



# The Affordable Care Act: Real Help for Real Rural People

a series examining health care issues in rural America



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## Key Findings

An examination of selected provisions of the Affordable Care Act finds:

### Impact of Affordable Care Act Provisions on U.S. Population (Overall and Rural)

Provision	Overall Number of People Helped	Rural People Helped
Young Adults with Health Insurance	2.5 million	440,000 additional
Medicare “Donut Hole” Beneficiaries	5.1 million seniors	1.1 million seniors
Medicare Annual Wellness Checks	2.3 million	500,000
Medicare Preventive Services	32.5 million seniors	6.8 million seniors
Preventive Services (with Health Insurance)	54 million	8.9 million
Lifting Lifetime Limits	105 million	17.3 million
Children with Pre-existing Conditions	17 million	3 million
Protection from Unreasonable Rate Rises	76 million	12.5 million
Children’s Preventive Services	40 million	6.6 million

**Note:** Some individuals will qualify for more than one provision

The Patient Protection and Affordable Care Act was signed into law on March 23, 2010. Since then numerous provisions have gone into effect or been implemented that affect the health insurance coverage and provide new health care benefits for millions of Americans. As we have documented in a series of reports, many of these provisions are particularly applicable to rural people because of the demographics and unique economic circumstances of rural areas. Of course, rural people and families in large numbers have also benefited from the more general provisions of the Affordable Care Act.

This report will document findings about how many Americans have used or benefited from particular provisions of the Affordable Care Act. Where possible, this report will also estimate how many rural

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residents and families have used or benefited from Affordable Care Act provisions.

The following assumptions are used in making the rural estimates in this report:

- The total rural population of the United States (based on the 2010 Census) is a shade over 51 million, or 16.5 percent of the nation's total population.<sup>1</sup>
- About 48 million people are Medicare beneficiaries according to the most recent data (2011).<sup>2</sup>
- More than one in five Medicare beneficiaries (21 percent) resides in rural areas.<sup>2</sup> That means there are more than 10 million rural Medicare beneficiaries.

### Young Adults and Health Insurance Coverage

*Being able to stay on my parents' insurance means that I could find work that I was excited and passionate about and not worry about insurance because it was already accounted for. I'm working as a school coordinator to connect farmers and schools in the Farm to School Program.*



*Alyssa Charney  
Food Corp Volunteer, Red Lodge Montana*

Young adults have the highest rate of uninsured of any age group. About 30 percent of young adults are uninsured, representing more than one in five of the uninsured. This rate is higher than any other age group, and is three times higher than the uninsured rate among children. To address this issue, the Affordable Care Act allows young adults to remain on their parents' health care plan until age 26.

Due to the Affordable Care Act, 2.5 million additional young adults now have health insurance coverage.<sup>3</sup> We have estimated that 17.6 percent of the national population up to age 26 resides in rural areas.<sup>4</sup> That would result in about 440,000 additional rural young adults now having health insurance coverage.

Nationally, young adults are still the age group least likely to have health insurance. However, 18 to 24 year olds were the only age group to experience a significant increase in health insurance coverage during 2010, the most recent year for which data is available.<sup>5</sup> Given that insurance coverage numbers for all other age groups were stable or declining, it was found that the Affordable Care Act was responsible for the increase in insurance coverage for young adults. Since this finding occurred with less than four months of the Affordable Care Act provision being operative, subsequent increases in insurance coverage are likely.

However, recent surveys suggest coverage rates for young adults may have plateaued. A Gallup poll released in early April 2012 shows the uninsured rate among 18 to 25 year olds has leveled off around 24 percent since early 2011. Gallup's analysis is that this benefit "may have reached a saturation point" with all interested young adults already taking advantage of the provision.<sup>20</sup>

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## Seniors and People with Disabilities and Medicare Prescription Drugs

Some seniors and people with disabilities find themselves in the Medicare “donut hole.” The “donut hole” is the Medicare Part D coverage gap, the difference of the initial coverage limit and the catastrophic coverage threshold. After a Medicare beneficiary surpasses the prescription drug coverage limit, the Medicare beneficiary is financially responsible for the entire cost of prescription drugs until the expense reaches the catastrophic coverage threshold. The Affordable Care Act gradually closes the “donut hole” by providing rebates and discounts on prescription drugs for Medicare beneficiaries, and will completely close the “donut hole” in 2020. So far, 5.1 million seniors and people with disabilities in the Medicare “donut hole” have received an average savings of \$635 on their prescription drugs, a total of \$3.2 billion in savings.<sup>3</sup> This means nearly 1.1 million rural seniors and people with disabilities have received this benefit.

