

# Analysis of the American Health Care Act (AHCA)

POTENTIAL IMPACT ON NORTH CAROLINA

MARCH 17, 2017

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# AHCA Overview

- ▶ Insurance law changes
- ▶ Medicaid changes
- ▶ Congressional Budget Office/Joint Committee on Taxation estimates of the impact

# Insurance Law Provision

- ▶ AHCA keeps:
  - ▶ Protections for people with preexisting conditions
  - ▶ Essential health benefits and coverage of clinical preventive services
  - ▶ No annual or lifetime limits; annual out-of-pocket maximums
  - ▶ Coverage of children up to age 26 on parents plans
  - ▶ Marketplace
    - ▶ In 2018-2019, people can use their tax credits to purchase coverage outside the Marketplace. However, advanceable tax credits can only be used to purchase Marketplace coverage.
    - ▶ Starting in 2020, people can use tax credits to purchase plans inside or outside the Marketplace

# Insurance Law Provisions

- ▶ AHCA changes:
  - ▶ Repeals the individual and employer mandate as of January 1, 2017.
  - ▶ Maintains the income-based advance premium tax credits (with changes) and the cost sharing subsidies until 2020
  - ▶ Replaces existing income-based advance premium tax credit with an age-related tax credit (as of 2020) (not based on age or underlying costs or premiums)
  - ▶ Average premium prices will be reduced by:
    - ▶ Changing age banding from 3:1 (ACA) to 5:1 (allowing lower premiums for younger adults and higher premiums for older adults)
    - ▶ Allowing insurers to provide less comprehensive coverage (actuarial value of less than 60%)
  - ▶ 30% increase in premiums for 1 year for failing to have continuous coverage

# Changes to Existing Premium Tax Credits (2018-2019)

	ACA	Premium Tax Credit Revisions (2018, 2019)				
	Existing Law (2017)	Up to Age 29	Age 30-39	Age 40-49	Age 50-59	Age 60+
Up to 133%	2.03%	2%	2%	2%	2%	2%
133-150%	3.05-4.07%	3-4%	3-4%	3-4%	3-4%	3-4%
150-200%	4.07-6.41%	4-4.3%	4-5.3%	4-6.3%	4-7.3%	4-8.3%
200-250%	6.41-8.18%	4.3%	5.3-5.9%	6.3-8.05%	7.3-9%	8.3-10%
250-300%	8.18-9.66%	4.3%	5.9%	8.05-8.35%	9-10.5%	10-11.5%
300-400%	9.66%	4.3%	5.9%	8.35%	10.5%	11.5%

# Premium Tax Credits Beginning 2020

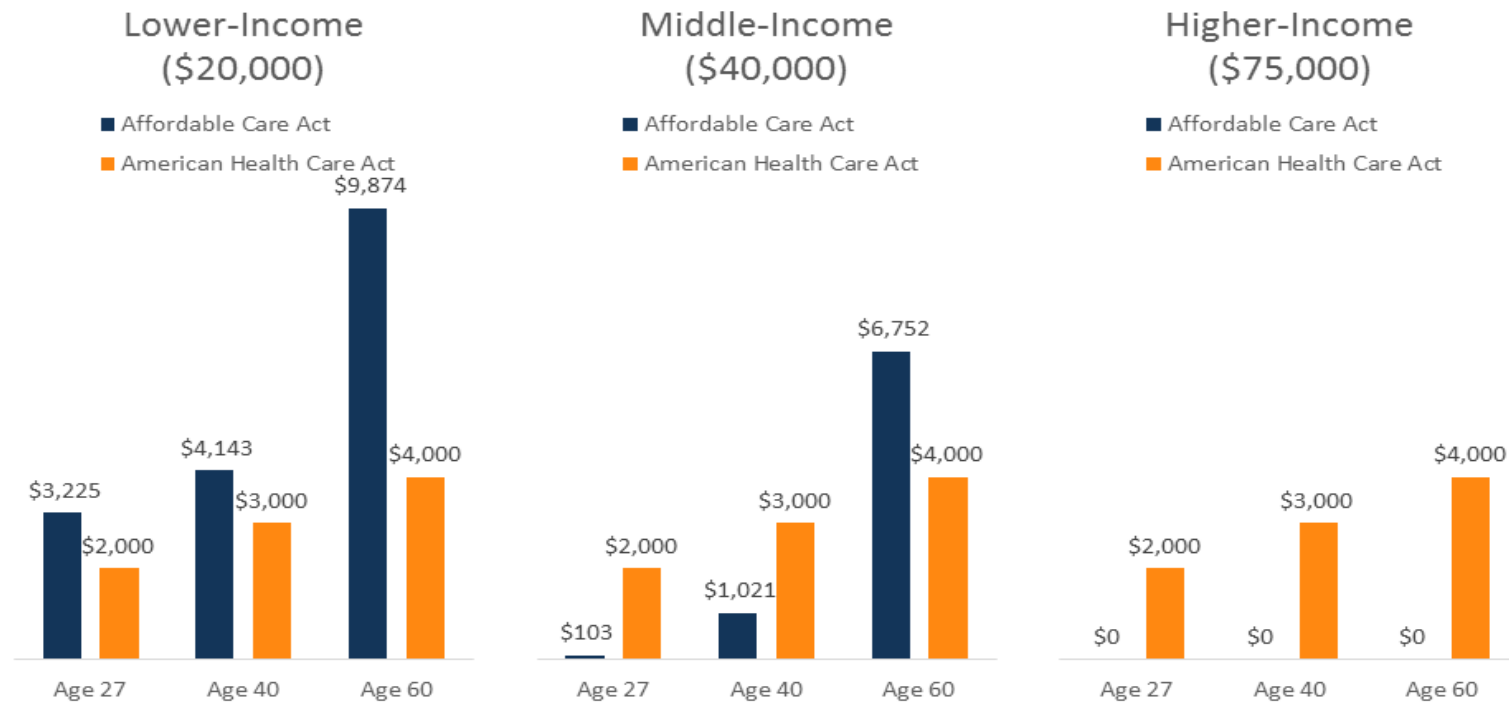
<b>Age</b>	<b>Annual Tax Credit</b>
<b>&lt;30</b>	<b>\$2,000</b>
<b>30-39</b>	<b>\$2,500</b>
<b>40-49</b>	<b>\$3,000</b>
<b>50-59</b>	<b>\$3,500</b>
<b>60 or older</b>	<b>\$4,000</b>

