

Private health insurance available through Covered California could cost more than some people living with HIV/AIDS can afford, undermining an important HIV prevention strategy: adherence to medication and engagement in care.

Question:

Californians living with HIV/AIDS who get their health care through the federal Ryan White program will be advised to enroll, if they are eligible, into private health insurance. How much will the new coverage cost these individuals, and could this cost be a barrier to care?

People living with HIV/AIDS (PLWHA) who adhere to their drug regimens can reduce their viral load to undetectable levels, making them less likely to transmit HIV, and creating a public health imperative to reduce barriers to care and treatment for PLWHA.

Executive Summary

Over 5,500 Californians living with HIV/AIDS access medical care and drug treatment at little or no cost through the Ryan White Program. They will be newly-eligible for coverage offered through California's health insurance exchange, Covered California, beginning January 2014. Individuals who choose a private plan offered through the exchange will need to consider a number of factors including care providers, drug coverage, access to treatment, and cost. Federal and state financial assistance will help many of these individuals cover some or all of the out-of-pocket costs associated with the Covered California plans. However, many will face higher

costs in private health plans than they do currently in the Ryan White program.

Cost may not solely determine whether PLWHA enroll into a health plan offered through Covered California, but it will be a major factor and a potential obstacle to enrollment and care, and is consequently the subject of this analysis.

Many Californians who earn below 400% of the Federal Poverty Level (FPL) will be eligible for some federal premium assistance and cost-sharing reductions – often in the form of tax credits– in Covered California plans. PLWHA will also qualify for the California Office of AIDS' (OA) Health Insurance Premium Payment (OA-HIPP) program. OA-HIPP covers the cost of premiums up to approximately \$1,900 per month. All health insurance premiums available through Covered California will be below \$1,900/month. As a result the Covered California premiums should be cost-free for all eligible PLWHA who enroll into private plans in the exchange.

OA-HIPP does not cover all the out-of-pocket co-pays and deductibles associated with these plans. OA's AIDS Drug Assistance Program (ADAP) will cover co-pays and deductibles for medications included in the ADAP drug formulary. These are primarily HIV-related medications and they may account for a significant portion of PLWHA's out-of-pocket expenses. However, individual enrollees will remain responsible for possibly very

high co-pays and deductibles for drugs that are not included in the ADAP formulary and for both HIV- and non-HIV-related care -- for instance, hospitalizations, laboratory tests, medical visits, etc.

While California's 5,500 eligible PLWHA will not have to pay costly monthly premiums, thanks to the OA-HIPP program, their other out-of-pocket costs may be more than their limited incomes can bear. PLWHA are more likely to have hospitalizations, comorbidities, and other medical needs related to their HIV status. They may also be living with other non-HIV related conditions, especially since the population of PLWHA in California and the U.S. is aging (the Centers for Disease control estimates that in two years over half of PLWHA in the U.S. will be over 50).

These same individuals could decide not to enroll in the health plans offered through Covered California and instead remain in the Ryan White Program. Either way, they will still incur increased costs. Health coverage is mandated under the Affordable Care Act (health care reform) and individuals choosing to remain in the Ryan White Program will face the same tax penalties as anyone else who remains uninsured by choice, since Ryan White is not considered health insurance under the individual mandate of coverage in the Affordable Care Act. Therefore, these PLWHA will either pay out-of-pocket expenses in private insurance or pay tax penalties for not enrolling into Covered California.

What we found

Using three hypothetical case studies, this analysis arrives at two key findings that may inform Office of AIDS policies on OA-HIPP and the transition of ADAP clients into Covered California:

- For anyone earning more than 200% of the Federal Poverty Level (FPL) who also qualifies for OA-HIPP, the best-available option to reduce their annual out-of-pocket costs is enrollment into a Platinum Tier Plan. This involves a high monthly premium but more limited -- \$4,000 annual maximum -- out-of-pocket costs.
- A significant variable in out-of-pocket expenses for PLWHA is the timing of medical visits, hospitalizations, and medications not on the ADAP formulary. ADAP will reimburse the costs for HIV medication co-pays and deductibles as well as some other non-HIV medications that are included in the ADAP formulary, and these ADAP-reimbursed co-pays and deductibles could quickly meet annual out-of-

pocket maximums. However, an individual who is hospitalized early in the year, before those maximums are met, could pay much more out-of-pocket than if they are hospitalized later in the year.

