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Report: Middle-class Oklahomans could receive $3.5 billion in subsidies under Affordable Care Act

By WAYNE GREENE World Senior Writer
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Middle-class Oklahomans stand to receive $3.583 billion in subsidies for their health-insurance costs through the Affordable Care Act, a report from the Urban Institute shows.

That is more than half of the 2013 Oklahoma state budget and more than 2 percent of the state's gross domestic product for last year.

The subsidies would come through one of the federal law's most controversial mandates - the health-insurance exchanges - which exposes one chink in the plan to distribute all that money: A prominent conservative writer says that if the state persists in not establishing an exchange, Oklahomans will receive nothing, even if a federally designed exchange is imposed on the state.

The Urban Institute study estimates that Oklahomans would receive $3.229 billion in subsidies on health-insurance premiums through an exchange and another $354 million in subsidies for cost-sharing expenses such as co-pays.

Under the Affordable Care Act, people who do not receive health-insurance benefits from their employers and are not eligible for Medicaid can buy insurance through an exchange if they don't earn more than 400 percent of the federal poverty level. Anyone who buys insurance through an exchange is eligible for a federal subsidy.

The law would increase Medicaid eligibility through 133 percent of the poverty level, but the subsidies that come through the exchanges are only for the middle class.

Using the 2012 poverty levels, a family of four would be eligible for Medicaid if its earnings were up to $30,657. A family that doesn't get employer-supplied insurance would be eligible for exchange subsidies if its income were between $30,657 and $92,200.

The amount of subsidies any family would get depends on a variety of factors, including income, family size, age-determined premiums and regional cost adjustments.

The Henry J. Kaiser Family Foundation of Menlo Park, Calif., which calls itself "a leader in health policy analysis, health journalism and communication," has an online calculator for estimating premium subsidies that can be found at tulsaworld.com/subsidycalculator

It shows that a 45-year-old single-person family earning at the top end of the eligibility standards would get an estimated subsidy of $1,237 a year. At the lower end of the income standards, the same person would get a subsidy of $5,137.

But Michael Tanner, a senior fellow at the Cato Institute, says that if a state doesn't establish its own exchange, there won't be any subsidies, even if the federal government imposes one.

Under pressure from tea party Republicans, Oklahoma lawmakers have balked at creating a state health-insurance exchange for the past two years. Many other states have done the same.

If Oklahoma does not create an exchange, the law requires the federal government to impose one on the state.

One prominent conservative thinker says if Oklahoma doesn't build an exchange, it could reduce federal spending and exempt Oklahoma companies from the taxes imposed by the Affordable Care Act.

Citing research by the Cato Institute's Michael Cannon, Tanner says only those exchanges built by the states are eligible to distribute the subsidies.

"(W)hile the federal government does have the power to create exchanges in states that refuse to do so, it cannot offer subsidies through those federally run exchanges," Tanner wrote in National Review Online.

"(B)y refusing to go along with Obamacare's Medicaid expansion and by blocking state-run exchanges, governors are not just saving state taxpayers money. They are potentially reducing future federal spending by as much as $1.5 trillion over the next 10 years," Tanner said.

Further, because the subsidies trigger taxes on employers who don't provide health insurance to their workers, the state could block those taxes from hitting Oklahoma companies, Tanner's column suggests.

Judy Solomon, vice president for health policy at the Center on Budget and Policy Priorities, said Tanner's argument grasps at straws and contradicts U.S. Treasury Department decisions.

At one point the Affordable Care Act refers to state exchanges distributing the subsidies, but elsewhere the law makes it clear that if a state doesn't establish an exchange, the federal exchange will take its place, she said.

The law's clear intent is for exchanges - whether they are established by the state or the federal government - to distribute the subsidies and therefore trigger the taxes, she said.