FAMILIESUSA
THE VOICE FOR HEALTH CARE CONSUMERS

## Top Line Talking Points: The American Health Care Act

The American Health Care Act would strip affordable coverage from working people, leaving millions uninsured and millions more facing drastically higher premiums and out-of-pocket costs. It would return us to a time when only the wealthy were able to afford comprehensive coverage.

**This bill would effectively end health coverage for 11 million people by terminating the ACA's Medicaid expansion and radically restructure the rest of the Medicaid program in ways that will pass health care costs and risk on to states.**

- It would end the current guarantee of federal support based on actual state spending and restrict federal funding.
  - Under this bill, every state would have its federal funding adjusted based on the same inadequate, one-size-fits-all inflation formula.
  - This formula ignores the unique needs of state Medicaid programs, which have varying spending patterns based on state-specific demographics, medical technology use, public health crises, and more.

**This bill would gut financial assistance for premiums as well as cost-sharing for lower- and moderate-income families and further increase premiums for older adults by thousands of dollars.**

- Millions of people will see their premiums and deductibles increase by hundreds to thousands of dollars.
- People with serious chronic illnesses will be hurt the most, left only with bare-bones coverage that comes with drastically higher deductibles. These individuals will once again be forced to go without lifesaving treatment or go into debt to get the care they need.

**This bill provides billions of dollars in tax cuts to the wealthy and billion-dollar corporations. These tax cuts for the rich are paid for by taking health care away from lower-income working families and putting at risk the health care of millions of children, seniors, and people with disabilities.**

- Itὸs clear given the harmful policies in this bill that millions of people will lose coverage. Itὸs wildly reckless for the Republicans to move forward without independent analysis of the full damage these policies will inflict on families and on the federal budget.

## In Depth Talking Points:

### This bill would end the entire Medicaid program as we know, making large cuts in federal funding and putting a more limited plan in its place.

This bill puts a hard limit on how much federal funding a state receives, regardless of how much it costs to provide care to those who qualify for the program. Instead of the federal government matching the stateὸs spending, the Medicaid programὸs funding is transformed into a capped payment per enrollee structure. This passes risk and total costs of any health spending above the cap on to states.

FamiliesUSA.org
1225 New York Avenue, NW, Suite 800
Washington, DC 20005
main 202-628-3030 / fax 202-347-2417

- The cap is structured to save federal dollars, guaranteeing that states will have to shoulder more Medicaid costs.
- Federal funding would be increased annually by a one-size-fits all inflation formula that doesnôt reflect the unique needs of each state or the fact that medical cost increases are not the same for all states.
- The inflation measure (Consumer Price Index Medical, CPI-M) doesnôt measure Medicaid costs. It measures changes in what consumers pay for medical services out of pocket. Thatôs very different than what state governmentsð Medicaid programsð pay for health services.
- Moving to capped funding makes it very easy for Congress in future years to freeze funding increases or change the inflation adjustment to save federal dollars, pushing even more costs on to states.
- Capped funding doesnôt automatically adjust for changes in state costs, like the foreseeable increase in the old-old population that uses more expensive health care services.

As part of the ACA repeal, House Republicans are ramming through Congress radical changes to the entire Medicaid program without any substantive debate about what this will mean to state budgets or to childrenôs health care, long-term care for seniors, or home care for people with disabilities.

**This bill would end Medicaid expansion**

This bill would phase out and ultimately end the Medicaid expansion.[1]

- This bill ends the enhanced federal expansion funding in 2020 except for people who donôt have any break in Medicaid coverage. Because incomesð and Medicaid eligibilityð change frequently for Medicaid enrollees, this will quickly starve states of expansion funding, effectively ending health coverage of 11 million expansion enrollees across 31 states and the District of Columbia
- This will have a dramatic effect on the economies and health systems of those states. The Medicaid expansion pumps billions of dollars of federal money into state economies.
- Ending the Medicaid expansion will mean lost jobs and lost economic activity for every state.[2]

**This bill makes harmful changes to the Medicaid program that would restrict eligible enrollees' access to care, increase uncompensated care for hospitals and other providers, and increase impoverishment of spouses of nursing home residents.**

- The bill rolls back eligibility levels for children from 133 percent of poverty to 100 percent of poverty, increasing the likelihood a child from a poor family will go uninsured.

- The bill includes provisions to target ñlottery winnersò in the Medicaid program despite there being no evidence of eligibility fraud in the Medicaid program generally, or specifically based on lump-sum

[1] After January 1, 2020 states can receive the current enhanced match if an enrollee had coverage on Dec. 31 2019 and does not have a break in coverage for one month. If someone drops out of Medicaid for one month (for example they are a seasonal worker and their income changes), they cannot re-enroll in the expansion. After 2020, the state can only enroll newly eligible beneficiaries at the traditional FMAP.