Recommendations

HRSA, the federal Health Resources and Services Administration, oversees the Ryan White Program. HRSA guidance allows Ryan White funds to be used by grantees, such as California’s State Office of AIDS, to cover co-pays and deductibles for private insurance purchased by PLWHA through Covered California. The State Office of AIDS could follow this guidance and allow OA-HIPP and ADAP programs to cover out-of-pocket expenses for PLWHA, to the extent permissible by state and federal statute, and not just co-pays and deductibles for medications included in the ADAP formulary. HRSA is urging states to make all reasonable efforts to enroll eligible Ryan White beneficiaries into the health insurance exchanges.

Therefore, this paper recommends that California’s Office of AIDS explore mechanisms to pay those co-pays and deductibles outside of co-pays and deductibles for medications included in the ADAP formulary. Otherwise, out-of-pocket costs could discourage eligible Ryan White beneficiaries from enrolling into the private health insurance options created by healthcare reform.

This paper also recommends that the State Office of AIDS work closely with Covered California to educate a statewide cadre of enrollment workers on the OA-HIPP program and other federal subsidies available to Ryan White beneficiaries. These enrollment workers will need a clear understanding of how income levels and subsidies may affect plan choice and out-of-pocket expenses. They will also need education to inform Ryan White beneficiaries about how and when to access services during the plan year to reduce expenses before they reach their annual out-of-pocket maximums.

Summary of Case Study Findings

Case Study One: Curtis	Case Study Two: Casey	Case Study Three: Juan
<ul style="list-style-type: none"> • 25 years old • Lives in Los Angeles • Earning \$17,350 per year • Recently diagnosed and no co-morbidities 	<ul style="list-style-type: none"> • 40 years old • Lives in Sacramento • Earning \$35,000 per year • Living with HIV 20 years and expects one hospitalization 	<ul style="list-style-type: none"> • 60 years old • Lives in San Francisco • Earning \$24,130 per year • Living with HIV 30 years and has diabetes
<p><u>Best available enrollment option:</u></p> <ul style="list-style-type: none"> • Silver Tier Plan 	<p><u>Best available enrollment option:</u></p> <ul style="list-style-type: none"> • Platinum Tier Plan 	<p><u>Best available enrollment option:</u></p> <ul style="list-style-type: none"> • Platinum Tier Plan
<p><u>Estimated subsidies received:</u></p> <ul style="list-style-type: none"> • Federal premium assistance: \$1,344 • OA-HIPP premium support: \$936 to \$1,716 • Federal cost-sharing reductions: \$4,100 	<p><u>Estimated subsidies received:</u></p> <ul style="list-style-type: none"> • Federal premium assistance: \$672 • OA-HIPP premium support: \$4,776 to \$7,572 • Federal cost-sharing reductions: \$0 	<p><u>Estimated subsidies received:</u></p> <ul style="list-style-type: none"> • Federal premium assistance: \$7,562 • OA-HIPP premium support: \$4,618 to \$5,818 • Federal cost-sharing reductions: \$0
<p><u>Estimated Annual Out-of-Pocket:</u></p> <ul style="list-style-type: none"> • \$250 	<p><u>Estimated Annual Out-of-Pocket:</u></p> <ul style="list-style-type: none"> • \$2,000 	<p><u>Estimated Annual Out-of-Pocket:</u></p> <ul style="list-style-type: none"> • \$2,000

Background

How Ryan White coverage works

All Californians living with HIV/AIDS who earn below \$50,000 annually currently qualify for several different benefits offered through the federal Ryan White Program, including:

- **Primary Medical Services**, covering outpatient doctors' visits, lab tests and other medical services in Ryan White-funded medical facilities, but *not* inpatient or ER care;
- **Office of AIDS-Health Insurance Premium Payment (OA-HIPP)**, which pays private health insurance premiums up to \$1,900 per month for HIV-related and other medical coverage; and,
- **AIDS Drug Assistance Program**, which provides over 150 mostly HIV-related medications at no cost and also pays co-pays and deductibles in private health insurance plans for these same medications.

