

GAO Highlights

Highlights of [GAO-15-312](#), a report to congressional committees

Why GAO Did This Study

The number of uninsured individuals and the rising cost of health insurance have been long-standing issues. PPACA mandated that most individuals have health insurance that provides minimum essential coverage or pay a tax penalty. To make health insurance more affordable and expand access, PPACA created the APTC to subsidize the cost of exchange plans' premiums for those eligible. PPACA used two standards for defining affordability of health insurance: 8 percent of household income for the purposes of minimum essential coverage and 9.5 percent for APTC eligibility for individuals offered employer-sponsored plans.

PPACA mandated that GAO review the affordability of health insurance coverage. GAO examined (1) what is known about the effects of the APTC and (2) the extent to which affordable health benefits plans are available and individuals are able to maintain minimum essential coverage. GAO conducted a structured literature search to identify studies on the rate of uninsured individuals, among other topics, and interviewed experts from HHS, the Internal Revenue Service (IRS), and 11 research and industry organizations to understand factors affecting affordability. GAO also analyzed the variation in the affordability of exchange plan premiums nationwide using 2014 data—the most recent data available at the time of GAO's analysis.

GAO received technical comments on a draft of this report from HHS and IRS and incorporated them as appropriate.

View [GAO-15-312](#). For more information, contact John E. Dicken at (202) 512-7114 or dickenj@gao.gov.

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PRIVATE HEALTH INSURANCE

Early Evidence Finds Premium Tax Credit Likely Contributed to Expanded Coverage, but Some Lack Access to Affordable Plans

What GAO Found

Early evidence suggests that the advance premium tax credit (APTC)—the refundable tax credit that can be paid on an advance basis—likely contributed to an expansion of health insurance coverage in 2014 because it significantly reduced the cost of exchange plans' premiums for those eligible. Although there are limitations to measuring the effects of the APTC using currently available data, surveys GAO identified estimated that the uninsured rate declined significantly among households with incomes eligible for the APTC. For example, one survey found that the rate of uninsured among individuals with household incomes that make them financially eligible for the APTC fell 5.2 percentage points between September 2013 and September 2014. This expansion in health insurance coverage is likely partially a result of the APTC having reduced the cost of health insurance premiums for those eligible. Among those eligible for the APTC who the Department of Health and Human Services (HHS) initially reported selected a plan through a federally facilitated exchange or one of two state-based exchanges, the APTC reduced premiums by 76 percent, on average. As of January 2015, data were not yet available on the extent to which the APTC reduced 2015 premiums, although studies have found that, on average, premiums (before applying the APTC) changed only modestly from 2014 to 2015, though some areas saw significant increases or decreases.

Most nonelderly adults had access to affordable health benefits plans—as defined by the Patient Protection and Affordable Care Act (PPACA)—but some may face challenges maintaining coverage. Most nonelderly adults had access to affordable plans through their employer, Medicaid, the exchanges, or other sources as of March 2014, although about 16 percent of nonelderly adults remained uninsured. While there are many reasons people remain uninsured, some people may not have access to affordable coverage, including (1) low-income nonelderly adults—those with household income below 100 percent of the federal poverty level—who live in one of the 23 states that chose not to expand Medicaid and (2) some nonelderly adults who do not have affordable employer-sponsored insurance and who were not eligible for the APTC. For those with incomes too high to qualify for the APTC, the affordability of health insurance coverage available in the individual exchanges in 2014 varied by age, household size, income, and location. For example, a 60-year-old with an income of 450 percent of the federal poverty level would have had to spend more than 8 percent of their household income for the lowest-cost plan in 84 percent of all health insurance rating areas in the United States, but a 27-year-old had access to an affordable plan in all but one. Regardless of the affordability of premiums, some may face challenges in maintaining coverage that qualifies under PPACA as minimum essential coverage; for example, changes in income can result in changes in APTC eligibility.

This report provides an early look at the effect of the APTC and the affordability of health insurance under PPACA. However, it is important to note that these findings about the first year of the exchanges cannot be generalized to future years. Numerous factors, including additional data and changes in trends in health care costs, could affect the affordability of health insurance going forward.