- ▶ North Carolinians will be hit worse than people in other states because our premiums are higher, on average, than the rest of the country
  - ▶ NC has second highest average premiums (\$5,360)
- ▶ Example of unsubsidized current premium prices in the Marketplace
  - ▶ 21 year old in Orange county: ~\$3,500/year for lowest cost bronze plan (60% actuarial value)
  - ▶ 64 year old in Orange county: ~\$10,600/year

# AHCA Will Increase Costs to Low Income and to Older Adults

Figure 1

**How House Republicans' health reform plan might shift average health insurance tax credits, based on income and age, in 2020**



Source: Kaiser Family Foundation analysis. Note: Data for Affordable Care Act represent the average tax credit available across all counties in the United States, at a given age.

# Patient and State Stability Fund

- ▶ \$15 B/yr in FY 2018-2019 and then \$10B yr. in FY 2020-2026 to states to help stabilize the insurance market (or other purposes), such as:
  - ▶ Financial assistance to high-cost individuals
  - ▶ Reinsurance for high cost claims
  - ▶ Promoting insurer participation in the individual and nongroup market
  - ▶ Promote access to preventive, dental, or behavioral health services
  - ▶ Help people with out-of-pocket costs
- ▶ States must submit their plan within 45 days of enactment (or by March 31<sup>st</sup> in subsequent years), or state share of funding will be used for reinsurance



# Navigators and Assisters

- ▶ The American Health Care Act does not change the ACA requirements for Marketplaces to have independent, impartial navigators (ACA 1311(d)(4)(K))
- ▶ However:
  - ▶ Insurers will not be required to offer their products through the Marketplace (starting in 2018), and
  - ▶ There is no funding for navigators or assisters



# Medicaid Changes

- ▶ AHCA keeps:
  - ▶ Mandatory and optional eligibles and services
  - ▶ Maintains enhanced FMAP rate for expansion populations through 2019
    - ▶ Thereafter, states can only maintain enhanced match rate for expansion populations covered before 2020 as long as there is no gap in coverage of more than 30 days
- ▶ AHCA changes:
  - ▶ Allows states to expand coverage to adults up to 138% FPL until Dec. 31, 2019; thereafter states can still cover expansion group but at state's regular match rate
    - ▶ Provides financial incentives to states that choose *not to* expand
  - ▶ Changes financing from an open-ended entitlement into a per capita allotment

# Financial Incentives for Non-Expansion States

- ▶ \$2B total per year for CY 2018-2021 for non-expansion states for enhanced payments to raise payments to safety net providers
  - ▶ North Carolina would be eligible for ~\$172M/year.
  - ▶ In contrast, NC would receive between \$2.6b-\$5B in federal funds if it expanded Medicaid

