



# THE AFFORDABLE CARE ACT (ACA) REPEAL-REPLACE-REPAIR: CURRENT STATUS

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July 13, 2017



# KEY COMPONENTS OF THE AFFORDABLE CARE ACT



## INSURANCE REFORM TITLES I AND II

- Expand coverage
- Improve benefits & protections, including mental health
- Increase affordability
- Create insurance exchanges
- ***Expand Medicaid***

## HEALTH SYSTEM REFORM TITLES III - VIII

- Create new delivery & financing models
- Improve quality & value
- Improve care coordination
- Focus on public health & prevention
- Develop workforce



- Children can remain on parents' insurance until 26
- “Medical Underwriting” prohibited:
  - All products “guaranteed issue”
  - Premiums community rated
  - Pre-existing condition exclusions prohibited
- Essential Health Benefits, including mental health and substance use, required for all insurance plans
- All rates based on a single risk pool, adjusted only for:
  - 3 age categories – premiums for older person can be 3x higher than younger
  - Family size
  - Geographic location
  - Tobacco use
- Subsidies to improve affordability: tax credits to reduce premiums and Cost-Sharing Reduction (CSR) to reduce deductibles and co-insurance
- Out-of-pocket costs capped; annual and lifetime limits prohibited
- Modified Adjusted Gross Income (MAGI) basis for insurance tax credits, premium subsidies and Medicaid eligibility
- Medicare prevention and prescription drug benefits expanded



Health plans offered in the individual and small group markets, both inside and outside of the Exchanges, must include services in *at least* these 10 categories:

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance use disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services and devices
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care



- Expanded to childless adults on 1/1/14
- Income determines eligibility; no asset test except for long-term care
- 14.1M enrollees as of July 2016, 5 M increase since 2013; 80% in health plans
- ~1/2 of children, 1/3 of whole population enrolled



- California's health insurance marketplace for individuals and small businesses; began 1/1/14
- Enrollment 1.4M as of July 2016
- Premium assistance to 90% of enrollees, based on income and family size

**% of population uninsured declined from 17% in 2013 to 8.1% in 2015**

# COVERED CA + MEDI-CAL: THE COVERAGE CONTINUUM



LIVE WELL  
SAN DIEGO

**Other Private Insurance  
(400% + FPL)**

**Covered California:**

**APTC/CSR (139%- 400% FPL)**

**Advanced Premium Tax Credit (139% – 400% FPL)**

***Cost Sharing Reduction Silver Plan Only (100% – 250% FPL)***

**MAGI Medi-Cal (0-138% FPL)**

**(Modified Adjusted Gross Income)**

**Non-MAGI  
Medi-Cal  
(ABD, LTC, etc.)**

# Eligibility is based on:



Number of people  
in your household



If your 2016 household  
income is less than...



If your 2016 household  
income is between...

1

\$16,243

\$16,243 – \$47,080

2

\$21,984

\$21,984 – \$63,720

3

\$27,725

\$27,725 – \$80,360

4

\$33,466

\$33,466 – \$97,000

5

\$39,206

\$39,206 – \$113,640

You may be eligible  
for Medi-Cal

You may be eligible for financial  
help to purchase insurance  
through Covered California

# HOUSE AMERICAN HEALTH CARE ACT (AHCA) - INITIAL INSURANCE PROVISIONS



AFFORDABLE CARE ACT	AMERICAN HEALTH CARE ACT
<ul style="list-style-type: none"><li>▪ Age-adjusted ratio of 3:1</li><li>▪ Premium tax credits adjusted based on age, income, family size and geography</li><li>▪ Premium credits only available through ACA exchange</li></ul>	<ul style="list-style-type: none"><li>▪ Allows states to change ratio to 5:1</li><li>▪ Retains ACA premium tax credits until 2020 with age adjustments</li><li>▪ Eliminates ACA Tax Credits in 2020 replaced with age-adjusted, fixed dollar tax credits</li><li>▪ Ranging from \$2,000 for younger adults to \$4,000 for oldest age group</li><li>▪ Eliminates cost-sharing reductions</li><li>▪ Cannot use tax credits for products that cover abortions</li></ul>





- Initial insurance provisions plus “MacArthur Amendment”
- New state waiver authority established
  - Starting in 2018, states may apply for waivers to permit age rating ratios greater than 5:1
  - Starting in 2020, states may apply for waivers to redefine Essential Health Benefits
    - Prohibition on lifetime and annual dollar limits not changed; however, prohibition applies only to limits on Essential Health Benefits, which may be waived
  - Starting in 2019, states using Financial Stability Pool grants for high-risk pools or reinsurance may apply for waiver of community rating
    - States may allow insurers to use health status as a rating factor for individuals who have not maintained continuous coverage.
    - For 2018 – 2023 \$8 billion additional for premiums or other costs to help individuals subject to higher costs resulting from community rating waiver
  - State waiver applications deemed approved after 60 days unless Secretary denies application.

