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## Benefits of Health Care Reform in Los Angeles County

Prepared for Rep. Henry A. Waxman

Committee on Energy and Commerce, Democratic Staff

President Obama signed the Affordable Care Act into law in March 2010. This historic law eliminates the worst abuses of the health industry; it strengthens Medicare and provides new Medicare drug and preventive care benefits; it guarantees health insurance coverage for almost 30 million Americans; and it contains billions of dollars in tax credits to help small businesses and individuals afford health care coverage.

U.S. Representative Henry A. Waxman played a central role in the creation of this new law. At the time the Affordable Care Act was passed, Rep. Waxman was Chairman of the House Energy and Commerce Committee, which has the primary health care jurisdiction in the House of Representatives. Rep. Waxman was a leader as the bill moved through the House of Representatives and in the negotiations that resulted in its final passage. At his request, this report assesses the benefits the Affordable Care Act is providing to residents of Los Angeles County.

Starting on September 24, 2012, an important new benefit will begin. The new law requires health insurers and employers to give consumers an easy-to-understand summary of benefits and coverage under their health care plans, providing them for the first time with clear and consistent information so they can easily compare health care options. Consumers will begin receiving these summaries when they sign up for new coverage or renew their existing coverage. More than 4.7 million Los Angeles County residents will receive these consumer-friendly summaries.

Los Angeles residents have received many other benefits as a result of the law. Data on the benefits received by individual cities within Los Angeles County are attached as appendices to this report. The countywide benefits are significant:

- **240,000 young adults** in Los Angeles who would otherwise be uninsured now have health insurance through their parents' health care plans.
- **830,000 seniors** in Los Angeles received Medicare preventive services without paying any co-pays, coinsurance, or deductibles in 2011. So far in 2012, 540,000 Los Angeles seniors have benefited from these preventive services with no cost sharing.
- **76,000 seniors** in Los Angeles received new Medicare Part D prescription drug discounts worth more than \$41 million in 2011, an average discount of \$550 per senior. So far in 2012, more than 27,000 Los Angeles seniors have received prescription drug discounts.
- **1.3 million women** in Los Angeles can now receive preventive benefits such as well-woman visits, FDA-approved contraception, and gestational diabetes screenings at no charge.
- **580,000 children** with preexisting health conditions in Los Angeles can no longer be denied coverage by health insurers.
- **7,400 small businesses** in Los Angeles have received tax credits to help maintain or expand health care coverage for their employees.

- **\$127 million** in new funding has been given to community health centers, hospitals, doctors, and other Los Angeles County healthcare providers to improve the community's health.

In addition, the consumer protection provisions of the Affordable Care Act have ended some of the worst abuses of health insurers. These provisions have protected 2.2 million Los Angeles residents 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 justify rate increases of 10% or more; they have eliminated the threat of health coverage rescissions for 4.7 million Los Angeles residents; and they have banned insurance companies from establishing lifetime coverage limits for 2.9 million Los Angeles residents.

When the health care reform law goes fully into effect, more than 2.1 million people in Los Angeles County who now lack health care coverage will have access to affordable coverage for the first time, and every American will be protected against discrimination by insurers based on a preexisting health condition.

### **New Health Insurance Summaries**

Beginning on September 24, 2012, all 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 4.7 million Los Angeles residents with private insurance clear, consistent, and comparable information about their health plans and the coverage they can expect to receive from these plans. Health insurers and employers will provide these new consumer-friendly summaries whenever individuals and families sign up for new coverage or renew their existing coverage.

### **Health Care Benefits**

**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. In Los Angeles County, 240,000 young adults who would have otherwise been uninsured now have insurance coverage because of the Affordable Care Act.

**Medicare preventive care for seniors with no cost sharing.** Beginning on January 1, 2011, the Affordable Care Act provided all Medicare beneficiaries with access to preventive care without any co-pay, coinsurance, or deductible. This change to Medicare allowed more than 830,000 seniors in Los Angeles County to take advantage of free preventive services in 2011, with 540,000 seniors benefiting so far in 2012. 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.

**Prescription drug discounts for seniors.** Beginning on January 1, 2011, the Affordable Care Act provided a 50% discount on name-brand 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. In Los Angeles County in 2011, more than 76,000 seniors saved more than \$41 million on prescription drugs because of the Affordable Care Act, an average savings of \$550 per person. So far in 2012, more than 27,000 Los Angeles seniors have received prescription drug discounts.