These programs pay virtually all costs within their defined areas. ADAP requires some co-pays for participants earning more than 400% of the Federal Poverty Level, or FPL, which is about \$46,000 annually for a single person.

How California's health insurance exchange will work

California's health exchange is known as Covered California – coveredca.com. Initial enrollment in the plans offered through Covered California begins October 1, 2013, and coverage will be effective starting January 1, 2014. Because of the individual mandate contained in federal healthcare reform, eligible uninsured or underinsured individuals will be penalized through tax penalties if they fail to enroll in coverage.

Covered California provides private health insurance plan options that vary in cost by: (a) geographic region, (b) age, (c) metal tier level of benefits, and (d) plan within each metal tier level. All of these options will result in higher costs to Californians with HIV/AIDS than they now pay for more limited but cost-free coverage through the Ryan White Program (for individuals with HIV/AIDS earning up to \$50,000/year). The metal tier levels of private health insurance available through Covered California include:

- **Platinum:** Covers 88% of medical bills;
- **Gold:** Covers 78% of medical bills;
- **Silver:** Covers 69% of medical bills with additional coverage for enrollees earning below 250% FPL; and,
- **Bronze:** Covers 60% of medical bills.

People who enroll into coverage through Covered California will incur costs in monthly premiums, co-pays, and deductibles, with a maximum out-of-pocket cost for all co-pays and deductibles that varies based on income, metal tier and household size.

The federal government recommends enrollment in Covered California

The federal Health Resources Services Administration (HRSA) oversees the Ryan White Program. On August 1, 2013, HRSA released guidance that provides direction to the state and local agencies that administer Ryan White programs. Specifically, this guidance recommends that these agencies make all reasonable effort to enroll eligible uninsured PLWHA into a qualified health plan offered through the healthcare exchanges. In California, this guidance bears on over 5,500 current Ryan White beneficiaries which

the Office of AIDS estimates will be eligible for coverage.

Assistance Available

The federal government provides premium assistance and cost-sharing reductions

Federal assistance with Covered California health insurance premiums is available for qualified individuals with a Modified Adjusted Gross Income (MAGI) below 400% of Federal Poverty Level (FPL) or \$45,960 for a single person. (MAGI consists of the Adjusted Gross Income without several sources of passive income and certain expenses. It can be calculated and is found on IRS form 8582, Line 7.) Further, federal cost-sharing reductions for deductibles, co-pays, and out-of-pocket limits are available for qualified individuals with a MAGI below 250% of FPL, so long as they enroll into a Silver Tier Plan. The federal cost-sharing reductions, specifically, can reduce an individual's liability for out-of-pocket payment to between 6% and 27% of their total medical bills. Anyone with a MAGI below 138% FPL (\$15,856) will automatically qualify for coverage through the state's Medi-Cal program.

Federal premium assistance is provided in the form of an income tax credit advance, which is based on an individual's income, pegged to the cost of that individual's second-lowest available Silver Tier Plan premium, and paid directly to the insurance plan on behalf of the insured individual. Persons eligible for premium assistance may apply it to a reduction of their monthly health insurance premiums, or pay a larger share of their premiums and allow the credit to accumulate for a larger tax refund paid to the insured individual at the end of the year.

Maximum Allowed Premium Amounts

Federal Poverty Level	Up to 150%	151-200%	201-250%	More than 250%
Maximum Percent of Income Spent on Premiums	4%	6.3%	8.05%	9.5%
Maximum Monthly Premium Amount for the Second-Lowest Silver Tier Plan	Up to \$57	Up to \$121	Up to \$193	Up to \$364

As shown in the chart above, federal premium assistance is intended to reduce monthly premium payments to an amount not to exceed a certain percentage of an enrollee’s MAGI.

