On Monday, March 6, the House Republicans released the American Health Care Act, the measure intended to fulfill their campaign pledges to repeal and replace the Obama administration Affordable Care Act. Here is the summary provided by the House Republicans.

Of primary interest to state policymakers, the House plan implements a per capita cap in Medicaid funding, beginning in 2020, based on FFY 2016 spending levels. The House Republican plan has not been scored by the Congressional Budget Office so there are no publicly available data on how much this change will cost states and save the federal government.

The Center on Budget Policies and Priorities has estimated that the federal government would spend $116 billion less over the decade of the 2020s than it would have under the current matching formula. This loss in federal funding is a result of the difference of the proposed inflation factor, the medical care component of the Consumer Price Index and the inflation estimate of the CBO for Medicaid.

Also of great interest to states, funding for the ACA Medicaid expansion, taken up by 31 states and the District of Columbia, will continue at current expected levels until 2020. At that time, states' funding will be reduced for those who enroll in Medicaid under the expansion eligibility for the first time or who have not maintained continuous enrollment prior to 2020. The new proposal will take the federal share from 90 percent (under the ACA) to states' regular matching formula.

Republicans will mark up the two draft measures, a 66-page document from the Energy and Commerce Committee and a 57-page document from the Ways and Means Committee, on Wednesday, March 8, in the respective panels. Under the reconciliation rules, the repeal and replace bill must reduce the federal deficit by $2 billion over 10 years. Speaker Paul Ryan has said he intends to pass the bill in the House before the Easter recess.

Below is a quick summary of the major provisions of the House proposal and how it compares to the ACA.

The proposed legislation repeals all ACA taxes (some in 2017 and some in 2018). The “Cadillac” tax would be repealed and delayed until 2025. The new bill leaves in place existing tax deductions for employers who offer their employees health insurance. Repealing the ACA taxes and maintaining the employer deduction is important because these costs must be balanced by cost-saving measures in the proposal in order to meet the deficit reduction goal.

The consumer mandate to have health insurance will be repealed. However, in a move to help stabilize the insurance industry, the proposal allows insurers to charge a penalty worth 30 percent of premiums for one year if a consumer does not maintain continuous insurance coverage (63 days uncovered). The bills provide $100 billion in federal funding to states for various measures to assure a healthy insurance market, including establishing high-risk pools.

New advanceable, refundable tax credits will replace the tax subsidies previously created by the ACA. Details include:
• Maximum of $2,000 for individuals under 30 and $4,000 for individuals over 60; maximum of $16,000 for families.
• Linked to income, credits decrease beginning at individual income over $75,000 and married couple income over $150,000; for every $1,000 in additional income the tax credit would be reduced by $100.
• The fact that the credits are advanceable and refundable improves their usefulness to low income persons but most analysts early conclusion is that these credits will not do as much to make health insurance affordable to low income individuals as the ACA subsidies.
• Credits would phase in beginning in 2020.
• Less expensive catastrophic plans could be purchased.
• No cost sharing for deductibles and co-payments (out-of-pocket expenses) would be available as under the ACA.

Medicaid details:
• For 31 states and D.C. that expanded, federal funding will continue until 2020; federal funding reduced for new health care expenditures for eligibles after 2020 or those who leave Medicaid and return after 2020.
• The 19 non-expanding states would be eligible for $10 billion over five years, or $2 billion a year.
• Per capita caps, based on FFY2016 spending and categories of eligibility, would replace the current state-federal matching system (FMAP). The per capita caps would set a maximum amount of federal funding available to states, regardless of growth in state spending and/or numbers of enrollees.
• States maintain the ACA option of eliminating expansion coverage.

The proposals maintain some popular provisions of the ACA, including:
• Covering children up to age 26 on parents’ insurance.
• No pre-existing condition exclusions.
• No annual or lifetime limits on benefits/coverage.
• Ten essential health benefits (including preventive medicine, maternity care and behavioral health).

Health savings accounts are a backbone of the market-driven provisions of the bill. The limits will be increased. Critics of health savings accounts point out they are most helpful to more affluent persons who can afford to save toward future health expenses.

• Increases individual limit from $3,400 to $6,500 and family limit from $6,750 to $13,100 beginning in 2018.

The proposal allows plans to charge older customers five times younger ones (under ACA, three times was the allowed ratio) and gives states option to set their own ratio.

To read more:
• Mary Agnes Carey and Phil Galewitz, Kaiser Health News, "House GOP Health Bill Jettisons Insurance Mandate, Much of Medicaid Expansion" [8], March 6, 2017
• Kaiser Family Foundation, "How Affordable Care Act Repeal and Replace Plans Might Shift Health Insurance Tax Credits"
Center on Health Insurance Reform, Georgetown University, "Reading the Fine Print: Do ACA Replacement Proposals Give States More Flexibility and Authority?" Feb. 27, 2017

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