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# Health Policy Brief

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## Young Adults and the Affordable Care Act. The health care law promises to extend coverage to millions of young adults, yet many will remain uninsured.

### WHAT'S THE ISSUE?

Young adults are a crucial component of the Affordable Care Act (ACA). When enrolled in coverage, they provide premium revenue to insurers and generally small payouts for claims. To keep plans viable and affordable for everyone as part of the health care law, insurers need healthy, relatively low-cost young adults to enroll.

The ACA aims to substantially boost the number of Americans with health care coverage in the United States, and young adults are a prominent part of that goal—three out of ten legal US residents are ages 19–29. This age group has historically been uninsured at far higher rates than any other group: 37 percent for people ages 19–25, and 25 percent for people ages 26–35, according to 2008 census data. New provisions in the ACA promise to extend coverage to millions of young adults, although many will likely remain uninsured.

### WHAT'S IN THE LAW?

The ACA applies a number of mechanisms to extend high-quality, affordable health coverage to more Americans, including young adults. Among those mechanisms are extended dependent coverage, expanded Medicaid, new health insurance Marketplaces, premium subsidies, and the individual mandate.

**DEPENDENT COVERAGE:** One of the earliest and most popular provisions in the ACA requires insurers to extend dependent coverage on a family plan until age 26. The requirement is essentially unconditional and does not depend on whether the young adult lives at home, is a full-time student, is married, is a tax dependent, or is eligible to buy insurance on a state health exchange. Until 2014 dependent coverage was not available if the young adult had a separate offer of employer-based coverage, but starting on January 1, 2014, even that exception will no longer apply. Typically, most employer-based health insurance plans have ended dependent coverage either at age 19 or upon college graduation. (See a *Health Affairs* blog post for a [progress report on the dependent coverage provision](#), published December 16, 2013.)

**MEDICAID EXPANSION:** The law was written under the assumption that Medicaid expansion would be universal, with all states expanding Medicaid to nearly all adults under age 65 with incomes below 133 percent of the federal poverty level, or \$31,322 for a family of four in 2013. In fact, if the Medicaid expansion were universally applied, it could cover nearly half of uninsured adults under age 35—some 7.8 million people—whose incomes are under 133 percent of the federal poverty level. But the Supreme Court ruled that state expansion of Medicaid is optional, and as of Novem-

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ber 22, 2013, only 25 states and the District of Columbia were expanding Medicaid, while another five states were “weighing options” and have not made a definitive decision one way or another, according to the Kaiser Family Foundation’s State Health Facts.

**MARKETPLACES, SUBSIDIES, AND THE INDIVIDUAL MANDATE:** Another tool to expand coverage under the law is the creation of new insurance Marketplaces—or exchanges—where individuals will be able to compare and purchase health insurance that meets basic standards of coverage. This option was developed in particular for individuals and families who do not have access to affordable coverage through an employer or government program. In the past, they have had to navigate the unreliable and often costly individual market, where many people had been locked out of coverage because of a preexisting condition.

Now those individuals and families will be able to purchase coverage through the Marketplace. And those with incomes of 133–400 percent of the federal poverty level—a group disproportionately composed of young people entering the workforce for the first time—will be eligible for a premium tax credit meant to lower and, in some cases, eliminate the price they must pay for coverage through the exchanges. The Young Invincibles, a nonprofit, foundation-supported advocacy group, estimates some nine million people ages 18–34 could be eligible for premium tax credits. In addition to the “carrot” of subsidies meant to encourage people to get covered, the law also includes a “stick”—an individual mandate requiring those who remain uninsured to pay a penalty.

### WHAT’S THE DEBATE?

Technical problems initially plagued the federally facilitated exchange operating in 36 states and some state-run exchanges. If the problems continue into 2014—and confusion and uncertainty over whether older plans already in place can continue—then young adults could be dissuaded from signing up in sufficient numbers, something that preliminary evidence seems to suggest happened during the first glitch-prone month. Indeed, a national poll of people ages 18–29 by Harvard’s Institute of Politics (IOP) released on December 4 found that fewer than three in ten uninsured millennials say they will definitely or probably enroll in health insurance through an exchange if and when they are eligible.

The law’s supporters, however, note that if Massachusetts is any guide, healthy young adults will typically wait until near the end of the six-month enrollment period to sign up, by which time health insurance Marketplaces are expected to be running far more smoothly, and current disarray over the rules governing the extension of older policies is expected to have been largely resolved. Media coverage will presumably become more positive as well, which could also influence millennials’ insurance-buying decisions. More than two-thirds of those cited in the December 4 IOP poll said the news media was their primary source of information on the new law.

Young people are at a critical stage in their lives, when long-term health risks, such as obesity, sexually transmitted disease, and tobacco use, often present themselves, and when early medical intervention can make a real difference. Uninsured young adults without insurance are two to four times as likely as their peers to forgo treatment for medical problems. Lacking proper health insurance can also lead to long-term financial problems if substantial medical debt is incurred. Now, in addition to having new ways to access affordable insurance, young adults will find that those plans offer better coverage. For example, many preventive care visits—which young adults are likely to need more than treatment for illnesses—are covered entirely.

