

## **THE AFFORDABLE CARE ACT AT FIVE YEARS**

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## Executive Summary

Thank you, Chairman Hatch, Senator Wyden, and members of the Committee, for this invitation to testify on the Affordable Care Act at five years. Research from The Commonwealth Fund and other sources demonstrate that the Affordable Care Act is helping to reduce the number of Americans who are uninsured and improving access to health care.

Currently, more than 25 million people are estimated to have health insurance under the provisions of the ACA. About 11.7 million have selected a plan through the insurance marketplaces—8.8 million through the federal website healthcare.gov and 2.8 million through state-based marketplaces. An additional 10.8 million have enrolled in Medicaid or the Children’s Health Insurance Program, or CHIP. Finally, nearly 3 million more young adults are covered under their parent’s plan compared to 2010.

As a result, the number of uninsured adults has fallen. This week, the U.S. Department of Health and Human Services reported that 16.4 million previously uninsured people had gained coverage since the law passed in 2010. Similar gains in coverage have been documented in a number of government and private-sector surveys. Furthermore, groups that historically have been most likely to lack insurance—young men and women, and adults with low or moderate incomes—have experienced among the greatest gains in coverage. These gains have occurred across racial and ethnic groups.

To see how the newly insured are faring with their marketplace or Medicaid coverage, The Commonwealth Fund conducted a survey of these adults in the second quarter of 2014. We found that three-quarters of the newly insured were satisfied with their insurance. A majority had already used their new plans to get health care, with most saying they could not have afforded or accessed this care previously. Most people who had tried to find a new doctor reported being able to do so with relative ease; they also were able to get appointments within timeframes similar to those reported by the general population of adults in prior surveys.

Other indicators demonstrate that improvements in insurance coverage have helped remove cost barriers to care. Among all working-age adults, the percentage reporting not being able to get needed care because of the cost fell between 2012 and 2014, from 43 percent to 36 percent—a decline of 14 million people. Similarly, better insurance coverage has meant fewer Americans experiencing financial difficulties related to health care. The number of adults who had problems paying their medical bills, or were paying off medical debt, declined from 75

million to 64 million between 2012 and 2014. This is the first time these numbers have declined since The Commonwealth Fund began asking these questions, with the changes likely reflecting improvements in coverage and in the economy. However, rates for these problems remain high, particularly for low-income adults.

Overall, health plans sold in the insurance marketplaces created under the ACA appear to be relatively affordable. A majority of consumers with marketplace coverage has reported it being very or somewhat easy to pay their premiums. This has especially been true for those with low incomes who are benefitting from the ACA's insurance subsidies.

The federal and state insurance marketplaces have also turned out to be quite stable and competitive. Nationwide, marketplace premiums did not increase at all, on average, from 2014 to 2015. This is unprecedented in light of historical trends in the individual and employer-based health insurance markets. The number of insurance carriers participating in the marketplaces also grew by 25 percent. However, these trends varied substantially by state: 14 states saw average premiums decline, while 10 states and the District of Columbia saw double-digit increases.

States have had considerable flexibility in implementing the ACA's coverage reforms. As a result, consumers, insurers, and providers are experiencing the reforms somewhat differently from state to state. The most significant source of variation involves the decision to expand eligibility for Medicaid. So far, 22 states and the District of Columbia have expanded Medicaid under the law's provisions, and six states have received approval to expand Medicaid eligibility in a somewhat different fashion. Twenty-two states have not yet expanded Medicaid, though six of those are discussing ways to do so.

The impact of these decisions is clear. As several surveys have shown, uninsured rates are falling to the lowest levels in those states that have expanded Medicaid eligibility. Because state flexibility in whether to expand Medicaid stems from the 2012 Supreme Court decision, it was unforeseen by the drafters of the ACA.

Another unforeseen occurrence with implications for the ACA has been the slowdown in the rate of health care spending growth in recent years. This slowdown has been observed across the board, in public programs as well as private insurance. Partly in response, the Congressional Budget Office recently lowered its projections for the net federal costs of the ACA's coverage provisions by an additional \$142 billion over the period 2016 to 2026. The CBO's most recent report also notes that, between 2015 and 2019, these federal costs will be 29 percent lower than the agency originally projected in 2010. While a number of factors have contributed to these downward revisions, slower cost growth has been one important contributor.

The 160 million people who have their coverage through an employer are also benefitting from new protections, like the ability to stay on a parent's health plan through age 25, and

preventive care coverage without cost-sharing. Even with these changes, premium growth in employer-based health plans has slowed in the majority of states since 2010, when the provisions went into effect.

The CBO projects the law will have only minor effects on the labor force, driven almost entirely by workers' voluntary choices. For example, people who had been locked into their jobs because of the need for health insurance may now choose to retire early, stay home to care for children or elderly parents, or earn a college degree.

Finally, it's important to remember that the ACA aimed to do more than strengthen access to, and the affordability of, health insurance and health care; it also sought to improve how care is organized, delivered, and paid for.

There is widespread agreement that the U.S. health care delivery system is inefficient and fragmented, leaving patients, providers, and payers dissatisfied with the value of care provided and received. The ACA includes several reforms to improve health system performance.

The new Center for Medicare and Medicaid Innovation, for example, has launched an array of initiatives involving changes to health care payment and organization that together reach thousands of hospitals, tens of thousands of clinicians, and millions of patients across all 50 states. These reforms, incremental so far, are quickly gathering momentum. A number of the initiatives have the potential to dramatically improve the value of health services received by patients throughout the United States.

Earlier this year, Secretary Burwell announced a goal to have at least 50 percent of traditional Medicare payments linked to some form of alternative payment method by 2018. A private-sector consortium comprising leading health systems, payers, and purchasers has set similar goals. The alignment of public- and private-sector activity around such goals sends a strong signal to providers and payers alike that the momentum around delivery and payment reform will only be accelerating. The ACA's delivery system reforms have helped to catalyze this new public-private alliance.

At the five-year mark, there is strong evidence that the Affordable Care Act has resulted in gains in coverage, affordability, and access to health care services. It may also have created the foundation for significant changes to the way we deliver and pay for care. Taken together, a promising picture emerges. Five years, however, is a short time in the life of legislation as ambitious and sweeping as the ACA. Additional studies and evaluations will be necessary to paint a fuller picture of the law's impact on Americans and their health care system.

# THE AFFORDABLE CARE ACT AT FIVE YEARS

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The Commonwealth Fund

Thank you, Chairman Hatch, Senator Wyden, and the members of the Committee, for inviting me to testify. I am David Blumenthal, president of The Commonwealth Fund. The Commonwealth Fund is a private foundation that aims to promote a high-performing health care system that achieves better access, improved quality, and greater efficiency, particularly for society's most vulnerable, including low-income people, the uninsured, minority Americans, young children, and elderly adults. The Fund carries out this mission by supporting independent research on health care issues and making grants to improve health care practice and policy.