# AHCA FINANCIAL PROVISIONS



- Amends Social Security Act to establish American Health Care Implementation Fund
  - Creates Patient and State Stability Fund for 2018 – 2026
    - \$138B over 10 years for financial assistance to high-risk individuals, high-risk pools, reinsurance
- Eliminates “individual mandate” penalties and penalties on large employers that do not offer employees coverage
- Increases annual contribution limit to Health Savings Accounts (HSAs)
- Repeals ACA Advanced Premium Tax Credits and Cost-Sharing Reductions (CSRs); replaces with new refundable tax credit, no CSRs
- Repeals 0.9% surcharge on Medicare taxes and 3.8% tax on net investment income for individuals making >\$200K/year and married couples filing jointly making >\$250K
- Repeals medical device and prescription drug excise taxes
- Repeals annual fees on health insurers



- ACA tax credits are adjusted to assist Californians living in geographic areas with high premiums



Data: California Health Care Foundation, ACA 411

- By contrast, ACHA tax credits are fixed dollar amounts only adjusted by age

# ACA vs. AHCA Tax Credit Impact by Age and Income

California Counties



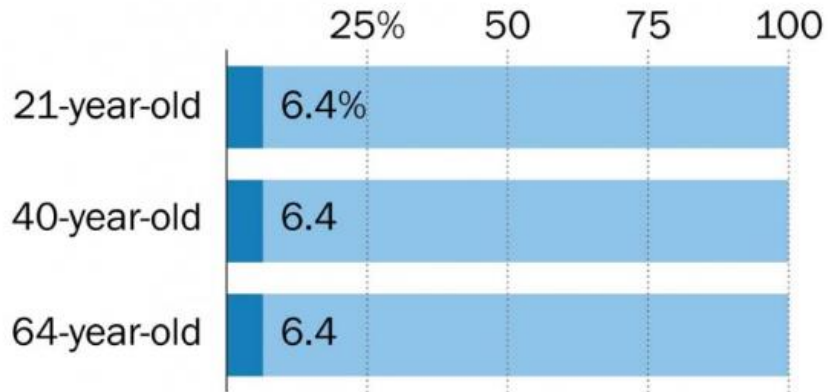
Source: <http://kff.org/interactive/tax-credits-under-the-affordable-care-act-vs-replacement-proposal-interactive-map/>

# Insurance premiums paid as a percent of income

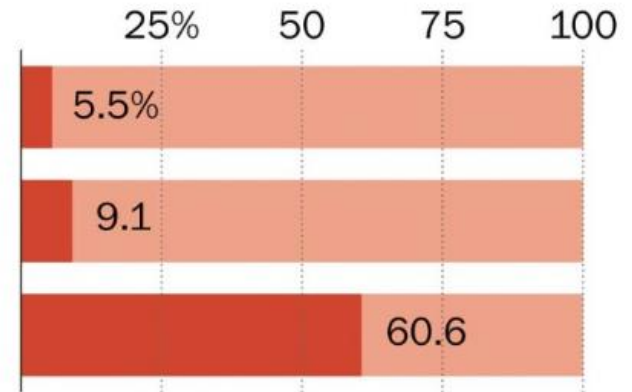
Estimates from the Congressional Budget Office.

