THE COST OF REPEAL FOR YOUNG ADULTS:

Examining the Impact of Repealing the New Federal Health Care Law on Young Adults
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EXECUTIVE SUMMARY

On March 23, 2010, President Barack Obama signed into law comprehensive health care reform legislation, known as the Affordable Care Act or ACA. Among its provisions are a number of measures aimed at reducing the cost and improving the quality of health care coverage options for young adults and other consumers.

Enactment of the law did not end the debate. Even the law’s strongest proponents acknowledge the need for improvements. Across the country, state legislators and Governors have been urged to slow or stop work on implementation of key provisions. The courts are weighing legal challenges to the law, and Congress is considering legislation that would repeal the law outright.

Before moving forward with repeal, however, policy-makers must consider the real-life consequences that their policy choices would have on millions of young Americans. U.S. PIRG has examined official research, data, and projections from independent sources, to provide a detailed picture of repeal’s impact on young adults. The evidence reveals that young people would face significant costs if the Affordable Care Act is repealed.

Insurance Costs Would Skyrocket for 1.2 Million Young Adults: 1.2 million young adults under the age of 26 would no longer be able to purchase coverage through their parents’ plans if the Affordable Care Act is repealed. For each of them, without the ability to remain on their parent’s plan, purchasing an equivalent level of coverage could be vastly more expensive on the individual market.

Young Women Would Pay Up to 50% More For Coverage than Men: Repeal would allow the pattern of discriminatory pricing which women experience on the individual market to continue. A 22 year old woman would continue to be charged up to 50% more than a 22 year old man for equivalent coverage.

Young Workers Would Face Higher Health Costs and Fewer Jobs: According to a report commissioned by the Business Roundtable, ACA provisions like health insurance exchanges and delivery and payment reform could reduce the per-employee cost of offering employer-provided health insurance by more than $3,000 a year by 2019. An analysis by Harvard economist David Cutler concluded that provisions in the law that hold down costs would also help create between 2.5 and 4 million jobs over the next decade. Repeal, by contrast, would drive up the cost of providing employer-sponsored coverage by more than $3000 a year and constrict the number of jobs created in the economy by up to four million. As a result, repeal can be expected to make it more difficult for young adults and their employers to find a good deal on coverage plans and make it harder to secure a job in the first place.
Consumers Would Be Subject to Rescission or Denial of Coverage When Sick: Were the law to be repealed, insurers would have every incentive to build their business plans around shedding sicker customers, rather than delivering care in a more effective manner or keeping their customers healthier over the long run. Insurers would once again be free to rescind coverage when any consumer, including young adults, suffered illness or injury, and pre-existing health conditions would continue to be grounds for denial of coverage on the individual market.

Looking Ahead

There is considerable room for debate about how our nation's health policy is to move forward. Meeting the challenge of rising costs will require further action from Congress and the states. The Affordable Care Act itself will need to be adjusted and improved, to ensure it works as well as possible for consumers and businesses.

Whatever improvements may be warranted, policymakers must not ignore the impacts that their decisions will have on this generation of Americans. If legislators examine the evidence, they will find that repeal of the ACA would result in higher insurance costs and fewer jobs. Put simply, health care repeal comes with a price that young Americans cannot afford.
INTRODUCTION

On March 23, 2010, President Barack Obama signed into law comprehensive health care reform legislation, known as the Affordable Care Act or ACA. Among its provisions are a number of measures aimed at reducing the cost and improving the quality of health care coverage options for young adults and other consumers.

Enactment of the law did not end the debate. Even the law’s strongest proponents acknowledge the need for improvements. Across the country, state legislators and Governors have been urged to slow or stop work on implementation of key provisions. The courts are weighing legal challenges to the law, and Congress is considering legislation that would repeal the law outright.

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THE CONSEQUENCES OF REPEAL

The Cost of Health Insurance for Young Adults

The Problem

One group that has faced particularly difficult challenges in the insurance marketplace is young adults. Prior to the Affordable Care Act, health insurers dropped young adults from their parents’ plans simply because they graduated from college or had reached a certain disqualifying age even - when they and their family had paid into the system by maintaining coverage for their entire life. Without the option of remaining on their parents’ plan and with fewer and fewer employers offering health care, these young adults faced an individual market where comprehensive coverage could be prohibitively expensive. Many young adults were forced to go without coverage altogether; A Government Accountability Office study had found that 20% of college students lacked coverage, and among the new-graduate demographic of those aged 23-24, the proportion of young people without coverage jumped to 38%.

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The New Law's Solution

The new law requires that insurers allow all young people until their 26th birthday to continue to pay the same rates for the same coverage by keeping them on their parents' plans. Even those who had previously been dropped from their parent or guardian’s plan are entitled to re-enroll. The U.S. Department of Health and Human Services estimates that this provision, which entered into effect on September 23rd, 2010, will bring relief for roughly 1.2 million young adults who could now have quality affordable coverage through their parents' plan.3

Impact of Repeal

1.2 million young adults under the age of 26 would no longer be able to purchase coverage through their parents' plans if the Affordable Care Act is repealed. Without the ability to remain on their parent’s plan, purchasing an equivalent level of coverage could be vastly more expensive on the individual market.