I am honored to testify before the Committee about the Affordable Care Act at five years. Research from The Commonwealth Fund and other sources demonstrates that the ACA is helping to reduce the number of Americans who are uninsured and improving access to health care. Further, the ACA is reforming the way care is delivered and paid for in our country. Taken together, the ACA is the most sweeping overhaul ever of our nation's health system. And while it's too early to assess the impact of many provisions and programs, a review of progress to date suggests a number of positive trends.

## **The Affordable Care Act Has Reduced the Number of Uninsured Adults**

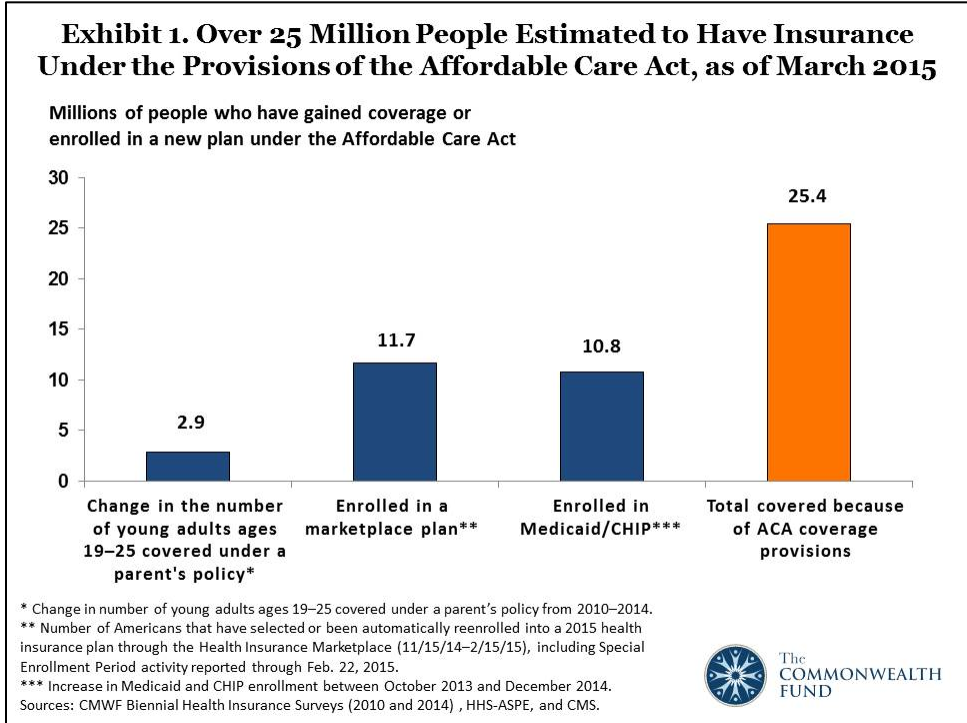
More than 25 million people are estimated to have health insurance under the provisions of the ACA (Exhibit 1). During the most recent enrollment period, about 11.7 million have selected, or were automatically reenrolled in, a health plan through the insurance marketplaces, and special enrollment periods are still open in several states.<sup>1</sup> About 8.8 million people selected a plan through the federal website [healthcare.gov](http://healthcare.gov)—an increase of more than 3 million over last year—and more than 2.8 million selected a plan through the state-based marketplaces. An additional 10.8 million have enrolled in Medicaid or the Children's Health Insurance Program, or CHIP, since October 2013.<sup>2</sup> Finally, we estimate nearly 3 million more young adults are covered under their parents' health plan compared to 2010.<sup>3</sup>

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<sup>1</sup> *Health Insurance Marketplaces 2015 Open Enrollment Period: March Enrollment Report*, Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, March 10, 2015: [http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/Mar2015/ib\\_2015mar\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/Mar2015/ib_2015mar_enrollment.pdf).

<sup>2</sup> V. Wachino, "Nearly 10.8 Million Additional Individuals Enrolled in Medicaid as of December 2014," Department of Health and Human Services, Feb. 23, 2015: <http://www.hhs.gov/healthcare/facts/blog/2015/02/medicaid-chip-enrollment-december.html>.

<sup>3</sup> Commonwealth Fund Biennial Health Insurance Survey, 2014.

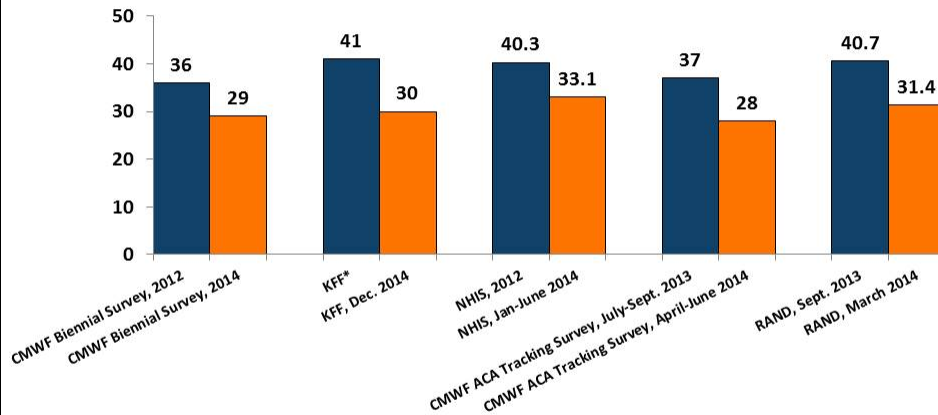


As a result, the number of uninsured adults has fallen. This week, the U.S. Department of Health and Human Services reported that 16.4 million previously uninsured people had gained coverage since the ACA was passed in 2010. Government and private surveys by The Commonwealth Fund, the Kaiser Family Foundation, the RAND Corporation, the Urban Institute and the Centers for Disease Control and Prevention have documented declines in the uninsured population of 7 million to 11 million adults over the past year. These declines are unprecedented (Exhibit 2).<sup>4</sup>

<sup>4</sup> M. E. Martinez, R. A. Cohen, “Health Insurance Coverage: Early Release of Estimates From the National Health Interview Survey, January–June 2014,” Centers for Disease Control and Prevention, Dec. 2014; S. R. Collins, P. W. Rasmussen, M. M. Doty, and S. Beutel, *The Rise in Health Care Coverage and Affordability Since Health Reform Took Effect*, The Commonwealth Fund, Jan. 2015; S. R. Collins, P. W. Rasmussen, and M. M. Doty, *Gaining Ground: Americans' Health Insurance Coverage and Access to Care After the Affordable Care Act's First Open Enrollment Period*, The Commonwealth Fund, July 2014; R. Garfield and K. Young, *Adults Who Remained Uninsured at the End of 2014*, The Henry J. Kaiser Family Foundation, Jan. 2015; K. G. Carman and C. Eibner, “Changes in Health Insurance Enrollment Since 2013: Evidence from the RAND Health Reform Opinion Study,” *RAND Health Quarterly*, 2014 4(3).

