HIGHLIGHTS OF BILL
TO REPEAL THE AFFORDABLE CARE ACT AND CUT MEDICAID

On March 6, the House Republican leadership released the American Health Care Act, legislation that repeals the Affordable Care Act (ACA) and cuts and restructures the Medicaid program. The bill would dramatically redesign our health care system, causing millions to lose their coverage and forcing millions of others to pay more for their health care. The bill would shift an estimated $370 billion in Medicaid costs to the states in the first ten years and more over time. The Medicaid cuts would undermine the nation’s health care infrastructure and cause job loss in the health care sector and more broadly in public services. The reduction in ACA tax credits would also cause a loss of health care jobs. Millions would be harmed in order to provide tax cuts to the wealthiest 2% and profitable corporations.

The bill will be considered by two House committees starting Wednesday, March 8. House leaders hope to complete action on the bill with a floor vote the week of March 20. The bill has been met with significant criticism from extremists in Congress who say it does not go far enough and from Democrats who are united against it. A few moderate Republican Senators and Governors have also criticized the bill for the cuts to Medicaid. Many lawmakers have also expressed concern that the bill is being debated despite an absence of an official score from the Congressional Budget Office, detailing how many would lose coverage and the impact on the federal budget. As the legislative process proceeds in the House, we are likely to see changes to the bill. Below are highlights of the bill, as introduced.

Repeals the ACA’s tax credits and replaces them with lesser tax credits.

- Tax credits are based on age and range from $2,000 for those under age 30 to $4,000 for people over 60. Coverage costs will increase for all but the youngest. Affordability will be a special challenge for older individuals, as insurers are allowed to charge them five times as much as younger individuals.
- Families combine the tax credit amounts for individuals, up to a maximum of $14,000.
- Tax credits are gradually phased out for incomes above $75,000 ($150,000 couples).
- Eliminates assistance to help low-income families with deductibles, co-pays and other cost-sharing.
- Tax credits will increase over time.

Effectively repeals the ACA’s requirement that individuals obtain coverage and that employers provide coverage to their workers.

However, individuals who go without coverage for more than 63 days and then purchase coverage on their own, can be charged an additional 30% premium by the insurance company for the first
year. Because costs will be higher for most who obtain insurance with tax credits, many are likely to experience gaps in coverage, especially upon job loss. This weakens the ACA’s protections for those with pre-existing conditions.

Phases out the Medicaid expansion.

The ACA encouraged states to expand Medicaid coverage to all individuals at or below 138% of the poverty level, by paying a higher share of costs for the expansion population. By phasing out the Medicaid expansion, the bill shifts $253 billion in costs to states over the next ten years. Under the bill, the federal government will continue to pay the higher Medicaid share for those added under the expansion until the end of 2019. The federal government will not pay the enhanced percentage for individuals enrolled after 2019. Also, beginning in 2020, the higher share will not be paid for those who leave Medicaid coverage and later return to the Medicaid rolls.

Restructures Medicaid to further reduce federal payments to states.

Currently, the federal government pays states a fixed percentage of Medicaid costs. Under this legislation, federal payments to states would be capped on a per beneficiary basis beginning in 2020. However, the per capita payment would be pegged to Medicaid costs as of 2016, so payments to states would be lower than actual costs at the outset. During the first ten years, the bill would shift an estimated $116 billion in costs to states as a result of the per capita cap system.

States would no longer be able to count on additional help from the federal government when factors other than the number of beneficiaries drive up Medicaid costs. For example, older adults are more expensive to cover than children and young adults. States with aging Medicaid populations would have to manage increased costs on their own. States would have to shoulder increased costs caused by expensive treatment breakthroughs, such as new blockbuster drugs for life threatening diseases. States would also have to manage increased costs caused by epidemics such as opioid addiction or Zika.

Over time, states would be forced to make up for the loss of federal revenue by reducing eligibility, cutting services, trimming provider payments, or likely, all three. Services at high risk of elimination are long-term care services and supports, which are among the most costly.

States will also be forced to cut other public services, such as education, transportation and law enforcement, in order to balance their budgets.

Once Medicaid is restructured and converted to a per capita cap, it would be easier for Congress to dial down payments in order to fund other federal priorities that emerge in the future.

Eliminates scheduled cuts in Medicaid disproportionate share hospital (DSH) payments.

Scheduled Medicaid cuts to safety net hospitals (DSH payments) will be eliminated in 2020 for states that expanded their Medicaid programs. The cuts will be eliminated in 2018 for states that did not expand their Medicaid programs.
Provides an additional $10 billion over five years for safety net providers in states that did not expand their Medicaid programs.

**Delays implementation of the 40% tax on high cost health plans.**

While an earlier version of the bill would have taxed workers on their health care benefits, this bill does not. The bill maintains the so-called “Cadillac tax,” but it delays implementation for five years until 2025.

**Provides huge tax breaks to the wealthy and certain corporations; weakens Medicare.**

- Ends the ACA’s 3.8% tax increase on unearned income.
- Ends the ACA’s taxes on health insurance, drug and medical device corporations.
- Ends an increase in the Medicare tax on those earning $200,000 ($250,000 couples) or more. This tax cut weakens the financial status of the Medicare trust fund.
- The tax cuts amount to nearly $500 billion over ten years.

**Cuts public health and Planned Parenthood funding.**

The ACA provided significant, automatic funding for prevention and public health. The bill repeals this funding after 2018. At least $3 billion will be cut from state and local public health departments over the next five years. For the year following enactment, Medicaid funds could not be used to reimburse health services provided at Planned Parenthood clinics.

**Provides pool of funds for states to assist insurers, safety net providers or patients.**

The bill provides $15 billion in each of the first two years to states to stabilize insurance markets and coverage. It can be used to subsidize state high-risk pools, fund safety net providers, provide funds to insurance companies against adverse risk, help patients with out-of-pocket costs. Funding is reduced to $10 billion annually in 2020 and through 2026. These funds do not make up for the loss to states and safety net providers caused by cuts to Medicaid.

**Maintains the following features of the ACA.**

- Elimination of the Medicare donut hole; no Medicare co-pays for preventive services.
- Coverage of adult children up to age 26 under a parent’s health plan.
- Prohibition on lifetime and annual limits.

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