

ObamaCare is falling short in Illinois

by Naomi Lopez Bauman | Director of Health Policy

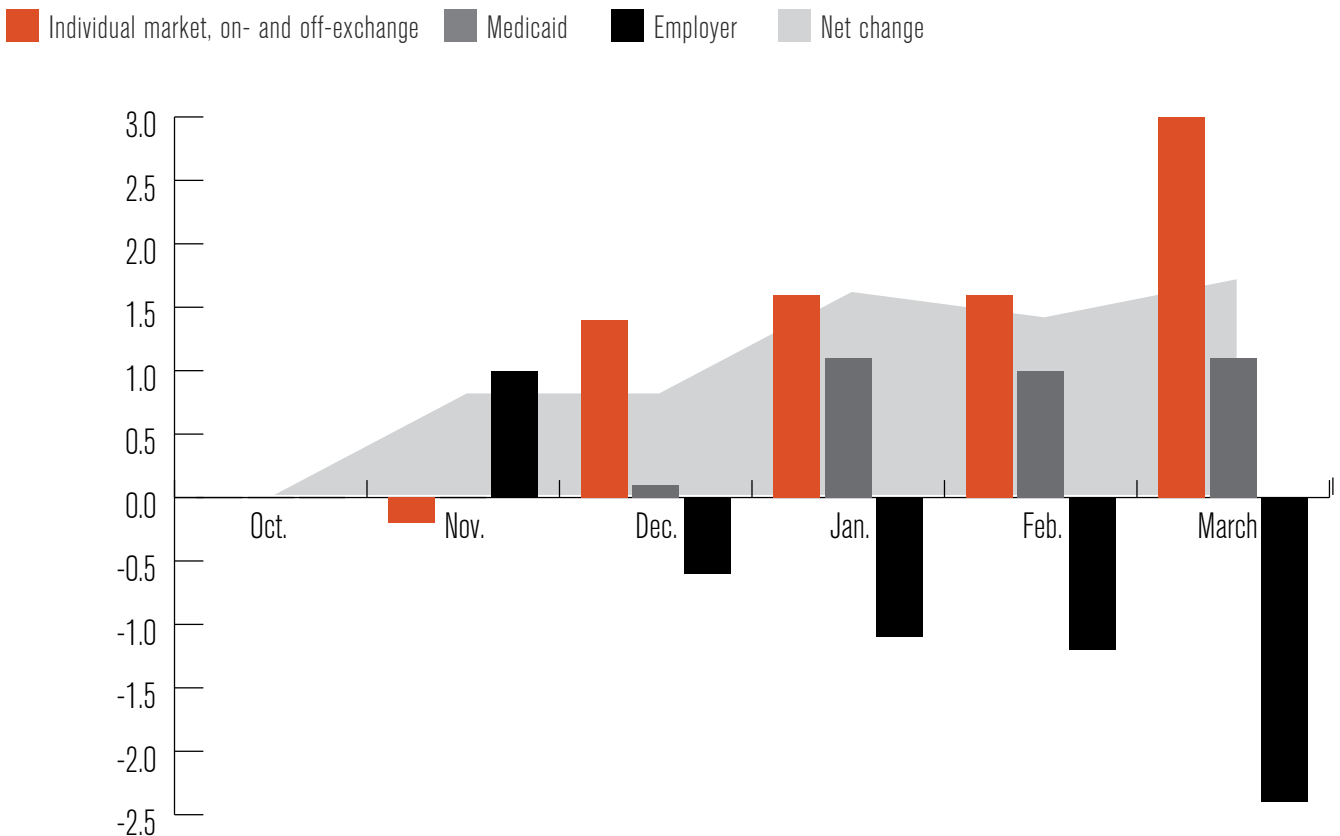


The Affordable Care Act, or ACA, was signed into law in March 2010. More commonly known as ObamaCare, proponents of the law promised that it would significantly reduce the number of uninsured Americans. But based on national and state survey data, the health-insurance overhaul is failing to deliver on that promise.

Net change in insured Illinoisans

National surveys indicate that the number of adults ages 18-64 who lack health-insurance coverage is declining. But a closer look at the national data reveals that once coverage reductions in the individual and group markets are accounted for, the actual net change in the uninsured rate for that age group is fewer than 2 percent of adults ages 18-64¹ (see Figure 1).

