

# Overview and Implications of House Republican Bill: American Health Care Act

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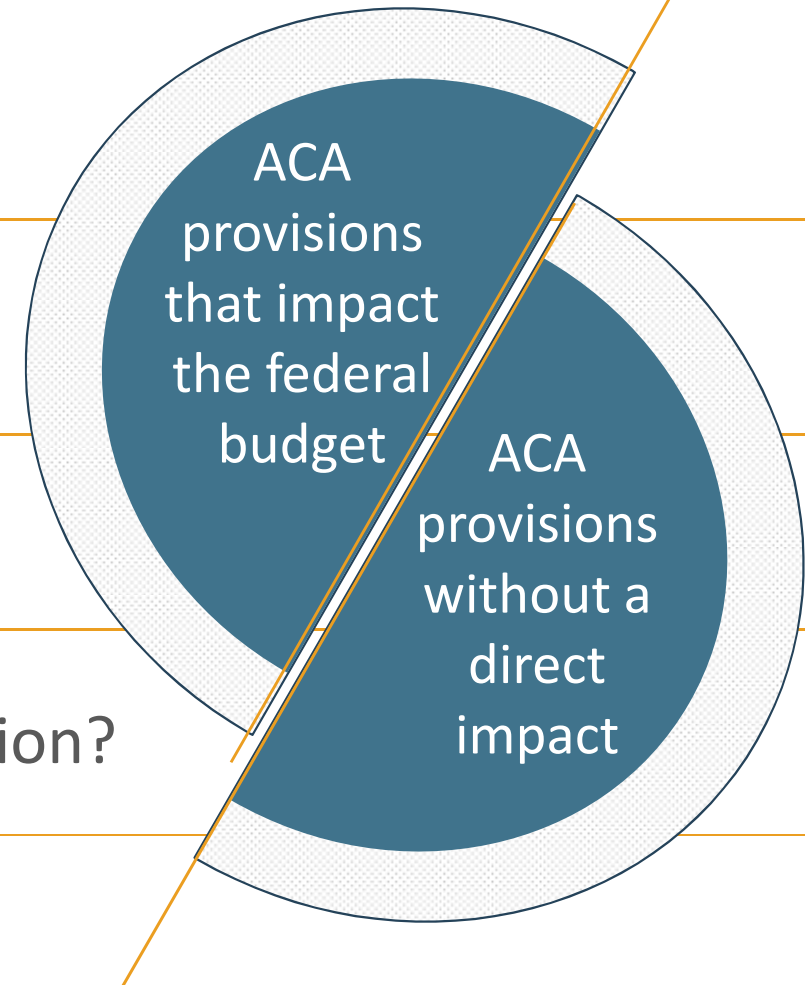
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# Congressional Process

# Basics of Budget Reconciliation

- ➔ What is reconciliation?
- ➔ What can be included?
- ➔ Why use reconciliation?
- ➔ What are the limits of reconciliation?



# Congressional Process

## The AHCA

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### Status Quo:



Introduction » Committee mark-ups (Energy & Commerce , Ways & Means, **Budget**) » House floor vote



Sent to Senate for consideration » debate and amendments » Senate floor vote



Assuming Senate passes a bill other than exact bill presented by House, the two bills go to a Conference Committee to resolve differences



Both chambers then must vote on Conference bill

# Prospects for Passage?

## IMPORTANT NUMBERS TO REMEMBER

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21

**House Republican “No” votes for defeat\***

3

**Senate Republican “No” votes for defeat\***

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**Number of times Senate or House will vote**

\* Assumes no Democrats in House or Senate vote in favor of AHCA



# House Bill's Scope Not 100% ACA-Aligned

LEAVES MUCH OF ACA INTACT WHILE REACHING TO NON-ACA TERRITORY

## American Health Care Act

- Innovation Center
- Medicare Part D coverage gap discount program
- Medicare Advantage rate methodology
- More .....

