Congresswoman Robin Kelly, Chair

Impact of the GOP Bill on Medicaid/Medicare & Other Health Protections

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The Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (ACA) is likely the most thoroughly debated legislation of our time. On the House side alone, the bill went through 79 bipartisan hearings and markups over 2 years, and the Senate spend 25 consecutive days in session on health reform alone (the 2nd longest consecutive session in history). It formally became law under the Obama administration on March 23, 2010, and has since expanded comprehensive health insurance coverage to 20 million people via the Marketplace, Medicaid expansion, and the provision for adult children to remain on their parents' insurance until age 26.

From fluctuating drug prices to health provider reimbursement rates, it is no debate that healthcare and systems costs are on the rise. Yet, **in terms of the ACA's effect on the national economy, health related costs have grown at their slowest rates in 50 years.** According to the Congressional Budget Office (CBO), the **ACA will generate total savings of more than $3 trillion over the next two decades**. The **uninsured rate for children has fallen by nearly half** since 2008. For **young adults, the uninsured rate has dropped by more than half** since 2010. The ACA **reduced the uninsured rate in rural counties throughout America by 8%.** Among racial and ethnic minorities, the largest gains exist among those with the largest uninsured rates, ultimately also contributing closures to economic, as well as health access and health outcomes disparities.

The GOP Plan: American Health Care Act[1]

Introduced on the evening of March 6, 2017, the American Health Care Act seeks to repeal some of the most significant tenets of the ACA. Not only would obtaining coverage under this bill become a more evasive endeavor for millions of Americans, but such coverage would also be more costly, catastrophic, and bare-bones under a GOP plan. Such an effect would most namely **impact low-income and historically medically underserved populations**, who comprise most of the uninsured makeup. The ACA provides a federal subsidy, known as a cost-sharing reduction (CSR) to qualifying low-income households that purchase silver-level coverage in the insurance marketplace. The repeal bill, on the other hand, eliminates industry taxes and income-based, cost sharing subsidies (under section 131). The only tax-based revenue generated would be from full employer-based health plans. **The repeal bill severely cuts funding to Planned Parenthood** and likely **won't insure as many people as the ACA has.** House

[1] At this time, the bill does not have enough votes to pass in either chamber of Congress.

Freedom Caucus members and moderate Republicans express skeptical sentiments, and have declared that they will not vote in favor of the current GOP replacement bill.

Through their bill**, Republicans will repeal the individual mandate, which is the directive that most people have health insurance, or face a tax penalty. It also repeals the employer mandate that requires employers with more than 50 full-time workers pay for employees' health insurance. The measure will also repeal all revenue generating taxes, which currently fund the ACA.** To its credit, **the GOP plan DOES maintain protections for people with pre-existing health conditions**. It would also implement a "State Innovation Grant and Stability Program," starting in 2018, by which states can use funding to offset state costs for uncompensated care or for high risk pools. These grant allotments are based on a relative marketplace participation formula, which considers percentage of residents in state living below a low-income or uninsured threshold. By 2026, states will have to match this federal contribution by 50%.

In lieu of the ACA's featured individual mandate and the employer-based coverage mandate, the GOP bill proposes to **loosen restrictions on healthcare plan regulations, resorting instead to high-deductible plans, expanded use of inflation-adjusted tax credits (based on age) for the insured, and healthcare savings accounts**, which is essentially a tax shelter for the wealthy. Rather than a punitive incentive to retain coverage, this bill advances an age-based tax credit to those who acquire, and continuously retain, health coverage. People who have a gap in care coverage for more 63 days over a year will experience a 30% penalty strike in premiums upon finally enlisting for health insurance. So, if one stops their insurance—as a result of losing their job, for instance—and then restarts after the 63 days, one will have to pay a tax penalty. This penalty is meant to incentivize continuous coverage, especially among younger or healthy people who may otherwise opt to forego health insurance. But, it may very well detrimentally impact those it is purported to protect. **Adult children under the age of 26 years retain their coverage under their parent(s), and insurers must still offer 10 essential health benefits (EHBs),** including preventive services and care for pregnant women.

The GOP is generally looking to reduce federal government spending by **shifting healthcare costs to the states and to individuals**, at the same time **reducing consumer protections**. A staple argument for such changes is that consumers would have greater insurer choices than what the Marketplace exchange currently offers, and states would have greater autonomy to create models that are more "conducive" to their constituency. In effect, this shift may actually increase the number of uninsured, including those insured through their employer. **The Congressional Budget Office estimates that 7 million fewer privately insured Americans will retain their coverage by 2026** under the AHCA.