[2] http://www.commonwealthfund.org/publications/issue-briefs/2017/jan/repealing-federal-health-reform

payments like lottery or gambling winnings. This provision will create bureaucratic hassle for states to combat a problem that doesnôt exist.

- Medicaid currently provides coverage for the three months prior to the month of application. This bill would repeal this three month retroactive eligibility, increasing hospital uncompensated care costs and putting low-income Medicaid enrollees at risk of substantial medical debt.

- This bill would reduce the amount of assets the spouse of a nursing home resident is allowed to have while still maintaining Medicaid eligibility for the spouse in the nursing home (often referred to as the ñspousal impoverishment provisionò). The ñspousal impoverishmentò rules are in place to ensure spouses of nursing home residents donôt become destitute. This provision will contribute to poverty among seniors and will compound the financial hardship of families of institutionalized persons.

- The bill requires states to perform Medicaid eligibility redetermination at least every six months as well as offering financial incentives for states who aggressively pursue enrollment verification. Researchers have found that administrative barriers to redetermination are a key reason for ñchurnò in the Medicaid program. Increasing the frequency of determination will inevitably lead to inappropriate and unnecessary disenrollment.

**The bill includes several "sweetheart" funding provisions for states that have chosen not to expand Medicaid.**

- The bill provides $10 billion over five years to all non-expansion states with the funds directly payable to safety-net providers who serve people eligible for Medicaid and the uninsured. The money is apportioned based on which state has the most adults under 138 percent of poverty as a percentage of all persons under 138 percent of poverty in non-expansion states. Practically, this rewards large states like Florida, Georgia and Texas for having high rates of poor adults. Funding some providers directly rather than giving all people insurance is inefficient and promotes adverse incentives in the health care delivery system. It also fails to give individuals a guarantee that if they get sick, they will be able to access health care they can afford.

- The bill changes the way hospitals are paid by re-instating a multi-billion dollar payment pool system that is in the process of being phased out by the ACA. Each year through 2020, the ACA ratcheted down these hospital payments. The bill would stops these reductions, keeping the pool funding in place. For expansion states, the cuts would stop in 2018, and for non-expansion states, the cuts would stop in 2020.

**This bill would gut financial assistance for private coverage, increasing premiums and deductibles for millions:**

This bill would drastically reduce financial assistance to help lower- and moderate-income people pay their premiums, and it would provide the same amount of assistance to everyone making up to $75,000 ($150,000 for a couple). Even worse, it would completely eliminate the Affordable Care Actôs financial assistance that lowers out-of-pocket costs, like deductibles.

Millions of people would see their premiums, deductibles and other out-of-pocket costs increase by hundreds to thousands of dollars, especially lower-income people and seniors.

- This billõs backward approach would provide the same amount of financial assistance for premiums to a couple making only $20,000 and a couple making $150,000.
- The average amount of financial assistance people receive to lower their monthly premiums would **drop by at least 36 percent** compared to under the ACA.[3]
- Individuals age 60 currently receiving premium tax credits would see their **monthly premiums increase between $225 and $563,** with lower-income seniors' costs increasing the most.[4]
- Individuals making just under $18,000 a year would see their **annual financial assistance for premiums cut between $197 and $7,973**, depending on their age.[5]
- **6.3 million lower-income people** would lose the assistance that currently reduces their out-of-pocket costs, like deductibles, co-insurance, and copays.
- Families of three making around 30,000 a year would see **their deductible increase by more than $5,500, on average,** once this assistance is eliminated.[6]

**This bill would increase premiums for millions of seniors:**

The bill would erode financial protections for older adults in the marketplace by allowing insurers to charge them as much as 5 times more than younger people for the same coverage. This change would make health care unaffordable for many older adults, **forcing millions to pay more for less comprehensive coverage** and leaving many more uninsured with no affordable coverage options at all.

- This bill would make marketplace coverage unaffordable for the vast majority of the **3.3 million adults between ages 55 and 64** currently enrolled under the ACA (26 percent of total marketplace enrollees).[7]
- Adults between the ages of 55 and 64 in the marketplace would see their **premiums rise an additional 17 to 25 percent**.[8]
- This billõs cuts to financial assistance will further increase premiums for many lower-and moderate-income seniors.
- The combined impact of the billõs reduced financial assistance and increased age rating:

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[3] Cynthia Cox, G. Claxton and L. Levitt, *How Affordable Care Act Repeal and Replace Plans Might Shift Health Insurance Tax Credits*, (Washington, DC: Kaiser Family Foundation, March 1, 2017), available online at http://kff.org/health-reform/issue-brief/how-affordable-care-act-repeal-and-replace-plans-might-shift-health-insurance-tax-credits/

[4] Families USA analysis based on Kaiser Family Foundation data of the national average age-rated premiums for the second-least expensive silver plan, adjusted for increase to 5:1 age rating bands.