- Eliminate insurance mandate
- Rescind taxes meant to fund ACA subsidies
- Phase out Medicaid expansion for non-disabled adults

- Restructure Medicaid financing
- Defund Planned Parenthood

## Affordable Care Act

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# AHCA Medicaid Reforms

# Medicaid Reform

## EXPANSION PHASE-OUT & FUNDAMENTAL CHANGE TO MEDICAID FINANCING

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**AHCA will roll back and eventually eliminate the ACA Medicaid expansion and shift federal Medicaid contributions to a per-capita based system, in addition to multiple smaller changes to Medicaid.**

# AHCA Changes to ACA Medicaid Expansion

## EXPANSION PHASE-OUT

- States can no longer implement ACA Medicaid expansion
- Enhanced federal funding for states that expanded will disappear for *new* enrollees



- Enhanced funding will continue for those enrolled in Medicaid on 12/31/2019 until they have a break in eligibility > 1 month
- States may continue to serve expansion populations but at standard federal contribution

# Introducing Per Capita Caps in Original Medicaid

## RADICAL CHANGE TO PAYING FEDERAL SHARE OF 52-YEAR-OLD PROGRAM

### Current Law: “Defined Benefit”

State incurs costs in Medicaid  
U.S. pays percentage of  
State’s cost

Federal share = 50-75%\*  
based on state’s wealth  
(Average = 60%)

\*Higher for ACA expansion population



### AHCA Proposal: “Defined Contribution”

U.S. allows up to fixed \$  
amount per Medicaid  
enrollee, starting in 2020,  
based on 2016 spend

2016 base indexed by CPI-Medical,  
irrespective of actual growth in  
Medicaid per capita costs

