



Senate Health Committee

The Impact of the American Health Care Act on California: What's at Stake?

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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 with a complex enrollment system

California Before ACA

Pre-ACA Individual Market

- Individual coverage was not available to people with health conditions or 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

Improvements to insurance market rules

- ✓ Coverage guaranteed regardless of health status or pre-existing condition
- ✓ Children can stay on parent plan until age 26 owed under ACA
- ✓ Limit premium variation for youngest to oldest – 3:1
- ✓ Individual and employer mandates with tax penalties

Medicaid expansion

- ✓ Low-income citizen and legal resident adults under 138% FPL
- ✓ Streamlined eligibility

First ACA Exchange in the country

- ✓ Premium tax credits based on income, age and geography (premium variations among regions)
- ✓ and cost sharing subsidies

Robust outreach / enrollment assistance

ACA in California

Improvements to benefits and coverage

- Ten essential health benefits, including mental health and substance abuse treatment
- Disclosure of relative plan value – actuarial value, the “metal tiers”
 - ✓ Bronze (60%)
 - ✓ Silver (70%)
 - ✓ Gold (80%)
 - ✓ Platinum (90%)
- Covered California standardized benefit plans to help consumers compare coverage inside and outside of the exchange

ACA in California

Dramatic Reduction in Number of Uninsured in CA

- Pre-ACA (2013) – 6.5 - 7 million uninsured
- With ACA (2016) – under 3 million uninsured (7.1%)
- The largest reduction in the uninsured of any state
- Medi-Cal enrollment increased 8.6 M pre-ACA to 14 M
 - The ACA coverage expansion added 3.9 million beneficiaries
- Covered California enrolled 1.4 million

ACA Repeal and Replace

- **American Health Care Act (HR 1628)**
 - March 6, 2017 with amendments on March 21
 - Pending possible additional amendments
- **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

Repeals most of the taxes supporting the ACA

Eliminates individual and employer mandates

Imposes late enrollment penalty – “continuous coverage” requirement -- 30% premium surcharge

Keeps many market rules in place

- Guaranteed coverage regardless of health status
- No coverage limits for pre-existing conditions
- Young adults until age 26

American Health Care Act

Maintains essential health benefit requirement

Eliminates minimum coverage standards (metal tiers)

Patient and State Stability Fund to deal with high risk pools, reinsurance or other state priorities

- \$100 billion allocated to states by formula
- Premium stabilization, High cost enrollees
- Access to preventive, vision, dental
- Health care provider payments
- Assistance to reduce out-of-pocket costs

American Health Care Act

Retains ACA Premium Tax Credits until 2020 with age adjustments

- Increase tax credits for some younger adults and decreases the value for older adults

In 2020 ACA Premium Tax Credits are replaced with AHCA Premium Tax Credits, adjusted only by age

- Range from \$2,000 for younger adults to \$4,000 for oldest age group.

American Health Care Act

- **Allows states to change age-adjusted ratio from 3:1 to 5:1 – premiums for older adults five times those offered for younger adults**
- **Eliminates cost sharing subsidies for individuals under 250% FPL**

AHCA Medicaid Changes

Fundamentally restructures Medicaid

- Reshapes the state/federal partnership – Medicaid no longer an entitlement
- Eliminates enhanced federal funds to cover childless adults
- Shifts Medicaid to states through a “per capita cap” model (as amended allows states to choose a block grant)

In 2020, eliminates requirement of essential health benefits

Rolls back “no wrong door” approaches to enrollment, more paperwork to prove ongoing eligibility

- Makes it harder to get people covered at usual points of contact (hospital presumption, retroactive to first date of service, etc.)

