AAFP family medicine
ADVOCACY SUMMIT
Health Care Reform 2.0

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Repeal and Replace:
What’s next?

Grace-Marie Turner, Galen Institute
American Academy of Family Physicians
May 22, 2017
How the ACA Affected Individual and Group Markets

THE MARKET LANDSCAPE
Medicaid: Primary Source of Coverage Gains

December 2013 – September 2016

- Medicaid/CHIP: 83.1%
- Private Coverage: 16.9%
Effect of Individual Mandate 2015

Source: IRS

- Paid Penalty: 6.5
- Hardship Exemption: 12.7
- Did Not Report: 4.3
- Total Subject to Penalty: 23.5
- Net Increase Private Coverage: 2.3
A rescue effort: Unhealthy risk pools. Millions could lose coverage without congressional action.
Higher costs, fewer insurers

- Indiv. premiums increased 99% and family premiums increased 140% since 2013, according to eHealth
- Insurers have requested rate hikes in Connecticut (34%) and Maryland (59%)
- If Medica leaves, 94 out of Iowa's 99 counties would have no insurer
US Counties with only one insurer

U.S. Counties with:
- One Insurer
- Two Insurers

<table>
<thead>
<tr>
<th>Year</th>
<th>One Insurer (%)</th>
<th>Two Insurers (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6%</td>
<td>27%</td>
</tr>
<tr>
<td>2016</td>
<td>7%</td>
<td>29%</td>
</tr>
<tr>
<td>2017</td>
<td>33%</td>
<td>37%</td>
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</table>
The plan
Republican three-pronged plan

• Pass Repeal and Replace legislation

• **Regulatory action**
  
  First HHS rule to stabilize the market finalized in April
  
  • Shortens the 2018 annual open enrollment period
  
  • Expands verification of eligibility for subsidies
  
  • Allows insurers to collect back premiums before re-enrollment

• **Regular order bills** that could get 60 Senate votes. First up:
  
  – Competitive Health Insurance Reform Act (H.R.
Repeal and Replace Legislation

The American Health Care Act passed the House May 3, now on to the Senate. Action likely by July 4.
Core provisions of the AHCA

- Repeals most ACA taxes (delays the Cadillac Tax)
- Eliminates tax penalties for the individual and employer mandates
- Protects people currently on coverage
  - Preserves Medicaid expansion, but eventually at the normal federal match
  - Grandfathers current subsidies and provides new tax credits to help people purchase coverage
Replace bill also ...

- Allows states some regulatory flexibility, including on age rating and benefits
- Provides $138 billion to states to stabilize their individual and small group insurance markets, added help to the most needy, and extra money to protect those with pre-existing conditions
- HSA expansion
- More flexibility in benefit design
- Refundable tax credits to individuals to purchase coverage
What about pre-existing conditions?

Federal protections stay in place

--**Guaranteed issue for insurance companies**
--Insurers can’t deny/ limit coverage based on pre-ex

Under the American Health Care Act, no one will be denied coverage because of a pre-existing condition

States can waive pre-ex only if they have a safety net in place, such as a functional high risk pool
Individual responsibility

No one who keeps their insurance continuously will be charged more because they are sick or get sick.

If people wait to purchase coverage when they need it, they can be charged more.

If people don't buy coverage or drop their plans, they face a 30% surcharge for one year when they reenroll.
And 24 million losing coverage?
CBO ascribes magical powers to the individual mandate...

• 2017: Number of uninsured increases by 4 million
  – 2 million Medicaid beneficiaries who pay nothing for their coverage drop it
  – 1 million people drop their coverage in the exchanges
  – 1 million with job-based coverage drop out

• 2018: 14 million more uninsured.
  – 5 million will abandon Medicaid
  – 2 million will drop their employer-sponsored coverage
What ‘s next?
Key Role for the States
States have new opportunities

HHS is anxious to approve waivers giving states more flexibility with insurance and Medicaid.

