



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

**Deborah Kelch**

*Executive Director, Insure the Uninsured  
Project*



# Who We Are

## **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

# California Before ACA

## Pre-ACA Individual Market

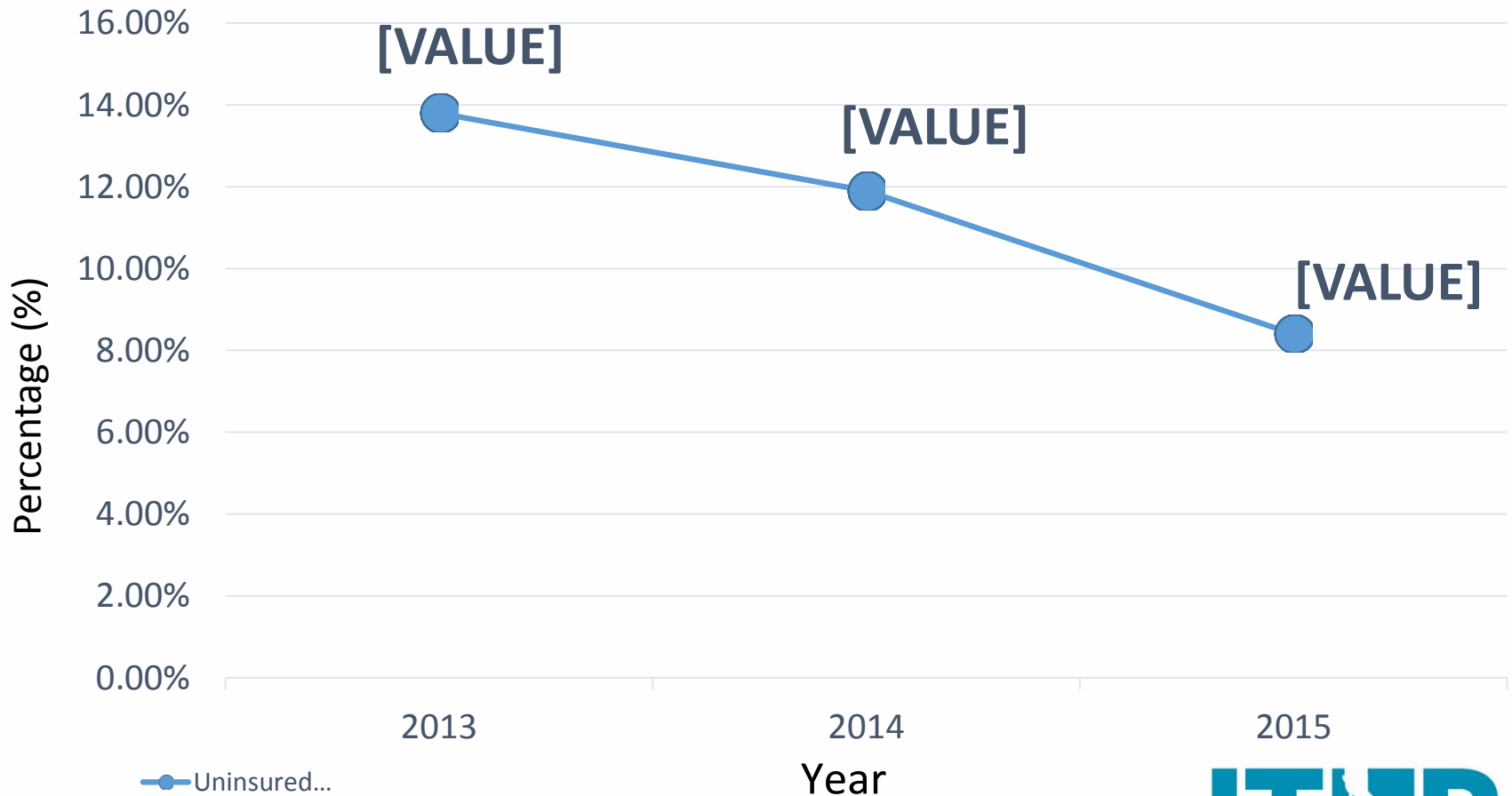
- Individual coverage was not available to people with pre-existing conditions; Coverage priced out of reach for most low- and moderate income Californians
- Many policies with limited benefits and inadequate coverage – no minimum value standard
- Annual and lifetime dollar limits on benefits
- No limits on consumer out-of-pocket costs
- Premium rates not publicly available; Limited regulatory review of rates and rate increases