Tax Credits: ACA, ACHA and California

- ACA tax credits are adjusted by age, income and assist Californians living in geographic areas with high premiums



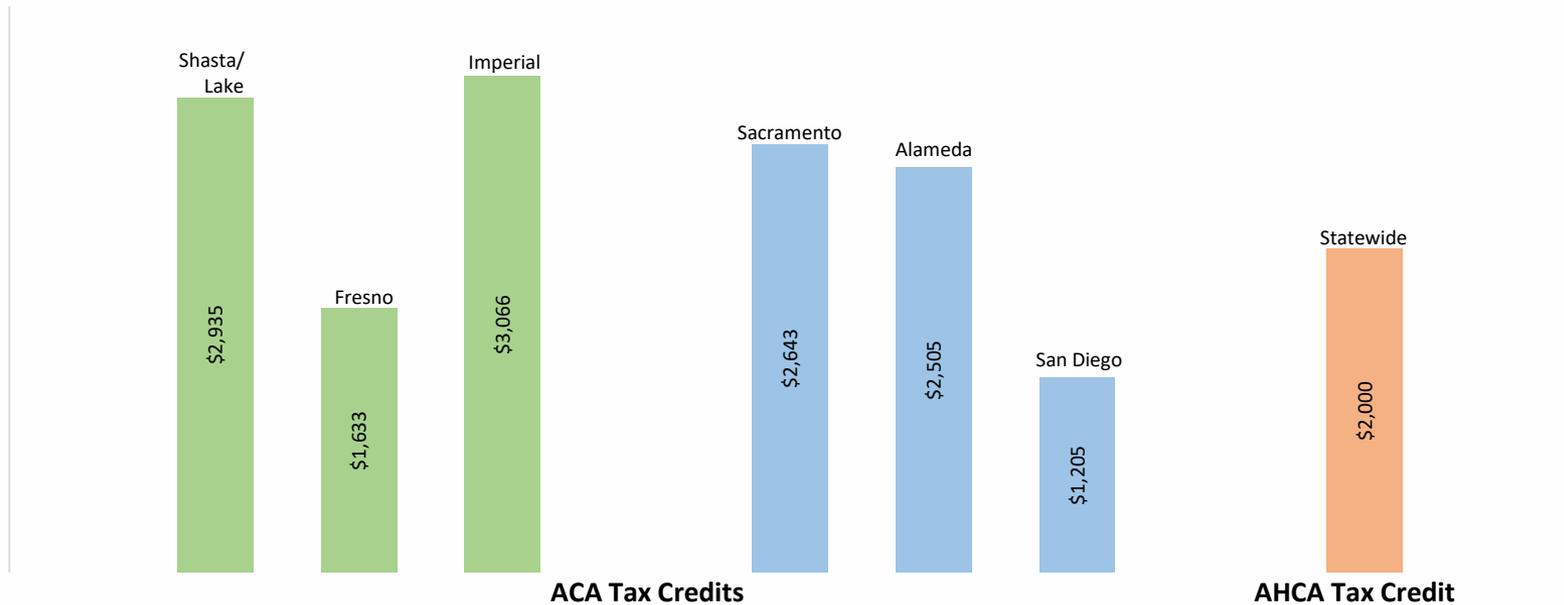
Data: California Health Care Foundation, ACA 411