HHS is encouraging states to use a provision of existing law, “State Innovation Waivers,” to reform their health insurance markets.
Potential State Opportunity to Reform Care:

ACA Section 1332 Waivers

Gives states flexibility to restructure programs if they achieve similar coverage, access and costs.

Expect HHS/CMS to be more generous and flexible with states.

Few states have submitted proposals so far.
HHS and White House executive actions
The EO, issued January 20, directs the HHS Secretary to:

“...exercise all authority and discretion available to them to waive, defer, grant exemptions from, or delay the implementation of any provision or requirement of the Act that would impose a fiscal burden on any State or a cost, fee, tax, penalty, or regulatory burden on individuals, families, healthcare providers,
How HHS Can Use That Authority

• The phrases “the Secretary shall” and “the Secretary may” occur 1,400 times in the text of the ACA

• The Obama administration made liberal use of this authority.
  – The Galen Institute has identified 43 provisions of law that the Obama administration either waived, delayed or ignored
  – These administrative actions affected everything from individual and corporate mandates, to cost-sharing provisions, to premium stabilization and...
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AAFP Family Medicine Advocacy Summit
Health Reform 2.0

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Executive Director
Families USA, a leading national voice for health care consumers, is dedicated to the achievement of high-quality, affordable health care and improved health for all. We advance our mission through public policy analysis, advocacy, and collaboration with partners to promote a patient-and community centered health system.

Working at the national, state and community level for over 35 years.
Roadmap of the Discussion

- ACA Fact vs. Fiction
- AHCA Fact vs. Fiction
- What’s Next in Congress
The Affordable Care Act (ACA) Led to Historic Gains in Coverage

From 2010 to 2016

20 million people gained coverage
Figure 1. Percentage of adults aged 18–64 who were uninsured or had private or public coverage at the time of interview: United States, 1997–2016

NOTE: Data are based on household interviews of a sample of the civilian noninstitutionalized population. SOURCE: NCHS, National Health Interview Survey, 1997–2016, Family Core component.
Kids Gain Coverage: Historic Drop In Uninsured

Figure 2. Percentage of children aged 0–17 years who were uninsured or had private or public coverage at the time of interview: United States, 1997–2016

NOTE: Data are based on household interviews of a sample of the civilian noninstitutionalized population. SOURCE: NCHS, National Health Interview Survey, 1997–2016, Family Core component.
# Gains by Demographic Group

## Figure 1. Number and Share of Nonelderly People Who Gained Coverage from 2010 to 2015, by Demographic Characteristics (number in 1,000s)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10,284 (53.7%)</td>
<td>8,866 (46.3%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-18</td>
<td>2,819 (14.7%)</td>
<td>8,672 (45.3%)</td>
</tr>
<tr>
<td>19-34</td>
<td>5,592 (29.2%)</td>
<td>2,067 (10.8%)</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic white</td>
<td>8,177 (42.7%)</td>
<td>2,806 (14.7%)</td>
</tr>
<tr>
<td>Hispanic black</td>
<td>6,213 (32.4%)</td>
<td>1,953 (10.2%)</td>
</tr>
</tbody>
</table>

Both Private and Public Coverage Have Expanded Under Health Reform

Number of insured Americans

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2015</th>
</tr>
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<tbody>
<tr>
<td>Private coverage</td>
<td>201</td>
<td>214</td>
</tr>
<tr>
<td>Public coverage</td>
<td>108</td>
<td>118</td>
</tr>
</tbody>
</table>

Note: The Census Bureau permits people to identify multiple sources of health coverage. Some people report having both private and public coverage.
Source: CBPP analysis of Census Bureau’s Current Population Survey data
A 50-state look at Medicaid Expansion, 2017

STATES EXPANDING MEDICAID TO DATE: 32*

Number of states, including the District of Columbia, that have expanded Medicaid

STATES NOT CURRENTLY EXPANDING MEDICAID: 19

Number of states that have not yet expanded Medicaid
Myth:

"...Americans continue to call for Obamacare’s repeal...They spoke loudly again this November, and about 8 out of 10 favor changing Obamacare significantly or replacing it altogether." (McConnell, op-ed for Fox News, January 9, 2017)

Truth:

- Across polls conducted by many different research firms, on average, about 50% of Americans view the ACA favorably vs. 42% unfavorably.¹
- This is particularly true since the push to repeal the ACA began in January.
- Marketplace consumers rate their coverage highly: 68% rated it “excellent” or “good” in OE3.²

¹Real Clear Politics, average of all health law polling data, 2/7-4/25/2017
²Kaiser Family Foundation, Survey of Non-Group Health Insurance Enrollees, May 2016
The Affordable Care Act: Plan Choice

Myth:
“[Democrats] gave us a system where choices went away.”
– Speaker Ryan, Feb 28, 2017

Truth:
• 79% of marketplace consumers have a choice of marketplace issuers;
• 34 states had two or more issuers in 2017
• Within issuers, consumers have many choices of plans (PPOs, HMOs, different levels of coverage, etc.) On average, consumers had a choice of 30 plans in 2017;
• Marketplace consumers have more choices than most employees

79% of exchange enrollees had a choice of three or more insurers in 2017, down from 96% in 2016.

The Affordable Care Act: Marketplace Stability

Myth:
“[Obamacare is on a] respirator and it’s just about ready to implode” – President Trump, March 17, 2017

Truth:

- **CBO**: market will remain stable in most areas under current law.¹
- Uncertainty caused by the administration and Congress threaten stability:

  Blue Cross Blue Shield announced it will participate in Knoxville, TN marketplace, noting its improved 2017 performance. However, they stated “Given the potential negative effects of federal legislative and/or regulatory changes, we believe it will be necessary to price-in those downside risks.”²

¹CBO, AHCA Cost Estimate, March 13, 2017
²J.D. Hickey, CEO of Blue Cross of Tennessee, letter to Tennessee Commissioner Julie Mix McPeak, May 9, 2017
Market is on a 5 Year Path to Stability

**Truth:**

S&P Global Ratings: market is on a 5 year path to stability, most insurers will break even or profit in 2018 if business continues as usual.
Roadmap of the Discussion

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At least 24 M lose coverage for a tax cut to the rich and corporations...

<table>
<thead>
<tr>
<th>Health</th>
<th>Tax cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid: - $839 B</td>
<td>Mostly to wealthy and corporations: $604 B*</td>
</tr>
<tr>
<td>Premium and cost sharing subsidy: - $663 B</td>
<td></td>
</tr>
<tr>
<td>Replacement premium credits: $357 B</td>
<td></td>
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<tr>
<td>Patient and stability fund: $138 B</td>
<td></td>
</tr>
<tr>
<td><strong>Net cut from health: $650 B</strong></td>
<td><strong>Benefit to wealthy/corps: $604 B</strong></td>
</tr>
</tbody>
</table>

*Excludes premium credits and medical deduction threshold
Source: Calculations from March 23 CBO score, table 2 and 3, with addition of patient and stability fund as amended
Wealthy Benefit from Tax Cuts

FIGURE 1

Distribution of Major Tax Provisions in AHCA
Change in after-tax income

Expanded Cash Income Percentile

Under AHCA: Plans Cost More and Cover Less

AHCA cuts premium assistance, increases prices for those who are older or have preexisting conditions, eliminates cost sharing reductions

- A 64 year old earning $27,000 faces a $13,000 premium increase
- 7 million people lose help that lowers deductibles and out-of-pocket costs
Cost Sharing Help at Risk

Most Marketplace Enrollees Receive Significant Help

Note: States colored gray are those whose residents do not enroll through the federal HealthCare.gov platform, and thus for which comparable marketplace information is not available.

Source: CBPP analysis of 2016 data published by the Office of the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services.