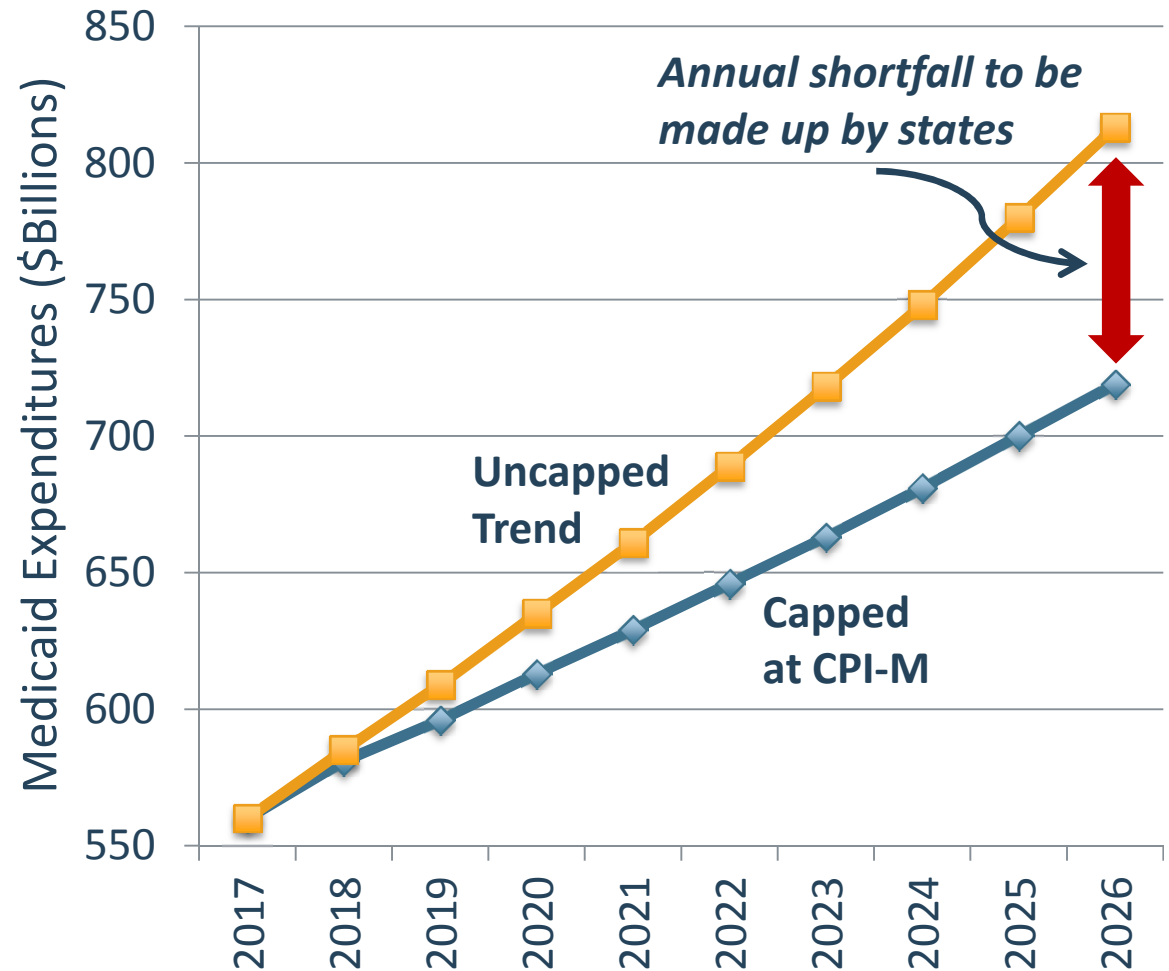
Calculated separately for 5 groups

# Widening Cut Foreseen in Federal Medicaid Share

## MEDICAID SPENDING TRENDS HIGHER THAN CPI-M

### CBO Growth Projection

- CPI-Medical = 3.7%
- Medicaid per capita costs = 4.4%



Source: EBG Advisors analysis based on CBO trend rates in cost estimate of American Health Care Act, March 13, 2017

# Other Notable Medicaid Changes

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## Repeals ACA DSH payment reductions

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- Beginning in 2018 for non-expansion states
- For all states beginning in 2020



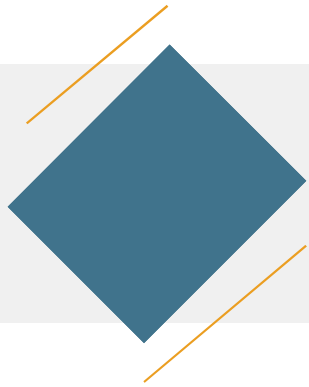
## Prohibits states from using federal Medicaid funding to pay for services provided by Planned Parenthood

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# Effects of Medicaid Reforms

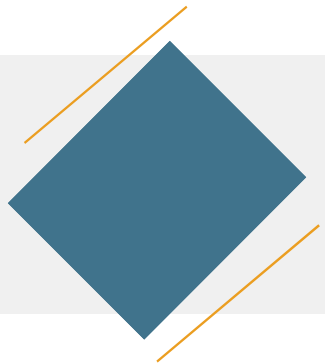
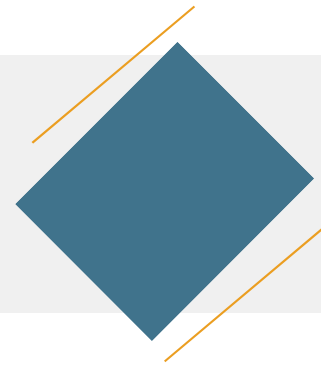
## CONGRESSIONAL BUDGET OFFICE'S SCORE OF AHCA

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CBO estimates AHCA will reduce federal Medicaid spending by \$880 billion between 2017-2026

CBO projects that by 2026 14 million fewer people would be enrolled in Medicaid than under current law



Spending reductions are projected to begin in 2017, \$3 billion, and escalate over time to \$155 billion in 2026



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# AHCA Insurance Marketplace Reforms

# AHCA Insurance Marketplace Changes

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A blue diamond shape with the word "Keeps" in white text, rotated 45 degrees. It is surrounded by two thin orange lines that form a partial border around the diamond.

Keeps

Pre-existing condition protections, guaranteed issue, cost sharing caps, essential health benefits, prohibitions against lifetime and annual limits

Individual mandate, employer mandate, minimum actuarial value requirements, cost sharing subsidies

A blue diamond shape with the word "Removes" in white text, rotated 45 degrees. It is surrounded by two thin orange lines that form a partial border around the diamond.

Removes

A blue diamond shape with the words "Adds or Alters" in white text, rotated 45 degrees. It is surrounded by two thin orange lines that form a partial border around the diamond.