Figure 1. Net percentage change in U.S. insured ages 18-64, October 2013 - March 2014



Source: Author's calculations based on Gallup 500 Daily, "Insurance Net." Run date: May 8, 2014.

These numbers illustrate how losses in individual-market and employer-sponsored health-insurance coverage may be masking the actual number of people moving out of the ranks of the uninsured as a result of the ACA. This raises important questions for Illinois.

These national numbers are reflective of the health-insurance climate in Illinois, where an estimated 11 percent of the population obtained new coverage for 2014 but the uninsured rate decreased by less than 4 percent. While there is a net increase in the number of insured in Illinois, four in 10 enrollees in the health-insurance exchange and Medicaid were individuals who were previously insured and six in 10 enrollees off the exchange were previously insured.

Additional resources: illinoispolicy.org

190 S. LaSalle St., Suite 1500, Chicago, IL 60603 | 312.346.5700 | 802 S 2nd St., Springfield, IL 62704 | 217.528.8800

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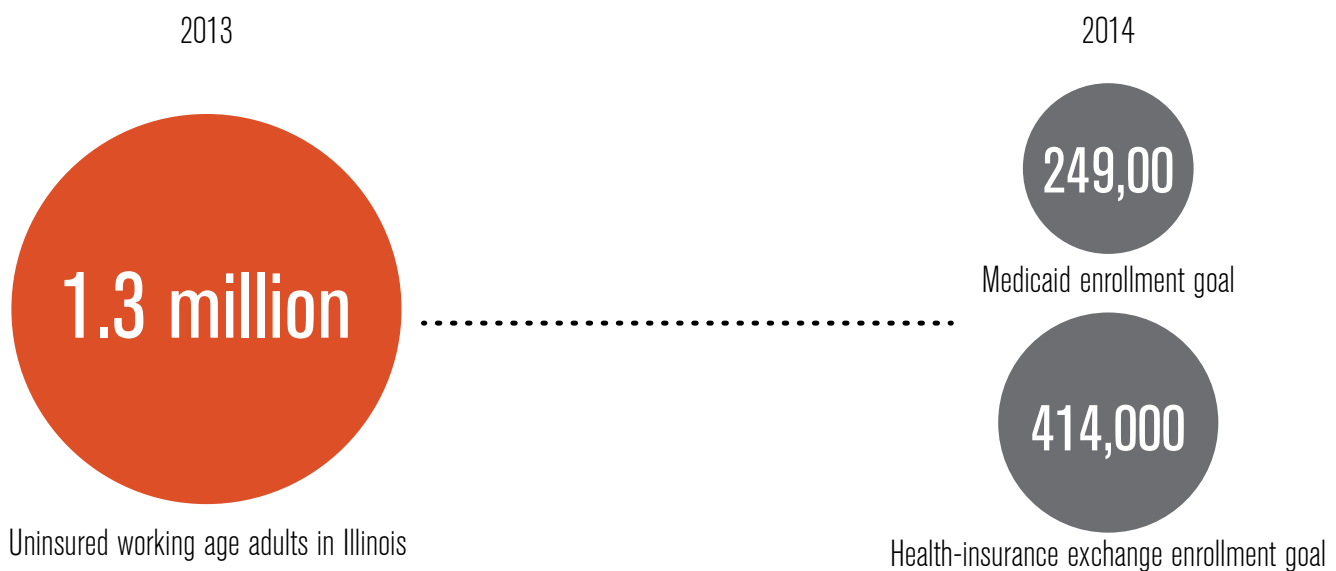
To evaluate whether the ACA in Illinois met enrollment expectations, the question is:
How many people in Illinois moved from the ranks of the uninsured to the insured?

Who is uninsured in Illinois?

Over the course of a six-month period lasting until March 31, 2014, individuals were able to shop, compare and enroll in health-insurance coverage as part of the health-insurance overhaul. (Individuals are able to enroll in the Medicaid program year-round.)

According to the state's own estimate, in 2011, 1.3 million working-age uninsured adults would be eligible for private and Medicaid coverage in 2014.² It was predicted that 50 percent of those eligible for private and Medicaid coverage would enroll through the ACA (see Figure 2).

Figure 2. ObamaCare enrollment goals for population ages 19-64, 2014



Note: Estimates exclude undocumented immigrants who are ineligible for participation.

