

Republican Repeal and Replace Proposals

Overview, Comparisons, and Key Takeaways

Manatt Health
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- American Health Care Act (AHCA) Timeline
- Side-by-Side of AHCA and Senate Proposal (Cassidy-Collins)
- Evaluation of AHCA Relative to ACA
- Top AHCA Takeaways by Sector

AHCA Timeline





	<u>Taxes</u>		<u>Medicaid</u>				<u>Individual Market</u>			<u>Other</u>	
2016	Retroactive repeal of individual and employer mandates for tax year 2016						Retroactive repeal of individual and mandate for tax year 2016				
2017	[Yellow bar]										
2018	Health insurance, Rx, device, net investment income, tanning taxes repealed	ACA tax credits available on and off exchanges (repayment limits eliminated)			\$2 billion annual allotment for non-expansion states	Non-expansion states exempt from ACA DSH cuts	Increased maximum HSA contribution	Penalties for coverage lapses begin (SEPs only)	State option to change age bands	State innovation grants available	
2019							Penalties for coverage lapses begin (open enrollment)				
2020	ACA premium tax credits and small group tax credits repealed	New refundable tax credits available	Enhanced federal match eliminated*	Per capita cap construct begins†	DSH cuts repealed for all states	CSRs phased out	Actuarial value/metal-level requirements repealed	Permissible age rating changed to 5:1 or state option			
2021											
2022											
⋮											
2025	Cadillac tax implemented										
2026											
2027											

Note: Unless otherwise noted, dates correspond with *effective* years (i.e., a tax repealed on December 31, 2019 would be listed under 2020). Some effective dates correspond with fiscal years.

*Except for “grandfathered” individuals that are continuously enrolled in the program after December 31, 2019





†Uses FY 2016 as base year and trends forward to establish a target spending amount for FY 2019

Side-by-Side of AHCA and Senate Proposal (1 of 3)

	<i>In House (W&M and E&C Committees)</i>	<i>In Senate</i>
	American Health Care Act (AHCA)	Patient Freedom Act (Bill Cassidy and Susan Collins) <i>State Alternative Option</i>¹
 Tax Credits & HSAs	<ul style="list-style-type: none"> • Provides advanceable premium tax credits adjusted for age, ranging from \$2000 to \$4000 per individual up to \$14,000 family cap for individuals making less than \$115,000. (Gradual reduction after incomes of \$75,000.) • Unused credits can be deposited in HSAs • Enhances value of HSAs 	<ul style="list-style-type: none"> • Provides HSA credits to individuals enrolled in commercial coverage (and <i>ineligible</i> for other federally funded programs)
 Marketplaces	<ul style="list-style-type: none"> • Plan years 2018-2019: premium tax credits available for plans purchased on and off Marketplaces; tax credits for plans purchased off Marketplaces are not advanceable 	<ul style="list-style-type: none"> • States have the option to reuse Marketplace infrastructure, and/or to change Marketplace rules at state level
 Individual & Employer Mandate	<ul style="list-style-type: none"> • Eliminates individual and employer mandate tax penalties, effective 12/31/15 	<ul style="list-style-type: none"> • Repeals individual and employer mandates
 Insurance Reforms	<ul style="list-style-type: none"> • Guaranteed issue at standard rates only for individuals who maintain continuous coverage, defined as no gap in coverage greater than 63 days in past 12 months • Individuals with coverage gaps pay penalty (30% of premium) for 12 months starting in plan year 2018 for special enrollments and plan year 2019 for open enrollment • Allows 5:1 age rating beginning in plan year 2020 and provides states with the option to adjust as early as plan year 2018 • Repeals ACA metal-level requirements (but preserves EHBs) 	<ul style="list-style-type: none"> • Guaranteed issue at standard rates during initial enrollment period • For individuals uninsured >63 days, insurers may deny coverage and/or impose higher premiums or pre-existing condition exclusions; individuals would also pay a late enrollment penalty for 2 years • State option of creating a “default” health insurance option to auto-enroll individuals





1. The Patient Freedom Act includes three state options. The two options not outlined here allow states to either preserve the ACA as it exists today so long as it does not exceed the funding that would have been made available via the State Alternative Option, or pursue their own priorities sans federal funding for commercial health insurance

Side-by-Side of AHCA and Senate Proposal (2 of 3)