**Guaranteed preventive health services for women with no cost sharing.** Beginning on August 1, 2012, the Affordable Care Act required new private insurance plans to provide coverage and eliminate cost sharing for preventive health services recommended specifically for women. Insurance policies must now offer well-woman visits, screening for gestational diabetes, HPV DNA testing, domestic violence screening and counseling, HIV screening and counseling for sexually transmitted infections, breastfeeding supplies, FDA-approved contraceptive methods, and family planning counseling with no cost sharing. In Los Angeles County, more than 1.3 million women are now benefiting from these free preventive services.

**Preventive care and services for privately insured children and adults with no cost sharing.** Beginning on September 23, 2010, the Affordable Care Act required new private insurance plans to provide coverage and eliminate cost sharing for preventive health services recommended for children and the general adult population. New insurance policies must cover services such as regular pediatrician visits for children; cholesterol and blood pressure screening for adults; flu shots and other immunizations; and cancer screening like mammograms, pap smears, and colonoscopies with no cost sharing. In Los Angeles County, 1.5 million children and adults are benefitting from these free preventive services.

**Guaranteed coverage for children with pre-existing conditions.** On the day it became law, the Affordable Care Act immediately barred health insurers from denying children insurance on the basis of pre-existing conditions like diabetes, heart disease, or cancer. There are 580,000 children in Los Angeles County with preexisting health conditions who are now protected against insurer denials.

### **New Consumer Protection Benefits**

**Stopping abuses by health insurers.** The Affordable Care Act ended the most egregious insurance company abuses. Under the Act, health insurers are prohibited from imposing lifetime limits on coverage; they are also barred from rescinding coverage when an individual becomes ill. In Los Angeles County, there are 2.9 million residents in health care plans that previously imposed lifetime limits but are now prohibited from doing so. All 4.7 million county residents with private health insurance coverage are protected from rescission of their health coverage if they become ill.

**Lowering health insurance costs.** The Affordable Care Act protects individuals from soaring health insurance costs by requiring insurers to justify proposed rate increases of 10% or more. It also limits the amount that insurance companies can spend on administrative expenses and profits, requiring them to pay rebates if they exceed the limits. In Los Angeles County, 2.2 million residents with individual coverage or employer coverage are protected by these provisions. This year, 1.9 million Californians received nearly \$74 million in rebates from insurance companies. An estimated 475,000 Los Angeles residents received \$18.5 million in rebates because of this provision.<sup>1</sup>

### **New Benefits for Businesses and Health Care Providers**

**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.<sup>2</sup> In Los Angeles County, 7,400 businesses, employing more than 40,000 people, benefited from these new tax credits in the 2010 tax year.

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<sup>1</sup> 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.

<sup>2</sup> 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.

**Grants for health care providers.** The Affordable Care Act has funded \$127 million in grants to support public health and healthcare providers in Los Angeles County. These grants support community health centers, the development of innovative, cost-saving health care delivery systems, training for doctors, nurses, and other health professionals, and other important public health priorities.

### Future Benefits

By 2014, virtually all of the important benefits of the Affordable Care Act will be fully in effect. Health insurers will be prohibited from discriminating against adults and children with pre-existing conditions, which will protect the 1.8 million Los Angeles residents under 65 with pre-existing health conditions. When the law is fully implemented, 2.2 million Los Angeles residents who now lack health insurance will have access to coverage for the first time. The 4.7 million county residents with private insurance coverage will no longer face annual limits on coverage. Every Los Angeles consumer who purchases 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.

### Appendices

Appendices to this report provide information on the benefits of health reform in the 67 cities within Los Angeles County for which data is available. An additional appendix provides a list of the health care providers that have received grants under the Affordable Care Act.

*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 and the number of individuals in plans receiving new protections under the Affordable Care Act); the Internal Revenue Service (data on use of tax credits by small businesses in 2010); the Commonwealth Fund (data on newly insured young adults); Families USA (data on individuals with pre-existing conditions in California); and the Kaiser Family Foundation's Employer Health Benefits Survey (data on employer based insurance coverage and grandfathered health plans).*