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



Tax Credits: ACA, ACHA in California

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

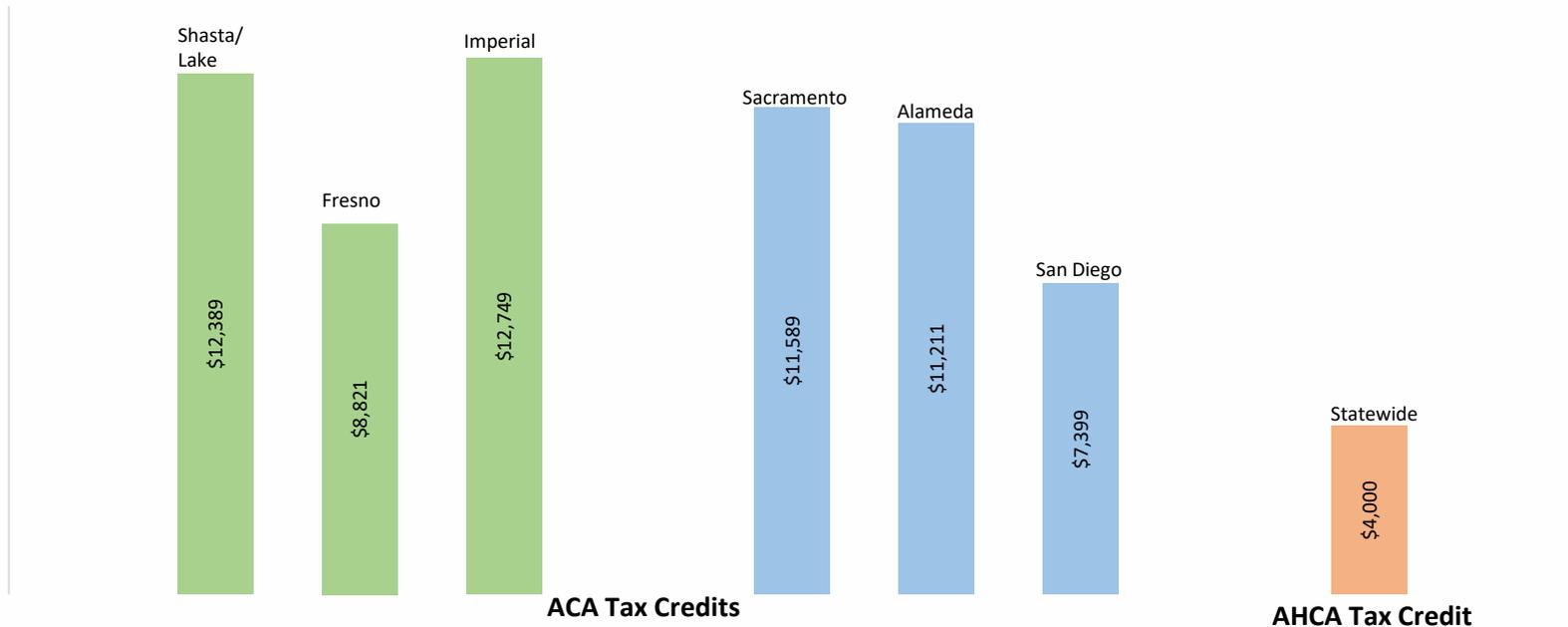


Source: Covered California Regional Comparison Analysis

- Young adults under 250% FPL generally lose under AHCA, except in low premium areas
- The advantage in low premium areas will decrease if premiums increase 10-15% as CBO estimates

Tax Credits: ACA, ACHA in California

ACA AND AHCA 2020 TAX CREDITS: RURAL AND URBAN COUNTIES 60 YEAR OLD/\$30,000



Source: Covered California Regional Comparison Analysis

- Older adults in all counties would have less assistance under AHCA than under ACA
- 60 year olds making \$30,000 would have to spend over a third of their income for coverage in most counties under the AHCA

CBO Analysis of AHCA

Congressional Budget Office (CBO) Analysis

- By 2018, 14 million Americans would lose health coverage... growing to 24 million in 2026
- 2 million lose coverage because of the continuous enrollment requirement
- 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

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**
- **Amended version has lower savings (\$150 billion) with the same levels of coverage losses and projected increases in premiums**

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
 - Individuals will choose lower benefit plans when they have less assistance to pay premiums
 - Older adults are more likely to drop coverage because their rates go up (5:1) and the tax credits don't keep up with premiums
- **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**

What's At Stake?

- 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 Stake?