	<i>In House (W&M and E&C Committees)</i>	<i>In Senate</i>
	American Health Care Act (AHCA)	Patient Freedom Act (Bill Cassidy and Susan Collins) State Alternative Option ¹
 <p>Federal Funding to States</p>	<ul style="list-style-type: none"> • \$100 billion in State Innovation Grants for CY 2018-2026 with distribution formula based on enrollment, insurer participation, claims, and poverty. States can use funds for broad range of purposes • \$2 billion per year in supplemental funds annually for non-expansion states available 2018-2022 to increase payments to Medicaid providers 	<p><i>Not addressed</i></p>
 <p>Medicaid Expansion</p>	<ul style="list-style-type: none"> • Maintains Medicaid expansion but eliminates enhanced federal funding effective CY 2020 for all but grandfathered enrollees (if they maintain continuous coverage after December 31, 2019) • Terminates EHB requirement for expansion adult coverage • Reduces mandatory coverage for children age 6-19 from 138% to 100% of FPL 	<ul style="list-style-type: none"> • States that do not adopt Medicaid expansion would receive a heightened federal subsidy for HSAs (repurposing the dollars that would have been received for expanding Medicaid, without the “matching” requirement)
 <p>Medicaid Financing</p>	<ul style="list-style-type: none"> • Aggregate cap on state Medicaid spending starting in FY 2020 • Built up from per capita cap on spending in five categories: aged, blind and disabled, children, and expansion adults, and other non-disabled/non-elderly adults • Uses FY 2016 as base year to establish a target spending amount for FY 2019 • DSH payments excluded under cap; UPL payments included under cap; treatment of waiver payments unclear 	<p><i>No changes from ACA (other than to re-purpose Medicaid expansion dollars if selected by state as outlined above)</i></p>
 <p>DSH</p>	<ul style="list-style-type: none"> • ACA DSH cuts repealed beginning in FY 2020 • Non-expansion states exempt from cuts beginning in FY 2018 	<p><i>Not addressed</i></p>

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Side-by-Side of AHCA and Senate Proposal (3 of 3)

	<i>In House (W&M and E&C Committees)</i>	<i>In Senate</i>
	American Health Care Act (AHCA)	Patient Freedom Act (Bill Cassidy and Susan Collins) <i>State Alternative Option</i>¹
 <p>Revenue Raising Taxes</p>	<ul style="list-style-type: none"> • Cadillac tax delayed until CY 2025 • Eliminates all other revenue raisers 	<ul style="list-style-type: none"> • Keeps revenue-generating taxes to finance tax credits
 <p>Medicare</p>	<i>Not addressed</i>	<i>Not addressed</i>
 <p>Delivery System Reform</p>	<i>Not addressed</i>	<i>Not addressed</i>
 <p>Abortion Coverage</p>	<ul style="list-style-type: none"> • Prohibits using tax credits to purchase plans that cover abortion • Prohibits for one year any Medicaid, CHIP, Maternal and Child Health Services Block Grant and Social Services Block Grant funding for Planned Parenthood 	<i>Not addressed</i>

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Evaluation of AHCA Relative to ACA

Individual Market

		 ACA	 House W&M, E&C	 Senate Finance	 Senate HELP	 Administration Proposal
Cost	Federal Costs	\$39B (2016) • \$32B: premium tax credits • \$7B: cost-sharing reductions	Unknown			
	Costs to Individuals	Combination of premiums and cost sharing, with cap on out-of-pocket costs	↑ <i>*For those older, lower income and with chronic conditions</i>			
Coverage	Number of Insured Lives	Total non-group enrollment (2015): 21.8M Total Marketplace enrollment (March 2016): 11.1M	↓			
	Benefits Covered	• Essential Health Benefits • Preventive services with zero cost sharing	↔			
	Rating Protections	Age 3:1, no underwriting and guaranteed issue	↓			






Sources: <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51385-HealthInsuranceBaseline.pdf>
<http://kff.org/other/state-indicator/total-population/?dataView=1¤tTimeframe=0>
<https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-06-30.html>

