

Impact of the Affordable Care Act on Students –Survey Results (11/11/2013)

There has been much talk and debate surrounding Obamacare, but a lot of questions remain on how it will affect different groups of people, in particular students and young adults. While some praise the Affordable Care Act (ACA) for improving access to care in the younger cohort, others have expressed concern over potential increases in premiums and the economic feasibility of the program. So in a nutshell, what are the main features of Obamacare and what impact will they have on students and young adults?

ACA overview

The ACA was signed as a law by President Obama in October of 2010 with the goal of expanding health coverage to millions of uninsured Americans. While the bulk of the law will come into effect in 2014, a provision affecting the younger population has already been in place since September, 2010. The provision, which affects insurance plan renewals, requires that young adults be allowed to remain as dependents under their parents' policies until age 26 (state laws can increase this age limit). For those who can't get access to insurance under their parents' policy, a variety of affordable health insurance plans are already available for purchase through state or federal Insurance Exchanges. People over 18 who are not insured by March 31, 2014, with few exceptions, will have to pay a penalty. In 2014 the penalty will be the greater of \$95 or 1% of annual income; by 2016 this amount will increase to the greater of \$695 or 2.5% of annual income.

What are insurance exchanges and how do they work?

Any person looking to purchase insurance, and with annual income above \$15,415, can do so through the insurance exchanges. People with income below this level qualify for benefits under Medicaid. The exchanges are online marketplaces organized by each state or by the federal government. California, for instance, set up an online marketplace called Covered California which has been active since October 1st of this year (www.CoveredCA.com). Upon accessing the website users are able to compare health insurance plans from the different participating insurance providers and choose a plan according to their budget and preferences.

According to Dorothy Cociu, President of Advanced Benefit Consulting & Insurance Services and an expert on the ACA, it is expected that insurance plans offered through the exchanges will be available at very affordable rates, at least in the early stages of the program. Afterward, rate stability will largely depend on the level of enrollment and additional government funding. In other words, for the ACA to be successful, a large portion of the population needs to enroll; otherwise, the funding to cover the claims will be insufficient.

Impact on students and young adults

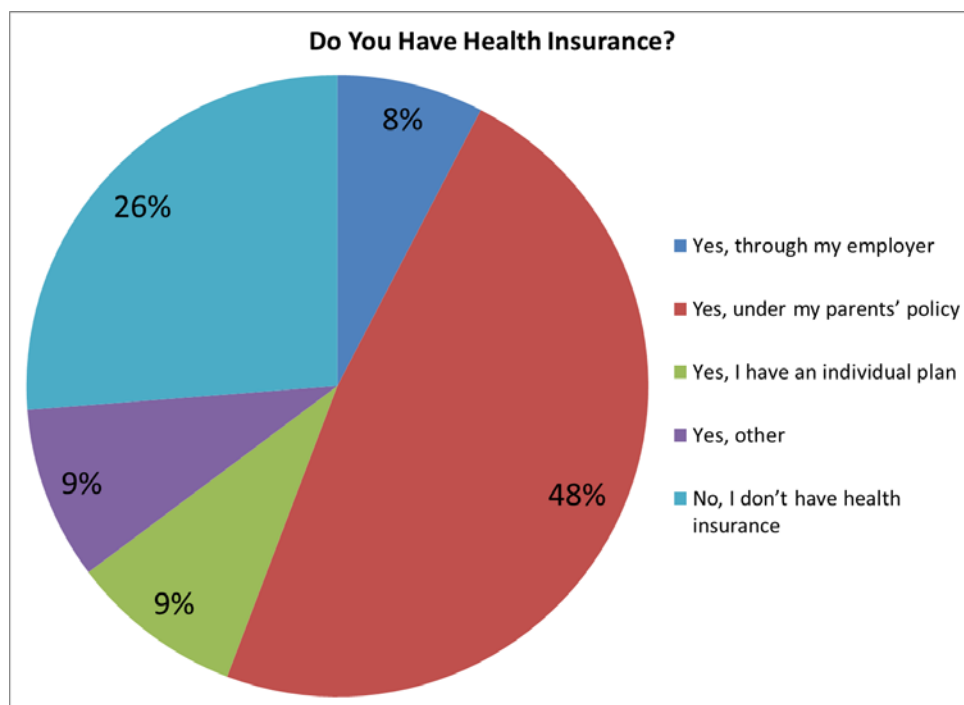
Historically, in the United States, young adults between the ages of 18 to 25 have had the lowest levels of insurance coverage relative to other age groups. However, recent studies show that since the ACA was implemented in 2010, close to 3 million young adults have gained insurance coverage and increased access to healthcare through their parents' policies (Sommers et al. 2013). Increased coverage of young adults has been a positive result of Obamacare; however, it is estimated that the premiums for this group will increase since young healthy people will be largely responsible for funding the pool of older and unhealthier individuals enrolling in health insurance policies.