In terms of its impact on Medicaid, Medicare, on women's and children's health, on community health systems, and on Disproportionate Share Hospitals (DSH), the following is an overview of the GOP health system replacement bill.

<u>MEDICAID</u>

In states that have opted to expand Medicaid under the ACA, the uninsured rate has dropped by more than half, while in states that have not elected to expand Medicaid, the uninsured rate has only dropped a quarter. The uninsured rate gap between Medicaid expansion states and non-expansion states is widening, as of 2015. Furthermore, the CBO projects that **93% of American residents will have health coverage under by 2026, if the ACA remains intact.** Under the GOP replacement bill, **5 million fewer**

adults under the Medicaid expansion; 9 million adults, children and people living with disabilities; and 1.4 seniors will be uninsured[2].

The proposed GOP bill ends Medicaid expansion for low-income adults, and repeals the state option to extend coverage to adults above 133% of the Federal Poverty Level (FPL), by 2020. Instead, **the bill implements per-capita caps** to fund Medicaid at the state level, at states' discretion, for each Medicaid enrollment category. **For seniors, per capita caps can detrimentally impact funding to nursing homes and long term care options**. This also means that states receive a capped amount of federal funds per Medicaid enrollee. It is not yet clear if dual eligibles (people eligible for both Medicaid and Medicare coverage) will be exempt from the per capita cap allocated funding match. For states that have already expanded Medicaid, they will be able to continuously enroll new entrants until January 1, 2020, after which new entrants will no longer be accepted. **States will retain current Federal Medical Assistance Percentages (FMAP) levels**, which are the rates used to allocate monies to states for social and medical services. But flat FMAP matching does not consider changes in healthcare related costs. The bill would also **enhance Medicaid data and reporting systems requirements to include statistics on medical assistance expenditures**.

Medicaid expansion cuts would significantly impact Disproportionate Share Hospitals (DSHs) and Critical Access Hospitals (CAHs). Thus, the role of Medicaid in funding direct, critical services cannot be overstated. DSHs and CAHs are the nation's health services delivery safety net providers. Compared to other health systems, they disproportionately provide care to the nation's medically underserved population. Without DSH funding through Medicaid, these hospitals would not be able to serve their patients. **The proposed GOP bill ends DSH payments by 2019.** DSH cuts for Medicaid expansion states would begin in October 2017, but it is not clear if cuts will end once enhanced state expansions set in. Non-expansion states will experience delays in DSH cuts. States have the option to use the Innovation Grant and Stability Program monies to cover gaps in uncompensated care, however. Under this plan, **per capita caps would not apply to DSH payments**.

MEDICARE & ELDERS

As the healthcare system's flagship entitlement program, Medicare provides health coverage for people aged 65 and older, people under 65 years with certain disabilities, and anyone with end stage renal disease (ESRD). To date, it covers 57 million Americans (48 million seniors; 9 million persons living with disabilities).

Under the GOP replacement bill, **insurers are able to allot tax credits based on age, rather than on income**. For elderly Medicare recipients, this age rating band would translate into higher insurance premiums, five times more for the elderly than for younger Americans, compared to the current law's ratio restriction of 3:1. Consequently, **CBO estimates that almost 20% of seniors would lack insurance by 2026**. Moving forward, **states will determine their individual ratios**.

CHIP & REPRODUCTIVE HEALTH

Under this bill, **states will retain medical coverage eligibility discretion as it relates to children and pregnant women. It will also roll the Medicaid income eligibility back to 100% of the FPL for**

[2] Cutler, David and Emily Gee. "Coverage Losses by Congressional District Under the House ACA Repeal Bill." *Center for American Progress*. 17 March 2017.

impoverished children. Arguably, states will cover children's services through the Children's Health Insurance Program (CHIP).

This GOP health system replacement bill will **drastically defund women's health services providedby Planned Parenthood by about $500 million per year in federal funding**,[3] beginning in 2019. **It eliminates Planned Parenthood monies by cutting off Medicaid reimbursements**. Moreover, tax credits under the GOP bill cannot be used to cover non-Hyde Amendment abortions.

PUBLIC HEALTH & COMMUNITY HEALTH SYSTEMS

The GOP health system replacement bill would **end the Prevention and Public Health Fund by 2018**. Section 4002 of the ACA established this fund to advance prevention efforts, which the Department of Health and Human Services (HHS) initiates. In this way, the HHS secretary has the wherewithal to fund prevention efforts and investments without Congressional oversight. Retracting these funds would directly impact innumerable prevention efforts in critical health areas, including behavioral and mental health, HIV/AIDS, and chronic conditions, including heart disease, diabetes and certain cancers.