What a single individual with income of $26,500 (175% of poverty) will pay

<table>
<thead>
<tr>
<th>Age</th>
<th>Current law</th>
<th>AHCA</th>
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<tr>
<td></td>
<td>Net premium</td>
<td>Net Premium</td>
</tr>
<tr>
<td></td>
<td>AV</td>
<td>AV</td>
</tr>
<tr>
<td>21 years</td>
<td>$1700</td>
<td>$1450</td>
</tr>
<tr>
<td></td>
<td>87</td>
<td>65</td>
</tr>
<tr>
<td>40 years</td>
<td>$1700</td>
<td>$2400</td>
</tr>
<tr>
<td></td>
<td>87</td>
<td>65</td>
</tr>
<tr>
<td>60 years</td>
<td>$1700</td>
<td>$14,600</td>
</tr>
<tr>
<td></td>
<td>87</td>
<td>65</td>
</tr>
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Source: Congressional Budget Office, AHCA cost estimate, March 23, 2017, Table 4

What people pay under current law and under AHCA, single individual with income of $26,500 (175% poverty) (examples without essential health benefit waivers)
Lower-Income Families See Healthcare Costs Soar in House Repeal Bill*

Annual cost of premiums + deductibles would go up to

$7,568

Premiums and Deductibles as Percent of Annual Income

**ACA**

- 4% annual premium
- 2% annual deductible

**HOUSE PLAN**

- 5% annual premium
- 20% annual deductible

Seniors’ Premiums Skyrocket under House Repeal Bill*

*Families USA analysis based on 2017 national average premium for the second-least expensive silver plan, adjusted to reflect expected premium change using 5:1 age rating bands, and changes in premium tax credits. Source: Health Insurance Marketplace Calculator, (Washington, DC: Kaiser Family Foundation, November, 2016); Impact of Changing ACA Age Rating Structure (Milliman, January 2017)
Roadmap of the Discussion

✓ ACA Fact vs. Fiction

✓ AHCA Fact vs. Fiction

☐ What’s Next in Congress
Potential Outline of Congressional Activity for 2017

- **115th Congress Begins**
- **JAN 2017**: House passes AHCA
- **MAY 2017**: House considers FY18 Budget Resolution
- **JUN 2017**: Senate considers replacement bill
- **JUL 2017**: Congress works on debt ceiling
- **AUG 2017**: CHIP
- **SEP 2017**: Medicaid Proposals
- **OCT 2017**: Congress must pass CHIP extension by September 30

**JAN 2018**: Recess

FamiliesUSA.org
Three “gangs” negotiating

<table>
<thead>
<tr>
<th>McConnell, et al.</th>
<th>Moderates, including Cassidy and Collins</th>
<th>Bipartisan group</th>
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<tbody>
<tr>
<td>McConnell (KY)</td>
<td>Collins (ME)</td>
<td>Cassidy (LA)</td>
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<tr>
<td>Portman (OH)</td>
<td>Cassidy (LA)</td>
<td>Collins (ME)</td>
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<td>Cornyn (TX)</td>
<td>Capito (WV)</td>
<td>Heller (NV)</td>
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<td>Thune (SD)</td>
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<td>Rounds (SD)</td>
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<td>Hatch (UT)</td>
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<td>Capito (WV)</td>
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<td>Alexander (TN)</td>
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<td>Cotton (AR)</td>
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<td>Donnelly (IN)</td>
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<td>Gardner (CO)</td>
<td></td>
<td>Heitkamp (NK)</td>
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<tr>
<td>Cruz (TX)</td>
<td></td>
<td>Others..</td>
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<td>Lee (UT)</td>
<td></td>
<td></td>
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<tr>
<td>Barrasso (WY)</td>
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<td>Toomey (PA)</td>
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We need your help

- Activate around senators - particularly the moderates and small group of democrats negotiating - and your **governor**

- Time is NOW

- Go armed with concrete impact and a focused message: ask Senators to pledge that they will **oppose** any bill that
  - Cuts and destroys the Medicaid program
  - Ends the Medicaid expansion, no matter when
  - Increases the number of uninsured
  - Undermines the consumer protections under the ACA
Your voices have never been more important!
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