It is difficult to gauge the overall impact of the Affordable Care Act on students at the moment. The bulk of the law comes into effect on January 1st 2014, and so, there is currently not enough data available to analyze the most important effects of Obamacare. In an effort to collect relevant data, the initial stages of the research conducted by the team at the Center for Insurance Studies at Cal State Fullerton will focus on survey analysis that considers students' knowledge and opinions on the law.

How much do students know about the ACA?

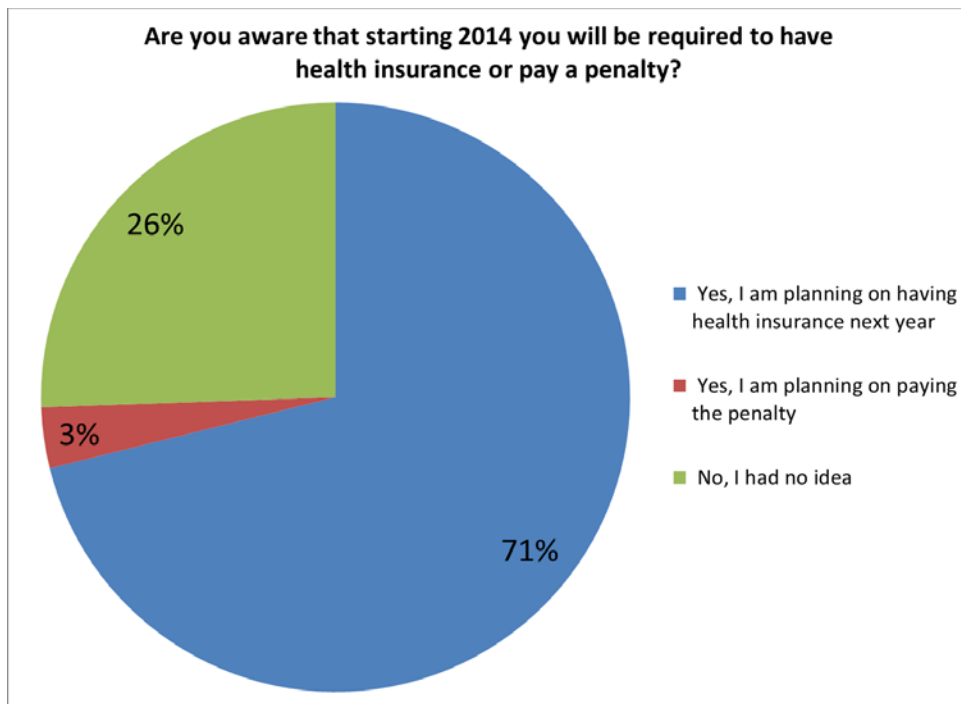
To find out how much students know about Obamacare and what their opinions on the law are, we asked students from finance and insurance related courses to take a brief survey. We collected responses from 510 students and, in general, we found that the majority of students did not know some of the main features of the ACA such as the tax credits and the exchanges. We also found that the majority of students consider health insurance to be important, but that the amount they are willing to pay is far below the current market price of the most accessible plans.

