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PARTICIPANT-DIRECTED SERVICES

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HEALTH INSURANCE FOR DIRECT CARE WORKERS: A COST COMPARISON OF THE HEALTH INSURANCE MARKETPLACE WITH EMPLOYER-OFFERED INSURANCE

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A Cost Comparison of the Health Insurance Marketplace with Employer-Offered Insurance

The National Resource Center for Participant-Directed Services (NRCPDS) & Financial Management Services (FMS) Membership

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Executive Summary:

This brief provides information regarding the cost of health insurance available to employees in programs that offer participant direction options. It gives an overview of the choices available to employees for obtaining health insurance through Medicaid and the Health Insurance Marketplace, as well as a comparison of those options with the cost of an employer-provided group health plan that meets affordability standards. The analysis might be particularly relevant to participants and providers in Fiscal/Employer Agent programs, because participant employers are not subject to penalties under the Affordable Care Act if they do not offer health insurance to their employees, and therefore participant employers have a choice between offering a group plan to caregiver employees or allowing them to purchase subsidized insurance on the Marketplace.

In many cases the insurance an employer could offer will actually cost the employees more than similar subsidized insurance the employee could purchase on the Marketplace. Since employees who are offered affordable insurance by their employers become ineligible for subsidies, employers should carefully consider the cost to employees before deciding to offer a health plan. Cases that favor an employer plan include: when the employer has at least fifty full-time equivalent employees and the penalties for not offering insurance are greater than the cost of insurance; when the employer's state has declined the ACA's expansion of Medicaid; when employees have household income that exceeds the subsidy eligibility cap; or if the employer is able to subsidize premiums substantially beyond the required minimum, as may be the case in states where the Medicaid program or an MCO provides additional funding for the specific purpose of providing insurance.

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1. Introduction

This brief provides information regarding the cost of health insurance available to employees in programs that offer participant direction options. The cost analysis applies in both the Agency with Choice (AwC) and Fiscal/Employer Agent (F/EA) models of participant direction. The analysis provides a comparison between the potential cost to employees of employer-provided coverage versus policies employees can buy individually in the Health Insurance Exchange or Marketplace (Marketplace). Medicaid eligibility is also addressed. The cost comparison shows that insurance purchased in the Marketplace can be more cost-effective for low-income employees than being offered employer-provided insurance. Participants in F/EA programs should find this information particularly relevant because they are not required to provide health insurance to caregiver employees and therefore have a choice between offering an employer plan and letting caregivers purchase an individual plan.

2. Analysis

After the changes introduced by the Affordable Care Act (ACA), some employees will have new options for obtaining health insurance. Employees with household incomes below 138% of the Federal Poverty Level (FPL) who live in states that adopted the Medicaid expansion can be covered by Medicaid (regardless of whether they are offered the option to sign up for a group health plan by their employer). Employees who are not Medicaid eligible and have household incomes between 100% and 400% of FPL will be eligible for receiving subsidies towards the purchase of an individual plan on the Health Insurance Marketplace (Marketplace), but only if they are not offered an employer-provided plan that meets affordability and minimum value standards. Any employee may sign up for an unsubsidized plan on the Health Insurance Marketplace regardless of income level or the coverage provided at work.

The following tables compare the cost of health insurance bought on the Marketplace by an employee who is not eligible for employer-provided insurance, with the maximum cost that can be charged to the employee by an employer for health insurance that meets affordability guidelines under the Affordable Care Act (ACA).

An employer-provided plan is considered affordable if the cost that the employee pays for self-only coverage is less than 9.5% of the employee's household income. For an individual with a family size of one and who is eligible for subsidies, the cost of a subsidized bronze- or silver-level Marketplace plan will always be less than 9.5% of his income. If the employee's income is high enough that the employee becomes ineligible for subsidies due to exceeding the income threshold, then the average cost across the U.S. of an unsubsidized bronze- or silver-level Marketplace plan will still be less than 9.5% of that employee's income. The actual cost of an unsubsidized plan will vary from the U.S. average depending on the Marketplace plans offered in each state.

The calculations are performed based on various hourly wage rates because federal subsidies vary with income. The first table assumes an annual income based on a 30-hour workweek (the threshold for a full-time employee under the ACA), and the second table assumes a 40-hour workweek.

The estimates in the following tables are based on a single worker with no dependents, aged 42[1], who does not use tobacco. Family size and total family income can affect subsidy eligibility because the Federal Poverty Levels are based on both measures. Tobacco use can increase premiums because insurers are allowed to impose a tobacco surcharge that is not covered by subsidies.

The cost of Marketplace plans varies from state to state based on the offers available in each market. However, if an individual receives subsidies, the cost that is paid by that individual will be the same across states because the subsidies will cover the cost difference. The difference between the costs of insurance across markets becomes relevant only if the insured is not eligible for subsidies, and in those cases the tables use the national average[2] to estimate the cost of insurance.