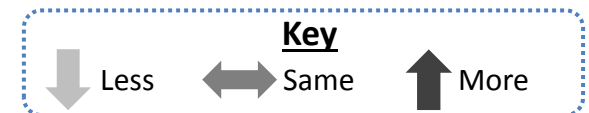
Key

↓ Less ↔ Same ↑ More

Evaluation of AHCA Relative to ACA






Individual Market

	 ACA	 House W&M, E&C	 Senate Finance	 Senate HELP	 Administration Proposal
Market Stability	Issues with insufficient funding (cost-sharing reductions, 3Rs)	↔			
Risk of Under-insurance	Risk low for those in coverage	↑			
Ease of Enrollment	<ul style="list-style-type: none"> • Online eligibility and enrollment through state marketplace or healthcare.gov • Coordination with Medicaid • Cannot enroll in tax credits through web brokers 	↑			
Guaranteed Issue	<ul style="list-style-type: none"> • Open or special enrollment • No exclusions or higher pricing for preexisting conditions 	↔			
Coverage Gap Penalties	<ul style="list-style-type: none"> • Individual mandate 	↓			
Other Consumer Protections	<ul style="list-style-type: none"> • No annual/lifetime limits • Up to 26 year old can remain on parent's coverage • Out-of-pocket maximums 	↔			






Evaluation of AHCA Relative to ACA

Medicaid

		 ACA	 House W&M, E&C	 Senate Finance	 Senate HELP	 Administration Proposal
Cost	Federal Cost	<ul style="list-style-type: none"> Total: \$ 279 B (2016) Medicaid expansion: \$74 B (2016) 	Unknown			
	State Spending	<ul style="list-style-type: none"> Total: \$ 268 B (2015) Expansion: \$ 4.5 B (2015) Expansion has generated state savings and revenues to finance/offset other state priorities 	<p style="text-align: center;">↑</p> <p><i>*Increase for Medicaid expansion cost</i></p>			
Spending	Individual Spending	<ul style="list-style-type: none"> Nominal co-pays; premiums for > 150% FPL Overall out-of-pocket spending limited to 5% of income 	Unknown			
	Number of Insured Lives	<ul style="list-style-type: none"> Total enrollment : 74.1M (March 2016) Expansion population: 14.6M 	↓			
Coverage	Benefits Covered	<ul style="list-style-type: none"> Mandatory benefits incl. IP/OP hospital, doctors' visits, lab, x-ray and non-emergency medical transportation; optional benefits incl. Rx, PT/OT Essential Health Benefits for expansion population 	↓			






Sources: Federal cost: <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51385-HealthInsuranceBaseline.pdf>; State spending: Manatt analysis of CMS-64 data; <http://kff.org/other/state-indicator/total-population/?dataView=1¤tTimeframe=0> <https://www.medicaid.gov/medicaid/program-information/downloads/cms-64-enrollment-report-jan-mar-2016.pdf>

Key




 Less
  Same
  More

Evaluation of AHCA Relative to ACA

Medicaid

	 ACA	 House W&M, E&C	 Senate Finance	 Senate HELP	 Administration Proposal
Risk of Under-insurance	<ul style="list-style-type: none"> • Risk low for those in coverage • High risk for those in coverage gap in non-expansion states 	↑			
Ease of Enrollment	<ul style="list-style-type: none"> • Online eligibility and enrollment through state marketplace or healthcare.gov • Coordination with Marketplace • Many states have streamlined eligibility and enrollment processes considerably 	↓			

Key

 Less
  Same
  More

Top AHCA Takeaways by Sector

States



- Fundamentally changes financing of Medicaid program by removing guarantee of federal funding
- Creates vehicle for future cuts
- Removes incentives for states to maintain Medicaid expansion
- Prohibits use of Medicaid funds for services provided by Planned Parenthood

Insurers



- Lower tax credits may mean fewer individuals purchase coverage in individual market
- More flexible age-rating bands will help lower premiums for young people
- Repeal of individual mandate could worsen risk pool, as continuous coverage penalty likely not as strong
- Retention of EHB requirement leaves less room for insurers to design products aimed at the young
- Repeal of insurance tax and reinsurance program through State Innovation Grants help keep premiums down

Hospitals



- Repeal of ACA DSH cuts and creation of supplemental pools for states will provide increased funding for uncompensated care, at least in the short term
- The number of uninsured is likely to increase, potentially leading to additional uncompensated care
- Ends Medicaid retroactive eligibility and hospital presumptive eligibility

Life Sciences



- Bill contains few specific provisions other than repealing the tax on manufacturers beginning in 2018
- Repeals ACA, Part D provision that discourages employers from directly providing prescription drugs as part of their retiree plans in return for federal payments