



MARCH 2017

# HEALTH BRIEF: Higher Prices for Three North Carolina Families under GOP Health Care Affordability Plan

The Republican Congress’ plans to repeal and replace the Affordable Care Act (ACA) have started to come into focus following the release of a policy brief<sup>1</sup> and the leak of draft legislative language.<sup>2</sup> Their proposal would eliminate the ACA’s premium tax credits and replace them with flat tax credits, which would operate like a voucher, for people buying their own insurance. These changes are important for people in our state, as 499,178 North Carolinians enrolled in a plan with financial help from the ACA’s premium tax credits in 2016.

## The GOP “Universal Health Care Tax Credit”

There are a few general similarities between the proposed GOP credit and ACA’s premium tax credit. The GOP universal health care tax credit would also be an advanceable, refundable tax credit used toward reducing premiums of private plans, and it would be available only to consumers who are not eligible for coverage through an employer or a public program.

Where the ACA and the GOP proposal diverge in dramatic ways is in how the size of an individual’s tax credit would be calculated. The universal health care tax credit is adjusted for age. However, the tax credit is not adjusted for other important factors.

First, **there is no income test for eligibility, nor is there any tax credit size adjustment for income.** Similarly, the size of an individual’s credit does not vary according to family size.

Second, **the tax credit does not adjust for the costs of plans available to the consumer.**

Under a leaked Republican legislative proposal, the annual tax credit amounts would be as follows:

- \$2,000 for individuals under age 30
- \$2,500 for individuals ages 30-39
- \$3,000 for individuals ages 40-49
- \$3,500 for individuals ages 50-59
- \$4,000 for individuals aged 60 and older<sup>3</sup>

### ● Bob and Miranda Williams, Gaston County

#### UNDER THE AFFORDABLE CARE ACT

Bob, 60, and Miranda, 57, are a married couple living in Gaston County. They make \$28,000 a year. With their income and household size of two, the Williams family live at approximately 172 percent of the poverty line. As a result, their expected contribution under the Affordable

Table 1: Bob and Miranda Williams’ Premium Costs & Premium Tax Credit under the Affordable Care Act

	Monthly	Annual
Expected contribution	N/A	5.1% of annual income
Gross premium cost	\$2,296.78	\$27,561.36
Premium tax credit amount	\$2,177.78	\$26,133.36
Net premium cost	\$119	\$1,428

For more information, contact:

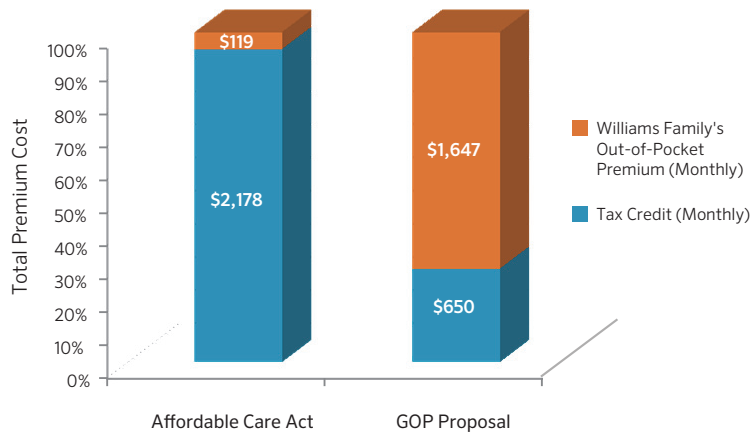
**BRENDAN RILEY**  
Policy Analyst  
brendan@ncjustice.org  
(919) 861-2074



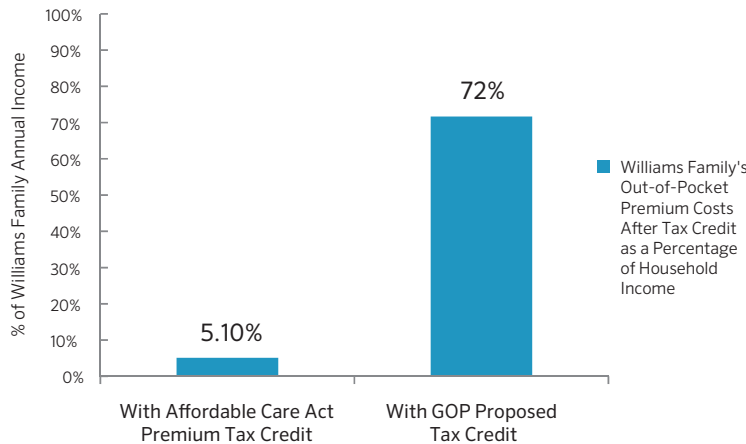
P.O. Box 28068  
Raleigh, NC  
27611-8068

[www.ncjustice.org](http://www.ncjustice.org)

**Share of Benchmark Premium Costs Covered by Tax Credit**



**Williams Family's Out-of-Pocket Benchmark Premium Costs as a Percentage of Income**



Care Act is 5.1% of their income.<sup>4</sup> In other words, they should pay no more than \$1,428 a year—or \$119 a month—toward the cost of the benchmark plan.