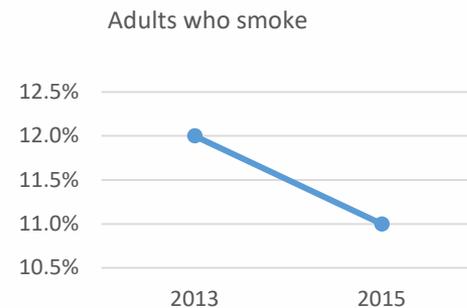
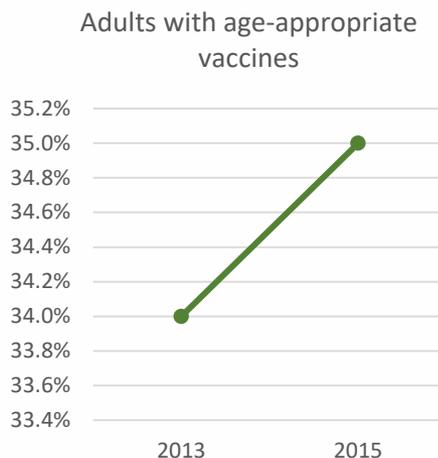
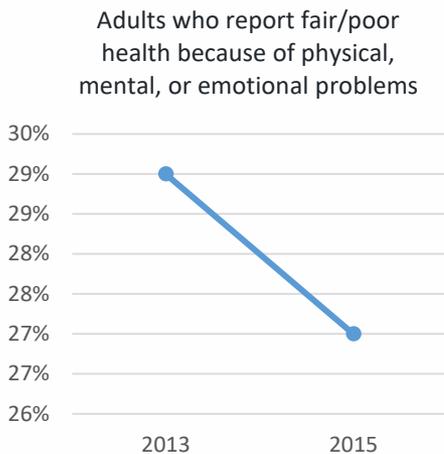
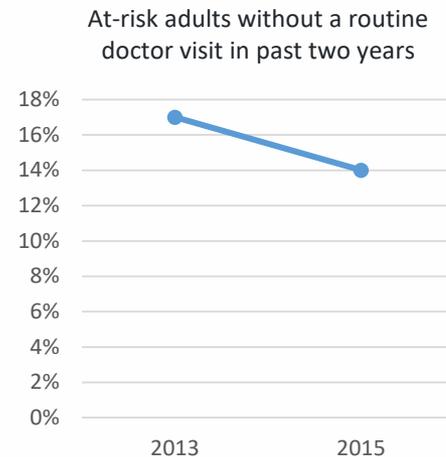
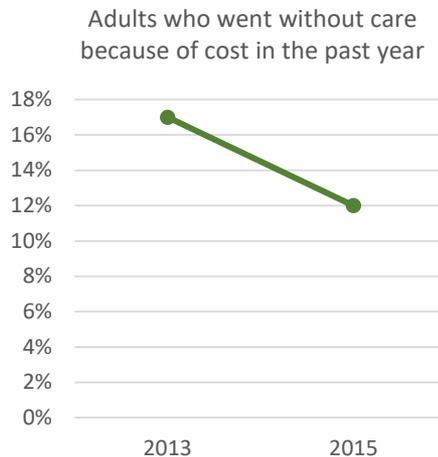
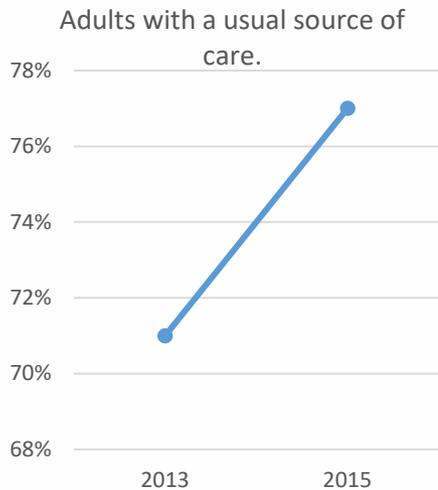
Commonwealth Fund Scorecard on State Health System Performance, 2017

- Comparison period 2013-2015
- 44 health care performance indicators
 - **Uninsured rates dropped**
 - **More people were able to access needed care**
 - **Particularly those in states that expanded Medicaid, including California**

California improved the most of any state

- Moving up in ranking from 26 to 14 among states

California under ACA Improvements in Health Status



QUESTIONS?