Gender Discrimination in the Individual Market

The Problem:

Like all consumers, young adults buy plans on the individual insurance market so that they can be sure of their access to affordable medical care in the case of illness or accident. As the insurance industry has confronted the increased cost of providing care, in recent years many insurers have relied heavily on a strategy of discriminating against certain beneficiaries on the individual market. One common insurer practice has been charging women more than men for the same coverage. A twenty-two year old woman can be charged up to one and a half times the premium charged to a twenty-two-year-old man.4 Insurance companies justify this by citing costs due to women’s reproductive health treatments and higher occurrences of headaches, joint and chronic pain, diabetes, and blood pressure, as well as the potential for costs associated with pregnancy.5 These disparities persist further into life as well. A recent study by the National Women’s Law Center found that many best-selling plans charged a 40-year-old nonsmoking woman more than a 40-year-old male smoker, despite the increased health risk associated with smoking.6 In part due to these practices, women are more likely to experience difficulty trying to get care, to delay needed care because of cost, and to find themselves in situations where they need to use up savings or go into debt.7

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3 Interim Final Rules for Group Health Plans and Health Insurance Issuers Relating to Dependent Coverage of Children to Age 26 Under the Patient Protection and Affordable Care Act, Department of Health and Human Services, Department of Treasury, and Department of Labor, issued May 13, 2010.
5 Ibid.
7 Women at Risk: Why Many Women are Forgoing Needed Health Care, 2009, THE COMMONWEALTH
The New Law’s Solution

The new federal law closes these avenues for discrimination, banning the practice of charging women more than men, effective in the year 2014.

Impact of Repeal

Repeal would allow the pattern of discriminatory pricing which women experience on the individual market to continue. A 22 year old woman would continue to be charged up to 50% more than a 22 year old man for equivalent coverage.

Costs of Employer-Sponsored Coverage

The Problem:

Even young people who have good health insurance through an employer today are confronting an upward trend in costs. The national average employer-sponsored insurance premium (ESI) was $13,776 for a family in 2009, a 114% increase over premiums in the year 2000; on average, the employee contributed $3,997 of that amount.8

The root causes of these unsustainable cost increases include the inflated prices of health care services,9 underuse of primary care and prevention that can keep people healthy,10 and over-utilization of more expensive acute care and emergency room services.11

The New Law’s Solution

The new health care law will implement several strategies to begin correcting these inflationary trends, by creating payment incentives for hospitals and providers within Medicare to make delivery of care more cost-effective. Medicare, which accounts for a full quarter of the nation's health care spending, has the market clout to drive new efficiencies in the delivery of care that will lead to lower costs in the private sector as well as in Medicare.

8 Employer Health Benefits 2010 Annual Survey (Summary of Findings), KAISER FAMILY FOUNDATION AND HEALTH RESEARCH & EDUCATION TRUST, November 2010.
11 Ibid.
New value-based purchasing initiatives will peg payment rates to quality of care. Incentives will encourage hospitals to reduce avoidable readmissions and hospital-associated infections. Providers and hospitals will have payment incentives to work together through a new shared savings program intended to scale up the high-quality, low-cost health care made famous by providers like Geisinger Health in Pennsylvania or Intermountain Health in Utah. Finally, a new Center for Medicare and Medicaid Innovation has already been established to test and implement additional new payment innovations that reduce costs and improve quality.

Even groups skeptical of the Affordable Care Act as a whole have recognized that the potential for savings from these reforms is substantial. A report commissioned by the Business Roundtable, an association of the country’s leading CEOs, found that these reforms could reduce the rate of growth in health care costs across the economy by 15-20% when fully implemented. For employers struggling to afford the rising cost of coverage, the report estimates that, by 2019, the total cost of insuring employees could fall by more than $3,000 a year per employee if these reforms are implemented properly.12

**Impact of Repeal**

Were the law to be fully repealed, these savings would vanish, and workers in their twenties can be expected to shoulder a good deal of those costs. Employers and their workers would face an average increase of more than $3,000 per employee per year.

