



LEAGUE OF WOMEN VOTERS®
OF ARIZONA

Overview - A Comparison of the ACA and the AHCA

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LWV- Position on Health Care

- Ensure access to affordable, quality health care for all Americans, and
- A basic level of care - includes disease prevention, primary care, prenatal and reproductive health, acute long-term care, mental health care and health promotion and education.
- League's efforts include organizing community education projects, holding public forums and debates, creating and distributing resource materials and engaging members of Congress

LWV – Take Action

6/8/2017 - League's Take Action e-mail. Tell Legislators they must:

- Guarantee that pre-existing conditions can't be used to deny coverage or raise rates
- Ensure insurance rates and access do not discriminate against women
- Provide coverage of preventive care, limit out of pocket costs and prohibit lifetime insurance caps
- Ensure that Medicaid recipients can continue to receive full health care services

Current Legislation: Three Prongs - Phases of Change

- 1. The American Health Care Act – The Reconciliation Bill passed by the House of Representatives**
 - ❖ Budgetary provisions only: Revenue sources and effective dates of the replacement provision
 - ❖ Can Pass the Senate with only 50 votes.
 - ❖ Now in the Senate
- 2. Administrative changes – HHS Secretary Tom Price**
 - ❖ Roughly 1442 sections of the ACA could be targeted for repeal or revision
- 3. Passage of other legislation that doesn't qualify for reconciliation, i.e., no implications for the budget**

e.g., Health Insurance sold across state lines

Bottom line: More big changes to come

Biggest changes the ACA Made and Those that will Change again in the AHCA

1. Insurance Markets
2. Medicaid Expansion
3. Consumer Protections
4. Requirement for individuals to have insurance (Individual Mandate); and companies to offer to employees
5. Raised taxes related to high incomes, and players in the health industry, prescription drugs, medical devices, and health insurance companies
6. Reforms to Medicare

Insurance Markets – the Exchanges

- Online markets, where people who didn't get insurance through work could shop for a health plan from a private insurer in their state.
- Through the Exchanges, the ACA offered **subsidies** for Americans with lower incomes to help pay their premiums and deductibles

Premium subsidies to Individuals - ACA

- ACA provided refundable, advanceable premium tax credits to eligible individuals with incomes between 100-400% Federal Poverty Level to purchase insurance through the exchanges
- Credits were computed on a sliding scale so people pay no more than a required percentage of income for a plan for their age in their area
- Credit amount decreases as income increases; amount increases as cost of the benchmark plan increases

Premium Subsidies to Individuals-AHCA

For 2018-2019, modify premium tax credits as follows:

- Increase credit amounts for young adults with income above 150%FPL and decrease amounts for adults 50 and older earning above that income level
- Tax credits can be used to purchase plans sold outside of the exchange

Starting in 2020, replace ACA income-based tax credits with flat tax credit adjusted for age.

Credits are payable monthly; annual credit amounts for an individual are:

\$2,000 per individual up to age 29

\$3,500 per individual age 50-59

\$2500 per individual age 30-39

\$4,000 per individual age 60 and older

\$3,000 per individual age 40-49

Cost Sharing subsidies - ACA

These reduce **deductibles, copays and Out of Pocket** on a sliding scale.

Under the **ACA**, the national average deductible and OOP limit under silver exchange plans in 2016 were:

100-150%FPL	Annual Deductible: \$221	Annual OOP Limit: \$874
200-250%FPL	“ \$2,491	“ \$4,850

Under the AHCA, cost sharing subsidies are repealed effective January 1, 2020.

Consumer protections under ACA

- Insurance companies prevented from denying coverage or charging a higher price for a pre-existing health problem
- A ban on setting a lifetime limit on coverage
- A requirement that insurers offer a minimum package of benefits
- A guarantee that preventive health services be covered without a co-pay
- A cap on insurance company profits
- Limits on how much more insurers can charge older people than younger people
- Adult children could stay on their parents' policies until age 26

Under the AHCA

Private market rules include:

- Prohibition on pre-existing condition exclusions
- Requirement to extend dependent coverage to age 26
- Age rating limit modified from a 3:1 ratio to a 5:1 ratio, unless states adopt different ratios, effective 2018
- Insurers are required to impose 30% surcharge on premiums for those who experience a gap in coverage

Individual Mandate – ACA - AHCA

Purpose: To ensure that enough healthy people entered insurance markets, the ACA included mandates to encourage broader coverage. (In 2016, the tax penalty for not having insurance was 2.5% of household adjusted gross income or \$695 per adult.)

Large employers that failed to offer affordable coverage, or individuals who failed to obtain insurance, could be charged a tax penalty.