Source: Health Management Associates and Wakely Consulting Group, "Illinois Exchange Strategic and Operational Needs Assessment: Final Report," September 2011, pp. 107-108 at <http://cgfa.ilga.gov/upload/final%20il%20exchange%20needs%20assessment%20091511.pdf>.

Who has obtained coverage?

Federal and state administrations have been facing significant criticism over the lack of transparency contained in their enrollment reports. For example, the reports define enrollment as "plan selection." But without information on who has actually paid their first month's premium, the actual number of covered individuals is difficult to determine.

Another important statistic is not being shared: how many of these enrollees were previously uninsured.

In Illinois, about 217,500 residents had enrolled in the ObamaCare health-insurance exchanges through the end of the open enrollment period.³ But that 217,500 total would still not tell you the number of people covered. Only the number of people who have actually paid for a plan can tell you who is going to be covered.

According to state budget documents, there will be approximately 350,000 newly eligible Medicaid enrollees in the state this year, plus another 80,000 who had been previously eligible but had not yet enrolled.⁴ This is a very preliminary estimate at this point, as the state is facing an application backlog and has not processed large numbers of applicants.⁵ But the new enrollee number does not tell you how many enrollees are in the program on net.

The question of how many Medicaid enrollees are newly eligible under ObamaCare is far more difficult to answer. Participation in the Medicaid program is very fluid, with many of the program's participants remaining on the rolls for short spells. Based on federal enrollment figures, the net number of new Medicaid enrollees in Illinois is likely much smaller.⁶

In addition, individuals who were previously eligible for Medicaid but had never enrolled – the so-called “woodwork” enrollees – might further exaggerate the Medicaid enrollment number attributable to the ACA. The state of Illinois is not reporting Medicaid enrollments regularly nor is it reporting them by income eligibility. Until that is known, we will not know how many of the Medicaid enrollments are due to the ObamaCare Medicaid expansion in Illinois.

Survey data

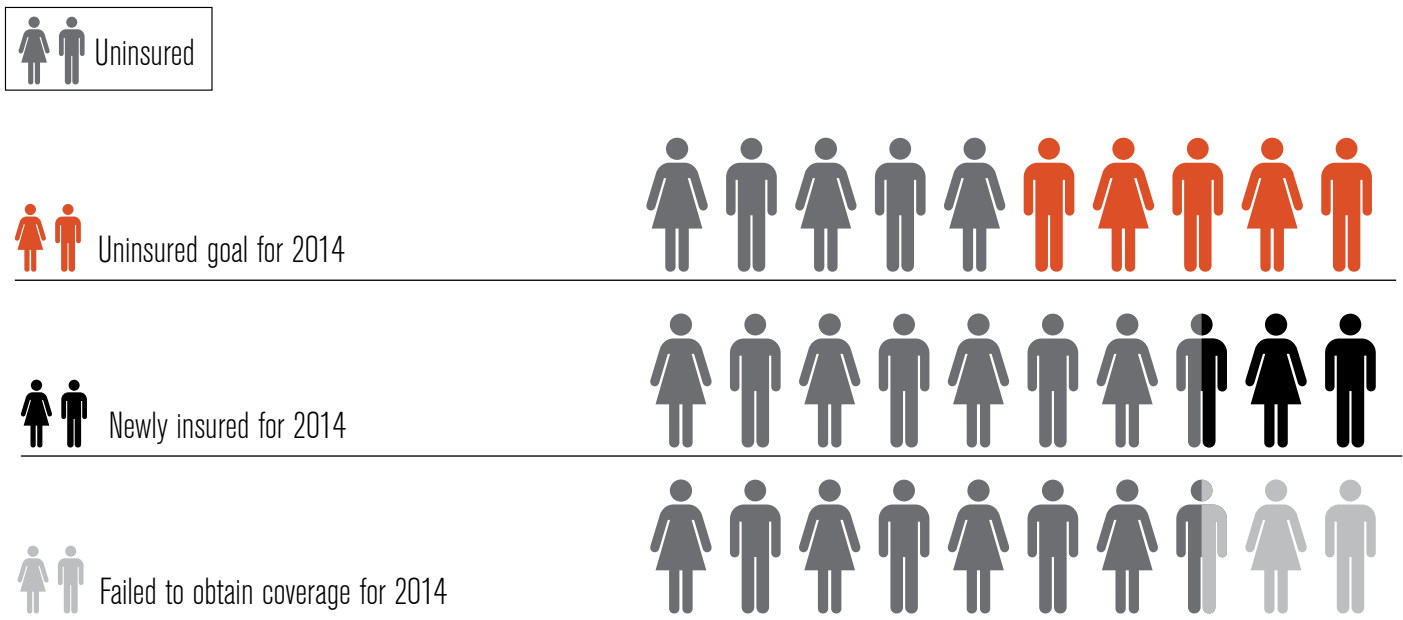
The federal agency charged with implementing ObamaCare has announced that it will stop issuing monthly enrollment reports. The U.S. Department of Health and Human Services will no longer be regularly reporting on the law's progress.