# ACA in California

## 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

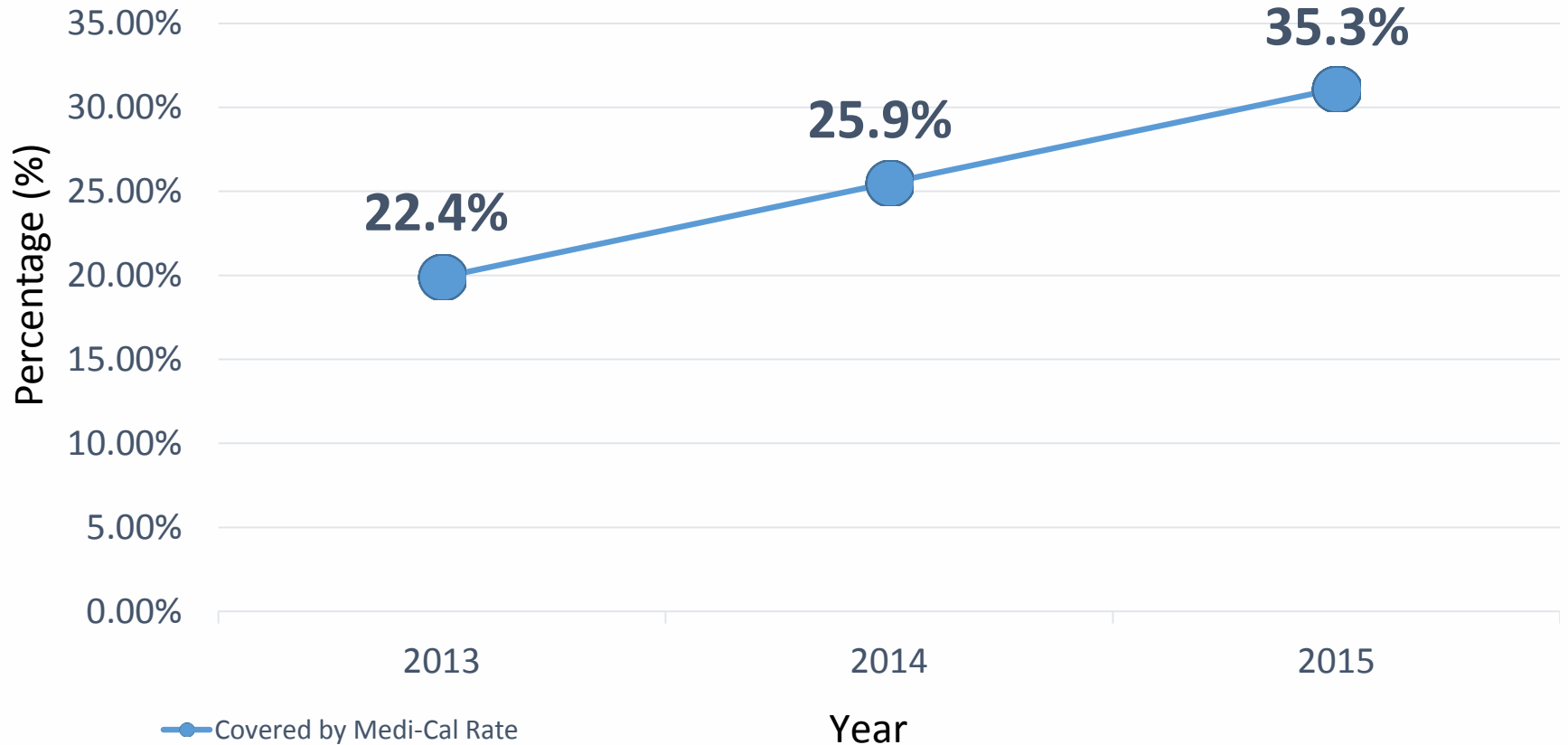
# Rate of Uninsured California, 2013-2015