The following are the results to some of the survey questions:

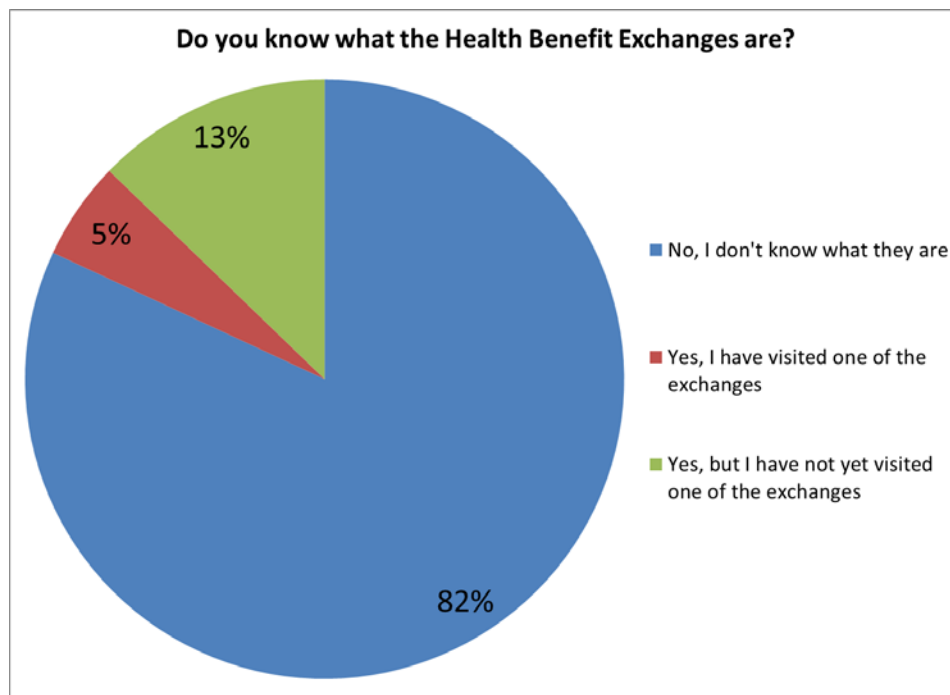


The result shows that 74% of the respondents have some sort of health insurance. Among the students who reported having insurance, the majority obtained coverage through their parents' policies. Among the students who obtained health insurance through their parents' policies, 51% were aged 22 or older. The ACA is benefitting this group by allowing them to be included on their parents' policies until age 26.

The graph also shows that 26% of the students did not have coverage at the time they responded to the survey. We plan on tracking this value to see how students react to the ACA in the future.

