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Benefits of the Health Care Reform Law in the 32nd Congressional District of California

Committee on Energy and Commerce

Democratic Staff Report

On March 23, 2010, Congress passed and President Obama signed into law historic health care reform legislation: the Affordable Care Act. At the two-year anniversary of this landmark law, new data demonstrates the benefits that the law has already provided to seniors, young adults, small businesses, and many others in Rep. Judy Chu's district, the 32nd Congressional District of California. As a result of the law:

- **6,500 young adults** in the district now have health insurance.
- **3,500 seniors** in the district received prescription drug discounts worth $**1.6 million**, an average discount of $460 per senior.
- **46,000 seniors** in the district received Medicare preventive services without paying any co-pays, coinsurance, or deductibles.
- **23,000 children and 90,000 adults** now have health insurance that covers preventive services without paying any co-pays, coinsurance, or deductibles.
- **510 small businesses** in the district received tax credits to help maintain or expand health care coverage for their employees.
- **9,000 to 41,000 children** with preexisting health conditions can no longer be denied coverage by health insurers.

In addition, the consumer protection provisions of the Affordable Care Act have ended some of the worst abuses of health insurers. These provisions have helped protect 130,000 residents of the district from excessive rate increases by limiting the amount of money that health insurers can spend on administrative expenses and profits and requiring health insurers to post and justify rate increases of 10% or more; they have eliminated the threat of health coverage rescissions for more than 310,000 residents; and they have banned insurance companies from establishing lifetime coverage limits for 170,000 residents.

Starting in September of this year, health insurers and employers will be required to provide 310,000 district residents with an easy-to-understand summary of benefits and coverage under their health care plan, providing them with clear and consistent information so they can easily compare health care options. And when the health care reform law goes fully into effect, 98,000 residents who now lack health care coverage will have access to affordable coverage for the first time, and everyone in the district will be protected from discrimination by insurers based on a preexisting health condition.

Health Care Benefits in Rep. Chu's District

Health insurance coverage for young adults to age 26. Starting in September 2010, the Affordable Care Act required health insurers to permit parents to retain coverage for their children until they reach the age of 26. The result has been a significant increase in health insurance coverage for young adults, who have traditionally been the age group that is most likely to be uninsured. A new analysis by the Department of Health and Human Services found that the Affordable Care Act has allowed 2.5 million young adults nationwide to gain insurance coverage, reducing the percentage of young adults without coverage by nearly 25%. This report estimates that in Rep. Chu's district, 6,500 young adults have gained health care coverage because of the new Affordable Care Act provisions.

Prescription drug discounts for seniors. Beginning on January 1, 2011, the Affordable Care Act provided a 50% discount for prescription drugs for Medicare beneficiaries who enter the Medicare Part D "donut hole" and lose coverage for their drug expenses. The law increases the discount for brand and generic drugs for Medicare beneficiaries each year until 2020, when the donut hole is finally eliminated. Nationwide, more than 3.6 million seniors have already saved more than $2.1 billion on their prescription drugs since this provision went into effect, an average savings of $604 per person. This report calculates that in Rep. Chu's district, 3,500 seniors have saved $1.6 million in drug costs, an average savings of $460 per person.

Preventive care and services for seniors with no cost sharing. Beginning on January 1, 2011, the Affordable Care Act provided all Medicare beneficiaries with access to preventive care and services without any co-pay, coinsurance, or deductible. This change to Medicare has allowed more than 32.5 million seniors nationwide to take advantage of free preventive services. Available services include annual wellness visits, cholesterol and other cardiovascular screenings, mammograms, cervical cancer screenings, and colorectal and prostate cancer screenings, all of which are provided with no out-of-pocket cost to seniors. This report estimates that in Rep. Chu's district, 46,000 seniors have benefited from these free preventive services.