**Effects on Job Creation**

**The Problem**

The problems with America’s costly health care system are also affecting the country’s job market. “Job lock,” the phenomenon where workers choose to stay in their current job for fear of losing health coverage, has become a hindrance to job creation in the American economy, especially among the 66.1% of firms that are small businesses with twenty-four or fewer employees.13 A 2009 study found that 1.6 million small business employees nationally are “locked” in their current jobs. For fear of losing health insurance, workers, including young adults, forgo opportunities to strike out on their own as small business owners or pursue new job opportunities with other employers. This phenomenon stifles the creation of new jobs and reduces worker mobility between 25% and 50%.14 Nationally, job lock costs working families an estimated $3.7 billion in forgone wages per year.15


The New Law’s Solution

The new health care law contains many provisions to ensure all Americans can secure coverage regardless of where they work, or if they are self-employed. First, the ban on pre-existing condition denials will mean that young adults with health conditions who wish to start a small business need not be held back by worries that doing so means losing coverage. The new state health insurance exchanges are designed to make it easier for individuals without affordable coverage from an employer to select and enroll in a plan on their own. Additionally, new health insurance affordability tax credits will help many afford coverage without an employer’s help.

In addition to freeing workers from job lock, the law’s steps to hold down the growth in employer health care costs, described above, should enable firms to devote more resources to expanding their business and hiring additional staff. A recent study shows that by holding down costs, an additional 2.5 to 4 million jobs will be created over the next ten years, nationally.\textsuperscript{16} Although the new federal health care law is not the solution to all of the job creation problems facing the American economy, curtailing job lock will mean more and better jobs for young adults.

Impact of Repeal

By eliminating provisions that address job lock and hold down employers’ costs, repeal would hold back job creation. The resulting decrease in job creation could cost the economy between 2.5 and 4 million jobs over the next decade, dimming the employment prospects for young adults.

Coverage Denials and Rescissions on the Individual Market

The Problem:

As the cost of delivering health care has climbed in recent years, another strategy used by insurers has been to discriminate against individual beneficiaries based on their health history and other factors that are likely to predict the cost of covering them. While one might assume that young people are unlikely to face trouble finding insurance because they tend to be healthier than older consumers, this is not always the case. Unfortunately, medical conditions ranging from asthma to an old sports injury can constitute a pre-existing condition, and finding fair deals on health insurance with a pre-existing condition can be very difficult—whatever your age. \textsuperscript{47} For those consumers

\begin{thebibliography}{9}
\bibitem{39} Sarah Rosenbaum, et al. “National Health Reform: How Will Medically Underserved
\end{thebibliography}
who did secure coverage, a policy could be retroactively cancelled, through a practice known as rescission, which leaves the beneficiary to pay for treatment entirely out-of-pocket even if that treatment is already under way. Insurers have dug through enrollment paperwork in order to find trivial or accidental errors that can be used as a pretext for rescinding coverage.\(^{18}\)

**The New Law’s Solution**

The new federal law takes steps to address these market practices for all consumers including young adults. In 2010, the practice of rescinding coverage was banned, except in cases of demonstrated fraud. In 2014, the law will ban the use of medical history in the pricing, issuance, and renewal of all health insurance plans, guaranteeing fair and equal prices for those with pre-existing conditions. In the interim, the law established a new Pre-existing Condition Insurance Program that provides coverage options to those denied coverage due to their health history at prices that cannot exceed the customary rates for a healthy person.

**Impact of Repeal**

Were the law to be repealed, insurers would have every incentive to build their business plan around shedding sicker customers, not delivering care in a more effective manner or keeping their customers healthier over the long run. Insurers would once again be free to rescind coverage when young adults get sick, and any pre-existing health conditions would continue to be grounds for denial of coverage on the individual market.

**CONCLUSION AND RECOMMENDATIONS**

The evidence suggests that the costs of outright repeal would be significant for young adults. This does not mean that Americans need accept the status quo. If those opposed to the new federal health care law and those who supported it were willing to get past their disagreements and work on real improvements to the law as it stands today, the opportunities for progress are substantial.

Each state could use the substantial authority it has under current law to design a health insurance exchange that is adapted to meet the needs of their consumers, and businesses. State and federal governments could also lead public and private sector insurers in a market-wide effort to ensure that new quality and cost reforms that were made to Medicare in the new law benefit consumers of all ages on the private market, as well. Such a multi-payer initiative could extend reforms that have been shown to reduce costs by improving quality to all consumers—whether they get coverage through Medicare, Medicaid, or private insurance. Examples of the reforms that such an initiative could promote include coordinated care teams and "medical homes,” to enhance primary care and the management of chronic diseases to help patients prevent acute flare-ups of their conditions.

Policy-makers could even take some of the important steps which the federal law failed to take to address our health care issues:

- Accelerating greater administrative streamlining and reducing health care paperwork can lower costs for consumers, providers, and insurers;
- Limiting the worst marketing practices of the drug and medical device industries can deliver more affordable medical treatments;
- Encouraging state-level support for research into the best treatments, and integrating this new knowledge into health IT systems can reduce medical errors;
- Ending the practice of billing consumers directly when hospitals are dissatisfied with the out-of-network reimbursements paid by insurers will protect patients.

Outright repeal of the federal health care law simply is not a prudent choice, but if our elected officials make the choice to work together, opportunities exist to make real progress for all consumers, including millions of young adults.