## Exhibit 2. The Number of Uninsured Working-Age Adults Has Declined by an Estimated 7 Million to 11 Million

Millions of nonelderly adults\* who are uninsured



Note: Most survey estimates are for adults ages 18–64. The Commonwealth Fund surveys' estimates are for adults ages 19–64.

\* Kaiser Family Foundation Pre-ACA estimate calculated using their Dec. 2014 estimate that 30 million people remained uninsured and adding the estimate that 11 million people gained coverage.

Source: The Commonwealth Fund; Centers for Disease Control; RAND.

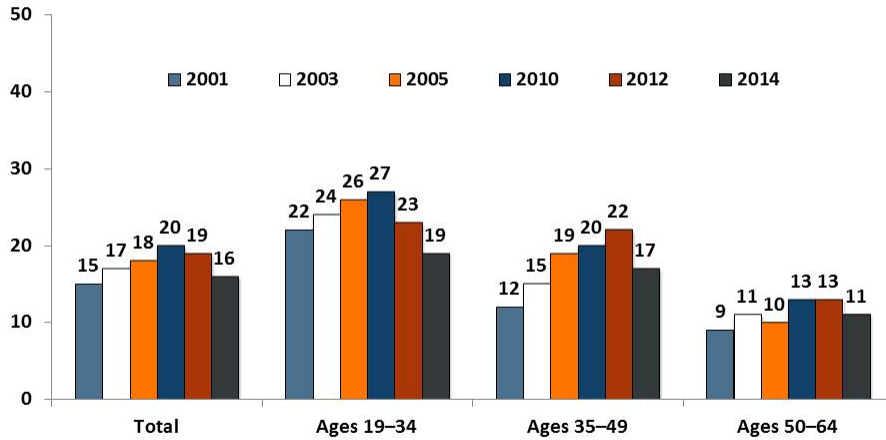


Groups that historically have been most at risk for lacking insurance have experienced some of the greatest gains in coverage. For example, the uninsured rate for young adults ages 19 to 34 has declined sharply, falling from 27 percent in 2010 to 19 percent in 2014 (Exhibit 3).<sup>5</sup> There have also been striking declines among low-income adults. The uninsured rate for people with incomes below 200 percent of the federal poverty level dropped from 36 percent in 2010 to 24 percent in 2014 (Exhibit 4). Uninsured rates for low-income and young adults are the lowest observed since 2001.

<sup>5</sup> S. R. Collins et al., *Rise in Coverage and Affordability*, The Commonwealth Fund, Jan. 2015.

### Exhibit 3. Young Adults Have Made the Greatest Gains in Coverage of Any Age Group Since 2010

Percent of adults ages 19–64 who are uninsured

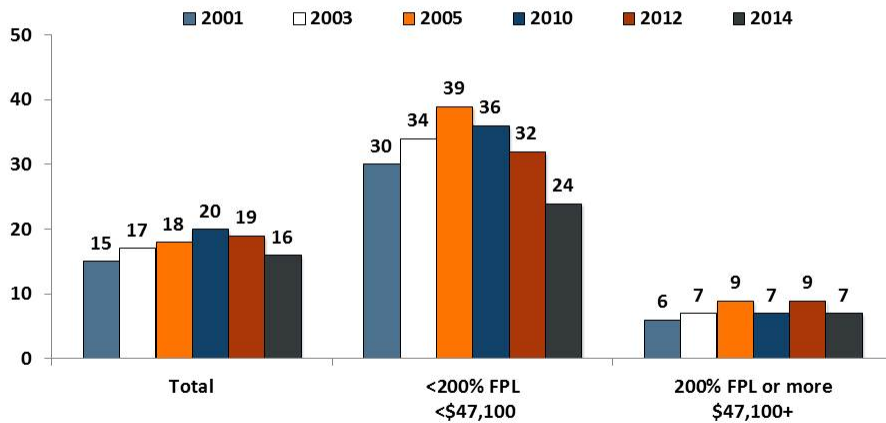


Source: The Commonwealth Fund Biennial Health Insurance Surveys (2001, 2003, 2005, 2010, 2012, and 2014).



### Exhibit 4. People with Incomes Under \$48,000 for a Family of Four Experienced the Largest Declines in Uninsured Rates

Percent of adults ages 19–64 who are uninsured



Note: FPL refers to federal poverty level. Income levels are for a family of four in 2013.  
Source: The Commonwealth Fund Biennial Health Insurance Surveys (2001, 2003, 2005, 2010, 2012, and 2014).

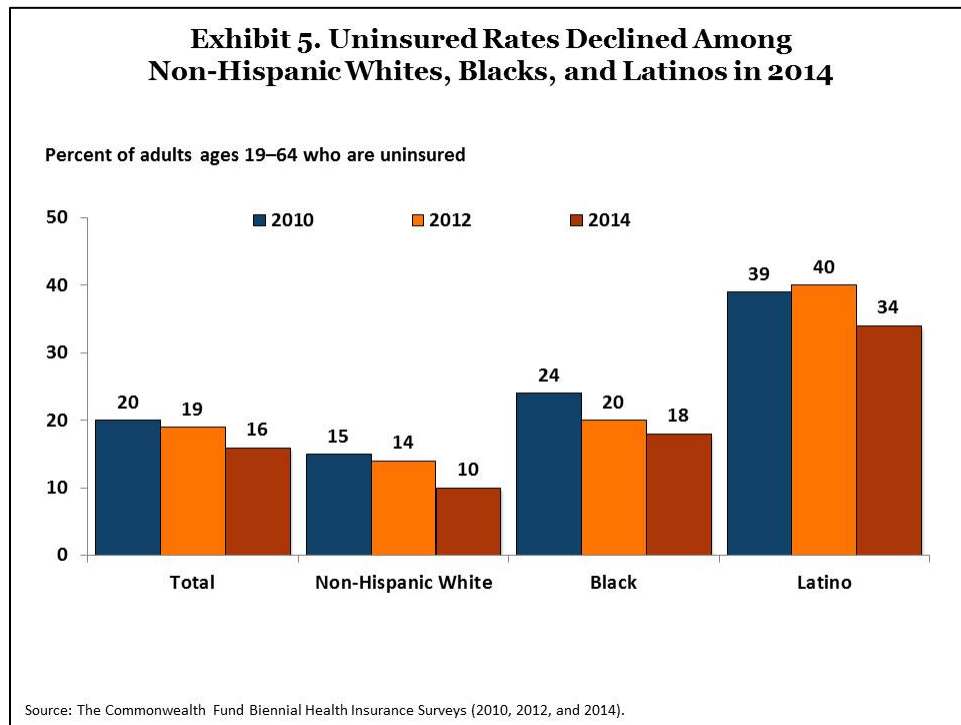


Coverage gains have also occurred across racial and ethnic groups. Between 2010 and 2014, the uninsured rate, fell from 15 percent to 10 percent for non-Hispanic whites; from 24 percent to 18 percent for African Americans; and from 39 percent to 34 percent for Latinos (Exhibit 5).<sup>6</sup>

<sup>6</sup> S.R. Collins et al., *Rise in Coverage and Affordability*, The Commonwealth Fund, Jan. 2015.



