Joint Informational Hearing
The American Health Care Act: What will it cost Californians?

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Insure the Uninsured Project (ITUP)

- Nonpartisan, independent 501 (c)(3) organization
- Founded in 1996 after failure of federal health reform
- ITUP’s mission is to advance creative and workable policy solutions that expand health care access and improve the health of Californians
- ITUP implements its mission through policy-focused research and broad-based stakeholder engagement
California Before ACA

- High rates of uninsured hovering around 20% for decades
- Employer-sponsored coverage was declining with employees paying a higher share of costs
- Medi-Cal was only available to children, seniors and disabled, and some low-income parents
Pre-ACA Individual Market

- Individual coverage was not available to people with pre-existing conditions; Coverage priced out of reach for most low- and moderate income Californians

- Many policies with limited benefits and inadequate coverage – no minimum value standard

- Annual and lifetime dollar limits on benefits

- No limits on consumer out-of-pocket costs

- Premium rates not publicly available; Limited regulatory review of rates and rate increases
Dramatic Reduction in Number of Uninsured in CA

- Pre-ACA (2013) – 6.5 - 7 million uninsured
- With ACA (2015) – 3 - 3.5 million uninsured (8-9%)
- The largest reduction in the uninsured of any state
- Overall Medi-Cal enrollment increased dramatically; the ACA coverage expansion added 3.9 million beneficiaries
- Covered California enrolled 1.4 million
Rate of Uninsured
California, 2013-2015

Source: 2013, 2014, 2015 California Health Interview Survey
Medi-Cal Coverage
California, 2013-2015

Source: 2013, 2014, 2015 California Health Interview Survey
First ACA state marketplace (exchange) with California-specific enhancements (Covered California)

- Individuals between 138-400% FPL qualify for premium assistance in the form of advanceable tax credits
- 90% of Covered California enrollees receive premium assistance

ACA Market Rules

- Insurers must cover all applicants regardless of health status
- Prohibits coverage exclusions for pre-existing conditions
- Allows young adults to stay on parent policies until age 26
- Prohibits annual and lifetime limits on benefits
- Age rating factor of 3:1
- Essential health benefits – Standardized benefits in the Exchange and for mirror products outside Covered California
ACA Repeal and Replace

- Multiple federal proposals to repeal ... and replace the Affordable Care Act

- Budget reconciliation process – not subject to filibuster in the Senate; Majority vote

- Reconciliation can revise parts of the Affordable Care Act that impact spending, revenue or the debt limit
• Two-bill package (now one) introduced in the House

• Does not repeal the ACA relating to Medicare, quality of care, program integrity, workforce, Indian Health Service

• Keeps most market rules in place – guaranteed coverage, no pre-ex, young adults on parent policies until age 26, essential health benefits (except in Medicaid)

• Focuses on repeal / revision to insurance affordability (subsidies), Medicaid, individual and employer mandates and taxes
American Health Care Act

- Repeals most of the taxes supporting the ACA

- Includes $100 billion for Patient and State Stability Fund to deal with high risk pools or other state priorities, allocated by formula
  - Premium stabilization, High cost enrollees
  - Access to preventive, vision, dental
  - Health care provider payments
  - Assistance to reduce out-of-pocket costs

- Restores Disproportionate Share Hospital cuts in 2020 for states that expanded Medicaid under ACA

- Imposes a one-year moratorium on providing federal funds to nonprofit community providers that perform abortions

- Includes $422 million for federally qualified health centers
### Insurance Market: ACA v. AHCA