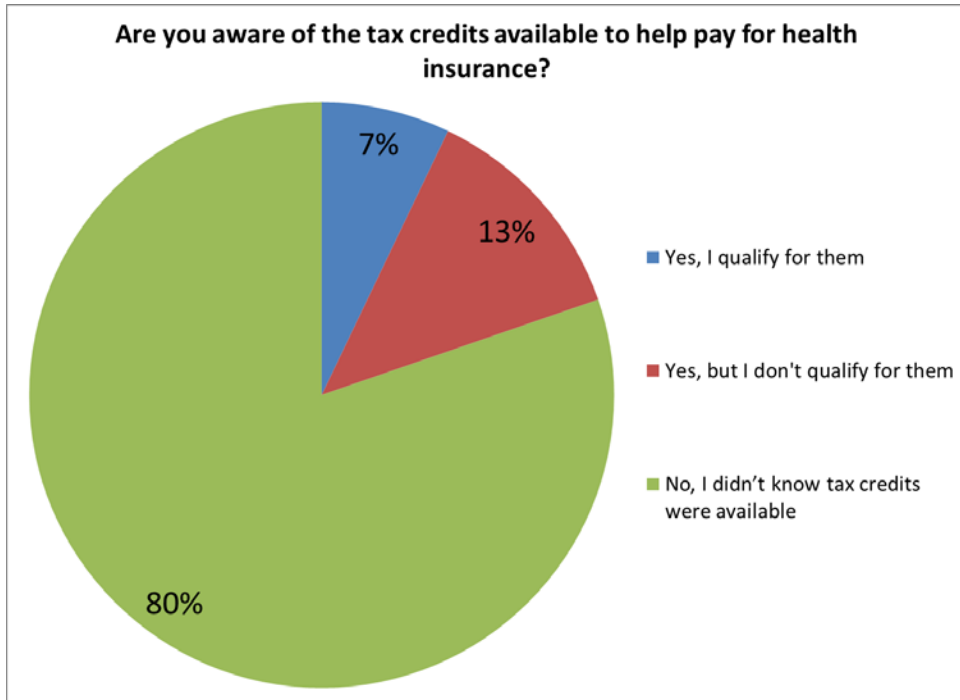


This question was designed to understand whether students were aware of the penalties for not having health insurance starting in 2014. We expected a vast majority of the sample set to be conscious of the topic, since it is one of the most controversial aspects of the ACA. Surprisingly, 26% of the students were not aware of the requirement of having health insurance or paying the corresponding penalty.

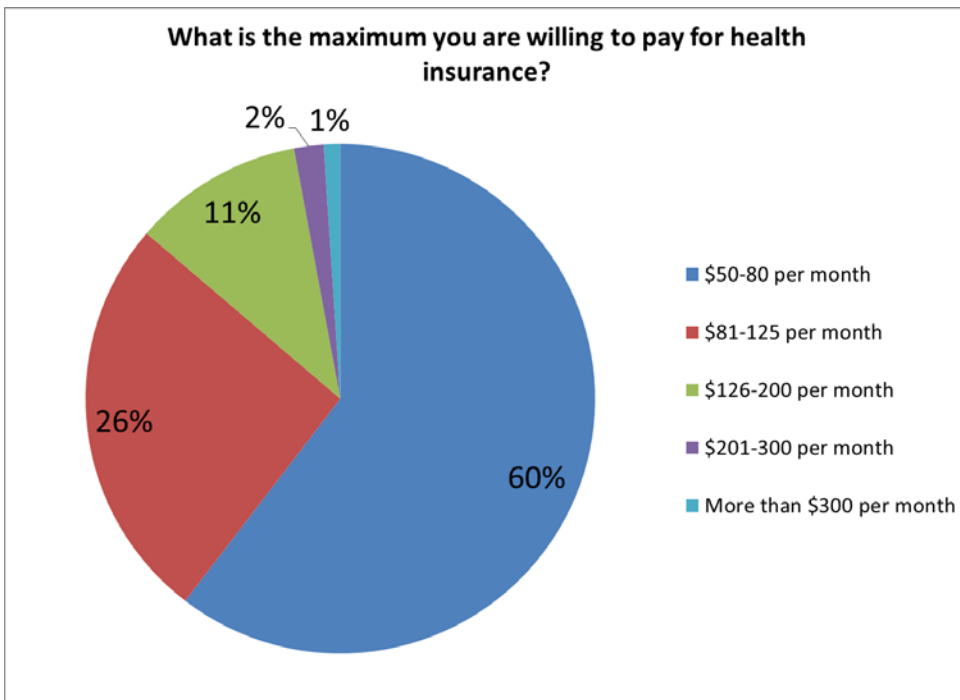


Even with all of the press, both positive and negative, surrounding the launch of the Health Benefit Exchanges, we found that the majority of students were still not aware of the Exchanges. This result may demonstrate that students might not be interested in Obamacare or health insurance in general. A large portion of the results can be explained by the number of students that get coverage through their