Despite these declines, African Americans and Latinos continue to be much more likely than non-Hispanic whites to be uninsured.

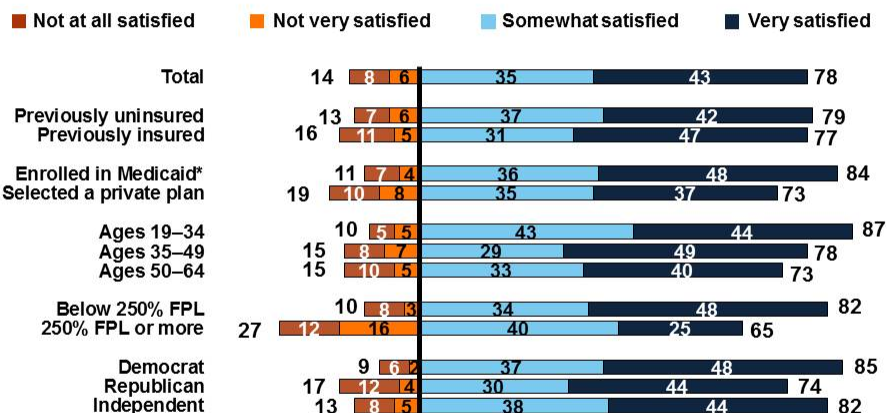


To see how the newly insured are faring with their marketplace or Medicaid coverage, The Commonwealth Fund surveyed these adults in the second quarter of 2014.<sup>7</sup> We found that three-quarters of the newly insured were satisfied with their insurance (Exhibit 6). People who had been insured prior to gaining their new coverage and those who had been uninsured were equally satisfied. Compared to people who selected a marketplace plan, larger shares of those who newly enrolled in Medicaid were satisfied with their new coverage.

<sup>7</sup> S.R. Collins et al., *Gaining Ground*, The Commonwealth Fund, July 2014.

### Exhibit 6. More Than Three-Quarters of Adults with New Coverage Said They Were Very or Somewhat Satisfied with It

Overall, how satisfied are you with this new health insurance?



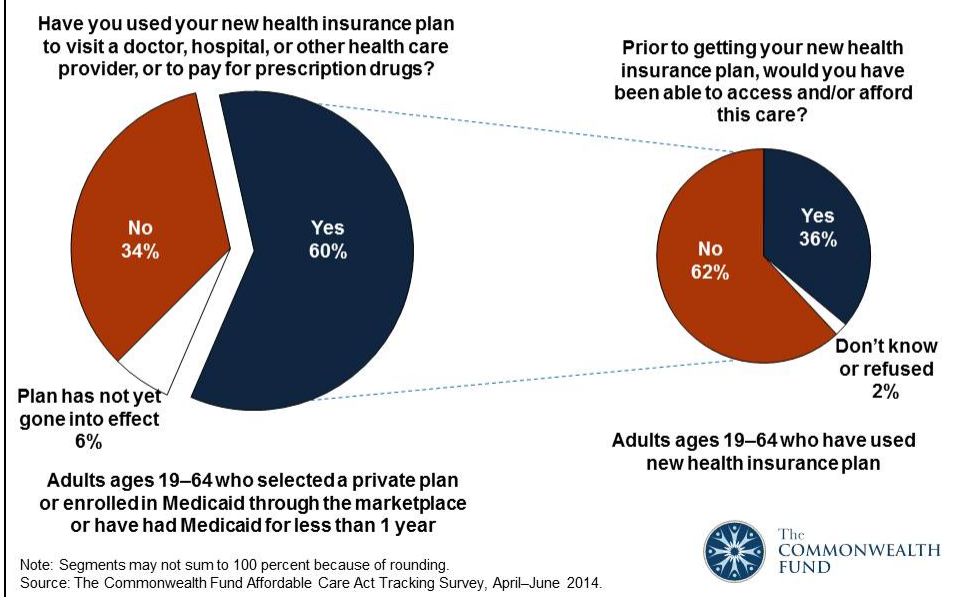
Adults ages 19-64 who selected a private plan or enrolled in Medicaid through marketplace or have had Medicaid for less than 1 year

Notes: Segments may not sum to indicated total because of rounding. Bars may not sum to 100 percent because of don't know/refusal to respond. FPL refers to federal poverty level. \* This includes some individuals who enrolled in Medicaid outside of the marketplace, but have been covered by Medicaid for less than 1 year. Source: The Commonwealth Fund Affordable Care Act Tracking Survey, April-June 2014.



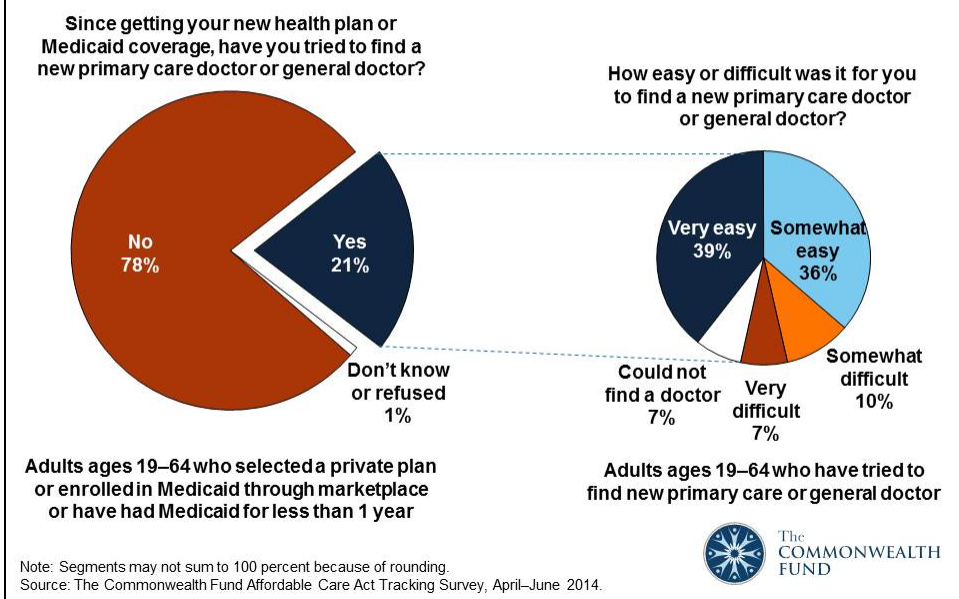
At the time of the Commonwealth Fund survey, a majority of the newly insured had already used their plans to go to a doctor or a hospital or to pay for a prescription drug (Exhibit 7). Sixty-two percent of these adults said that they could not have afforded or accessed this care previously. Rates were particularly high for those who had previously been uninsured (75%). But nearly half of those who previously had insurance (44%) said that they, too, would not have been able to get this care before enrolling in their new plan.