One prominent myth is that most “young invincibles” would rather not spend money on health insurance because their chances of needing it are statistically very low. Data as far back as 2007 from a Commonwealth Fund Biennial Health Insurance Survey showed that young adults ages 24 and older—at the time not generally eligible for dependent coverage—enrolled in employer-based plans when they were offered at nearly the same rate as older adults: 78 percent versus 84 percent.

Cost, not hubris, appears to be the determining factor, something that 52 percent of respondents in the Kaiser Family Foundation’s June 2013 Health Tracking Poll cited as their reason for not having health insurance. Only 17 percent of respondents said that they chose not to buy insurance because they felt they didn’t need it. That sentiment appeared to play out in Massachusetts, which enacted a narrow dependent coverage expansion similar to that in the ACA. One year after health reform was enacted in Massachusetts, the number of uninsured in the state’s 19-to-26-year-old age group fell to 8 percent from 21 percent.

**52%**

Of young adults cited cost as their reason for not having health insurance.

**“Access to health insurance has often dictated young adults’ employment choices.”**

A Reuters/Ipsos poll of 1,053 uninsured Americans released in September 2013 showed that among respondents ages 18–34 just over one-third had already tried to buy health insurance in the past, virtually the same numbers as older Americans, and, noted a Reuters analysis of the poll results, this suggests “pent-up demand.” And although the penalty for not buying insurance, which in 2014 will be 1 percent of one’s income or a minimum of \$95, might be less than the cost of buying insurance, its psychic impact is likely to be more substantial. One poll respondent said: “The idea of paying a penalty and getting nothing for it seems worse than buying it.”

**NEUTRALIZING ‘JOB LOCK’:** Access to health insurance has often dictated young adults’ employment choices, especially those contemplating graduate school, breaking into a new field, or starting a new business. In the past, many young adults have had to choose between the best job for them and the job that offers health insurance. Now, with more options for young people to get coverage outside of their employers, they may feel more comfortable exploring their interests and choosing promising, productive jobs even if they do not offer employer-based health insurance.

**RATE SHOCK:** There is an ongoing debate about rate shock, with ACA critics claiming that premiums for young adults will skyrocket once the law is fully enacted. A study by the liberal-leaning Center for American Progress, however, notes that although premiums for some will undoubtedly rise, most will benefit from subsidies and the expansion of Medicaid. The study also says that only about 3 percent of young adults—from that subset of those who will buy insurance in the individual market—should see a premium increase. And those plans, the study notes, will now include many more prescribed benefits than before. Those under age 30 will also have access to so-called catastrophic plans, where premiums are even less expensive and which, unlike most catastrophic plans today, include preventive services and three annual primary care visits and have no lifetime or yearly dollar limit on essential benefits.

### WHAT’S NEXT?

Although the extension of the dependent coverage provision to age 26 is widely viewed as a success, there are still millions of uninsured young adults who are outside its scope because their parents do not have employer-based health insurance or their plans do not offer

family coverage. For them, the best chance of getting coverage is through their state’s health insurance Marketplace with its premium tax credits or Medicaid for those whose income is 133 percent of the federal poverty level or below and live in a Medicaid expansion state. Yet the latest Commonwealth Fund Health Insurance Tracking Survey of Young Adults from March 2013 found that only 19 percent of people ages 19–29, who were uninsured either now or at some point in the past year, were familiar with either the exchanges or the expansion of Medicaid eligibility.

To combat this gap, both the government and insurers are taking extra steps to reach younger potential enrollees. Blue Cross Blue Shield of North Carolina, for example, has two mobile units that travel throughout the state signing people up and has opened seven retail stores as well. The company is one of just two offering plans on the North Carolina exchange. The Young Invincibles is running numerous campaigns to encourage young people to sign up for health care insurance under the ACA. Its message: The availability of either Medicaid expansion or premium tax credits for most young adults means affordability is no longer an obstacle. The group is partnering with the Department of Health and Human Services to sponsor a video contest on the theme, “You are not invincible,” and says that it has trained more than 1,000 outreach organizations in the basics of the ACA.

Even with 100 percent awareness, however, the biggest problem for low-income young adult coverage is the lack of Medicaid expansion in every state. So far, only about half of all states have decided to expand their Medicaid programs under the ACA to add coverage for young individuals and families and increased eligibility to those earning up to 133 percent of the federal poverty level. That means in those states without the Medicaid expansion, young adults with incomes under the poverty level—\$11,490 for an individual in 2013—will not be eligible for either Medicaid or federal subsidies on the exchange.

It is young adults with low and moderate incomes who continue to suffer from the highest rates of uninsurance. Despite an 11-percent-age-point drop from 2011 to 2013, the Commonwealth Fund tracking survey found that 59 percent of young adults with incomes under 133 percent of poverty either were uninsured or had been uninsured at some point in 2013. ■

**9 million**

Number of people ages 18–34 potentially eligible for premium tax credits.

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