In Gaston County, the second-lowest cost silver (benchmark) plan on the marketplace is Blue Local Silver Enhanced 800, a plan offered by Blue Cross Blue Shield of NC. Even with the ACA’s cap on age-rating, their gross monthly premium for this plan would be \$2,296.78, resulting in a whopping \$27,561.36 yearly premium—practically their entire annual income.<sup>5</sup>

However, because their annual expected contribution is \$1,428, the marketplace provides them a premium tax credit (\$26,133.36) to make up the difference. As a result, the premium for this plan comes down from \$2,296.78 each month to \$119 per month. They could also use this tax credit to reduce the cost of other plans, including Blue Local Bronze 7150 to \$0/month, Blue Advantage Bronze 7150 to \$5/month, Blue Local Silver Enhanced 1000 to \$85/month, or their other options (including Gold plans).

**UNDER THE GOP HEALTH CARE PROPOSAL**

Under the GOP proposal, the Williams family would receive a flat

credit slightly adjusted for their ages (60 and 57 years old) that would provide the family with only \$7,500 a year (\$625 a month) toward the cost of a health insurance plan. The GOP tax credit would leave the family with a monthly bill of \$1,647, or 71.7% of the benchmark premium.

**Table 2: Bob and Miranda Williams’ Monthly Benchmark Plan Premium Costs & Tax Credit: ACA vs. GOP Proposal**

	ACA	GOP Proposal	Difference Under GOP Proposal Relative to ACA
Gross premium cost	\$2,296.78	\$2,296.78	+0
Tax credit amount	\$625	\$2,177.78	(-\$1,552.78)
Net premium cost	\$1,671.78	\$119	<b>+\$1,552.78</b>

Whereas under the ACA the Williamses must pay 5.10% of their income toward benchmark plan premiums, the GOP tax credit proposal would require them to pay 71.66% of their income toward premiums.

● *Jessie Bates, Orange County*

**UNDER THE AFFORDABLE CARE ACT**

Jessie Bates, 33, is a single mother of two children. She makes roughly \$26,000 per year as a hairdresser. Because she supports and claims her children on her tax return, her income and household size of three put her at roughly 129% of poverty, making her children eligible for Medicaid. Her expected contribution for her own coverage on the marketplace is 2.03% of her income, or \$527.80 a year.<sup>6</sup>

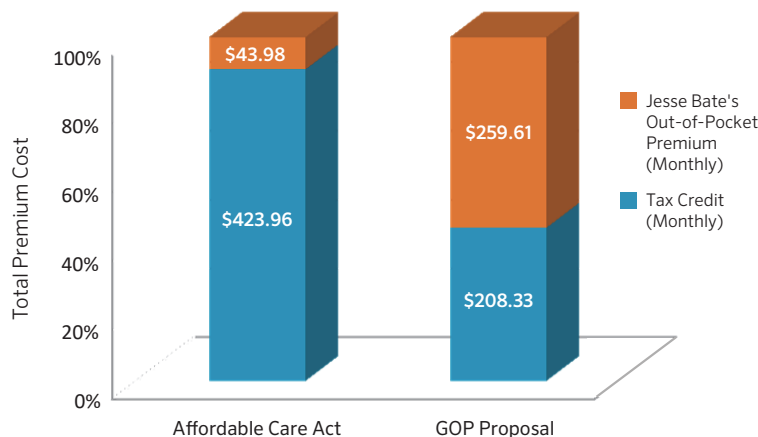
**Table 3: Jessie Bates' Premium Costs & Premium Tax Credit under the Affordable Care Act**

	Monthly	Annual
Expected contribution	N/A	5.1% of annual income
Gross premium cost	\$467.94	\$27,561.36
Premium tax credit amount	\$423.96	\$26,133.36
Net premium cost	\$43.98	\$1,428