**Exhibit 7. Three of Five Adults with New Coverage Said They Had Used Their Plan; of Those, Three of Five Said They Would Not Have Been Able to Access or Afford This Care Before**



Of those survey respondents who had tried to find a new primary care physician or general doctor with their new insurance, three-fourths reported that doing so had been very or somewhat easy (Exhibit 8). Two-thirds of respondents who said they found a new primary care doctor were able to get an appointment within two weeks. Wait times were longer for some—for example, 15 percent waited longer than one month—but average wait times were consistent with those reported in prior Commonwealth Fund surveys of the general population, including both insured and uninsured Americans.

### Exhibit 8. One of Five Adults with New Coverage Tried to Find a Primary Care Doctor; Three-Quarters Found It Easy or Somewhat Easy to Find One



### Improvements in Insurance Coverage Are Removing Cost Barriers to Care and Reducing Problems with Medical Bills

Other indicators demonstrate that improvements in insurance coverage have helped remove cost barriers to care. Among all working-age adults surveyed, the percentage who reported not getting needed care because of the cost fell between 2012 and 2014, from 43 percent to 36 percent, a decline of approximately 14 million people (Exhibit 9).<sup>8</sup> This is the first year that this indicator has fallen since The Commonwealth Fund began tracking it in 2003.

<sup>8</sup> S. R. Collins, et al., *Rise in Coverage and Affordability*, The Commonwealth Fund, Jan. 2015.

**Exhibit 9. The Number of Adults Reporting Not Getting Needed Care Because of Cost Declined in 2014**

Percent of adults ages 19–64

	2003	2005	2010	2012	2014
<b>In the past 12 months:</b>					
<b>Had a medical problem, did not visit doctor or clinic</b>	22% 38 million	24% 41 million	26% 49 million	29% 53 million	23% 42 million
<b>Did not fill a prescription</b>	23% 39 million	25% 43 million	26% 48 million	27% 50 million	19% 35 million
<b>Skipped recommended test, treatment, or follow-up</b>	19% 32 million	20% 34 million	25% 47 million	27% 49 million	19% 35 million
<b>Did not get needed specialist care</b>	13% 22 million	17% 30 million	18% 34 million	20% 37 million	13% 23 million
<b><i>Any of the above access problems</i></b>	37% 63 million	37% 64 million	41% 75 million	43% 80 million	36% 66 million

Source: The Commonwealth Fund Biennial Health Insurance Surveys (2003, 2005, 2010, 2012, and 2014).

The decline in cost-related access problems likely reflects the ACA’s expansions of coverage as well as the law’s improvements in coverage, such as the inclusion of preventive care services without cost-sharing. The decline may also reflect some improvement in the economy. Still, these rates remain quite high, particularly among those with low incomes. Forty-five percent of adults with incomes below 200 percent of poverty reported problems getting care because of the cost, including one-third of those with insurance.

**Exhibit 10. The Number of Adults Reporting Medical Bill Problems Declined in 2014**

Percent of adults ages 19–64

	2005	2010	2012	2014
<b>In the past 12 months:</b>				
Had problems paying or unable to pay medical bills	23% 39 million	29% 53 million	30% 55 million	23% 43 million
Contacted by a collection agency about medical bills*	21% 36 million	23% 42 million	22% 41 million	20% 37 million
Contacted by collection agency for unpaid medical bills	13% 22 million	16% 30 million	18% 32 million	15% 27 million
Contacted by a collection agency because of billing mistake	7% 11 million	5% 9 million	4% 7 million	4% 8 million
Had to change way of life to pay bills	14% 24 million	17% 31 million	16% 29 million	14% 26 million
Any of three bill problems (does not include billing mistake)	28% 48 million	34% 62 million	34% 63 million	29% 53 million
Medical bills being paid off over time	21% 37 million	24% 44 million	26% 48 million	22% 40 million
Any of three bill problems or medical debt	34% 58 million	40% 73 million	41% 75 million	35% 64 million

\* Subtotals may not sum to total: respondents who answered “don’t know” or refused are included in the distribution but not reported.  
Source: The Commonwealth Fund Biennial Health Insurance Surveys (2005, 2010, 2012, and 2014).

Better insurance coverage and an improving economy have also meant fewer Americans are reporting health care–related financial difficulties. The number of adults saying they had problems paying their medical bills in the past year declined from 75 million people in 2012 to 64 million in 2014 (Exhibit 10).<sup>9</sup> This included 8 million fewer people paying off bills over time, and 5 million fewer people being contacted by a collection agency for unpaid medical bills. As with cost-related access problems, though, rates of financial problems remain high, particularly for adults with low incomes.

