Methodology for Estimating the Number of People Eligible for Premium Tax Credits under the Affordable Care Act

This analysis uses 2015 Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) released on September 16, 2015. The CPS ASEC provides socioeconomic and demographic information that can be used for national and state estimates.

Estimating eligibility for Medicaid, CHIP and premium tax credits for marketplace coverage requires grouping individuals together in different ways to determine their income under the different program rules. Our approach is described here. We analyzed people without coverage, with nongroup coverage, and certain adults with dependent, non-spousal ESI to determine their potential eligibility for premium-tax-credits and as potential marketplace participants. The first step was to remove adults and children with incomes below Medicaid and CHIP eligibility levels in their state from the pool of potential eligibles. We also removed people who are not legal residents from the pool of potential eligibles as well as people with access to an offer of ESI from the pool of subsidy-eligibles. The ASEC does not ask about legal status of non-citizens or offer status of workers, so we imputed documentation status as described here and offer status as described here. Programming code to create the households and to perform both imputations is available upon request.

**Premium tax credits.** We analyzed the sample of remaining uninsured, nongroup, and certain ESI people to determine eligibility for premium tax credits based on the income for their tax household and the premiums in the state where they lived. Approximately 75 percent of the unweighted records in the 2015 CPS have a Core-Based Statistical Area (CBSA) identified — so a second lowest silver plan premium for each Rating Area was directly merged on to these records. Premiums for the current estimates were based on actual exchange premiums in 2015 dollars similar to the Kaiser Family Foundation's Health Insurance Marketplace Calculator, obtained through a review of insurer rate filings to state regulators as well as data published by HHS. Other records were assigned a premium based on the within-state average premium for all undisclosed areas, weighted by the Census Bureau’s 2010 population for those counties. Premiums were adjusted for age based on the age-rating curve in each state. We assumed that all eligible members of a tax household would enroll in nongroup coverage and calculated their premium as a percent of household income. This premium percentage was compared to the maximum percentages in the ACA that families in the tax credit range (100 to 400 percent of poverty) must pay toward the cost of the second-lowest cost silver plan where they live. People in families with incomes between 100 and 400 percent of poverty and whose household premium exceeded the maximum ACA percentage were identified as potentially tax credit eligible, subject to one additional adjustment described below.

As a final step, we reduced the number of people eligible for premium tax credits to reflect offers of employer-sponsored coverage. Under the law, people offered employer-sponsored coverage that meets minimum standards are not eligible to receive premium tax credits, even if they purchase nongroup coverage in a
marketplace. The ASEC does not ask whether respondents were offered coverage at work, so we derived an offer imputation discussed in detail here. We assume that people who live with a spouse or parent that has coverage or an offer of coverage through a job also was offered coverage.

**Potential Market.** As with our estimates for tax-credit eligibles, the estimate for the number of people who might look for coverage in Marketplaces starts with people legally residing in the United States who are uninsured or have nongroup coverage and have incomes above Medicaid and CHIP eligibility levels. We retain all remaining nongroup purchasers, even those with low incomes, as potential Marketplace purchasers because they are purchasing nongroup coverage now. We also retain adults holding some form of non-spousal, dependent ESI who are determined to be subsidy-eligible as a standalone tax-filing unit. Among the current uninsured, we excluded two groups from potential purchasers. The first group is people with access to employer-based coverage. As discussed above, we assume that these people would choose coverage through a job rather than nongroup coverage if they want to get insurance. Excluding currently uninsured people with access to employer-sponsored insurance reduces the number of potential purchasers by approximately five million people. The second group we excluded was uninsured people with incomes below poverty, referred to as the coverage gap group. These uninsured adults live in states that elected not to adopt the ACA Medicaid expansion, and are not eligible for financial assistance to help them get coverage in exchanges. We assume that few would have sufficient resources to purchase nongroup coverage. Excluding this gap group reduces the number of potential purchasers by about three million people.

*This is an update of an issue brief prepared by Gary Claxton, Larry Levitt, Anthony Damico, Rachel Garfield, Nirmita Panchal, Cynthia Cox and Matthew Rae. Anthony Damico is an independent consultant for the Kaiser Family Foundation. Nirmita Panchal is a former policy analyst at the Kaiser Family Foundation.*

---

1 Because some states have chosen to take the optional Medicaid expansion under the ACA and others have not, people with incomes from 100-138% of poverty will have different forms of financial assistance dependent on the state’s decision. These people will be eligible for Medicaid in states adopting the expansion but will potentially eligible for premium tax credits in states not expanding Medicaid.