Not only does this announcement mean that it will be virtually impossible to obtain information on the law's progress before the November elections, but it also leaves many unanswered questions on what the law has accomplished to date.

As a result, thought leaders and the media are increasingly relying on survey data to track the law's progress.⁷ Using the most recent available survey data from Gallup Analytics, it is likely that Illinois moved only about one-quarter of the uninsured working-age adults from the ranks of the uninsured to the insured population.⁸ In other words, the Affordable Care Act may have achieved just over half of the original goal of reducing the uninsured (see Figure 3).

While this survey does not distinguish between those who have obtained private coverage and those who have obtained Medicaid coverage, it further reveals that a large proportion of the newly insured obtained coverage outside of the exchange – further diminishing the likely impact of the ObamaCare health-insurance exchange. The on-exchange newly insured enrollees account for 62 percent of the total newly insured in the state. That leaves the remaining 38 percent of the newly insured obtaining coverage off-exchange (see Figure 4).

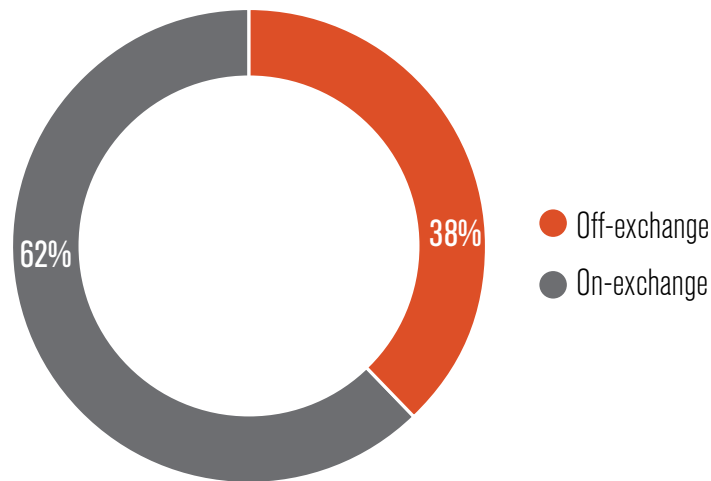
Figure 3. ObamaCare goals vs. reality in 2014



Sources: Custom search by Gallup Analytics.

Note: Survey questions examined policies that were effective this year, were purchased on- or off-exchange, and if the policy was new or a replacement. The weighted responses for Illinois = 2,810. Author's custom search and calculations of working-age adult (ages 18-64) uninsured rates in Illinois are based on 2012 American Community Survey one-year estimates, "Selected Characteristics of the Uninsured in the United States," Table S2702 for Illinois at <https://www.census.gov/lacs>.

Figure 4. Where the uninsured obtained coverage



Source: Custom search by Gallup Analytics.

Note: Survey questions examined policies that were effective this year, were purchased on or off-exchange, and if the policy was new or a replacement. The weighted responses for Illinois = 2,810.

Acquisition costs

The ObamaCare outreach and marketing effort was significant. The total spent, based on federal grant award totals reported by the Centers for Medicare & Medicaid Service, or CMS, was almost \$155 million.⁹ This means that, when the state's share of the potential \$834 million tab¹⁰ for the federal website is included, taxpayers spent more than \$1,000 in "acquisition" costs for each state resident who enrolled in an ACA plan.

This is well above what the private sector might spend to acquire a customer, let alone the fact that there was a federal requirement to purchase this product. While there is no apples-to-apples cost comparison available, given the nature of the ObamaCare health-insurance exchange product, it is worth noting the private-sector customer acquisition costs for other products.