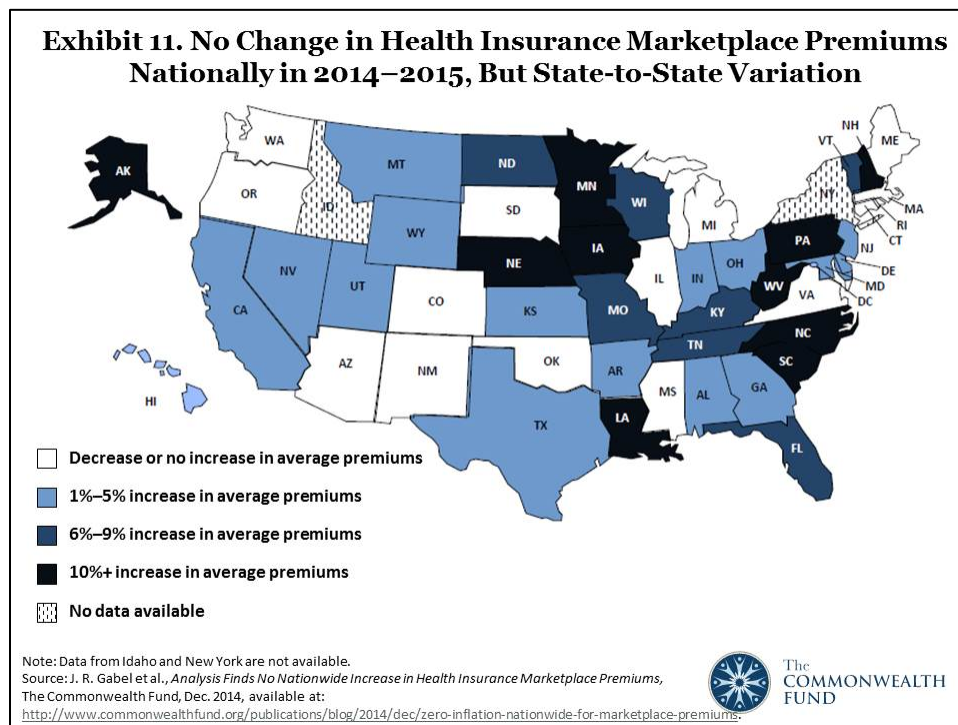
**Health Insurance Marketplaces Have Been Stable and Competitive**

The health insurance marketplaces created under the ACA have turned out to be quite stable and competitive. Nationwide, marketplace premiums did not increase at all, on average, from 2014 to 2015. This is unprecedented in light of recent trends in the individual and employer-based health insurance markets (Exhibit 11).<sup>10</sup> Furthermore, the number of carriers participating in the marketplaces increased by 25 percent. Trends in both premiums and participating carriers, however, varied substantially by state: 14 states saw average premiums decline, while 10 states and the District of Columbia saw double-digit increases. This

<sup>9</sup> Ibid.

<sup>10</sup> J. R. Gabel, H. Whitmore, S. Stromberg, et al., “Analysis Finds No Nationwide Increase in Health Insurance Marketplace Premiums,” The Commonwealth Fund Blog, Dec. 2014  
<http://www.commonwealthfund.org/publications/blog/2014/dec/zero-inflation-nationwide-for-marketplace-premiums>.

heterogeneity reflects local market conditions and differences between urban, suburban, and rural areas.



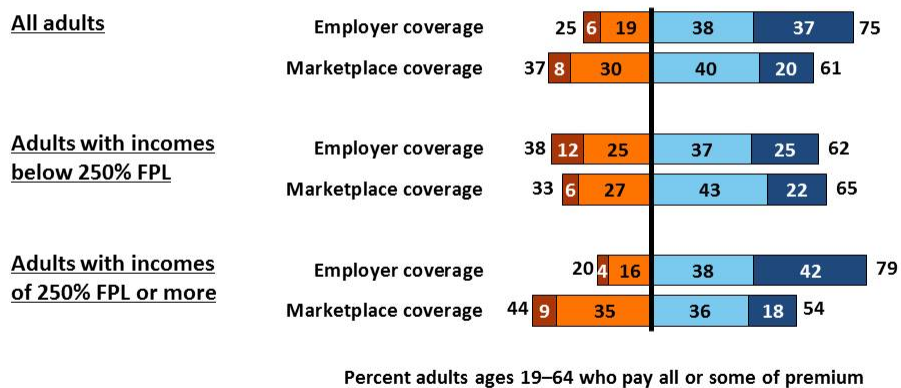
Overall, health plans sold in the marketplaces also appears to be relatively affordable for consumers. A majority of adults (61%) with marketplace coverage reported it has been very or somewhat easy to pay their premiums (Exhibit 12).<sup>11</sup> This is especially true for those with incomes below 250 percent of the poverty level, of whom two-thirds reported that paying their premiums was somewhat or very easy. These adults benefit from the ACA’s insurance subsidies, including reduced cost-sharing to protect from high out-of-pocket expenses.

<sup>11</sup> P. W. Rasmussen, S. R. Collins, M. M. Doty, and S. Beutel, *Are Americans Finding Affordable Coverage in the Health Insurance Marketplaces? Results from the Commonwealth Fund Affordable Care Act Tracking Survey*, The Commonwealth Fund, Sept. 2014.

## Exhibit 12. Three of Five Adults with Marketplace Coverage Found It Easy to Pay Their Premiums

How easy or difficult is it for you to afford the premium costs for your health insurance?

Very difficult or impossible   Somewhat difficult   Somewhat easy   Very easy



Percent adults ages 19–64 who pay all or some of premium

Notes: FPL refers to federal poverty level. 250% of FPL is \$28,725 for an individual or \$58,875 for a family of four. Bars may not sum to 100 percent because of "don't know" responses or refusal to respond; segments may not sum to subtotals because of rounding.

Source: The Commonwealth Fund Affordable Care Act Tracking Survey, April–June 2014.



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In contrast, having trouble paying insurance premiums was somewhat more common among people with higher incomes, who receive smaller subsidies or none at all: 44 percent of adults with incomes that put them at or above 250 percent of the poverty level said it was somewhat difficult, very difficult, or impossible.

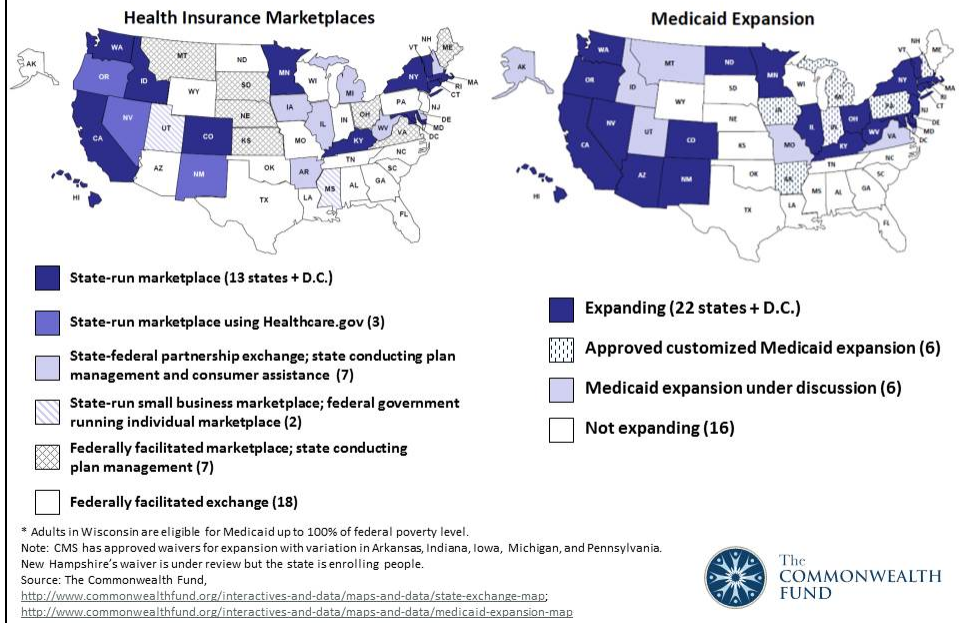
### The Affordable Care Act Has Unfolded Differently in Each State

States have had considerable flexibility to implement the ACA's insurance coverage reforms. This flexibility stems from the statute itself, from how federal regulations have been implemented, and from decisions made by the Supreme Court. As a result, consumers, insurers, and providers are experiencing the reforms somewhat differently from state to state.