The Office of AIDS provides Health Insurance Premium Payment (OA-HIPP). The California Department of Public Health Office of AIDS currently offers a Health Insurance Premium Payment program (OA-HIPP). OA-HIPP pays monthly premiums for eligible individuals up to approximately \$1,900/month for private health insurance that provides full drug coverage. Clients enrolled in OA-HIPP must also enroll ADAP, which then pays for co-pays and deductibles for medications that they purchase through their private insurance and that are included on the ADAP formulary.

OA-HIPP intends to continue to pay up to approximately \$1,900/month in premium assistance for an individual with HIV/AIDS who is earning less than \$50,000 and is enrolled into any private health insurance plan offered through Covered California starting January 2014. This support should result in qualifying individuals paying no health insurance premium no matter the variables influencing premium amount, including (a) the metal tier in which they enroll, (b) their

age, or (c) their geographic region. However, as noted previously, people who enroll into coverage through Covered California will incur out-of-pocket costs in the form of co-pays and deductibles that are in addition to their monthly premiums and for which OA-HIPP will not reimburse their costs.

Because Ryan White coverage for uninsured Californians living with HIV/AIDS is essentially cost-free, people currently receiving care and treatment through Ryan White will likely have to pay substantially more for coverage through plans offered through Covered California. It is important to understand the cost implications for individuals considering moving from Ryan White coverage into private health insurance. This is a move that was nearly impossible prior to health care reform, when private health plans typically denied these individuals coverage because HIV was considered a pre-existing condition. Under healthcare reform health insurance plans can no longer deny coverage for pre-existing conditions, including HIV.

Case Studies

The following case studies gauge the potential real-life cost impact of the transition from Ryan White coverage to the plans offered through Covered California. Each case study makes an effort to determine the costs of different variables, including geographic location, age, income, medical need, and co-pays for HIV vs. non-HIV services. Each case study makes a set of basic assumptions, including that all HIV-specific medications will be considered “specialty drugs” in the Covered

Each case study intentionally selects the overall lowest-cost option for each individual when factoring in federal premium assistance and cost-sharing reductions as well as premium payment through the OA-HIPP program and reimbursement through ADAP.

Resources

In developing the case studies, the authors of this report relied primarily on the following sources of information:

- Covered California “Health Insurance Companies and Plan Rates” booklet, updated August 6, 2013.
- The Covered California “Standard Benefit Plan Designs” charts, updated July 18, 2013.
- Jacques Chambers, an independent consultant and insurance and benefits specialist with over forty-five years of experience in health, life, and public and private disability insurance, including twenty years working with people living with HIV/AIDS.

Case Study One: Curtis

Estimated Medical Expenses and Incurred Costs

Age: 25
Location: Southern Los Angeles County (Region 16)
MAGI: \$17,350 (151% FPL)

Key findings:

- OA-HIPP will pay the full premium cost of all available plans in Curtis's pricing region.
- If Curtis delays office visits and lab tests until after he reaches his annual maximum out-of-pocket expenses through ADAP-reimbursed co-pays and deductibles, then he would pay nothing for coverage in a Covered California health plan.
- Curtis' maximum out-of-pocket of \$2,250 is likely to be met during the third quarter of the year through drug co-pays and drug deductibles alone, which in the Silver Tier Plan for 150-200% FPL are 15% for specialty drugs, with an additional \$50 deductible for brand-name drugs.

The first hypothetical case study of this analysis, Curtis was recently-diagnosed and is new to the Ryan White Program and ADAP. Curtis is 25 years old, will earn \$17,350 in 2014, lives in the City of Los Angeles, and is in good health with a high T-cell count and relative success suppressing viral load through anti-retroviral therapy (ART).