## Single individual earning \$26,500 in income

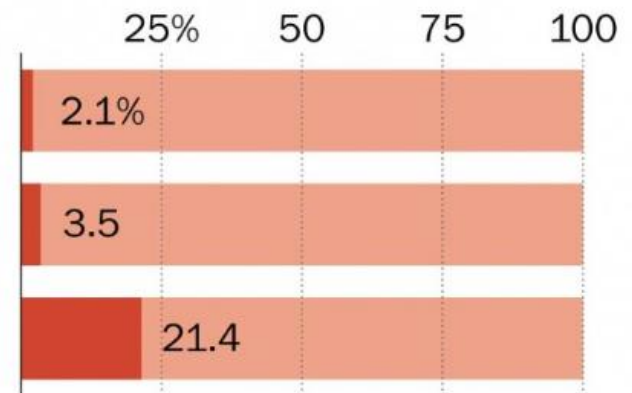
### Under Obamacare



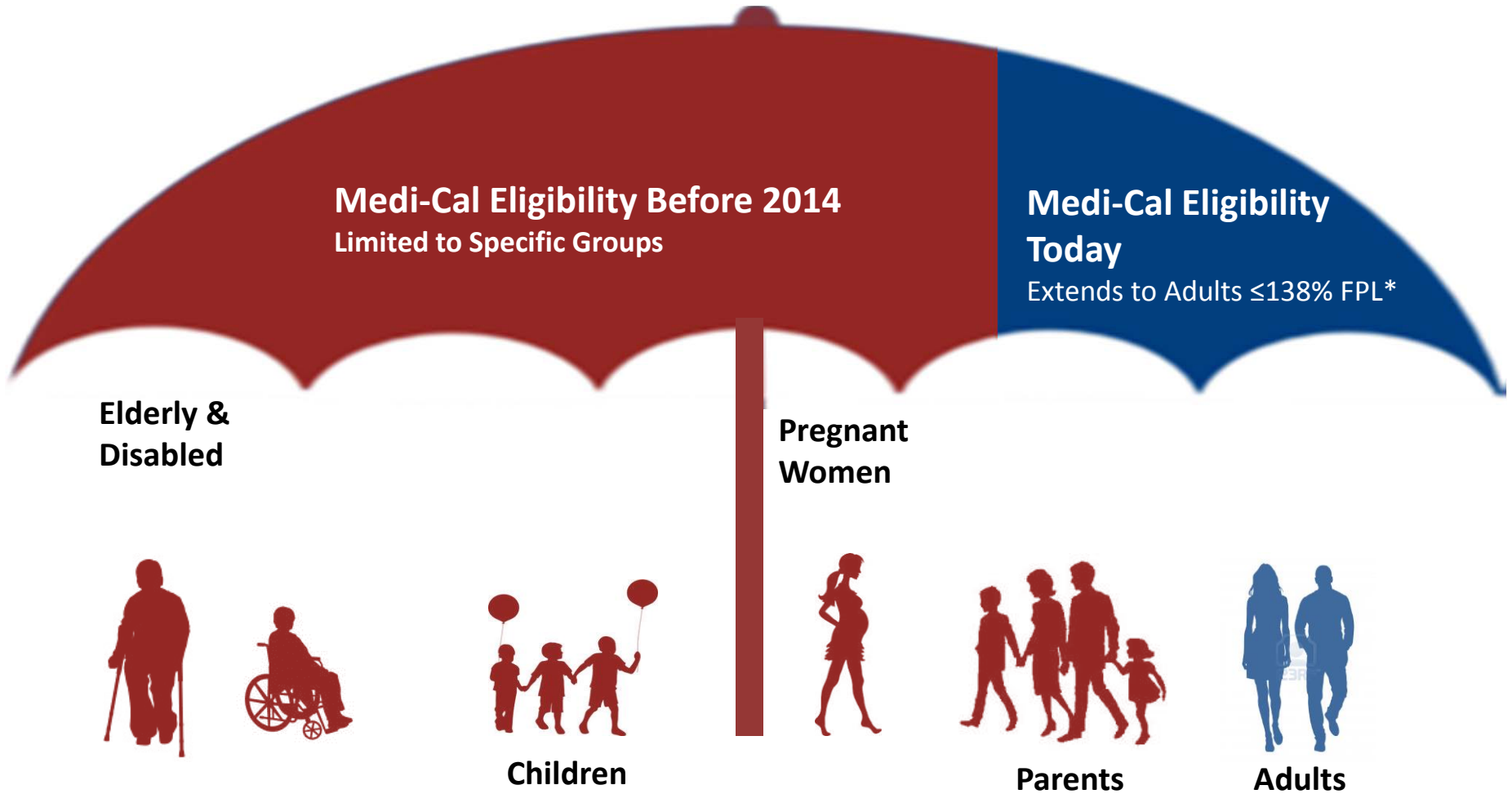
### Under AHCA



## Single individual earning \$68,200 in income



# Medi-Cal Eligibility Expanded to Fill Coverage Gaps for Adults

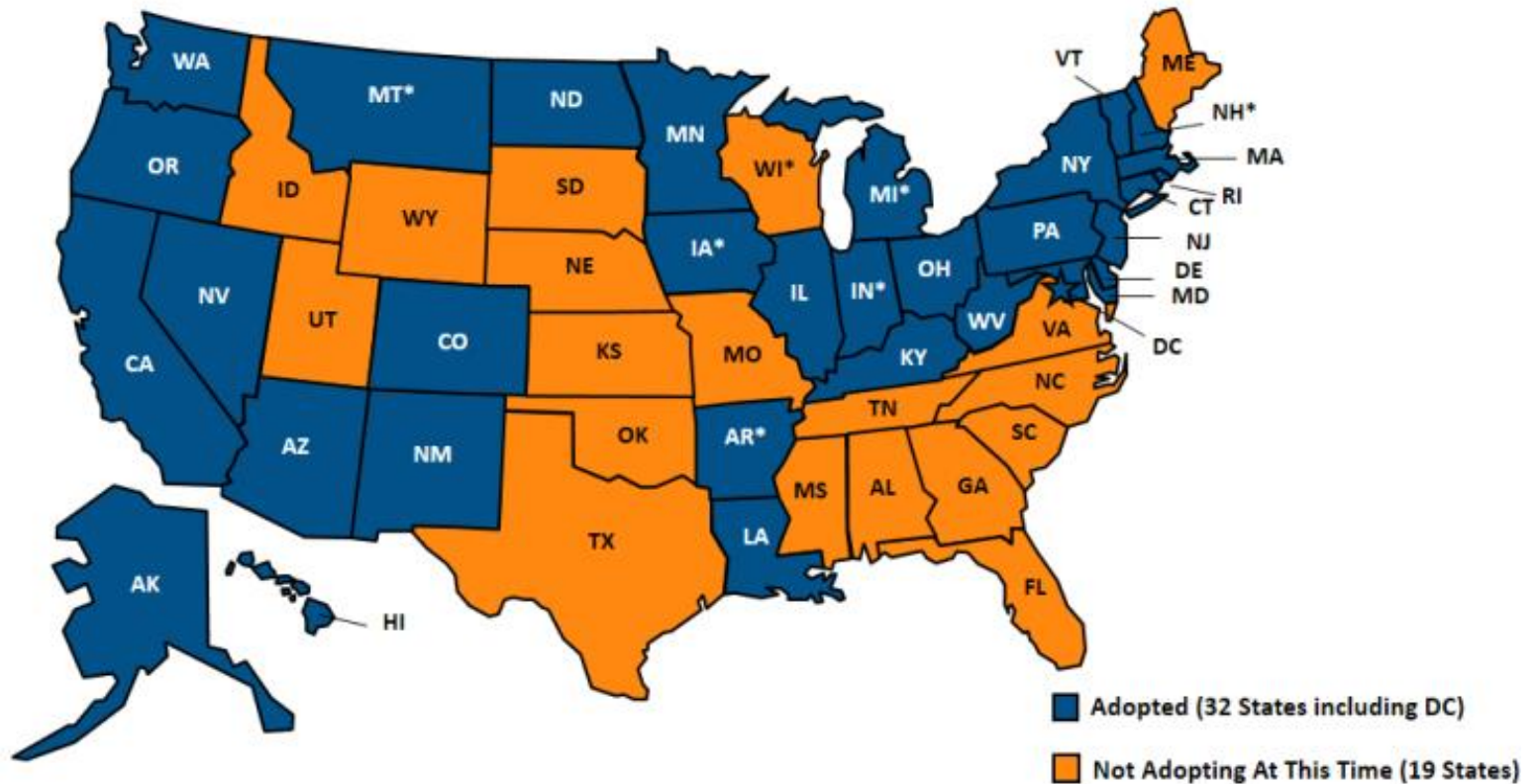


\*138% FPL = \$16,243 for an individual and \$27,725 for a family of three in 2016

# MEDICAID EXPANSION BY STATE: JULY 2016



## Current Status of State Medicaid Expansion Decisions



NOTES: Current status for each state is based on KCMU tracking and analysis of state executive activity. \*AR, IA, IN, MI, MT, and NH have approved Section 1115 waivers. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.

SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated July 7, 2016.

<http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>



- Medicaid Expansion
  - Repeals the enhanced FMAP for Medicaid expansion enrollees (100% decreasing to 90% in 2020) and in 2020 lowers back to State's regular FMAP (50% for CA)
- Financing
  - Transitions federal funding from open-ended entitlement to per-capita cap by 2020, transforming nature of program
  - State option to receive block grants for certain populations for 10 years
- Eligibility
  - Increases frequency of eligibility redeterminations and removes presumptive eligibility for most populations
  - Previously covered adults lose coverage if become ineligible for more than 1 month
- Work Requirement
  - Gives states option to institute a work requirement for nondisabled, nonelderly, non-pregnant adults