Source: 2013, 2014, 2015 California Health Interview Survey



# Medi-Cal Coverage California, 2013-2015



Source: 2013, 2014, 2015 California Health Interview Survey



# California's Insurance Market under ACA

## **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**

# American Health Care Act

- **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

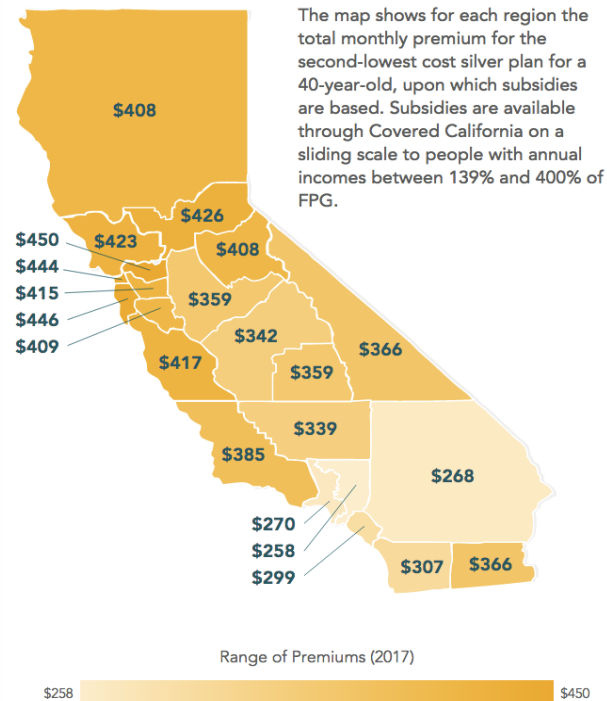
| AFFORDABLE CARE ACT   | AMERICAN HEALTH CARE ACT  |
|---|---|
| <ul style="list-style-type: none"><li>▪ Enforces individual and employer mandate</li></ul>  | <ul style="list-style-type: none"><li>▪ Retroactively eliminates individual and employer mandates</li><li>▪ Imposes late enrollment penalty, “continuous coverage” requirement (30% surcharge)</li></ul>  |
| <ul style="list-style-type: none"><li>▪ Requires individual and small employer health coverage to provide essential health benefits with at least 60% actuarial value</li><li>▪ Must identify products by the actuarial value as bronze (60%), silver (70%), gold (80%) or platinum (90%), often known as “Metal tiers”</li></ul> | <ul style="list-style-type: none"><li>▪ Maintains essential health benefits requirement</li><li>▪ Eliminates the metal tiers, ACA requirement that coverage must meet value standards</li><li>▪ Products must comply with maximum annual out-of-pocket limits and therefore offer at least catastrophic plan benefits</li></ul> |

# Insurance Market: ACA v. AHCA

| AFFORDABLE CARE ACT  | AMERICAN HEALTH CARE ACT  |
|--|---|
| <ul style="list-style-type: none"><li>▪ Age-adjusted ratio of 3:1</li></ul>  | <ul style="list-style-type: none"><li>▪ Allows states to change ratio to 5:1</li></ul>  |
| <ul style="list-style-type: none"><li>▪ Premium tax credits adjusted based on age, income, family size and geography</li></ul> | <ul style="list-style-type: none"><li>▪ Retains ACA premium tax credits until 2020 with age adjustments</li></ul>   |
| <ul style="list-style-type: none"><li>▪ Premium credits only available through ACA exchange</li></ul>                          | <ul style="list-style-type: none"><li>▪ Eliminates ACA Tax Credits in 2020 replaced with age-adjusted, fixed dollar tax credits</li><li>▪ Ranging from \$2,000 for younger adults to \$4,000 for oldest age group</li><li>▪ Eliminates cost-sharing reductions</li><li>▪ Cannot use tax credits for products that cover abortions</li></ul> |

# Tax Credits: ACA, ACHA and California

- ACA tax credits are adjusted to assist Californians living in geographic areas with high premiums



Data: California Health Care Foundation, ACA 411

- By contrast, ACHA tax credits are fixed dollar amounts only adjusted by age

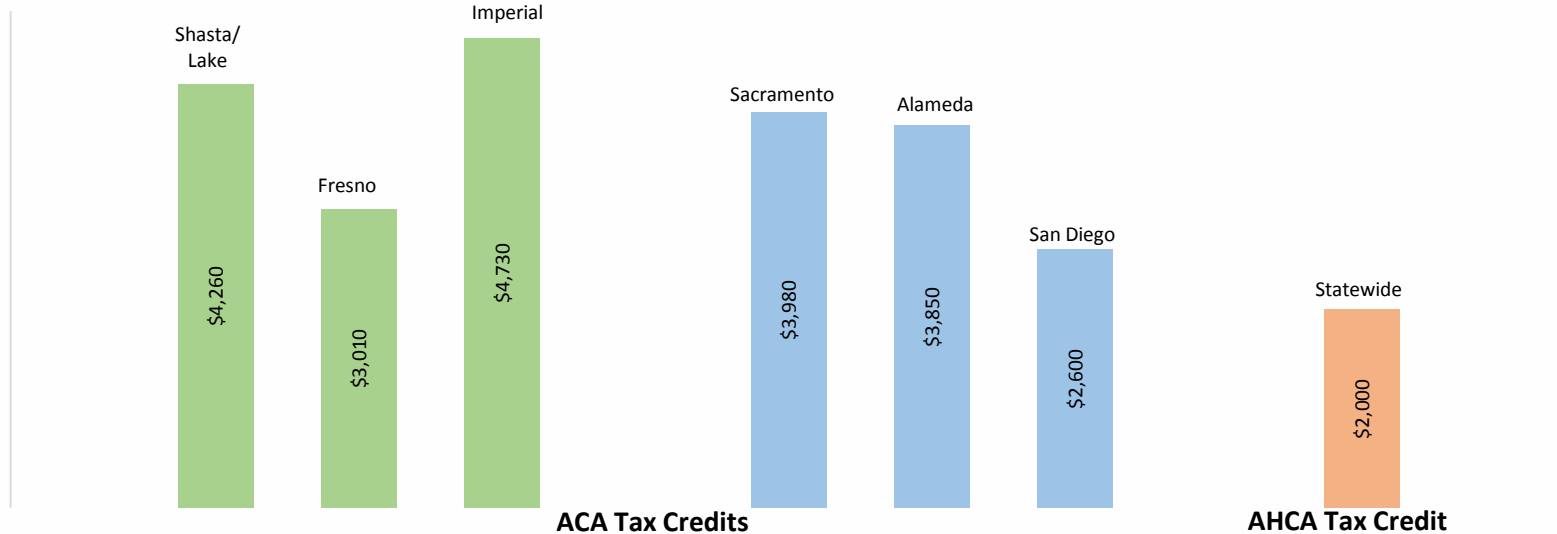
# Tax Credits:

## ACA, ACHA and California

- 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

# Tax Credits: ACA, ACHA in California

## ACA AND AHCA 2020 TAX CREDITS: RURAL AND URBAN COUNTIES 27 YEAR OLD/\$20,000



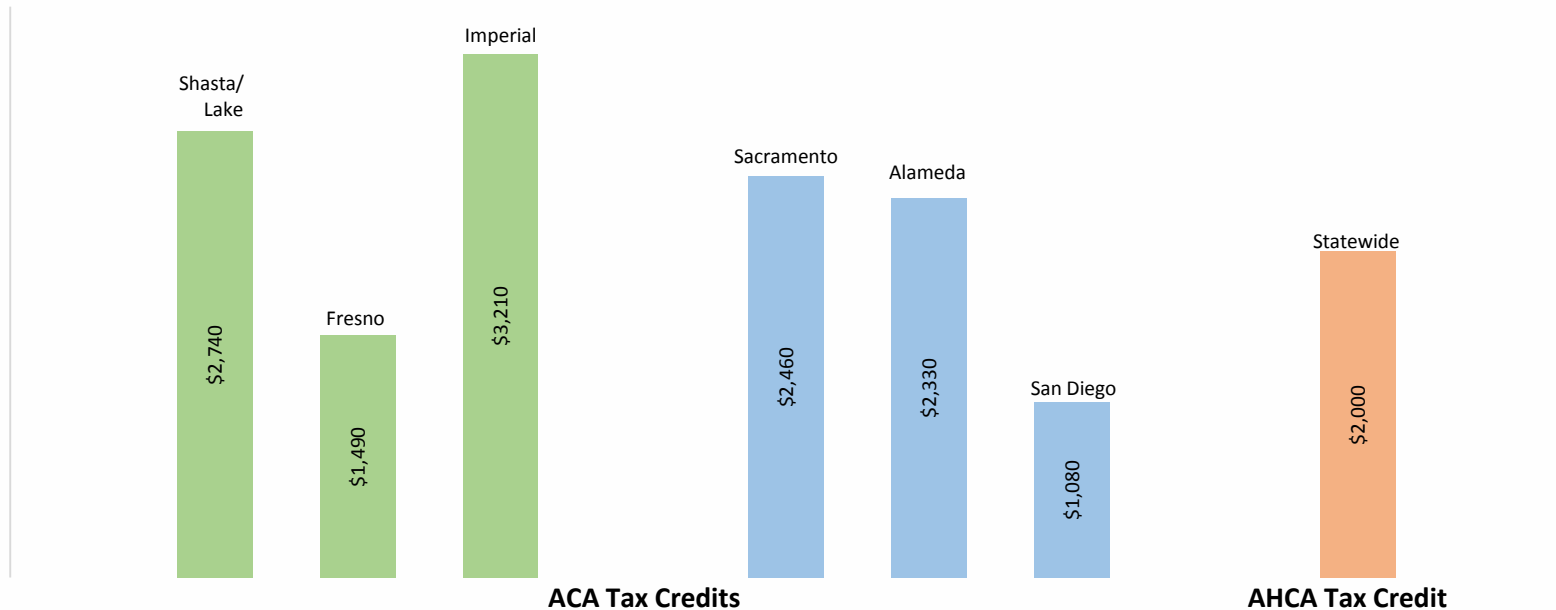
Source: Kaiser Family Foundation

- 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



# Tax Credits: ACA, ACHA in California

## ACA AND AHCA 2020 TAX CREDITS: RURAL AND URBAN COUNTIES 27 YEAR OLD/\$30,000

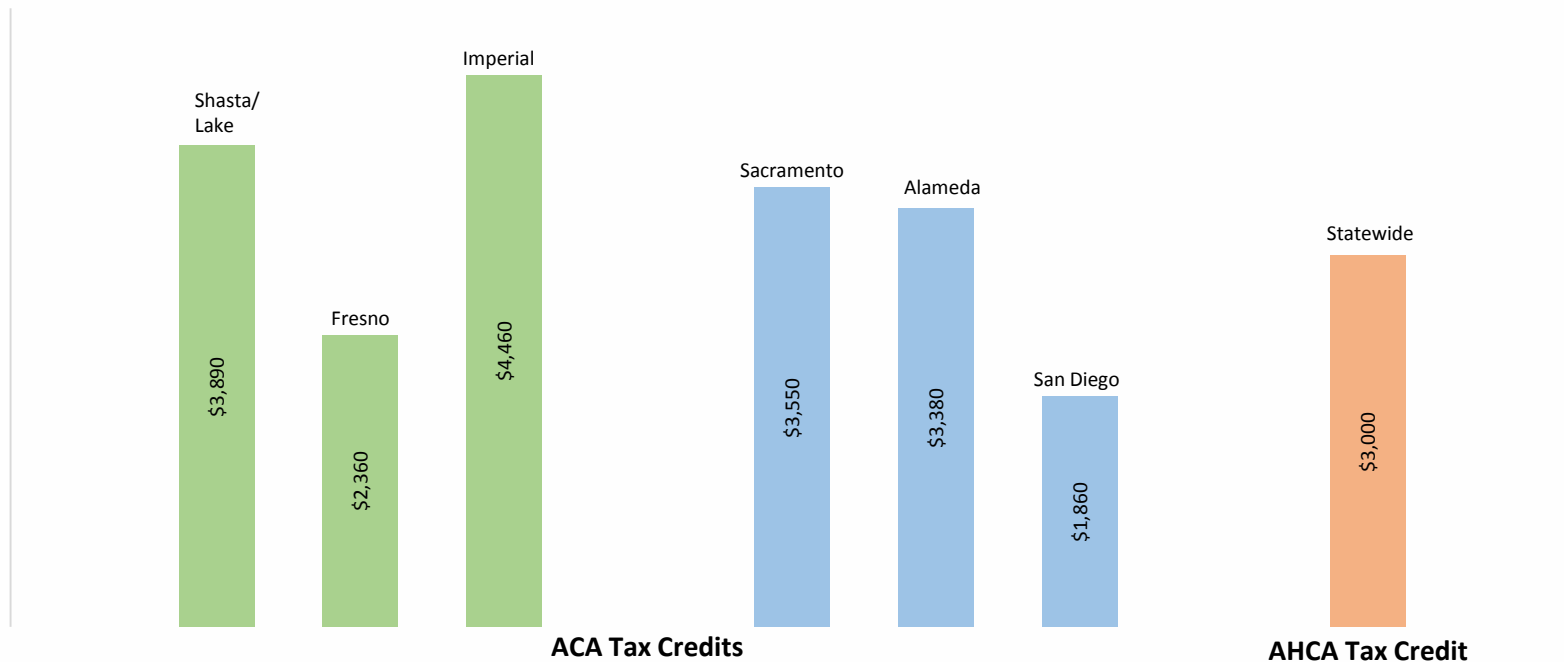