Because Curtis qualifies for federal cost-sharing reductions with an income of only 151% FPL, his out-of-pocket expenses would be most reduced by enrolling into a Silver Tier Plan. As a

Annual Silver Tier Premium	\$2,280 to \$3,060
Federal premium assistance based on income level and cost of Silver Tier Plan	(\$1,344)
Premium after federal premium assistance	\$936 to \$1,716
OA-HIPP annual premium support	(\$936 to \$1,716)
Subtotal Silver Tier premium after federal premium assistance and OA-HIPP	\$0
Estimated Annual Medical Costs:	
Medications	\$20,000
Quarterly office visits	\$600
<u>Quarterly lab tests</u>	<u>\$8,000</u>
<u>Subtotal medical costs</u>	<u>\$28,600</u>
Maximum possible out-of-pocket costs incurred by Curtis before federal cost-sharing reductions	\$6,350
Federal cost-sharing reductions	(\$4,100)
Out-of-pocket costs after federal cost-sharing reductions	\$2,250
Estimated ADAP co-pays and deductibles reimbursement	(\$2,000)
Subtotal out-of-pocket costs after federal cost-sharing reductions and ADAP support	\$250
Total estimated annual costs incurred by Curtis, including Silver Tier premium and out-of-pocket costs	\$250

result of available federal premium assistance, Curtis' monthly premium for a Silver Tier Plan ranges from \$78 to \$143, or \$936 to \$1,716 annually. OA-HIPP would pay the entire remaining monthly premium amount. Because Curtis qualifies for additional federal cost-sharing reductions of \$4,100 applied against a maximum out-of-pocket cost of \$6,350, he would have maximum out-of-pocket costs -- in addition to the monthly insurance premiums -- of \$2,250 per year. ADAP will pay the co-pays and deductibles for medications included on the ADAP formulary that Curtis would purchase during the year prior to reaching his maximum out-of-pocket of \$2,250.

Given that a substantial portion of Curtis' out-of-pocket expenses would be ADAP-reimbursed co-pays and deductibles, we estimate that ADAP would likely pay about \$2,000 toward Curtis' out-of-pocket costs maximum of \$2,250, and that Curtis would pay about \$250 in co-pays and deductibles for services and medications not reimbursed through ADAP.

The table details the total estimated annual expenses and costs for Curtis' care and treatment, including federal premium assistance and cost-sharing reductions and OA-HIPP and ADAP financial support.

Case Study Two: Casey

Estimated Annual Medical Expenses and Incurred Costs

Age: 40
Location: Sacramento (Region 3)
MAGI: \$35,000 (305% FPL)

Key findings:

- OA-HIPP will pay the full premium cost of all available plans in Casey’s pricing region.
- At \$4,000 per year, the Platinum Tier Plan maximum out-of-pocket is lower than any other tier, meaning that Casey would reduce out-of-pocket most through a Platinum Tier Plan.
- Because Casey has significant medical expenses associated with hospitalizations, and these costs are entirely Casey’s responsibility, Casey could still face significant out-of-pocket expenses, ranging from \$0 to \$4,000 -- depending on when a hospitalization occurs and how much out-of-pocket Casey has already paid or had reimbursed by ADAP.

The second hypothetical case study in this analysis, Casey has been accessing care and treatment through Ryan White since becoming unemployed and losing access to private health insurance several years ago. Casey is 40 years old, self-employed as a consultant, lives in Sacramento, and has been living with HIV for the past 20 years. Casey has significant medical expenses associated with hospitalizations due to opportunistic infections, as anti-retroviral therapy (ART) has not been entirely successful in bringing down Casey’s viral load. Casey’s T-cell count is below 200.