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<th><strong>AFFORDABLE CARE ACT</strong></th>
<th><strong>AMERICAN HEALTH CARE ACT</strong></th>
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<tr>
<td>▪ Enforces individual and employer mandate</td>
<td>▪ Retroactively eliminates individual and employer mandates</td>
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<td>▪ Requires individual and small employer health coverage to provide essential health benefits with at least 60% actuarial value</td>
<td>▪ Imposes late enrollment penalty, “continuous coverage” requirement (30% surcharge)</td>
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<td>▪ Must identify products by the actuarial value as bronze (60%), sliver (70%), gold (80%) or platinum (90%), often known as “Metal tiers”</td>
<td>▪ Maintains essential health benefits requirement</td>
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<td>▪ Maintain essential health benefits requirement</td>
<td>▪ Eliminates the metal tiers, ACA requirement that coverage must meet value standards</td>
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<td>▪ Products must comply with maximum annual out-of-pocket limits and therefore offer at least catastrophic plan benefits</td>
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## Affordability

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<th><strong>Affordable Care Act</strong></th>
<th><strong>American Health Care Act</strong></th>
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<td>- Age-adjusted ratio of 3:1</td>
<td>- Allows states to change ratio to 5:1</td>
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<td>- Premium tax credits adjusted based on age, income, family size and geography</td>
<td>- Retains ACA premium tax credits until 2020 with age adjustments</td>
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<td>- Premium credits only available through ACA exchange</td>
<td>- Eliminates ACA Tax Credits in 2020 replaced with age-adjusted, fixed dollar tax credits</td>
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<td>- Ranging from $2,000 for younger adults to $4,000 for oldest age group</td>
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<td>- Eliminates cost-sharing reductions</td>
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<td>- Cannot use tax credits for products that cover abortions</td>
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ACA tax credits are adjusted to assist Californians living in geographic areas with high premiums.

By contrast, ACHA tax credits are fixed dollar amounts only adjusted by age.
• Individuals in most California counties at 250% FPL ($30,000) receive higher tax credits under the ACA compared to the AHCA tax credits

• Most Californians at 300% FPL ($40,000 or more) receive lower tax credits under the ACA compared to the AHCA, except for older Californians

• Because premiums increase with age, in most California counties, older Californians making $50,000, or approximately 400% FPL, receive higher tax credits under the ACA compared to the AHCA
Adults under 200% FPL across CA benefit under the ACA when compared to the AHCA tax credits, including young adults.

Young, low-income adults in the rural north and south benefit from ACA premium assistance because it varies by premium.
Young adults under 250% FPL benefit under the ACA in most counties

Young adults at 250% FPL in geographic areas with low premiums would receive more assistance under the AHCA
Similar to young adults, 40 year olds at 250% FPL also benefit under the ACA premium tax credits in most counties.
ACA AND AHCA 2020 TAX CREDITS: RURAL AND URBAN COUNTIES
60 YEAR OLD/$50,000

Source: Kaiser Family Foundation
Age: 40 Years
Income: $30,000

The map shows for each region the total monthly premium for the second-lowest cost silver plan for a 40-year-old, upon which subsidies are based. Subsidies are available through Covered California on a sliding scale to people with annual incomes between 139% and 400% of FPG.

Percent Change from ACA to House Tax Credit
- 50% - 75% smaller under House plan
- 25% - 50% smaller under House plan
- 5% - 25% smaller under House plan
- within 5%
- 5% - 25% larger under House plan
- 25% - 50% larger under House plan
- 50% - 75% larger under House plan
- >75% larger under House plan

Data: California Health Care Foundation, ACA 411
Source: Kaiser Family Foundation
Tax Credits: ACA, ACHA and California

Source: Kaiser Family Foundation
CBO Analysis of AHCA

- By 2018, 14 million Americans would lose health coverage growing to 24 million in 2026
- By 2026, 52 million Americans would be uninsured, compared to 28 million in that year if the ACA remained in place
- This exceeds the number of uninsured before the ACA -- estimated at 45 million Americans