The Mandate is essentially repealed: Tax penalties for not having minimum essential coverage is eliminated effective January 1, 2016

Pre-existing conditions and AHCA State Waiver

- About 27% of adult Americans under the age of 65 affected
- States applying for waiver allow higher premiums for sicker people – if they had a gap in their coverage (over 63 days)
- Waiver requires creation of a high risk pool

State Waiver – Essential Health Benefits

- States can waive the requirement for insurers to cover essential health benefits and/or redefine them
- Upshot:
 - Healthier people might get cheaper premiums with fewer benefits
 - Effect on out-of-pocket costs – difficult to predict

AHCA – Patient and State Stability Fund

- \$138 billion provided to states over 10 years
- Can be used for various purposes, e.g., subsidizing premiums, providing coverage to people with pre-existing conditions, paying for mental health care, treatment for drug addiction
- Additional \$15 billion is allocated to the fund for Federal Invisible Risk Sharing Program (reinsurance) paid to health insurers

Medicaid Expansion - ACA

Federal funding and eligibility were expanded significantly

Federal funding for states to offer Medicaid coverage to anyone earning less than about \$16,000 for a single person or \$33,000 for a family of four (adj. gross incomes up to 138% FPL)

Number of states opting for expansion: 37

Number of Americans covered by Medicaid in 2016: Over 70 million, or 1 in 5 people

ACA - Taxes to health industry & high earners

The ACA raised taxes on several players in the health industry and on high-income earners

- Increase in Medicare payroll tax on wages for high-wage individuals (200K individual – 250K couple) by .9 percentage points)
- The 3.8% tax on unearned income for high-income taxpayers
- Tax on pharmaceutical manufacturers
- Taxes on Insurance companies
- Excise tax on sale of medical devices

- AHCA repeals all of them

AHCA - Medicaid

- As of 2020: Converts federal Medicaid funding to a per capita cap based on 2016 expenditures, i.e., ends guarantee of federal support for Medicaid programs based on actual state spending
- Provides a state option to elect Medicaid block grant instead of per capita cap
- Creates state option to require work as a condition of eligibility for nondisabled, nonelderly, non pregnant Medicaid enrollees (provides 5% enhanced federal matching funds to implement work requirement)
- Repeal essential health benefits requirement
- **Effective upon date of passage, prohibit use of Medicaid funding for Planned Parenthood for 1 year**

Impact on Medicaid

- Medicaid provides coverage for 1 in 5 Americans
- The cap on funding would disproportionately affect low-income children, adults, seniors, and people with disabilities
- 1.9 million Arizonans covered by Medicaid (AHCCCS and CHIP)
- 949,000 (14%) Arizonans receive Medicare
- 17% of Medicare Enrollees in AZ also receive Medicaid

Impact and CBO Report- May 4, 2017

- The federal deficit would be reduced by \$119 billion - HOW?
- Between 2017 and 2026, AHCA would reduce spending by \$1,111 billion by cuts in Medicaid and cuts in Tax Credits for Americans seeking health insurance
- Expenditures include \$117 billion for Patient and State Stability Fund Grants
- The deficit reduction is due to: **Loss of revenue** from Penalty payments from employers and uninsured people - \$210 billion
- And **tax cuts for health industry and high earners** reducing revenue by \$664 billion
- **Bottom Line: Decrease in Medicaid spending - \$834 billion; Revenue decrease due to tax cuts - \$664 billion**

Impact and CBO Report

- In 2018, **14 million more people** would be **uninsured** under AHCA than ACA due to projected **higher premiums**, and **repeal of penalties** associated with the individual mandate
- In 2020, that number will rise to **19 million**
- In 2026, that number will rise to **23 million**
- Bottom Line: **In 2026, an estimated 51 million people would be uninsured, compared with 28 million who would lack insurance that year under current law**

AHCA effects on Medicare Program

Repeal of the Medicare payroll surtax on high income earners results in:

- **Reduction of revenue to the Medicare Hospital Insurance (Part A) trust fund by \$117 billion between 2017 and 2026 (Joint Committee on Taxation)**
- **Weakens Medicare's financial status by depleting the Part A trust fund three years sooner than under current law**
- **Projected insolvency date moves up from 2028 to 2025**

ACA -Terms to Know

- **Essential Health Benefits** – basic set of 10 benefits required by ACA

Outpatient care, emergency services hospitalization, maternity and newborn care, Mental health and substance use services, prescription drugs, rehab and habilitative services and devices; lab services, prevention and wellness, and chronic disease management; pediatric service, including oral and vision care.

Community rating -requires health insurance providers to offer health insurance policies within a given territory at the same price to all persons, regardless of their health status.

Age Rating – how much more insurance companies can charge older customers