- Coverage
  - The number of uninsured would grow by 23 million by 2026
    - 14 million fewer Medicaid enrollees
  - Medicaid transformed from an individual entitlement to a per-capita capped program
- Costs and “Savings”
  - Budget deficit reduced by \$119B over 2017 - 2026:
    - Medicaid spending reduced by \$834B
    - ACA tax credits and cost-sharing decreased \$276B
    - \$138B funding for Patient and State Stability Fund
    - ACA taxes on high-income earners and manufacturers eliminated - \$664B revenue reduction
    - Individual Mandate and employer penalties eliminated -\$210B revenue reduction
  - Prevention and Public Health Fund eliminated - \$9B
  - Planned Parenthood defunded for a year

# SENATE BETTER CARE RECONCILIATION ACT (BCRA) – KEY PROVISIONS AS OF 7/12



- Insurance
  - Refundable tax credits: enhanced for low-income, older or living in high-cost areas, but linked to plan with 58% actuarial value rather than ACA 70%
  - Market stabilization: CSRs retained until 2020
  - \$112B State Stability and Innovation Fund created to address needs of high-risk individuals, help stabilize premiums, reduce out-of-pocket costs
  - Increased tax-free contributions to Health Savings Accounts
  - Late Enrollment Penalty: If coverage break of 63 days or more, must wait 6 months before enrolling
- Medicaid
  - Longer phase out of federal funding for Expansion beyond House deadline of January 1, 2020: 85% in 2021 to 75% in 2023 to standard FMAP in 2024
  - Ends Medicaid as an entitlement and provides formula-based fixed funding for states using “per capita cap model”; state option to receive block grant
    - Establishes base period and annual inflation for specified beneficiary categories
  - \$2B to combat opioid crisis for people receiving treatment through Medicaid
  - State option to cover selected inpatient psychiatric services for non-elderly adults
  - Medicaid and CHIP quality performance bonus established
- Financing
  - Repeals Medicare surcharge and tax on net investment income for high earners
  - Repeals individual and employer mandates
  - Eliminates Prevention and Public Health Fund



- Coverage

- The number of uninsured would grow by 22 million by 2026
  - 15 million fewer Medicaid enrollees
  - 7 million fewer non-group enrollees, “disproportionately people between 50 and 64 years old with income of less than 200 percent of the federal poverty level”
- Higher average insurance premiums through 2019; lower average premiums beginning in 2020
  - Benchmark actuarial value would drop from 70% to 58%, resulting in higher out-of-pocket costs

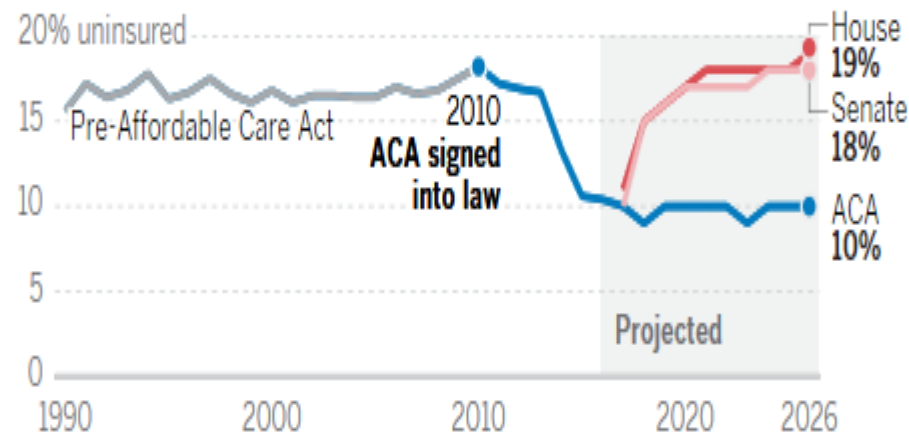
- Costs and “Savings”

- Budget deficit reduced by \$321B over 2017 - 2026:
  - 26% decrease in federal Medicaid spending by 2026, totaling \$772B
  - ACA tax credits and cost-sharing decreased by \$424B
    - \$107B funding for States to reduce premiums and other purposes
  - Repeal of Medicare surcharge and net investment income taxes on high-income earners - \$231B revenue reduction
  - Repeal of fees on manufacturers and insurer taxes - \$310B revenue reduction
  - Eliminating Individual Mandate and employer penalties -\$210B revenue reduction
- Prevention and Public Health Fund eliminated - \$9B over 2017 - 2026
- Planned Parenthood defunded for a year