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<th>Year</th>
<th>ACA</th>
<th>AHCA</th>
<th>Increase</th>
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<tbody>
<tr>
<td>2017</td>
<td>26</td>
<td>31</td>
<td>5</td>
</tr>
<tr>
<td>2020</td>
<td>27</td>
<td>48</td>
<td>21</td>
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<tr>
<td>2026</td>
<td>28</td>
<td>52</td>
<td>24</td>
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Source: Congressional Budget Office, AHCA Cost Estimate
CBO Analysis of AHCA

• Net federal savings of $337 billion despite repealing ACA taxes
  • Medicaid (-$880 billion)
  • Health insurance subsidies (-$300 billion)

• Health insurance premiums will go up in the first few years (15-20%), as people (mostly healthy people) opt out of coverage without being subject to a mandate
By 2026, CBO analysis of the AHCA estimates that individual market premiums would decline on average by 10 percent per year

- Decreased value of the benefits in plans being offered under the AHCA
- Enrollees will be receiving less coverage and be required to pay commensurately more out-of-pocket
- A shift in enrollment toward younger individuals because older individuals are disproportionately likely to drop individual market coverage
- Approximately 2 million mostly healthier will fail to maintain continuous coverage and drop out of the individual market

However, Brookings compared the AHCA and the ACA – assuming plan value and the individual market age distribution remained at current levels – and estimated that 2026 premiums would actually be 13 percent higher under the AHCA when compared to the ACA
Manager’s Amendment to AHCA: Marketplace Changes – Tax Credits

- Tax credits no longer available for unsubsidized COBRA coverage

- Tax credit amounts in excess of the cost of premiums can no longer be transferred to HSAs

- Victims of domestic violence or spousal abandonment not required to file joint return to receive tax credit

- In establishing procedures to advance tax credits, HHS and IRS must provide robust verification of eligibility
Manager’s Amendment to AHCA: Marketplace Changes – Tax Credits

- **Repeals the ACA increase in the Medical Expense Deduction**
  - Seeks to provide tax relief to older, lower income individuals with high medical expense but tax deductions can only be used if a taxpayer owes taxes and many low-income individuals do not.
  - Language in press release regarding the amendments suggests resources from tax relief can be redirected by the Senate to improve tax credits for older individuals.

- Accelerates repeal of ACA taxes from 2018 to 2017, which may reduce the savings CBO attributed to the AHCA.
What’s At Risk?

- California’s uninsured rate steadily declined with ACA implementation, reaching a *historic low rate of 7.1 percent in 2016*.*

- Eventual impact on California’s uninsured rate will depend on the final provisions of the AHCA or other legislation.

- Based on CBO estimates of AHCA, California could once again be faced with the prospect of returning to *5-7 million uninsured* residents.

*Source: National Health Interview Survey*
What’s At Risk?

- The *Commonwealth Fund Scorecard on State Health System Performance, 2017*, evaluates 44 health care performance indicators.

- The 2017 edition of the *Scorecard* compares health indicators between 2013 and 2015, the period ACA expansions.
  - Commonwealth found uninsured rates dropped and more people were able to access needed care, particularly those in states that expanded Medicaid, including California.

- The 2017 *Scorecard* found California improved the most of any state in the 2017 overall scorecard ranking, climbing up 12 spots, from 26th place at baseline to 14th among states.
  - The most dramatic shifts were in uninsured rates, which in turn resulted in improvements on access to care and health status indicators.
California under ACA: Improved Health Status for adults under 65

**Adults with a usual source of care.**

- 2013: 68%
- 2015: 78%

**Adults who went without care because of cost in the past year.**

- 2013: 18%
- 2015: 10%

**At-risk adults without a routine doctor visit in past two years.**

- 2013: 18%
- 2015: 10%

**Adults who report fair/poor health because of physical, mental, or emotional problems.**

- 2013: 30%
- 2015: 26%

**Adults with age-appropriate vaccines.**

- 2013: 10.5%
- 2015: 11.0%

**Adults who smoke.**

- 2013: 12.5%
- 2015: 10.5%
QUESTIONS?