**Table 4: Jessie Bates' Monthly Benchmark Plan Premium Costs & Tax Credit: ACA vs. GOP Proposal**

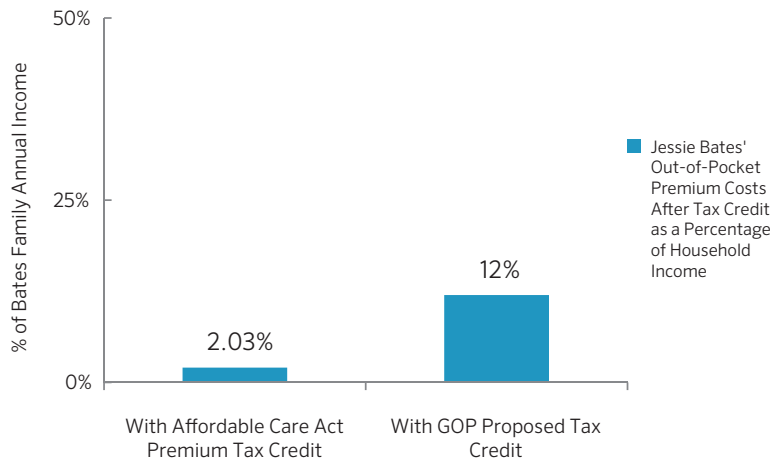
	ACA	GOP Proposal	Difference Under GOP Proposal Relative to ACA
Gross premium cost	\$467.94	\$467.94	+0
Tax credit amount	\$423.96	\$208.33	(-\$215.63)
Net premium cost	\$43.98	\$259.61	<b>+\$215.63</b>

**Share of Benchmark Premium Costs Covered by Tax Credit**



The second-lowest cost Silver plan available to her is the Blue Local Silver Enhanced 500 sold by Blue Cross Blue Shield of NC, which has a total annual premium of \$5,615.28, or roughly \$468 per month.<sup>7</sup> Due to her income, she qualifies for a tax credit of \$5,087.48, or roughly \$424 per month. Thanks to the purchasing power of the premium tax credit, she can purchase bronze plans from either

**Bates Family’s Out-of-Pocket Benchmark Premium Costs as a Percentage of Income**



Blue Cross or Cigna for \$0 monthly premiums; she can also select the lowest-cost silver plan available, the Cigna Connect Silver 100-4, for a \$0 net premium.

**UNDER THE GOP HEALTH CARE PROPOSAL**

Under the GOP tax credit, Jessie would receive a flat credit slightly adjusted for her age (33 years old). That tax credit would provide only \$2,500 a year, or \$208.33 a month, toward the cost of a health insurance plan, leaving Jessie to contend with the remainder of the benchmark premium: \$259.61 per month.

● **Steven, Amy, Mason, and Emma Buckner, Guilford County**

**UNDER THE AFFORDABLE CARE ACT**

Steven and Amy Buckner, both 35-years-old, are parents to Mason, 5, and Emma, 2, and they live in Greensboro. Steven is an independent contractor, while Amy takes care of their young children. Through his work, Steven makes about \$65,000 annually. With that income and a household size of four, the Buckner family lives at 264% of the federal poverty level. Neither of the children can qualify for public coverage at this income, so they purchase health coverage through the individual insurance market. The expected contribution for her the family’s coverage on the marketplace is 8.59% of their income, or \$5,583.50 a year (\$465.29 per month).<sup>8</sup>

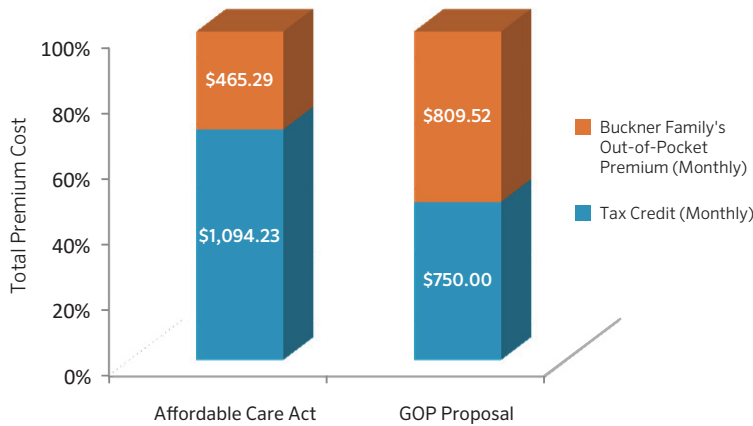
**Table 5: Buckner Family’s Premium Costs & Premium Tax Credit under the Affordable Care Act**