# Per Capita Allotment

- ▶ Beginning in 2020, states would get a per capita allotment based on what the state spent for certain categories of individuals in 2016 (inflated forward)
  - ▶ Categories: elderly, blind/disabled, children under age 19, nonexpansion adults, and expansion adults
- ▶ Because the per capita allotment is based on 2016 spending, states are locked into historical spending patterns
  - ▶ This makes it harder for state to raise provider reimbursement rates in the future or to respond to new costs (eg, Hep C drugs) or public health emergencies

# Per Capita Allotment

- ▶ North Carolina is a historically lower spending state\*

## Medicaid Spending Per Full Benefit Enrollee by Eligibility Group and State, FY 2011

	Total		Children		Adults		Disabled		Aged	
State	Amt	Rank	Amt	Rank	Amt	Rank	Amt	Rank	Amt	Rank
US	\$6,502		\$2,492		\$4,141		\$18,518		\$17,522	
NC	\$5,450	42	\$2,355	30	\$4,360	23	\$15,060	41	\$10,518	50

- ▶ Per capita allotments will be inflated over time by the medical component of the CPI
  - ▶ CBO/JCT projected that state Medicaid expenditures expected to grow 4.4%/year between 2017-2026, but the medical component of the CPI will only grow 3.7%

\*Per capita expenditures would be inflated by a factor related to state spending on non-DSH supplemental payments

# CBO/JCT Impact on Federal Budget

- ▶ Federal Deficit: The bill will reduce the federal deficit by \$337B between 2017-2026. Some of the major cost reductions/increases include:
  - ▶ Cost reductions: Medicaid cuts (\$880B due to fewer enrollees, and cuts to state Medicaid spending), reductions to premium tax credits and cost sharing subsidies (\$673B), elimination of small business tax credits (\$70B)
  - ▶ Cost increases: New tax credits (\$361B), reduction in individual and employer penalties(\$210B), funding to the Patient and State Stability fund (\$80B)

# CBO/JCT Coverage Estimates

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	2017	2018	2020	2022	2024	2026
<b>Total Population Under Age 65</b>	<b>273</b>	<b>274</b>	<b>276</b>	<b>277</b>	<b>279</b>	<b>280</b>
<b>Uninsured Under Current Law</b>	<b>26</b>	<b>26</b>	<b>27</b>	<b>27</b>	<b>28</b>	<b>28</b>
<b>Changes in /Coverage under the AHCA</b>						
<b>Medicaid</b>	<b>-1</b>	<b>-5</b>	<b>-9</b>	<b>-13</b>	<b>-14</b>	<b>-14</b>
<b>Nongroup coverage, including Marketplace</b>	<b>-2</b>	<b>-6</b>	<b>-9</b>	<b>-8</b>	<b>-5</b>	<b>-2</b>
<b>Employer-based coverage</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-5</b>	<b>-17</b>
<b>Other coverage</b>	<b>*</b>	<b>*</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Uninsured</b>	<b>4</b>	<b>14</b>	<b>21</b>	<b>23</b>	<b>24</b>	<b>24</b>
<b>Uninsured Under the AHCA</b>	<b>31</b>	<b>41</b>	<b>48</b>	<b>50</b>	<b>51</b>	<b>52</b>
<b>% of Population Under Age 65 with Insurance Under the AHCA</b>						
<b>Including all US Residents</b>	<b>89</b>	<b>85</b>	<b>83</b>	<b>82</b>	<b>82</b>	<b>81</b>
<b>Excluding Undocumented Immigrants</b>	<b>91</b>	<b>87</b>	<b>85</b>	<b>84</b>	<b>84</b>	<b>84</b>

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<b>Employer-based coverage</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-5</b>	<b>-7</b>
<b>Other coverage</b>	<b>*</b>	<b>*</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Uninsured</b>	<b>4</b>	<b>14</b>	<b>21</b>	<b>23</b>	<b>24</b>	<b>24</b>
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# Resources

- ▶ Tim Jost's blog in Health Affairs on the AHCA: <http://healthaffairs.org/blog/2017/03/07/examining-the-house-republican-aca-repeal-and-replace-legislation/>
- ▶ Sara Rosenbaum's blog in Health Affairs on Medicaid provisions in the AHCA: <http://healthaffairs.org/blog/2017/03/10/the-american-health-care-act-and-medicaid-changing-a-half-century-federal-state-partnership/>
- ▶ Kaiser Family Foundation summary that compares the ACA (current law) to the American Health Care Act: <http://files.kff.org/attachment/Proposals-to-Replace-the-Affordable-Care-Act-Summary-of-the-American-Health-Care-Act>
- ▶ CBO/JCT analysis of the bill: [https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact\\_0.pdf](https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact_0.pdf).