Source: Kaiser Family Foundation

- 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

# Tax Credits: ACA, ACHA in California

## ACA AND AHCA 2020 TAX CREDITS: RURAL AND URBAN COUNTIES 40 YEAR OLD/\$30,000

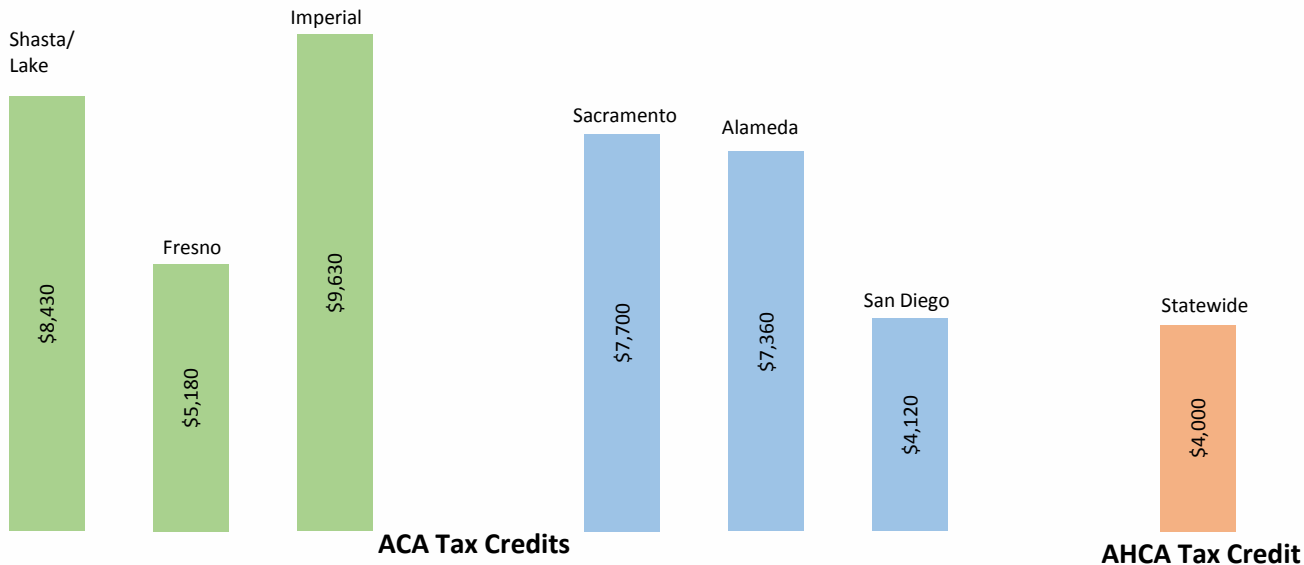


Source: Kaiser Family Foundation

- Similar to young adults, 40 year olds at 250% FPL also benefit under the ACA premium tax credits in most counties