The tables also take into consideration whether employees would be eligible for Medicaid in states that expand Medicaid coverage. Unlike subsidies for purchasing insurance on the Marketplace, Medicaid eligibility is not affected by the availability of employer-provided insurance. The figures show that health insurance bought on the Marketplace with federal subsidies can be more cost effective to the employee than employer-provided insurance, if the employee's share for the cost of employer-provided insurance is the maximum allowed by affordability guidelines. Employers in F/EA programs, who are not required by the ACA to offer health insurance, should be aware that by choosing to offer health insurance they might render their lower income employees ineligible for subsidies that may be more advantageous than employer-provided insurance. This is because an employee who has access to employer-provided insurance that is deemed affordable to that employee is ineligible for federal subsidies. Therefore, some employees might prefer to not be offered health insurance by their employers in order to preserve their eligibility for federal subsidies.

For example, a direct care worker who is paid $11.00 per hour and works 30 hours per week, and who is not offered insurance by her employer, will be eligible to buy subsidized insurance from the Marketplace at the cost of $105 per year for a bronze plan and $680 per year for a silver plan. However, if that worker is offered insurance by her employer, the worker will lose eligibility for the Marketplace subsidy so long as the employer's plan costs the worker no more than $1,630 per year, or 9.5% of the worker's income. Therefore, an employer who offers a health insurance plan that costs more than a Marketplace subsidized plan but no more than the maximum amount

[1] This figure was chosen because it is the average age of direct care workers in the United States based on data from 2011. See: http://phinational.org/sites/phinational.org/files/phi-facts-3.pdf
[2] Based on figures provided by the Kaiser Family Foundation.

of $1,630 per year is actually putting the worker at a disadvantage in terms of the cost of insurance. The worker would probably prefer to not be offered an employer plan in that case and instead maintain eligibility for Marketplace subsidies.

On the other hand, there are cases in which employer-provided insurance might be more advantageous for employees than a Marketplace plan. For instance, employer-provided insurance can be more cost effective even for low-income employees if the employer covers more of the cost than the minimum required by the affordability standard. Also, subsidies are calculated based on total family income. This means that low-income employees with a high family income may not be eligible for subsidies and may find employer-provided insurance to be more advantageous. Employees who are rendered ineligible for subsidies because they are covered under a family member's plan may also find their own employer's plan to be more cost-effective, because the affordability protections only extend to an employer's own employees and not to the cost of family coverage. Another factor to consider is that in states that do not expand Medicaid, employees with incomes below 100% of the FPL may be ineligible for Medicaid and will also be ineligible for Marketplace subsidies. Employers operating in non-expanding states should be aware that employees who fall into this Medicaid-Marketplace gap will benefit from having affordable health insurance offered by their employer. There are also tax benefits to employees for buying health insurance through their employers, because the employee's share of the premium of employer-sponsored plans is paid with pre-tax earnings, whereas the premium for a Marketplace plan is paid with after-tax earnings. Finally, our comparison does not take into account plan features. Employees might prefer an employer-offered health plan if that plan has better coverage or features than the Marketplace plans.

While small employers will have a choice between providing health insurance to their employees, large employers (such as large AwC providers) may have to offer insurance even if employees would have been better off if they had not been offered such insurance. This is because the employer mandate subjects large employers to penalties if they do not offer affordable minimum value insurance to their employees. Participants in F/EA will not be subject to penalties because a participant is unlikely to be a large employer. However, agencies operating under the Agency with Choice model are large employers if they have at least 50 full-time equivalent workers, and will therefore be subject to penalties if they do not offer affordable minimum value insurance to all of their full-time employees including caregivers.[3]

The above factors should be taken into account by employers before choosing whether to offer insurance. Small employers may wish to confer with employees about their preferences and options before deciding whether to offer a health insurance plan. If some employees would benefit from the offer of health insurance while others would risk losing subsidies through the exchange, employers will need to weigh the overall consequences.

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[3] For further guidance on the ACA employer mandate and associated penalties, see our previous issue brief: *The Affordable Care Act in Participant Direction: Understanding Employer Responsibilities.* For copies please contact NRCPDS at membership@participantdirection.org.

3. Cost Comparison Tables

Table 1: *Cost of insurance for a single employee with no dependents, aged 42 and not a tobacco user, working 30 hours per week (the threshold to be considered a full-time employee under the ACA), based on hourly wages.*