Preventive care and services for children and adults with no cost sharing. Beginning on September 23, 2010, the Affordable Care Act required new private insurance plans to cover preventive care services without any co-pay, coinsurance, or deductible. These insurance policies must cover services such as regular pediatrician visits for children; cholesterol and blood pressure screening for adults; flu shots and other immunizations; cancer screening like mammograms, pap smears, and colonoscopies; and many more. Nationwide, this change has allowed 54 million Americans to receive preventive services without cost-sharing. This report estimates that in Rep. Chu's district, 90,000 residents have benefited from this change, including 23,000 children, 33,000 women, and 86,000 residents who are African American, Latino, or a part of other minority groups for whom preventative care can reduce health disparities.

Tax credits for small businesses. Starting on January 1, 2010, the Affordable Care Act provided new tax credits to small businesses worth 35% or more of the cost of providing health insurance to their employees.[1] Nationwide, the IRS reported that 228,000 businesses used these tax credits in 2010. This report estimates that in Rep. Chu's district, there were an estimated 510 small businesses that used the tax credits in 2010.

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[1] The Affordable Care Act provides a 35% tax credit for coverage provided between 2010 and 2013 and a 50% tax credit for coverage provided from 2014 to 2020. The tax credit can be used in two of the years between 2010 and 2020.

Consumer Protection Benefits in Rep. Chu's District

Stopping abuses by health insurers. The Affordable Care Act ended the most egregious insurance company abuses. Under the Act, health insurers are barred from denying children insurance on the basis of pre-existing conditions like diabetes, heart disease, or cancer; they can no longer rescind coverage for individuals who become ill; and they are prohibited from imposing annual and lifetime limits on coverage. This report estimates that in Rep. Chu's district, there are 9,000 to 41,000 children with preexisting health conditions who are now protected against insurer denials; there are 310,000 residents with private health insurance coverage who are protected from rescission of their health coverage if they become ill; and there are 170,000 people in health care plans that previously imposed lifetime limits but are now prohibited from doing so.

Lowering health insurance costs. The Affordable Care Act protects individuals from soaring health insurance costs by requiring insurers to post and justify proposed rate increases of 10% or more. It also limits the amount that insurance companies can spend on administrative expenses and profits. This report estimates that in Rep. Chu's district, 130,000 residents who have individual coverage or employer coverage are benefitting from these provisions.[2]

Future Benefits in Rep. Chu's District

Starting in September of this year, all new individual and group health insurance policies will be required to provide consumers with an easy-to-understand summary of their health benefits and coverage, including a standardized "coverage examples" section that uses a format modeled on the nutrition facts label for food. The summaries will give the 310,000 district residents with private insurance clear, consistent, and comparable information about their health plans and the coverage they can expect to receive from these plans.

By 2014, virtually all of the important benefits of the Affordable Care Act will come into effect. Health insurers will be prohibited from discriminating against all adults and children with pre-existing conditions, which will protect the 100,000 to 280,000 individuals in the district with a pre-existing health condition. When the law is fully implemented, 98,000 residents who now lack health insurance will receive coverage for the first time. The 310,000 residents with private insurance coverage will no longer face annual limits on coverage. Residents of the district who buy their health insurance on the private market will be able to shop for health insurance in transparent and competitive marketplaces called exchanges, where insurers will be required to publish the prices and benefits of their policies in simple, plain language.

Along with all these benefits, the Affordable Care Act will reduce the federal deficit by more than $100 billion over the next decade and by more than $1 trillion in the decade after that.

This analysis is based upon the following sources: the U.S. Census (data on the number of small businesses, population of young adults, and insurance coverage); the Centers for Medicare and Medicaid Services (data on Medicare enrollment, Medicare preventive care utilization, and the number of seniors who entered the Part D donut hole); the Department of Health and Human Services (Affordable Care Act grants, estimates of coverage for young adults and the number of individuals in plans that receive new protections under the Affordable Care Act, and estimates of the number of individuals with preexisting conditions); the Internal Revenue Service (data on use of tax credits by small businesses in 2010), and the Kaiser Family Foundation's Employer Health Benefits Survey (data on employer based insurance coverage).

[2] The provision on administrative costs does not apply to self-insured employer plans, and this estimate does not include individuals in these types of plans.