

## Why GAO Did This Study

The HCTC pays 72.5 percent of health plan premiums for certain workers who lost their jobs due to foreign import competition and for certain retirees whose pensions from their former employers were terminated and are now paid by the Pension Benefit Guaranty Corporation. A small share of individuals who are potentially eligible for the HCTC participate. In 2010 there were 43,864 participants and 469,168 nonparticipants. The HCTC program will expire at the end of 2013 when premium tax credits and cost-sharing subsidies become available to eligible individuals who purchase health plans through health insurance exchanges under PPACA. PPACA also expands Medicaid eligibility to nonelderly individuals who meet specific income requirements to the extent that states choose to implement this provision. Therefore, the costs for health plans and coverage available to individuals potentially eligible for the HCTC will change when the HCTC expires.

This report examines (1) how the HCTC's expiration and the implementation of the PPACA premium tax credit, cost-sharing subsidies, and Medicaid expansion will affect HCTC participants and nonparticipants, and (2) how the coverage that will be available through the PPACA exchanges compares to HCTC participants' health plan coverage. GAO analyzed 2010 HCTC program data and individual tax filer data. GAO also compared the services and actuarial values of the plans that will be available through the exchanges to HCTC plans.

## PRIVATE HEALTH INSURANCE

### Expiration of the Health Coverage Tax Credit Will Affect Participants' Costs and Coverage Choices as Health Reform Provisions Are Implemented

## What GAO Found

Expiration of the Health Coverage Tax Credit (HCTC) and implementation of Patient Protection and Affordable Care Act (PPACA) premium tax credits, cost-sharing subsidies, and Medicaid expansion will affect HCTC participants' costs for health plans in multiple ways. Projections from GAO's analysis of 2010 Internal Revenue Service (IRS) data show that most HCTC participants in 2014 will likely be eligible for less generous tax credits under PPACA than the HCTC. Specifically, about 69 percent of HCTC participants will likely be ineligible for either a PPACA premium tax credit or Medicaid, or they will likely receive a PPACA premium tax credit less generous than the HCTC. On the other hand, GAO's analysis also found that at least 23 percent will likely be eligible for PPACA premium tax credits more generous than the HCTC. In addition to the PPACA premium tax credit, up to 28 percent of all HCTC participants will likely be eligible for PPACA cost-sharing subsidies—subsidies that will help them pay for deductibles and copays—depending in part on whether or not their state expands Medicaid under PPACA. For HCTC nonparticipants, the projections from GAO's analysis of 2010 IRS data show that as many as 30 percent may be eligible for either Medicaid or a PPACA premium tax credit more generous than the HCTC in 2014, depending in part on whether or not their state expands Medicaid and whether they meet all other eligibility criteria for the PPACA premium tax credits.

In general, the health plan coverage that will be available through the PPACA exchanges will be comparable to coverage in HCTC participants' current plans; however, HCTC participants may have an incentive to choose plans through the exchanges that have different levels of coverage than their HCTC plans. Plans purchased through the PPACA exchanges will be required to provide essential health benefits—including coverage for specific service categories, such as ambulatory care, prescription drugs, and hospitalization—and most HCTC plans cover these categories of services. In addition, the vast majority of HCTC plans in 2012 likely had actuarial values—the expected percentage of costs that a plan will incur for services provided to a standard population—above the minimum actuarial value of 60 percent that health plans sold through the PPACA exchanges will be required to meet. However, because the PPACA premium tax credit amount will be based on a plan with an actuarial value of 70 percent, HCTC participants who currently have plans with either higher or lower actuarial values and are eligible for PPACA premium tax credits may have an incentive to choose plans that will have different levels of coverage than their HCTC plans. For example, those who have HCTC plans with actuarial values that are higher than 70 percent may have an incentive to shift to health plans with an actuarial value of 70 percent to avoid paying any difference in premiums that could result from choosing plans with higher actuarial values. Similarly, those who now have plans with actuarial values below 70 percent could have the opposite incentive and may purchase plans that offer a higher level of coverage than their current HCTC plans.

We provided draft copies of this report to the Department of Health and Human Services and IRS for review, and both provided technical comments, which we incorporated as appropriate.