

To: Honorable Members of the Board of Supervisors  
Jeffrey V. Smith, M.D., J.D., County Executive

From: Bruce Butler, Chief Executive Officer Valley Health Plan



DATE: November 30, 2018

SUBJECT: Valley Health Plan Service and Pricing Impacts Resulting from Affordable Care Act  
Reductions (Futures Item: 2017-233)

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Under advisement from the Board of Supervisors Meeting on 10/17/2017, at the request of Supervisor Chavez, the Board directed Administration to develop a public communication plan for Board consideration on date uncertain relating to Valley Health Plan service and pricing impacts resulting from Affordable Care Act reductions.

The federal subsidies in place through the Affordable Care Act (ACA) have two components. The first and most important component is the Advanced Premium Tax Credit (APTC) which gives subscribers premium payment assistance for their monthly premiums. This subsidy is in large part the reason why the ACA has been successful as it makes healthcare affordable to those who qualify and keeps the insurance provider whole by subsidizing a portion of the premium. This subsidy is still intact at least in the foreseeable future of the ACA.

The second part of the subsidy is called the Cost Share Reduction (CSR). The CSR is an estimated amount of cost share paid on behalf of the qualified subscriber and their dependents for medical claims incurred. This subsidy makes the medical provider whole by paying the portion of the cost share that is reduced to the insurance provider. The CSR subsidy has little to no impact on the subscriber or member experience with their health care coverage. Since the impact of CSR is small to nonexistent to the member, the elimination of this subsidy would not be a cost factor to the member when deciding on whether or not to seek coverage. This subsidy ceased distribution to the health plans as of October, 2017.

The cessation of the CSR did not have any material impact on VHP's enrollment between October 2017 and September, 2018. The enrollment during this time went from 7,200 to 12,997 members, a growth of approximately 80%.

Based on this information, Valley Health Plan would be concerned that a public communications plan emphasizing the Federal government's actions regarding the Cost Share Reduction subsidy could be counter-productive. However, if the APTC were to be repealed by the federal government this action would have a higher likelihood to impact enrollment, as that subsidy

directly impacts the members who receive it. Valley Health Plan's Covered California membership consists of 89% members who receive premium assistance through APTC. The loss of APTC has the potential to make health insurance unaffordable to almost 90% of our Covered California members.

VHP will continue to monitor the state and federal actions and collaborate with Covered California to coordinate responses to any future actions that may impact the ACA and Valley Health Plan.

cc: Miguel Marquez, Chief Operating Officer  
James R. Williams, County Counsel  
Megan Doyle, Clerk of the Board  
Chief Board Aides  
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