Casey qualifies for federal premium assistance with an income of 305% FPL, and Casey’s out-of-pocket expenses would be most reduced by enrolling into a Platinum Tier Plan. As a result of

Platinum Tier Premium	\$5,448 to \$8,224
Federal premium assistance based on income level and cost of Silver Tier Plan	(\$672)
Premium after federal premium assistance	\$4,776 to \$7,572
OA-HIPP annual premium support	(\$4,776 to \$7,572)
Subtotal Platinum Tier premium after federal premium assistance and OA-HIPP	\$0
Estimated Annual Medical Costs:	
Hospitalization	\$65,000
Physician visits related to hospitalization	\$13,000
Medications	\$20,000
Quarterly office visits	\$600
<u>Quarterly lab tests</u>	<u>\$8,000</u>
Subtotal medical costs	\$106,600
Maximum possible out-of-pocket costs incurred by Casey before federal cost-sharing reductions	\$4,000
Estimated ADAP co-pays and deductibles reimbursement*	(\$2,000)
Subtotal out-of-pocket costs after federal cost-sharing reductions and ADAP support	\$2,000
Total estimated annual costs incurred by Casey, including Platinum Tier premium and out-of-pocket costs	\$2,000

*Varies significantly based on timing of hospitalization and associated co-pays and deductibles that are not reimbursable through ADAP.

available federal premium assistance, Casey’s monthly premium for a Platinum Tier Plan ranges from \$398 to \$631, or \$4,776 to \$7,572 annually. OA-HIPP would pay this entire remaining monthly premium amount.

Additionally, ADAP will reimburse co-pays and deductibles for medications included on the ADAP formulary that Casey purchases during the year prior to reaching a maximum out-of-pocket cost for a Platinum Tier Plan of \$4,000. Given that a portion of Casey’s out-of-pocket expenses would be ADAP-reimbursed co-pays and deductibles, we estimate that ADAP would likely pay about \$2,000 toward Casey’s out-of-pocket costs maximum of \$4,000, and that Casey would pay about \$2,000 in co-pays and deductibles for services and medications not reimbursed through ADAP.

Because Casey incurs significant expenses related to hospitalizations, an important variable in estimating ADAP’s support toward Casey’s out-of-pocket costs is timing: (a) if Casey is hospitalized early in the year, Casey would incur those costs prior to meeting the \$4,000 maximum, and ADAP will *not* reimburse costs other than co-pays and deductibles for medications on the ADAP formulary; but (b) if Casey is hospitalized later in the year after having reached the \$4,000 maximum, then Casey would not have to meet those costs. ADAP will have reimbursed all the co-pays and deductibles for drugs on the ADAP formulary that Casey purchased earlier in the year and that accrued toward the \$4,000 maximum. Therefore, while we estimate that Casey would pay \$2,000 in out-of-pocket costs, the actual amount could vary from \$0 to \$4,000.

Estimated Annual Medical Expenses and Incurred Costs

Case Study Three: Juan

Age: 40
Location: San Francisco (Region 4)
MAGI: \$24,130 (210% FPL)

Key findings:

- OA-HIPP will pay the full premium cost of all available plans in Juan’s pricing region.
- Juan qualifies for federal assistance with out-of-pocket expenses, which will reduce his maximum out-of-pocket in a Silver Tier Plan to \$5,200 annually. However, he would still likely face less out-of-pocket costs in a Platinum Tier Plan, which has a maximum out-of-pocket of \$4,000.
- Because Juan has significant medical expenses associated with non-HIV co-morbidities, and these costs are entirely Juan’s responsibility, he could still face significant out-of-pocket costs -- ranging from \$0 to \$4,000, depending on when he seeks treatment for his non-HIV condition and how much out-of-pocket he has had reimbursed by ADAP.

Our third hypothetical case study, Juan has been accessing care and treatment through Ryan White for 15 years. Juan is 60 years old, lives in San Francisco, has been living with HIV for 30 years and also has diabetes. ADAP will not reimburse for most diabetes-related medication and treatment.