# HOUSE AND SENATE BILL IMPACTS ON % UNINSURED



## Percentage of uninsured could nearly double under GOP plans by 2026



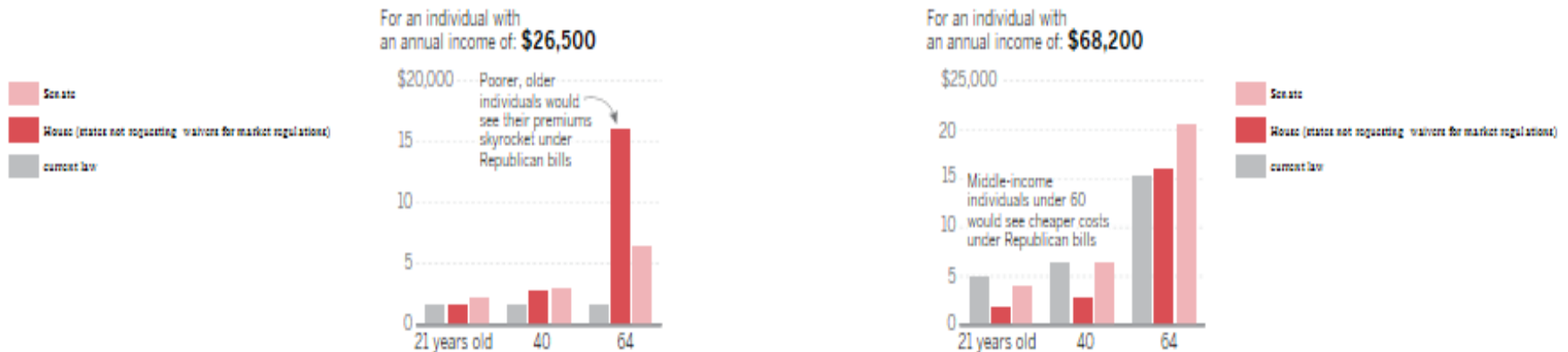
*Note: Chart shows the percentage of U.S. residents under 65 who lack health insurance. Data from 1990 to 2016 come from the National Center for Health Statistics; projections for 2017 to 2026 come from the Congressional Budget Office.*

# HOUSE AND SENATE BILL IMPACTS ON INSURANCE PREMIUMS



## Average annual insurance premiums for a silver-level plan under the current law and the House and Senate repeal bills

■ Current law ■ House ■ Senate

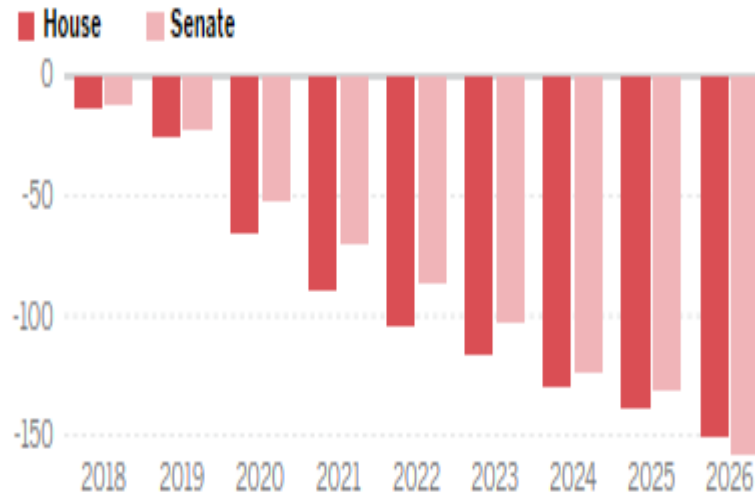


*Note: Figures for the House bill are for states that do not seek waivers from the federal government to further weaken Obamacare insurance regulations, an option provided by the House legislation.*