# Tax Credits: ACA, ACHA in California

## ACA AND AHCA 2020 TAX CREDITS: RURAL AND URBAN COUNTIES 60 YEAR OLD/\$50,000



Source: Kaiser Family Foundation



# Tax Credits: ACA, ACHA and California

Age: 40 Years

Income: \$30,000

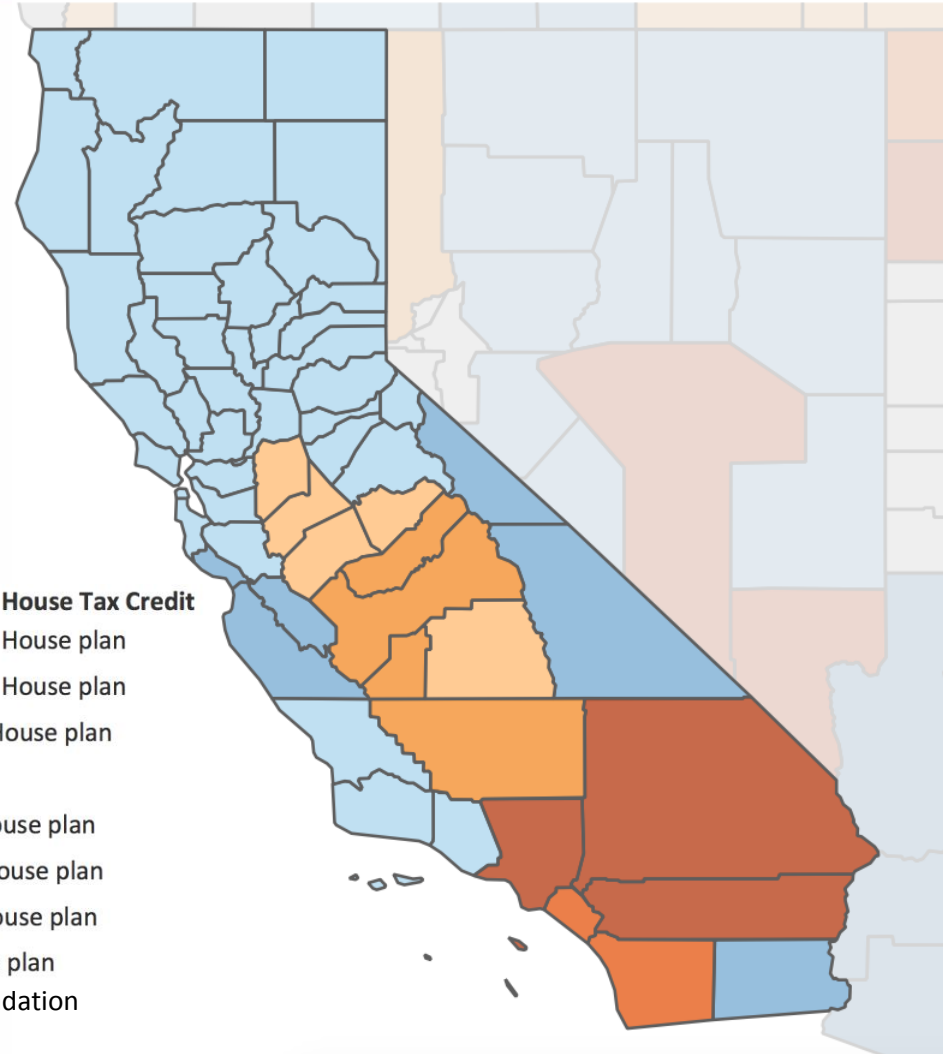


Data: California Health Care Foundation, ACA 411

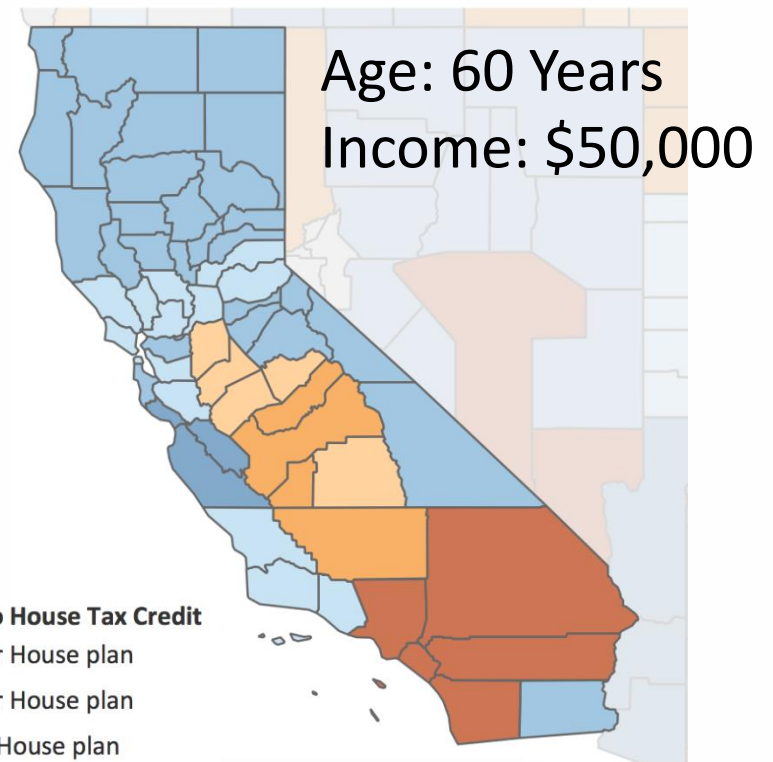
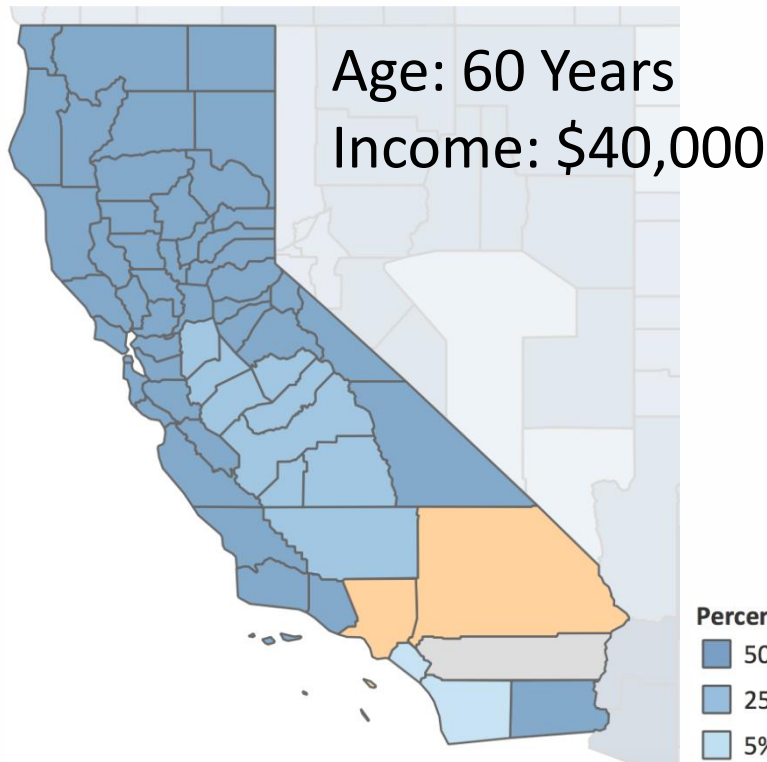
## Percent Change from ACA to House Tax Credit

- 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

Source: Kaiser Family Foundation



# Tax Credits: ACA, ACHA and California



**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
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- 25% - 50% larger under House plan
- 50%-75% larger under House plan
- >75% larger under House plan



# 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

| Comparison: Number of Uninsured Americans (under 65)<br>Affordable Care Act and the American Health Care Act (as proposed) |     |      |          |
|--|-----|------|----------|
| Year   | ACA | AHCA | Increase |
| 2017   | 26  | 31   | 5        |
| 2020   | 27  | 48   | 21       |
| 2026   | 28  | 52   | 24       |

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**



# Premiums under AHCA:

Report by Brookings and USC Schaeffer Center

- **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?