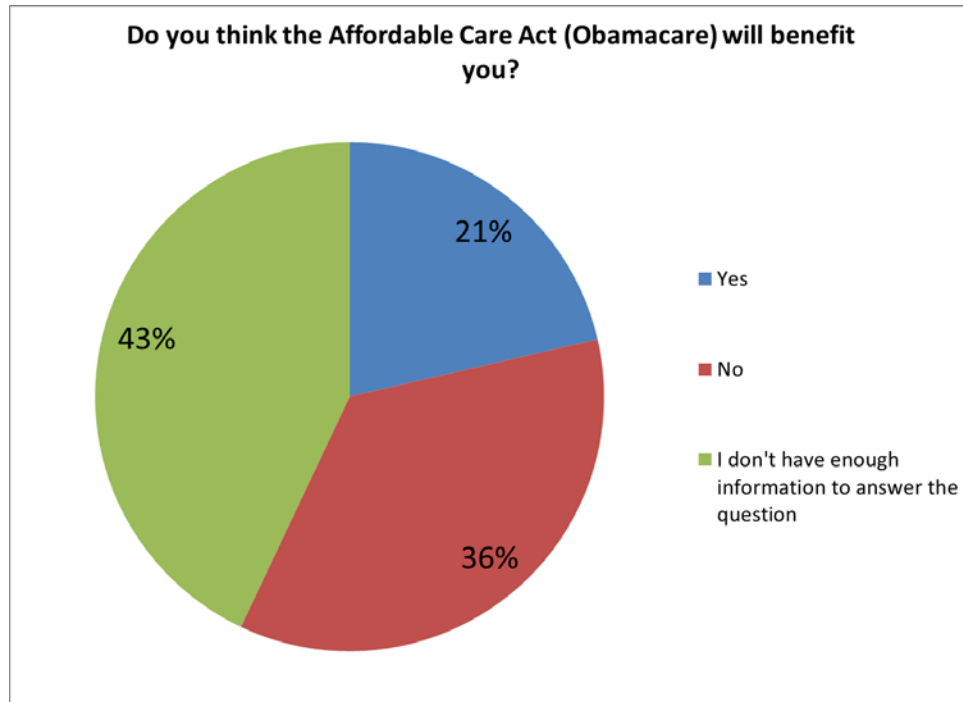
parents' plan. Such students would be less inclined to learn more about the ACA than students who are currently paying for their own plans.



Again, the majority of students were not aware of the ACA's tax credits. This finding is surprising since students and soon-to-be graduates are likely to be part of the population that is expected to benefit the most from the tax credits.



According to the Covered California website, a person aged 21-28 would have to pay a monthly premium of \$170-185 for the most accessible plans. However, according to our survey, only about 14% of the students answered that they were willing to pay an amount in that range. For the rest of the students, expectations and actual costs will not match unless they can qualify for tax credits. This mismatch can adversely affect the perception that students have about Obamacare.



When asked whether Obamacare would benefit them or not, only a small number of students answered in the affirmative. However, this does not mean that the program is unpopular among students (which would put its economic feasibility at risk); there is a large portion of students who simply didn't have enough information about Obamacare to answer. There is still time to explain to this group what the implications of the law are, its pros and its cons, and allow these students to choose whether to sign up or pay the penalty. Even among the students who answered "yes" or "no", we found that many of them chose a side without even knowing the most important aspects of Obamacare. The opinions of this population as well could be swayed by better informing them.

Relevant findings

We further focused the analysis of the survey responses on two particular groups: students covered under their parents' policies and students with no health insurance. The first group was considered of particular importance, since it represents the majority of all respondents. The second group was also considered fundamental, since it represents a completely opposite point of view from that of insured students. It is also important to see the opinion of students with no health insurance, since this is the group that the government should have been targeting the most. In addition, we analyzed the results by age group and gender, but found no significant differences between the responses when categorized using these parameters.