Sprint PCS spends about \$315 to acquire a new customer. TD Waterhouse, the brokerage and investor service firm, spends approximately \$175.11. While these are very different products, spending more than \$1,000 to obtain a customer who is legally required to purchase the product should be considered a steep price by any measure.

Conclusion

The first ACA open-enrollment period has concluded. Recent state-level data are strongly suggesting that Illinois has achieved only half of its goal in reducing the number of uninsured, working-age adults in the state.

Many of the reported enrollments are likely due to people switching coverage simply due to the regular churn of the insurance market. Their employer may have dropped coverage, they may have received a better deal purchasing on the exchange or enrolling in Medicaid, or their policy was canceled as a result of ACA regulations. But to evaluate the actual impact of the law, it is necessary to examine the program's stated goals and results.

For 2014, the state's original enrollment goal was to enroll half of the state's eligible, uninsured working-age population in either private coverage or Medicaid this year. But according to the most recent survey data and enrollment reports, roughly half have likely obtained private health insurance or Medicaid coverage.

Falling well short of its stated goal, ObamaCare in Illinois has achieved just over half of the original goal of reducing the uninsured. Rather than reducing the number of uninsured, working-age adults by half, it has cut them by about one-quarter.

The Obama administration has been relentless in claiming that ObamaCare has been a success. It was sold with promises to substantially reduce the number of uninsured. That is how it should be judged. And by that standard, it is failing to deliver.

Endnotes

¹ Author's calculations based on Gallup Analytics, Gallup 500 Daily, "Insurance Net," May 8, 2014.

² Health Management Associates and Wakely Consulting Group, "Illinois Exchange Strategic and Operational Needs Assessment: Final Report," September 2011, pp. 107-10 at <http://cgfa.ilga.gov/upload/final%20il%20exchange%20needs%20assessment%20091511.pdf>. Estimates exclude undocumented immigrants who are ineligible for participation.

³ Department of Health and Human Services, "Health Insurance Marketplace: Summary Enrollment Report for the Initial Annual Open Enrollment Period for the period: October 2013 - March 31, 2014," May 1, 2014 at http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib_2014Apr_enrollment.pdf.

⁴ <http://www2.illinois.gov/hfs/SiteCollectionDocuments/FY2015BudgetBriefing.pdf>

⁵ Peter Frost, "Illinois deals with Medicaid backlogs," Chicago Tribune, March 23, 2014 at http://articles.chicagotribune.com/2014-03-23/business/ct-medicaid-backlog-0321-biz-20140323_1_medicaid-coverage-health-coverage-human-services.

⁶ Department of Health and Human Services, "Profile of Affordable Care Act Expansion Enrollment for Medicaid/CHIP and the Health Insurance Marketplace, 10-1-2013 to 3-31-2014 for Illinois" at <http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/pdf/il.pdf>.

⁷ Incoming Health and Human Services Secretary, Sylvia Burwell, is among those relying on Gallup survey data for uninsured rates. See http://www.cruz.senate.gov/files/documents/Letters/20140521_Burwell_Response.pdf.

⁸ Custom search by Gallup Analytics. Survey questions examined policies that were effective this year, were policies purchased on- or off-exchange, and if the policy was new or a replacement. The weighted responses for Illinois = 2,810. Author's custom search and calculations of working-age adult (ages 18-64 years) uninsured rates in Illinois are based on 2012 American Community Survey 1-Year Estimates, "Selected Characteristics of the Uninsured in the United States," Table S2702 for Illinois at <https://www.census.gov/acs/www/>.

⁹ Centers for Medicare & Medicaid Services, "Illinois Affordable Insurance Exchange Grants Award List," at <http://www.cms.gov/ccio/Resources/Marketplace-Grants/il.html>.

¹⁰ Joe Warminsky, "The \$1B IT Question About Healthcare.gov," RollCallTechnoCrat, May 21, 2014, at <http://blogs.rollcall.com/technocrat/the-1-billion-question-about-healthcare-gov/?dcz=>.

¹¹ Lon Safko, "How much did that new customer cost you?" Entrepreneur, Jan. 14, 2013 at <http://www.entrepreneur.com/article/225415>.

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