Hourly Wage	Yearly Income at 30 hours/week	Medicaid Eligible in Expanding States[4]	Yearly Cost of Insurance Purchased on the Marketplace (Bronze Plan)	Percent of Household Income Equivalent to the Cost of the Bronze Plan	Yearly Cost of Insurance Purchased on the Marketplace (Silver Plan)	Maximum Yearly Cost to Employee of Affordable Employer-Provided Insurance (9.5% of Income)
$7.25[5]	$11,310	Yes	$2,784 **Not eligible for subsidies.[6]**	%24.62	$3,359 **Not eligible for subsidies.**	$1,074
$7.49[7]	$11,684	Yes	**$0**	0.00%	**$234**	$1,110
$8.00	$12,480	Yes	**$0**	0.00%	**$250**	$1,186
$9.00	$14,040	Yes	**$0**	0.00%	**$281**	$1,334
$10.00	$15,600	Yes	**$0**	0.00%	**$493**	$1,482
$10.32[8]	$16,099	Yes	**$0**	0.00%	**$551**	$1,529
$11.00	$17,160	No	**$105**	0.61%	**$680**	$1,630
$12.00	$18,720	No	**$285**	1.52%	**$860**	$1,778
$13.00	$20,280	No	**$483**	2.38%	**$1,058**	$1,927
$14.00	$21,840	No	**$701**	3.21%	**$1,276**	$2,075
$15.00	$23,400	No	**$929**	3.97%	**$1,504**	$2,223
$17.00	$26,520	No	**$1,382**	5.21%	**$1,957**	$2,519
$20.00	$31,200	No	**$2,131**	6.83%	**$2,706**	$2,964

[4] Medicaid eligibility is not affected by whether an employee is offered an employer-provided health plan or not. Individuals eligible for Medicaid are not eligible for Marketplace subsidies.
[5] Minimum federal wage.
[6] The worker's income is below the Federal Poverty Level (FPL) for 2014. Only persons with incomes at the FPL or above are eligible for subsidies for buying health insurance on the Marketplace.
[7] This hourly wage puts a worker just above the FPL when working 30 hours/week. The FPL for a single person with no dependents for 2014 is $11,670.
[8] This hourly wage is just below the threshold at which the worker will become ineligible for Medicaid in expanding states, assuming a 30 hour workweek. The Medicaid eligibility threshold in expanding states is $16,105, which is 138% of the FPL.

Table 2: *Cost of insurance for a single employee with no dependents, aged 42 and not a tobacco user, working 40 hours per week, based on hourly wages.*

Hourly Wage	Yearly Income at 40 hours/week	Medicaid Eligible in Expanding States?	Yearly Cost of Insurance Purchased on the Marketplace (Bronze Plan)	Percent of Household Income Equivalent to the Cost of the Bronze Plan	Yearly Cost of Insurance Purchased on the Marketplace (Silver Plan)	Maximum Yearly Cost of Affordable Employer-Provided Insurance (9.5% of Income)
$7.25	$15,080	Yes	**$0**	0.00%	**$302**	$1,433
$7.49	$15,579	Yes	**$0**	0.00%	**$491**	$1,480
$8.00	$16,640	No	**$40**	0.24%	**$615**	$1,581
$9.00	$18,720	No	**$285**	1.52%	**$860**	$1,778
$10.00	$20,800	No	**$554**	2.66%	**$1,129**	$1,976
$10.32	$21,466	No	**$647**	3.01%	**$1,222**	$2,039
$11.00	$22,880	No	**$857**	3.75%	**$1,432**	$2,174
$12.00	$24,960	No	**$1,148**	4.60%	**$1,723**	$2,371
$13.00	$27,040	No	**$1,463**	5.41%	**$2,038**	$2,569
$14.00	$29,120	No	**$1,798**	6.17%	**$2,373**	$2,766
$15.00	$31,200	No	**$2,131**	6.83%	**$2,706**	$2,964
$17.00	$35,360	No	**$2,784***	7.87%	**$3,359***	$3,359
$20.00	$41,600	No	**$2,784***	6.69%	**$3,359***	$3,952

Note: The amounts marked with (*) are based on the U.S. average cost of health insurance plans, and will vary from state to state because the federal subsidies are no longer available at the corresponding income level.

4. Conclusion

Employees who are eligible for federal subsidies may find it more cost effective to buy health insurance individually on the Marketplace, rather than to be covered by an employer policy if the employee is required to contribute the maximum amount allowed by affordability standards for employer-provided insurance. If some employees are eligible for subsidies while others are not, then an offer of employer-provided insurance might be advantageous to some employees and not to others, depending on the cost and features of the group health plan.

Employers may want to take this analysis into account before making a decision on whether to offer health insurance. In particular, participant employers in F/EA programs who are not required to offer insurance should consider that the individual Health Insurance Marketplace can be a more advantageous option for some employees. Employers who do not offer an employer-sponsored health plan may, of course, plan to advise their workers on how to obtain individual coverage on the Marketplace or through Medicaid.

The cost comparison also shows that low-income employees in F/EA programs will not necessarily be disadvantaged compared to employees in Agency with Choice programs, even though Agency with Choice employers are required to offer health insurance to their employees, while participants in F/EA programs are not. In fact, depending on the size of the employer's contribution towards the cost of health insurance, employer-provided insurance can be less advantageous to employees than insurance bought on the Marketplace for employees who are eligible for federal subsidies. Therefore, we believe that there may be reasonable options for health coverage available for the employees of participants in F/EA programs, and thus both the F/EA model and the Agency with Choice model will continue to be viable options in participant direction.