A total of 246 students reported having health insurance under their parents' policies. Within this group:

- 75% reported knowing about the penalty beginning in 2014 for uninsured individuals, and 25% were not aware of the penalty.
- 86% had no idea what the health insurance exchanges are; and only 3% had visited one of the exchanges. Similarly, 81% did not know that tax credits were available to help them pay for health insurance. This proves that students being covered under their parents' plan are likely to be unaware of the exchanges and tax credits since they are not generally planning on purchasing individual plans in the near future.
- 48% would be willing to pay a maximum of \$80 for health insurance; 30% would be willing to pay up to \$125, and 14% would be willing to pay up to \$200.
- 15% thought that the ACA will benefit them, 41% thought that the ACA will not benefit them, and 43% thought that they didn't have enough information to determine whether the ACA would benefit them or not. More students in this group are against Obamacare than those who find it beneficial.

In general, a large proportion of the students covered under their parents' policies have little or very superficial knowledge about the ACA and its implications. Remarkably, 41% of the students in this group thought that the ACA would not benefit them. This is interesting considering that the ACA benefits students and young people directly by allowing them to stay under their parents' policies until age 26. It also indicates that there are biases, political or otherwise, that affect students' ideas of the perceived benefits they will derive from Obamacare.

A total of 134 students reported not having health insurance. Within this group:

- 27% had no idea that starting in 2014 a penalty will apply to most people who are not enrolled in a health insurance plan; 5% are planning on paying the penalty, and 67% are planning on having health insurance by 2014. This is a very significant result since it shows that currently uninsured students are thinking about purchasing insurance starting in 2014 if the right incentives are given. Currently, students do not have a reasonable idea of how much the penalty will be and how much premiums can end up costing. Considering that the penalty is relatively negligible and that actual premium payments without tax credits are higher than students' expectations, we can assume that opinions are likely to change as we get closer to March 31, 2014, the last day of open enrollment.
- 78% did not know what the health benefit exchanges are, and 75% did not know that tax credits are available to help them pay for health insurance. Similar to students who currently have health insurance, those who do not are still very much unaware of these two very important features of Obamacare.
- 77% would be willing to pay a maximum of \$80 for health insurance, 10% would be willing to pay up to \$125, and 2% would be willing to pay up to \$200. In contrast to students who have coverage through their parents' policies, students who do not have health insurance are, in general, willing to pay a lower monthly premium. In summary, those who have insurance, even if they are not paying for it because they are included under their parents' policies, place a higher monetary value on having insurance than those who do not.
- 30% thought that the ACA will benefit them, 22% thought that the ACA would not benefit them, and 43% thought that they didn't have enough information to determine whether the ACA would benefit them or not. In this group, the number of students who believed they would benefit from Obamacare was larger than the number of students who were against it. This result is the opposite of what we observed among students with health insurance.

Similar to the other groups, a large proportion of the students who did not have health insurance had little knowledge about some of the key features of the ACA that will impact them directly such as tax credits, the penalty and the health benefit exchanges. Within this group, a greater proportion of students believed that Obamacare would benefit them compared to students insured under their parents' policies. Interestingly, this group of students was less willing to pay higher prices for health insurance compared to students who already have coverage under their parents' policies.

Conclusion

In conclusion, in the first phase of our research on the Affordable Care Act we found that students, in general, are not well informed about the implications of the ACA. This could be due to the fact that the majority of students already had coverage; students with coverage might be less inclined to learn more about the ACA. This lack of awareness also demonstrates that Obamacare was not effectively marketed to students, even though many experts consider this group's participation to be essential for the economic feasibility of the program.

A positive finding was that the majority of the currently uninsured students claimed to have plans to seek coverage starting in 2014. This is relevant since reducing the number of uninsured was one of the main goals of the ACA. However, students must be better informed so that their expectations are aligned with the actual implications of the law. For example, students must understand that the term "affordable" is relative and that not everyone will qualify for tax credits. We believe that the government should take a more active role in informing students and marketing the exchanges, since, according to our findings, most students are very passive when it comes to learning more about Obamacare.