Juan qualifies for federal premium assistance with an income of 210% FPL. However, his out-of-pocket expenses would be more reduced by enrolling into a Platinum Tier Plan than they would by enrolling into a Silver Tier Plan. The maximum annual out-of-pocket for Juan under a Platinum Tier Plan would be \$4,000. Under the Silver Tier Plan with federal cost-sharing

Annual Platinum Tier Premium	\$12,180 to \$13,380
Federal premium assistance based on income level and cost of Silver Tier Plan	(\$7,562)
Premium after federal premium assistance	\$4,618 to \$5,818
OA-HIPP annual premium support	(\$4,618 to \$5,818)
Subtotal Platinum Tier premium after federal premium assistance and OA-HIPP	\$0
Estimated Annual Medical Costs:	
Non-HIV monitoring	\$10,000
Non-HIV medications	\$13,000
HIV medications	\$20,000
HIV-related quarterly office visits	\$600
<u>HIV-related quarterly lab tests</u>	<u>\$8,000</u>
Subtotal medical costs	\$51,600
Maximum possible out-of-pocket costs incurred by Juan before federal cost-sharing reductions	\$4,000
Estimated ADAP co-pays and deductibles reimbursement*	(\$2,000)
Subtotal out-of-pocket costs after federal cost-sharing reductions and ADAP support	\$2,000
Total estimated annual costs incurred by Juan, including Platinum Tier premium and out-of-pocket costs	\$2,000

*Varies significantly based on timing of hospitalization and associated co-pays and deductibles that are not reimbursable through ADAP.

reductions, this would be \$5,200. Because (a) OA-HIPP will pay the full outstanding balance on Juan’s premium after federal premium assistance and (b) out-of-pocket expenses would be lower for Juan under a Platinum Tier Plan, Juan would likely enroll into a Platinum Tier Plan to minimize his out-of-pocket costs. Juan’s monthly premium for a Platinum Tier Plan ranges from \$385 to \$485 per month, or \$4,618 to \$5,818 annually, which the OA-HIPP program should pay in its entirety, leaving Juan with a premium balance of \$0.

ADAP will pay co-pays and deductibles for medications on the ADAP formulary that Juan purchases during the year prior to reaching his Platinum Tier Plan maximum out-of-pocket of \$4,000. Given that a substantial portion of Juan’s out-of-pocket expenses would be ADAP-reimbursed co-pays and deductibles, we estimate that ADAP

would pay about \$2,000 toward Juan’s out-of-pocket costs maximum of \$4,000, and that Juan would pay the balance.

Because Juan incurs expenses for diabetes, a significant variable in estimating ADAP’s support toward Juan’s out-of-pocket costs is timing: (a) if Juan incurs his diabetes-related medical costs early in the year, he would likely have to pay those costs prior to meeting the \$4,000 maximum, and ADAP will *not* reimburse costs other than those medications on the ADAP formulary; but (b) if Juan incurs his diabetes-related medical costs later in the year after having reached the \$4,000 maximum, then ADAP will have reimbursed a substantial portion of his out-of-pocket maximum for drug co-pays and drug deductibles. Therefore, while we estimate that Juan would pay approximately \$2,000 in out-of-pocket costs, the actual amount could vary anywhere from \$0 to \$4,000.

Failure to purchase health insurance means penalties

Ryan White beneficiaries will have the option to *not* enroll into private health insurance coverage. However, they will incur tax penalties beginning in January 2014, which they will have to pay on taxes they file by April 2015. The annual penalty amounts shown below will be pro-rated on a monthly basis and levied for all months that a person remains uninsured. Individuals will be granted an up to 3-month penalty-free grace period either to enroll into coverage for the first time or for time not enrolled in health insurance while moving between health care plans.

The penalties for persons not enrolling in a health plan or other coverage will not apply to:

- Undocumented immigrants;
- Persons with income below the income tax filing threshold;
- Incarcerated persons;
- Members of an Indian tribe; and,
- Persons whose religious beliefs conflict with the concept of health insurance benefits.

For the following years, the annual penalties for failure to enroll into health insurance will be:

- 2014: The greater of \$95 per person or 1% of MAGI;
- 2015: The greater of \$325 per person or 2% of MAGI;
- 2016: The greater of \$695 per person or 2.5% of MAGI; and,
- Future years: The greater of \$695 increased each subsequent year by inflation, or 2.5% of MAGI.

Ryan White funds may *not* be used to pay the penalties incurred by eligible individuals who choose not to enroll into private health insurance.