*"When I fall into the donut hole, my prescriptions take my whole Social Security check. With less fluctuation in my costs due to the Affordable Care Act, I can budget better, which is an enormous relief."*

*Doloris Haugen Oklee, MN*

While the Medicare beneficiaries receiving assistance from these provisions were close to the original estimates from the Congressional Budget Office, available costs have been much higher than original estimates. The initial \$250 rebate checks received by Medicare beneficiaries cost over four times the original estimate (\$200 million estimate by the Congressional Budget Office versus \$946 million estimated actual cost).<sup>6,7</sup>

## Seniors and Medicare Preventive Services

In 2011, the Affordable Care Act eliminated co-pays and other cost-sharing for preventive services for Medicare beneficiaries. In addition, Section 4103 of the Affordable Care Act adds a covered annual wellness visit for Medicare beneficiaries with necessary advice and referrals. Nationally, 32.5 million Medicare beneficiaries, or more than two-thirds of all Medicare beneficiaries, have received one or more free preventive services. This means an estimated 6.8 million rural seniors have received free preventive services.<sup>8</sup>

In addition, 2.3 million Medicare beneficiaries have taken advantage of the free Annual Wellness Visit. This means nearly half a million rural Medicare beneficiaries have received the free Annual Wellness Visit.<sup>8</sup>

## Non-Seniors and Preventive Services

The Affordable Care Act requires new health plans (those plans joined after March 23, 2010) to cover recommended preventive services at no charge by exempting those benefits from deductibles, co-pays and other cost-sharing requirements. Preventive services include vaccinations, annual physicals, screenings for common conditions, and well-baby and well-child visits. Nationally, 54 million people have received at least one or more free preventive services under this provision of the Affordable Care Act.<sup>8</sup> This means an estimated 8.9 million rural people have received free preventive services, services that are often lacking

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among rural residents.<sup>9</sup>

It was originally estimated that 41 million people would receive this benefit.<sup>10</sup> This provision has far exceeded expectations. It has also been more cost-effective than expected. The Department of Health and Human Services estimated this provision would cost an average of a 1.5 percent premium increase for those covered in a group plan in 2011.<sup>10</sup> In reality, the provision covered 13 million more people than estimated and cost an estimated 0.4 percent increase in 2011 premiums for group plans.<sup>11</sup>

### Health Insurance Lifetime Limits

Section 2711 of the Affordable Care Act prohibits a group health plan and insurers offering group or individual health insurance coverage from establishing lifetime limits or unreasonable annual limits on the benefits of a health plan. Nearly all health insurance plans have annual and lifetime limits on the amount of benefits that may be paid out under the plan or policy. Once those limits are reached, an individual beneficiary or the beneficiary's family is essentially uninsured. Nationally, 105 million Americans have had this health insurance restriction eliminated.<sup>12</sup> This means an estimated 17.3 rural residents have had this health insurance restriction eliminated by the Affordable Care Act.

This provision has proven to be more cost-effective than estimated. It was estimated that this provision would result in a no more than 0.75 percent increase to premiums in the group market.<sup>13</sup> It is estimated that the provision actually resulted in a 0.5 percent increase in group market premiums.<sup>11</sup>

### Children with Pre-existing Conditions

Section 2704 of the Affordable Care Act prohibits any health insurance issuer offering group or individual health insurance coverage from imposing any preexisting condition exclusion on insurance plans or coverage. This provision became effective for children under the age of 19 on September 23, 2010. On that date a child under the age of 19 can no longer be denied coverage under his or her parents' health insurance because of the child's health status or the existence of a pre-existing condition. Nationally, over 17 million children who have pre-existing conditions are no longer denied health insurance coverage.<sup>8</sup> This means an estimated nearly 3 million rural children now have health insurance coverage for their pre-existing conditions. They would have been denied coverage prior to the Affordable Care Act.