[5] Families USA analysis based on Kaiser Family Foundation data on the national average age-rated premiums for the second-least expensive silver plan, adjusted for increase to 5:1 age rating bands.

[6] Matthew Rae, Gary Claxton, Cynthia Cox and Michelle Long, *Cost-sharing Subsidies in Federal Marketplace Plans, 2016,* (Washington, DC: Kaiser Family Foundation, Nov 13, 2015), available online at http://kff.org/health-costs/issue-brief/cost-sharing-subsidies-in-federal-marketplace-plans-2016/

[7] Medicare Rights Center, ACA Repeal: Paying More for Less, (January 2017), available online at https://medicarerights.org/pdf/paying-more-for-less-aca-repeal.pdf (last accessed March 6, 2017)

[8] Milliman, *Impact of Changing ACA Age Rating Structure* (New York: Milliman, January 2017), available online at http://www.milliman.com/uploadedFiles/insight/2017/MillimanACAAgeBands_0131_Final.pdf

- A 55-year-old individual making just under $30,000 a year would have to **pay $241 more** a month in premiums;
- a 60-year-old individual with the same income would **pay $405 more** a month in higher premiums.[9]

**This bill has a new individual mandate that will only make it harder for people to get coverage:**

This bill would immediately repeal the ACA’s individual mandate and replace it with a mandate to stay covered or lose access to affordable health coverage. This policy change will only increase premiums for everyone and most hurt those with pre-existing conditions who rely on coverage to afford the care they need.

- By immediately repealing the individual mandate, this bill will increase premiums by 20 to 25 percent in 2018.[10]
- The bill introduces a new mandate to have insurance that has a much more harmful penalty—being charged 30 percent more for coverage if you went uninsured for just more than 2 months.
- This policy will only make it harder to attract young, healthy people into the insurance market. This will drastically hurt market stability and increase premiums for everyone who is already insured.
- Comprehensive coverage will be left completely unaffordable for those with pre-existing conditions who rely on insurance to afford treatment.

**This bill’s proposed changes to health savings accounts would only help the wealthy:**

This bill would loosen restrictions on contributions to health savings accounts (HSAs), expanding the use of these accounts as a tax shelter for the wealthy. While it hypothetically proposes to deposit leftover financial assistance not used to pay premiums in health savings accounts, this is a false promise for most families.

- The financial assistance in this bill is so inadequate that most lower- and moderate-income people will struggle to simply afford the premiums for the plan they have today. They will have nothing left to put into a health savings account.
    - This policy will only benefit wealthier households who can already afford to pay for coverage on their own.
- Health savings accounts don’t work for most families, especially those living paycheck to paycheck and who can’t afford to set aside thousands of dollars to pay the full cost of their health care bills.
- This bill would just open the door for wealthy people to stash more money in these accounts to avoid paying taxes.

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[9] Families USA analysis based on Kaiser Family Foundation data of the national average age-rated premiums for the second-least expensive silver plan, adjusted for increase to 5:1 age rating bands.

[10] Congressional Budget Office, *How Repealing Portions of the Affordable Care Act Would Affect Health Insurance Coverage and Premiums ,* (Washington, DC: Congressional Budget Office, January 2017), available online at https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52371-coverageandpremiums.pdf

- The majority of families who actually put money in health savings accounts are households making more than $100,000 each year.[11]

**This bill's funding to states is woefully inadequate to protect residents from high health care costs:**

The patient and state stability fund masquerades as a mechanism to make care available and affordable to a number of different populations, but its funding falls woefully short of meeting these needs.

- For instance, in 2020, states can draw down money from a national fund to perform tasks that actually cost more than double the amount that is in the fund. This includes:
    - Helping residents with cost sharing (cost sharing assistance to help low and middle income people afford deductibles and other out-of-pocket expenses would cost $13 billion in 2020 if left intact.[12])
    - Compensating insurers for taking on high risks (for 2015, about $7.8 billion in reinsurance payments were needed[13])
    - Improving access to preventive, vision, dental, and mental health care (the bill cuts more than $1 billion a year that had been appropriated in the prevention fund).

While these needs add up to well over $20 billion, the patient and stability fund appropriates only $10 billion for 2020.

[11] Edwin Park, *Trump, House GOP Health Savings Accounts Proposals Would Mostly Help Wealthy, Not Uninsured* (Washington, DC: Center on Budget and Policy Priorities, November 2016), available online at http://www.cbpp.org/blog/trump-house-gop-health-savings-account-proposals-would-mostly-help-wealthy-not-uninsured.

[12] Congressional Budget Office, *Federal Subsidies for Health Insurance Coverage for People Under Age 65:2016 to 2026*, March 2016, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51385-HealthInsuranceBaseline.pdf

[13] CMS, "Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2015 Benefit Year," June 30, 2016, https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/June-30-2016-RA-and-RI-Summary-Report-5CR-063016.pdf.