Variables that impact costs

The case studies in this analysis offer hypothetical examples of costs that would be incurred by Ryan White beneficiaries who enroll into private health insurance through Covered California. A number of variables impact those costs. The table below provides some of these variables and how they impact costs.

Geographic Region	California is divided into 19 geographic regions for health insurance coverage. For example, monthly premiums for a 40 year-old's lowest-cost Silver Tier Plan vary from the lowest-cost region, Region 15 (N. Los Angeles County), with a premium of \$220, to the highest-cost region, Region 8 (San Mateo County), with a premium of \$351.
Age	Premiums can vary up to three-fold between the lowest-age bracket and highest-age bracket for a particular metal tier and plan. For example, in Pricing Region 4 (San Francisco County) the Health Net PPO Silver Tier Plan costs \$270/month for a 25 year-old enrollee, and the same plan costs \$832/month for a 60 year-old enrollee.
Gender	Plan premiums, co-pays and deductibles are the same for enrollees, regardless of their gender.
Income	Federal premium assistance is available to those earning less than 400% FPL, and it decreases quickly as income increases. Similarly, federal cost-sharing reductions are available to those earning less than 250% FPL, and it also decreases quickly as income increases. Premium assistance through the OA-HIPP program is limited to those individuals earning below \$50,000/year, which is currently approximately 435% FPL.
ADAP-reimbursed medications vs. non-reimbursed medications and expenses	As explained previously in this report, ADAP will cover co-pays and deductibles for medications included on the ADAP formulary, leaving all other co-pays and deductibles to be the responsibility of the individual. Depending on the timing of expenses incurred, and when an individual reaches his/her maximum out-of-pocket cost for the year, ADAP might cover only a small portion of that out-of-pocket maximum, or it might reimburse most or all of the out-of-pocket maximum.
OA-HIPP Design	Currently, the Office of AIDS (OA) intends to maintain its existing Health Insurance Premium Payment (HIPP) program, which covers healthcare premiums up to approximately \$1,900/month. HRSA has stated that Ryan White Program funds can be used to cover not only premiums, but also co-pays and deductibles. It is unclear at this time if OA will take advantage of this flexibility to cover all remaining out-of-pocket costs separate from those drug co-pays or drug deductibles that will be reimbursed through ADAP.

References

Covered California “Health Insurance Companies and Plan Rates” booklet, updated August 6, 2013, with information on federal premium assistance, cost-sharing, and monthly premium amounts for each of three age cohorts across all plans and metal tiers in all 19 geographic regions.

Available online at:

http://www.coveredca.com/news/PDFs/CC_Health_Plans_Booklet-rev1-8-6.pdf

Covered California “Standard Benefit Plan Designs” charts, updated July 18, 2013, with information on co-pays, deductibles, and out-of-pocket maximums for all metal tiers, including reduced co-pays, deductibles, and out-of-pocket maximums for enrollees who qualify for federal cost-sharing reductions.

Available online at:

<http://www.healthexchange.ca.gov/BoardMeetings/Documents/August%202,%202013/Standard%20Benefit%20Plan%20Design%20Regulations%20%28a%20Designs%29.pdf>

Health Resources and Services Administration, Policy Clarification Notice #13-05, “Clarifications Regarding Use of Ryan White HIV/AIDS Program Funds for Premium and Cost-Sharing Assistance for Private Health Insurance,” revised September 13, 2013, with information on allowed uses of Ryan White funds, including private insurance co-pays, deductibles and premiums.

Available online at:

<http://hab.hrsa.gov/manageyourgrant/pinspals/pcn1305premiumcostsharing.pdf>

Jacques Chambers, an independent consultant and insurance and benefits specialist with over forty-five years of experience in health, life and public and private disability insurance, including twenty years working with people living with HIV/AIDS.

Available online at:

<http://helpwithbenefits.com/>

California HIV/AIDS Policy Research Centers:

Northern California

- University of California, San Francisco
- San Francisco AIDS Foundation
- Project Inform

Southern California

- University of California, Los Angeles
- AIDS Project Los Angeles
- L.A. Gay & Lesbian Center