Adds or  
Alters

Refundable tax credits, state stability fund, age ratio (to 5:1), continuous health insurance incentives (1 year surcharge for gaps in coverage), expands HSAs and FSAs

# ACA Penalty v. AHCA Surcharge

## SHIFTING INCENTIVES

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### ACA

- Penalty higher of 2.5% of taxable income or \$695 per uncovered adult and \$347.50 per uncovered child
- Prorated based on number of months without coverage

### AHCA

- Begins in 2019 open enrollment
- 12-month look back period for coverage gaps > 63 days
- If a gap occurs, a late enrollment surcharge will be charged by the insurer to enrollee for the plan year
- Surcharge = 30% of plan premium

# Changes to Exchange Subsidies

## ACA v. AHCA

### ACA Subsidies

- Subsidies based on cost of health insurance plan available on exchange in enrollee's area
- Scaled according to enrollee income
- Unavailable for those with incomes over 400% of federal poverty level
- AHCA would permit subsidies to be used for catastrophic plans and certain plans not sold on exchanges
- AHCA would eliminate ACA subsidies beginning in 2020

### AHCA Tax Credits

- Advanced refundable **age-based** tax credits
- Start at \$2,000 for individuals under 30, scaling up \$500 per 10 years, maxing at \$4,000 for individuals over 60
- Phases out at higher income levels \$75,000 individual / \$150,000 joint at \$100 per \$1,000 of income over the threshold

# ACHA Impact on Individual Market Consumers

## ILLUSTRATIVE EXAMPLES FROM CBO – NON-GROUP COVERAGE IN 2026

(Dollars)

	Premium <sup>a</sup>	Premium Tax Credit <sup>b</sup>	Net Premium Paid	Actuarial Value of Plan After Cost-Sharing Subsidies (Percent) <sup>c</sup>
<b>Single Individual With Annual Income of \$26,500 (175 percent of FPL)<sup>d</sup></b>				
<b>Current Law</b>				
21 years old	5,100	3,400	1,700	87
40 years old	6,500	4,800	1,700	-22
64 years old	15,300	13,600	1,700	
<b>AHCA</b>				
21 years old	3,900	2,450	1,450	65
40 years old	6,050	3,650	2,400	
64 years old	19,500	4,900	14,600	
<b>Single Individual With Annual Income of \$68,200 (450 percent of FPL)<sup>d</sup></b>				
<b>Current Law</b>				
21 years old	5,100	0	5,100	70
40 years old	6,500	0	6,500	-5
64 years old	15,300	0	15,300	
<b>AHCA</b>				
21 years old	3,900	2,450	1,450	65
40 years old	6,050	3,650	2,400	
64 years old	19,500	4,900	14,600	

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

All dollar figures have been rounded to the nearest \$50; AHCA = American Health Care Act; FPL = federal poverty level.

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# AHCA Tax Reforms

# AHCA Effects Multiple ACA Tax Provisions

Delays “Cadillac” tax start date

Repeals limits on FSA contributions

Lowers tax rate on HSA distributions used for non-qualified expenses

Repeals medical device tax

Lets employers deduct expenses associated with retiree Part D subsidies

Repeals annual fee on health insurers

CBO and Joint Committee on Taxation estimate revenue reduced by \$592 billion over 10 years

# AHCA Effects Multiple ACA Tax Provisions

## Continued

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Lowers income threshold for deduction of medical expenses

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Repeals Medicare Hospital Insurance surtax on high income earners

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Changes HSA contribution rules

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Repeals tanning tax

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Repeals Medicare tax on net investment income

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Repeals health insurance “CEO” tax

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Repeals brand Rx tax

CBO and Joint Committee on Taxation estimate revenue reduced by \$592 billion over 10 years



# Medicare, Not a Target of AHCA, Is Affected

## TAX CUTS IMPLICATE MEDICARE TRUST FUND

### ACA Medicare Taxes Repealed By AHCA

#### Net investment tax

3.8% of investment income above  
income of \$200k single, \$250k joint

#### Payroll surtax

0.9% of compensation for earners  
above \$200k single, \$250k joint

### 10-Year Impact to Medicare Trust Fund

↓ **\$157.6 billion**

↓ **\$117.3 billion**

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↓ **\$274.9 billion**



***Approx. 3% cumulative cut to Medicare***

Sources: CBO cost estimate of American Health Care Act, March 13, 2017; CMS National Health Expenditures estimates, February 2017

# What's Next?

## AHCA: JUST THE BEGINNING

**Congress and Trump administration will try multiple techniques to repeal, replace and reshape Affordable Care Act**

### Reconciliation

- Must impact federal budget
- Requires simple majority vote in Senate

### General Legislation

- Need not impact federal budget
- Requires 60 votes in Senate
- House is considering bills related: stop-loss coverage, wellness programs, association health plans

### Administrative Action

- Executive orders
- Regulations and Guidance
- Waivers

# Questions?

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