# ESTIMATED HOUSE AND SENATE BILL IMPACTS ON MEDICAID SPENDING



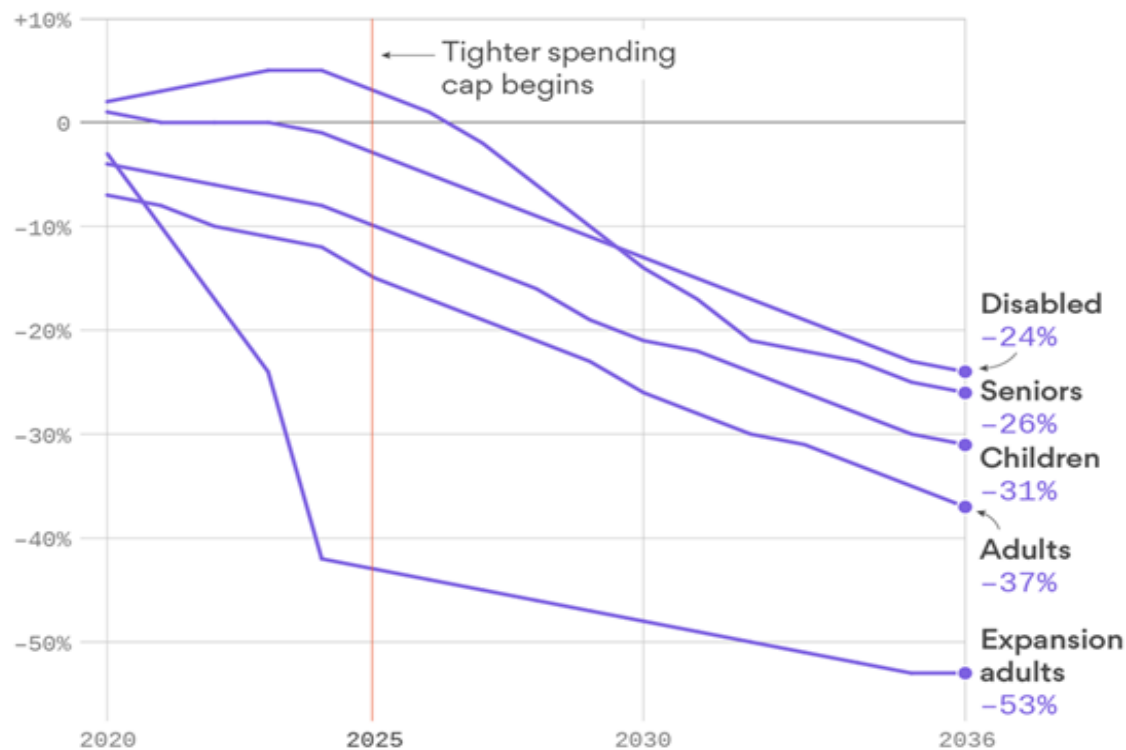
Estimated annual cuts in federal Medicaid spending under House and Senate bills (in billions)





## The Medicaid squeeze, by group

Projected Federal Medicaid funding under BCRA

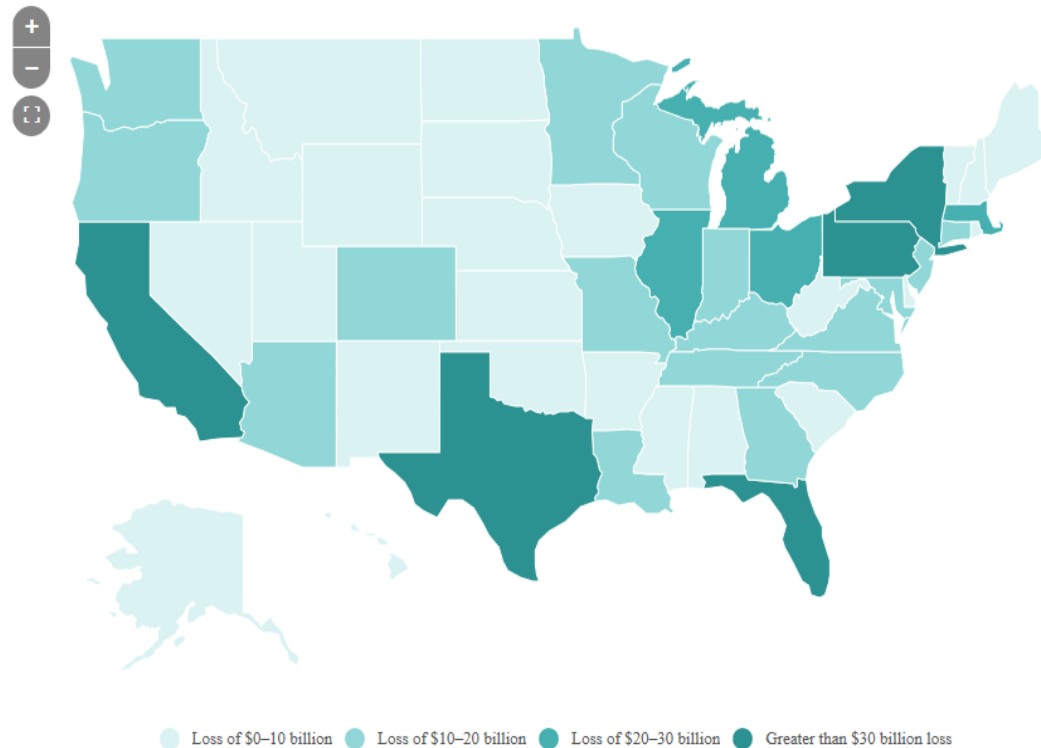


Data: Avalere Health analysis of CBO; Note: Adult age cutoff defined by state, ranging from 19-21. Seniors are 65+; Chart: Andrew Witherspoon / Axios