Significant differences have arisen regarding states' management of their insurance marketplaces (Exhibit 13). Sixteen states and the District of Columbia opted to run their own marketplaces, although this year three of these states—Oregon, New Mexico, and Nevada—are using healthcare.gov. Thirty-four states are using the federal marketplace, but there is a great deal of variation in their involvement in operations. For example, seven states using the federal marketplace take responsibility for plan management, and seven more are undertake both plan management and consumer assistance.



### Exhibit 13. State Action on Health Insurance Marketplaces and Medicaid Expansion, as of March 2015



The most significant source of variation in how states have been affected by the ACA concerns their decision to expand eligibility for Medicaid. So far, 22 states and the District of Columbia have expanded Medicaid under the law’s provisions, and six states have received approval from the Department of Health and Human Services to expand Medicaid eligibility under Section 1115 waiver authority (Exhibit 13). Twenty-two states have not yet expanded Medicaid, though six of those are discussing ways to do so. The impact of these decisions is clear: several surveys have shown uninsured rates falling to the lowest levels in those states that have expanded Medicaid eligibility.

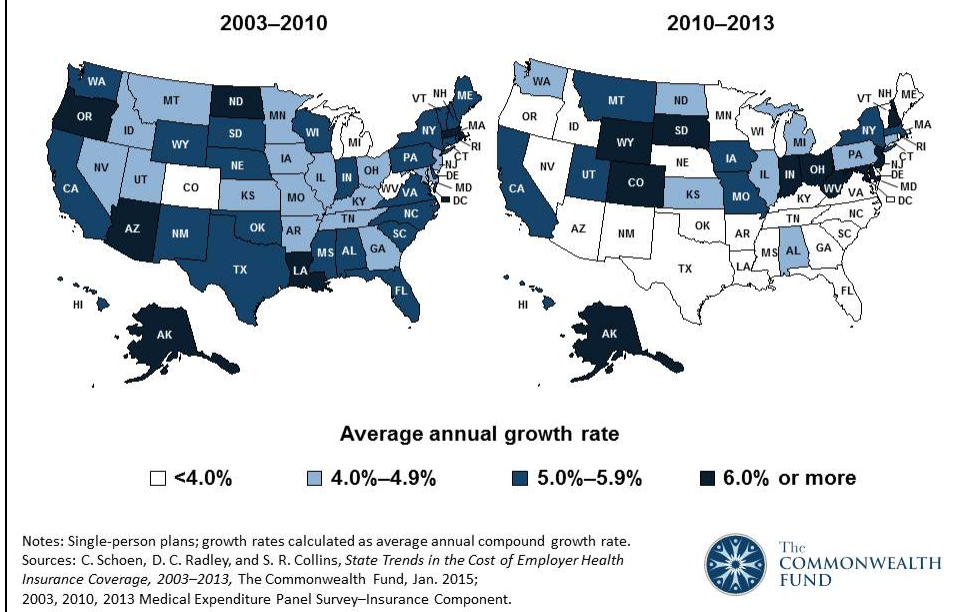
### Health Care Spending Growth Has Slowed, Reducing Federal Costs of ACA Coverage Provisions

One unforeseen event with implications for the ACA has been the slowdown in the rate of health care spending growth in recent years. This slowdown has been observed across the board, both in public programs and in private insurance. Real (inflation-adjusted) Medicare spending per beneficiary has actually fallen,<sup>12</sup> and 31 states and the District of Columbia have experienced slower growth in employer-sponsored insurance premiums from 2010 to 2013 compared to the seven prior years (Exhibit 14).<sup>13</sup>

<sup>12</sup> M. Sanger-Katz, “Per Capita Medicare Spending Is Actually Falling,” *New York Times*, Sept. 3, 2014: <http://www.nytimes.com/2014/09/04/upshot/per-capita-medicare-spending-is-actually-falling.html>.

<sup>13</sup> C. Schoen, D. C. Radley, and S. R. Collins, *State Trends in the Cost of Employer Health Insurance Coverage, 2003–2013*, The Commonwealth Fund, Jan. 2015.

**Exhibit 14. Growth in Employer Health Insurance Premiums Slowed Over 2010–2013 Compared with 2003–2010 in 31 States and D.C.**



Partly in response to this slowdown in spending growth, the Congressional Budget Office recently lowered its projections of net federal costs for the ACA’s coverage provisions over the period 2016 to 2026 by \$142 billion.<sup>14</sup> The CBO’s most recent report also notes that between 2015 and 2019, these federal costs will be 29 percent lower than the agency originally projected in 2010. A number of factors have contributed to these downward revisions, including changes in law, changes in the CBO’s economic projections, and the Supreme Court’s decision regarding Medicaid. However, slower spending growth has been sufficiently broad and persistent to convince the CBO to lower its projections of federal costs for health care.

**The Law Is Benefitting People in Employer-Based Plans and Freeing People from “Job Lock”**

The 160 million people with health coverage through an employer are also benefitting from new protections, like the ability to stay on a parent’s health plan through age 25, and preventive-care coverage without cost-sharing. And despite these changes, premium growth in employer-based plans slowed in the majority of states since 2010, when these provisions went into effect.

The CBO projects only minor effects on the labor force from the law. The agency estimates the ACA will reduce hours worked by 1.5 percent to 2 percent over the period 2014 to 2017. This translates into a decline in full-time-equivalent workers of 2 million in 2017, rising to 2.5 million in 2024. The CBO believes this reduction will occur almost entirely because workers will chose

<sup>14</sup> *Updated Budget Projections: 2015 to 2025*, Congressional Budget Office, March 2015: <http://www.cbo.gov/publication/49973>.

to work less as a result of the law's new coverage options.<sup>15</sup> For example, workers who have been locked into their jobs because of the need for health insurance may now chose to retire early, stay home or work part-time to care for children or elderly parents, or earn a college degree.

### **Delivery System Reform**

Finally, it's important to remember that the ACA aimed to do more than strengthen access to, and the affordability of, health insurance and health care. It also sought to improve how care is organized, delivered, and paid for.