	Monthly	Annual
Expected contribution	N/A	8.59% of annual income
Gross premium cost	\$1,559.52	\$18,714.24
Premium tax credit amount	\$1,094.23	\$13,130.74
Net premium cost	\$465.29	\$5,583.50

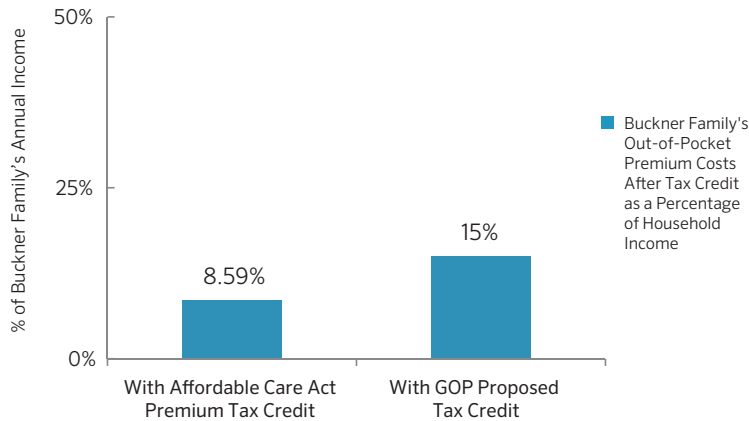
**Table 6: Bucker Family’s Monthly Benchmark Plan Premium Costs & Tax Credit: ACA vs. GOP Proposal**

	ACA	GOP Proposal	Difference Under GOP Proposal Relative to ACA
Gross premium cost	\$1,559.52	\$1,559.52	+0
Tax credit amount	\$1,094.23	\$750	(-\$344.23)
Net premium cost	\$465.29	\$809.52	<b>+\$344.23</b>

**Share of Benchmark Premium Costs Covered by Tax Credit**



**Buckner Family's Out-of-Pocket Benchmark Premium Costs as a Percentage of Income**



The benchmark plan to cover all four members of the Buckner family in Guilford County is the Blue Advantage Silver 5000 sold by Blue Cross Blue Shield of NC, which has a total annual premium of \$18,714.24, or \$1,559.52 per month.<sup>9</sup> Due to their income, the Buckners qualify for a tax credit of \$13,130.74, or \$1,094.23 per month. Thanks to the purchasing power of the premium tax credit, they can purchase a Bronze plan for between \$210 and \$254 per month. They can also select the lowest-cost silver plan available, the Blue Select 5000, for a \$417 monthly premium.

**UNDER THE GOP HEALTH CARE PROPOSAL**

Under the GOP tax credit, the Buckners would receive a flat credit slightly adjusted for their ages, providing \$9,000 a year, or \$750 per month, toward the cost of a health insurance plan, leaving them to contend with the remainder of the benchmark premium: \$809.52 per month.

Whereas under the ACA the Buckners must pay 8.59% of their income toward benchmark plan premiums, the GOP tax credit proposal would require them to pay 14.94% of their income toward premiums.

1. "Obamacare Repeal and Replace: Policy Brief and Resources." February 2017. <http://static.politico.com/0b/25/a498c2ab47b584ef53e8e72149f6/healthcare-policy-brief.pdf>
2. Paul Demko. "Exclusive: Leaked GOP Obamacare replacement shrinks subsidies, Medicaid expansion." Politico. February 24, 2017. <http://www.politico.com/story/2017/02/house-republicans-obamacare-repeal-package-235343>
3. Ibid.
4. See Table 2. Applicable Figure, page 8, "2016 Instructions for Form 8962: Premium Tax Credit (PTC)." Department of the Treasury. Internal Revenue Service. <https://www.irs.gov/pub/irs-pdf/i8962.pdf>
5. Plan information and gross premium quote pulled from the federally facilitated marketplace's see plans tool (<https://www.healthcare.gov/see-plans>) for 2017 after entering in demographic information about hypothetical household. In order to find exact expected contribution level, we pulled from the 2016 Form 8962 instructions; therefore, we calculated the adjusted premium tax credit amount for 2017 manually rather than pull from HealthCare.gov's estimate (which uses 2017 expected contribution levels, which the author did not have easy access to at the time of writing this analysis).
6. "2016 Instructions for Form 8962: Premium Tax Credit (PTC)."
7. <https://www.healthcare.gov/see-plans>
8. "2016 Instructions for Form 8962: Premium Tax Credit (PTC)."
9. <https://www.healthcare.gov/see-plans>