# IMPACT OF SENATE BILL ON ESTIMATED MEDICAID FUNDING BY STATE



## Reductions if Overall Consumer Price Index Is Used for Trend Rate (2.4%), 2020–2026



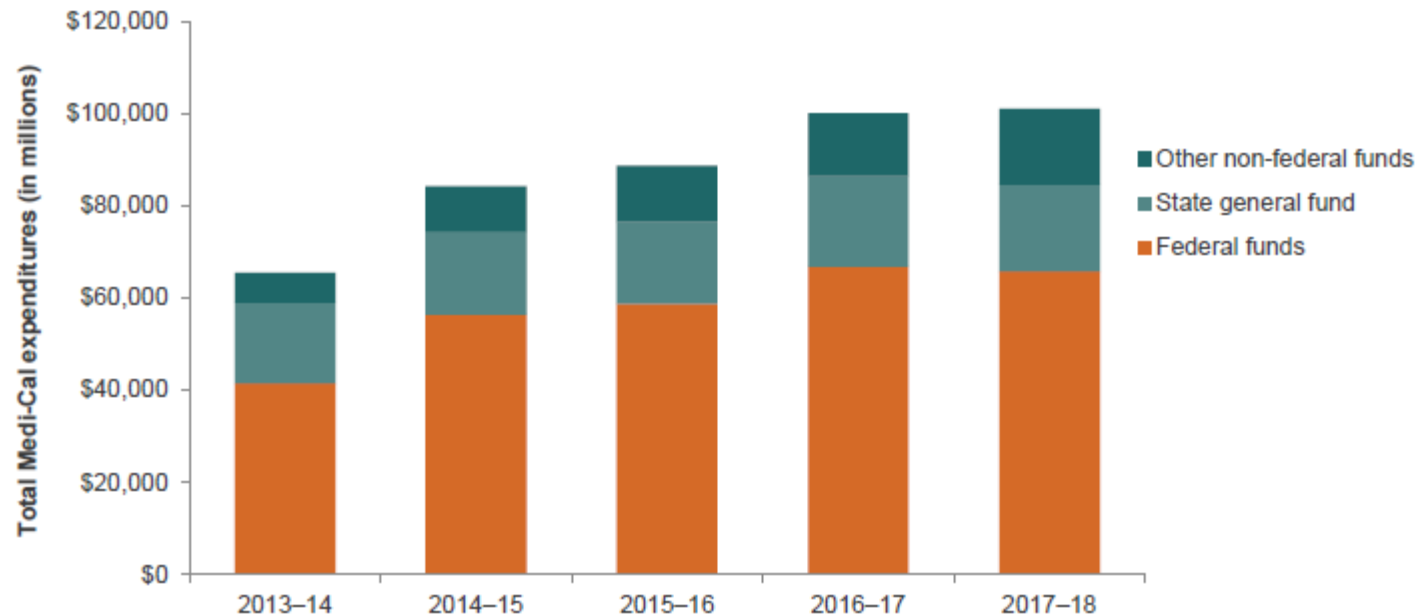
Source: Manatt Medicaid Financing Model.



# MEDI-CAL FUNDING



The federal government has provided the bulk of new funds for Medi-Cal under the ACA



SOURCE: California Department of Health Care Services, Medi-Cal Local Assistance Estimates.

NOTES: Expenditures for 2016-17 and 2017-18 are from the November 2016 local assistance estimates and reflect revised estimates for 2016-17 and projected expenditures for 2017-18. All other expenditures are based on the estimate provided in the May estimate of the following fiscal year. All amounts have been inflation adjusted to 2016 dollars using CPI-U west.

# WHAT'S NEXT?



- Congress
  - The Senate
    - Budget Reconciliation constraints – “Byrd Rule”
    - Timeframe – revised bill to be released Thursday 7/13, CBO score early week of 7/17, vote later in the week: Motion to Proceed, if passes, then Floor vote
      - August Recess delayed until 3<sup>rd</sup> week of August
    - Possible bipartisan bill or straight Repeal vote if BCRA fails
  - House – Senate Conference Committee or House adopts Senate bill, if Senate succeeds in passing one
- Administration
  - Insurance – will insurers participate for 2018?
    - Cost Sharing - \$7B at risk for 7M who currently receive if Cost-Sharing Reductions not maintained; mixed messages about whether Administration will fund
    - Reinsurance
    - Enforcing Individual Mandate
    - Open Enrollment/Marketing
  - Medicaid
    - Section 1322 cf. 1115 Waivers
    - Continuing benefit vs. per-capita capped program or block grant