

# The Value of ACA Subsidies

## Case Study: Millennial Living in Chicago

**What subsidies mean to Joe** Meet Joe. He's 27 and single. Joe works at an entry-level job making \$29,600 a year. Not long ago, he moved from his parents' insurance to the marketplace, where he purchased the second lowest-cost Silver plan. Joe has multiple sclerosis, which he manages with the help of regular monthly visits to multiple specialists. Because he visits his specialists often, he knows he'll spend his entire deductible in the year. (Joe is fictitious, but the health plan data is real.)



### ACA subsidies reduce Joe's costs by \$1,836 a year

	Cost with subsidy <sup>2</sup>	Cost without subsidy <sup>2</sup>	Savings
Silver Plan Premium <sup>3</sup>	\$210/month (\$2,520/year)	\$238/month (\$2,856/year)	\$28/month (\$336/year)
Silver Plan Deductible	\$417/month (\$5,004/year)	\$542/month (\$6,504/year)	\$125/month (\$1,500/year)
Max Out of Pocket*	\$417/month (\$5,004/year)	\$542/month (\$6,504/year)	\$125/month (\$1,500/year)
<b>Total True Cost</b>	<b>\$627/month (\$7,524/year)</b>	<b>\$780/month (\$9,360/year)</b>	<b>\$153/month (\$1,836/year)</b>

\*Note: Out of pocket maximums are frequently greater than the plan deductible. In this example, it is the same.

Here's what \$1,836 in annual savings from ACA subsidies would buy for Joe:<sup>4</sup>



2 months of housing or



4.8 months of food or



6 months of transportation

**Subsidies** The Affordable Care Act (ACA) created subsidies to help people pay for health insurance. These subsidies are provided either through tax credits to consumers or payments directly to insurers. The subsidy amount a person/family receives is based on many factors including age, family status, and income.

**Consumers see cost savings** Nearly 85% of people enrolled in exchange plans in 2016 received subsidies. Those subsidies averaged \$291 per month.<sup>1</sup> Subsidy dollars translate into a tangible positive impact on people's abilities to pay for other essentials. Using cost of living data along with ACA plan selection tools, we can translate subsidy assistance into annual cost savings. More importantly, we can show how those savings help people

**Bottom line: Subsidies are vital to helping people meet their essential needs!**

Sources:

<sup>1</sup> CMS March 31, 2016 Effectuated Enrollment Snapshot <http://ow.ly/zKS3308lh1h>

<sup>2</sup> Healthcare.gov Datasets for Researchers <http://ow.ly/T7vU308lqig>

<sup>3</sup> Healthcare.gov Plan Results <https://www.healthcare.gov/see-plans/#/plan/results>

<sup>4</sup> Bureau of Labor Statistics. Consumer Expenditures for the Chicago Area 2014-2015 <http://ow.ly/p1Sq308ltwf>

(Chicagoans spend about 34.5% of their pre-tax income on housing, 15.6% on food, and 12.4% on transportation)