There is widespread agreement that the U.S. health care delivery system is inefficient and fragmented, leaving patients, providers, and payers dissatisfied with the value of care provided and received. The ACA includes several reforms to improve health system performance.

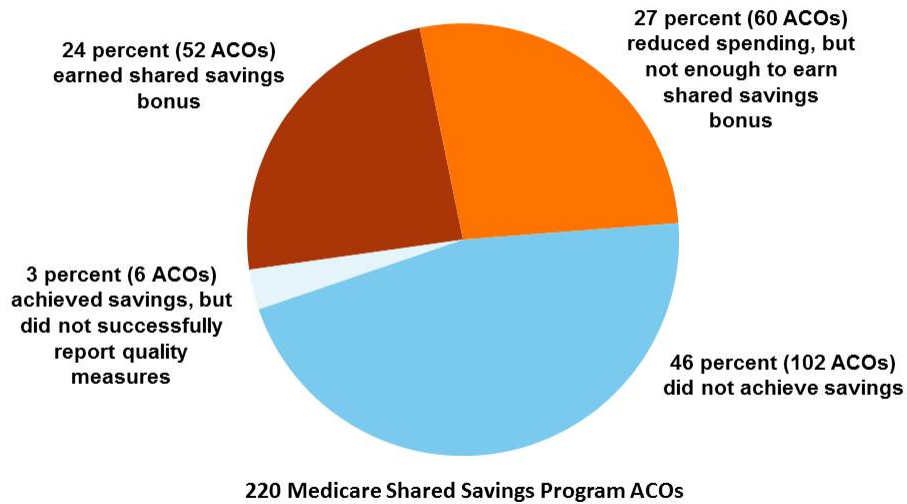
The new Center for Medicare and Medicaid Innovation (CMMI), for example, has launched an array of initiatives involving changes in the way care is paid for and organized that together reach thousands of hospitals, tens of thousands of clinicians, and millions of patients across all 50 states. While the general direction of CMMI activities is promising, it is for the most part too early in the evolution of these nascent initiatives to assess them rigorously. It is reasonable to infer, however, that the reforms are contributing to the gathering momentum across the country around payment and delivery system reform.

One ACA payment initiative currently being tested is the Medicare Shared Savings Program. Established as a way of encouraging providers to form accountable care organizations, or ACOs, the Shared Savings Program provides an opportunity for provider groups that are serving as an ACO and take responsibility for the quality and cost outcomes for a specified patient population to split the savings with the federal government if they meet quality and spending targets. Currently there are more than 400 Shared Savings ACOs, and together they serve 13 percent of the Medicare population. Although provider participation has exceeded expectations, first-year results were mixed, with only 24 percent earning shared-savings bonuses (Exhibit 15).

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<sup>15</sup> Congressional Budget Office, *The Budget and Economic Outlook, Appendix C: Labor Market Effects of the Affordable Care Act, February 2014*, <http://www.cbo.gov/sites/default/files/cbofiles/attachments/45010-breakout-AppendixC.pdf>.

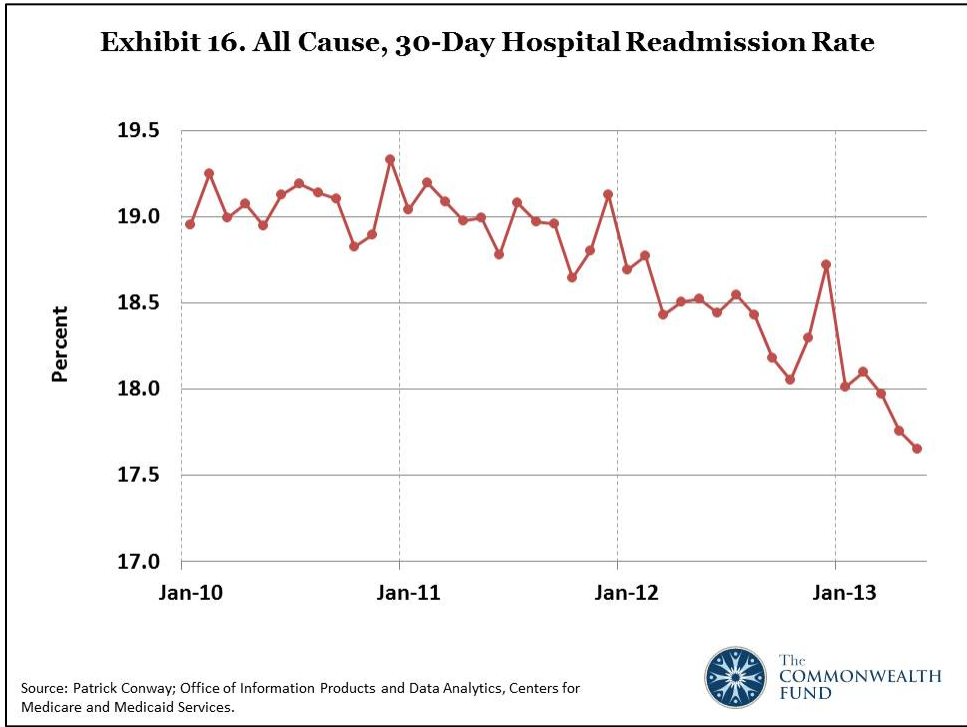
**Exhibit 15. Medicare Shared Savings Program:  
Year One Performance Results, 2013**



Source: Centers for Medicare and Medicaid Services.



Another payment change relates to how Medicare reimburses hospitals for higher-than-expected numbers of readmissions. Since the program began at the end of 2012, there have been approximately 150,000 fewer Medicare readmissions each year. In large part because of the financial penalties associated with the ACA's policy change, 30-day hospital readmission rates have declined from 19 percent to 17.5 percent (Exhibit 16).



Earlier this year, Secretary Burwell announced a goal to have at least 50 percent of traditional Medicare payments linked to some form of alternative, value-based payment method by 2018. A private-sector consortium comprising leading health systems, payers, and purchasers has set similar goals. The alignment of public- and private-sector activity around such goals sends a strong signal to providers and payers alike that the momentum around delivery and payment reform will only be accelerating. The ACA’s initiatives seem to have played an important part in catalyzing this public-private alignment, which is crucial to improving health care for all Americans.

**Conclusion**

At the five-year mark, there is strong evidence that the Affordable Care Act has resulted in gains in health insurance coverage, the affordability of coverage and care, and access to health services. The law may also have laid the foundation for significant improvements in the way we deliver and pay for care. Taken together, a promising picture emerges. Five years, however, is a short time in the life of legislation as ambitious and sweeping as the ACA. Additional studies and evaluations will be needed to paint a fuller picture of its impact on Americans and their health care system.