear for the Senate’s attempt to repeal and replace Obamacare — the Better Care Reconciliation Act (BCRA): It would cause millions to lose health insurance in order to finance tax cuts to the wealthiest Americans and corporations. The number of uninsured would soar in part because the BCRA cuts the subsidies that made health insurance affordable to millions of Americans, and in part because it would likely mean the end of the Medicaid expansion in Iowa and other states.¹ New estimates today show that 232,000 Iowans would lose health insurance coverage by 2022 under the BCRA. The percent of nonelderly Iowans who are uninsured would soar from 6.6 percent to 15.4 percent, reversing the gains achieved by the Affordable Care Act (ACA).² Nationally, 72 percent of those who would lose insurance coverage are in families with a full-time worker, as both the subsidies for purchase of insurance and the Medicaid expansion under the ACA provided insurance to low-wage workers whose jobs provided little in benefits.

The Senate bill would increase health insurance costs for many who now buy private insurance through the exchange or marketplace, and who receive subsidies in the form of tax credits under the ACA (Obamacare). It would do that by increasing premiums and reducing subsidies. Those premium increases would hit older Iowans especially hard, including those with incomes too high to qualify for subsidies, under either the ACA or the BCRA. That is because the ACA allows insurance companies to charge premiums based on age that vary only by 3 to 1, while the BCRA increases that ratio to 5 to 1. Someone age 64, in other words, could be charged five times the premium charged a 21-year-old, instead of just three times. The result under the Senate bill would be lower premiums for the young, but substantially higher premiums for those who are older (but still under 65, where Medicare takes over.)

How the Senate Bill Increases the Cost of a "Silver" Health Insurance Plan for a 60-Year-Old Iowan

Annual premium after subsidy under BCRA minus annual premium after subsidy under ACA (Silver Plan purchased on exchange)

	Annual Income				
	\$20,000	\$30,000	\$40,000	\$50,000	\$60,000 +
Lowest County Increase	\$ 2,340	\$ 2,600	\$ 3,630	\$ 6,460	\$ 2,960
Highest County Increase	\$ 4,640	\$ 4,910	\$ 5,940	\$ 14,450	\$ 5,000
Average					
Statewide	\$ 2,881	\$ 3,147	\$ 4,177	\$ 10,102	\$ 3,888
21 Urban Counties	\$ 2,739	\$ 3,006	\$ 4,036	\$ 8,618	\$ 3,509
78 Rural Counties	\$ 3,088	\$ 3,354	\$ 4,384	\$ 12,267	\$ 4,441

The table above illustrates how the BCRA would increase health insurance costs for older Iowans, in urban counties and in rural counties. The table assumes that a 60-year-old Iowan purchases a Silver Plan, the lowest cost plan that qualifies for subsidies now under the ACA, in 2020. It compares the cost (the premium paid less the tax credit), first assuming the ACA is still in place, then assuming the BCRA has replaced it. The comparison takes into account both the increase in premiums due to the BCRA's higher age ratio, and the reduced premium subsidies.

Statewide, the effect of the BCRA would be to increase the cost of a comparable insurance plan by \$2,881 on average for a 60-year-old with an annual income of \$20,000. The increase would range from \$2,340 in the county with the lowest cost impact, to \$4,640 in the highest cost county. For a 60-year-old with \$40,000 income, the cost increase ranges from \$3,630 to \$5,940, with \$4,177 the statewide average.

At \$50,000 the impact of the BCRA more than doubles. That is because an individual with that income level still receives some subsidy under the ACA, but nothing under the Senate bill.³ The net cost jumps up on average by about \$10,100, and exceeds \$14,000 in 17 counties. At \$60,000 a year income, or any income higher than that, subsidies are not available under either the ACA or the BCRA. But premiums would have risen substantially under the BCRA because of the age ratio change. So any 60-year-old purchasing a policy in Iowa could expect to see costs rise by \$3,000 to \$5,000.

Because of the changing age ratio, some younger Iowans would see a net reduction in costs because of lower premiums. A 27-year-old Iowan with income over \$30,000 would likely see a modest net savings of \$250 to \$350 per year on average, with that number rising to \$850 in some cases. But if that person earned just \$10.00 an hour, or the minimum wage, their net cost would *increase* by about \$650 on average. Middle-aged Iowans (age 40) with modest incomes would also see an increase in net costs of insurance, even with an income of \$30,000, of \$400 to \$900.⁴

The table also shows that the net increase in costs is higher in rural counties than in Iowa's 21 counties that are part of a metropolitan area. This results from the higher cost of health care in rural Iowa.⁵ This differential rural impact applies as well to the case of the 40-year-old, regardless of income, and to the 27-year-old with lower income.

The upshot: If you are between about 55 and 65, the BCRA would drive up your health insurance costs dramatically, regardless of your income. If you are a low-wage worker, especially if you live in a rural area with higher health insurance costs, you would also face higher net premiums to purchase insurance. Those higher costs will drive some to go uninsured, most likely the healthiest, which will once again threaten the viability of the insurance market.

¹ Iowa Policy Points blog, Iowa Policy Project, June 26, 2017. <https://iowapolicypoints.org/2017/06/26/any-way-you-cut-it-americans-lose-health-coverage/>

² Linda Blumberg et al. *State-by-State Coverage and Government Spending Implications of the Better Care Reconciliation Act*. http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2017/rwjf438332

³ The ACA ends subsidies at 400 percent of the federal poverty level (\$50,100 for an individual) whereas the BCRA ends subsidies at 350 percent of poverty or \$43,875.

⁴ The estimates in this paragraph are also based on population-weighted county figures from the Kaiser Foundation report cited below the table.

⁵ The ACA bases subsidies on a silver plan, whereas the BCRA bases it on a bronze plan, which covers a substantially smaller share of health care costs (58 percent instead of 70 percent), generally through higher deductibles and co-pays. To make a fair comparison, we assumed the same quality Silver plan was purchased. The additional premium required to get a silver instead of a bronze plan is entirely at the individual's expense under the BCRA, and that expense is generally higher in rural areas.