The replacement bill would **fund community health centers and federally qualified health centers (FQHCs) at $285 million.** These centers provide critical, comprehensive services, including preventive, reproductive health, and dental services. However, **this budget is less than what the ACA had allocated**.

In closing, **the GOP repeal bill is not acceptable, or even tenable by economic, comprehensive insurance coverage, or healthcare systems standards**. The ACA is not a perfect milestone, but it has advanced our nation to the lowest rate of uninsured, and enables our health systems and communities to make viable, sustainable investments toward our nation's whole health. Today presents prime opportunity to pool together the nation's human capital and negotiate enhancements to our healthcare system, not repeal of our healthcare system. In the absence of a comprehensive healthcare coverage plan like the ACA, the healthcare system will resort back to pre-ACA individual marketplace wherein sicker people were systematically excluded or marginalized via exorbitant premiums and other barriers. By no means can the American people afford to move backward.

[3] 20 Nov. 2016; "Conservatives Push to Speed Up Obamacare Repeal

UNDER THE ACA	UNDER THE GOP PLAN
Individual mandate The Affordable Care Act, or A.C.A., requires people who can afford it to obtain health insurance or face tax penalties. This part of the law was meant to keep insurance affordable for those who are older or sick.	**Repeal** The Republican bill eliminates the individual mandate, which means that people will not have to pay a penalty if they go without insurance. One possible effect, though, is that healthy people may be less likely to buy insurance, driving up prices for those who need it most, like older people and the sick. To limit this, the plan proposes a "continuous coverage incentive," which charges people in the individual market a 30 percent penalty for any lapses in health insurance coverage.
Employer mandate Under the A.C.A., large companies must provide affordable insurance to their employees or face financial penalties.	**Repeal**
Subsidies for out-of-pocket expenses Under the A.C.A., the federal government provides tax credits to help some people pay deductibles and co-payments.	**Repeal** Repeals this so-called "cost-sharing subsidy" in 2020.
Premium subsidies Under the A.C.A., the federal government provides tax credits to middle-income Americans on a sliding scale according to income, to help offset the cost of premiums and deductibles.	**Change** Changes the way subsidies will be distributed by using age, instead of income, as a way to calculate how much people will receive. Tax credits will be available in full to individuals earning less than $75,000 and households earning less than $150,000, but they will be capped for higher earners. For a person under 30, the subsidy would be $2,000, and double for people over 60. The bill also expands the type of health plans that qualify for subsidies.
Medicaid expansion Under the A.C.A., more than 30 states expanded Medicaid coverage by raising the eligibility cutoff to 138 percent of the poverty level.	**Change** Lets states keep Medicaid expansion and allows states that expanded Medicaid to continue getting federal funding as they would have under the A.C.A., until 2020. Federal funding for people who become newly eligible starting in 2020 or who leave the program and come back, however, would be reduced. The bill also proposes capping federal funding per enrollee, based on how much each state was spending in fiscal year 2016.
Health savings account Under the current law, in 2017, an individual can put $3,400 and a family $6,750 into a tax-free health savings account.	**Change** Allows people to put substantially more money into their health savings account and lets spouses make additional contributions. The basic limit will be at least $6,550 for an individual and $13,100 for a family beginning in 2018.
Restrictions on charging more for older Americans Under the A.C.A., plans can charge their oldest customers only three times the prices charged to the youngest ones.	**Change** Allows insurers to charge older customers five times as much as younger ones and gives states the option to set their own ratio.
Dependent coverage until 26 Under the A.C.A., children can stay on their parents' insurance policies until age 26.	**Keep**
Pre-existing conditions policy The A.C.A. requires insurers to cover people regardless of pre-existing medical conditions, and bars the companies from charging more based on a person's health history.	**Keep**
Essential health benefits Under the A.C.A., all insurers must offer 10 essential health benefits, including maternity care and preventive services.	**Keep**
Prohibitions on annual and lifetime limits The A.C.A. bars insurers from setting a limit on how much they have	**Keep**

Photo from The New York Times, "Parts of Obamacare Republicans Will Keep, Change, or Discard." https://www.nytimes.com/interactive/2017/03/06/us/politics/republican-obamacare-replacement.html. 6 March 2017.