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## Small Businesses

*“It is important to us that we take good care of our employees. With the tax credits provided to small business in the Affordable Care Act, we are able to continue providing health insurance to our 25 employees. It saved our business between \$5,000 and \$10,000.”*



*Mike & Margaret Novak, Owners  
Mike's Thriftway, Chester, Montana*

The Affordable Care Act provided small businesses the Small Business Health Care Tax Credit to assist them in providing health insurance for their employees. In 2011 (tax year 2010), 360,000 small employers used the credit to help provide health insurance to 2 million employees.<sup>8</sup> At this time the number of rural small businesses that used the credit cannot be estimated.

It was estimated that more than 4 million small businesses would qualify for this tax credit.<sup>14</sup> This provision has delivered less than estimated assistance.

## Stabilizing Insurance Premiums and Using Premiums for Medical Costs

The Affordable Care Act puts in place a system of health insurance premium rate review that makes all double-digit health insurance premium increases subject to review and justification by the insurance company. So far, 42 states and the District of Columbia have received grants of \$157 million to develop or improve health insurance premium review. According to the Department of Health and Human Services, at least five states have forced insurance companies to reduce proposed premium increases. And HHS states fewer insurance companies have proposed double-digit premium increases since the Affordable Care Act went into effect.<sup>15</sup>

The law also requires that insurance companies spend premiums primarily on health care not administrative costs. Nationally, an estimated 76 million people will benefit from these protections.<sup>8</sup> This means an estimated 12.5 million rural people will be protected from unreasonable health insurance premium increases and non-medical use of their premium payments. Insurance companies will first report this data in June 2012.

It has been estimated that if rules requiring health insurers to spend at least 80 to 85 percent of premiums on medical care or rebate premiums to policyholders—the so called medical loss ratio—had been in effect in 2010, 15.3 million consumers would have received \$2 billion in insurance premium rebates.<sup>21</sup>

## Rural Health Care Facilities and Jobs

As a result of funding and authorization in the Affordable Care Act, 350 new community health centers were built across the nation in 2011. Community health centers play a critical role in providing primary care services to medically underserved areas, which are often rural. These new community health centers also created nearly 19,000 new jobs.<sup>16</sup> This is a start to the Affordable Care Act's provision that will increase funding to the more than 1,100 community health centers across the nation. It will allow them to double the

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number of patients seeking needed primary care services to nearly 40 million people by 2015.

### Children

The Affordable Care Act provides numerous paths to improve the health of children. One is by removing financial barriers for children to obtain preventive care. Preventive care is crucial to the health of children, both immediately and for their future as adults. Recommended checkups, vaccinations, screenings and developmental assessments can all improve health outcomes and reduce the cost of future health care.<sup>17</sup>

The Affordable Care Act removes many of the financial burdens that have kept families from obtaining preventive services for their children. Added costs discourage families from seeking needed health care, resulting in poorer health and the use of higher cost services.<sup>18,19</sup> By removing the additional costs for preventive services such as co-pays and deductibles, the Affordable Care Act makes those services more obtainable and better health outcomes more achievable.

As with the other populations discussed above, millions of children have benefitted from the Affordable Care Act provisions regarding preventive services. The Affordable Care Act now requires new plans (as of September 23, 2010) to cover all preventive services defined by the Bright Futures guidelines of the American Academy of Pediatrics. Over 40 million children nationally now receive additional preventive services at no cost through Medicaid or new health insurance plans, thus providing them maintained or improved preventive care.<sup>17</sup> Assuming the number of rural children is the same as the rural proportion of the entire population, this means 6.6 million rural children maintained or improved their access to preventive health care.

*"My 13 year old sister and I are on MinnesotaCare. As her legal guardian, I worry about everything. Because of the Affordable Care Act, we don't have to count how many physicals or eye checks either of us need now that we don't have to worry about whether we can make co-pays. And one less worry is certainly one less load to carry."*



*Jennifer Rude, Callaway MN*

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## ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

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