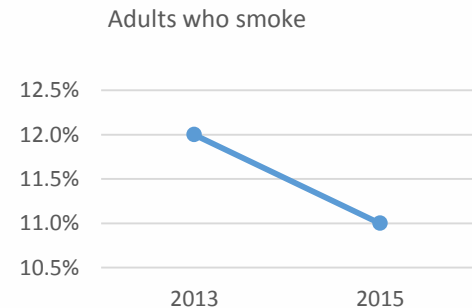
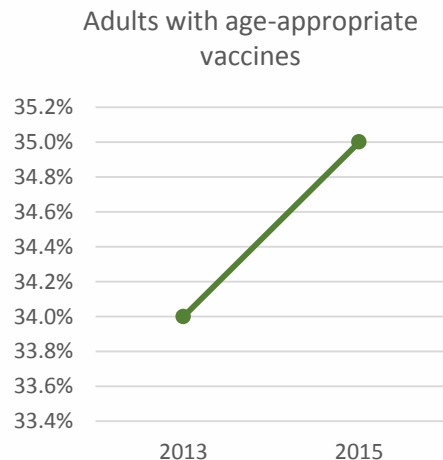
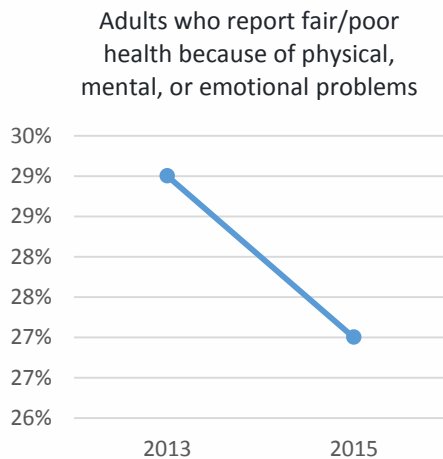
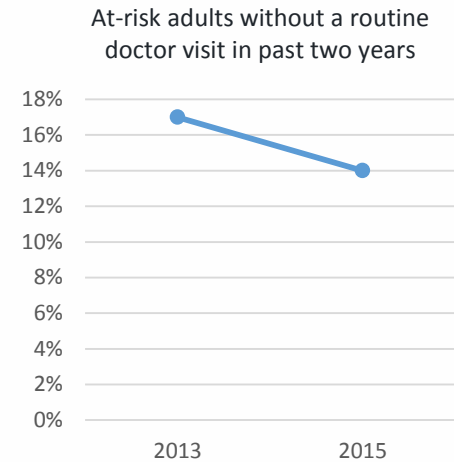
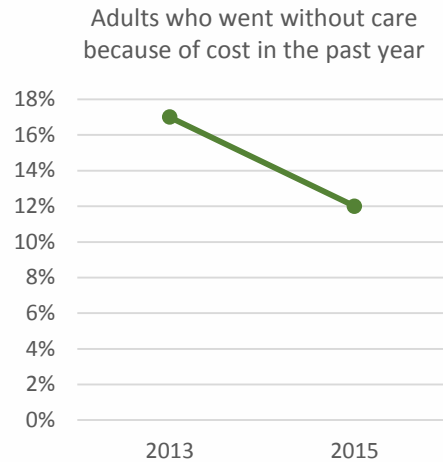
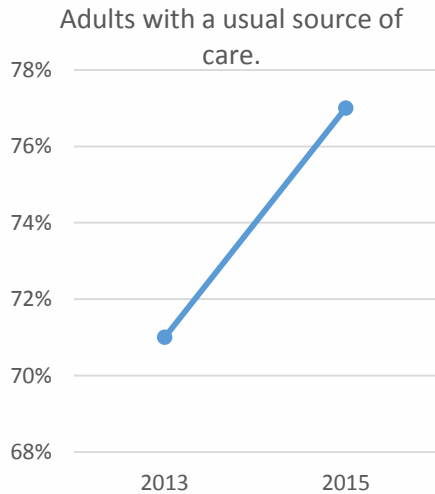
- California's uninsured rate steadily declined with ACA implementation, reaching a ***historic low rate of 7.1 percent in 2016\****
- Eventual impact on California's uninsured rate will depend on the final provisions of the AHCA or other legislation
- Based on CBO estimates of AHCA, California could 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 14<sup>th</sup> 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



# QUESTIONS?

The background of the slide features a sunset scene with silhouettes of a group of people standing on a cliff or beach, looking out at the ocean. The sky is a mix of orange, yellow, and light blue. On the left side, there are three diagonal stripes: a dark purple one, a light blue one, and a white one.

**ITUP**  
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