

A Look at a Few Questions about ACA Repeal and Replace

PEGGY O'BRIEN-STRAIN, APRIL 10, 2017

Topics

- ▶ Why should I care about ACA repeal?
- ▶ Who pays for the ACA? The AHCA?
- ▶ What about those death spirals?

I have employer coverage. Why do I care about ACA repeal?

Changes to employer coverage under ACA

- ▶ No co-pay for **preventative care**
- ▶ No waiting period for **pre-existing conditions**
- ▶ Coverage on parents' plan for **dependents to age 26**
- ▶ Limits on **out-of-pocket costs**
- ▶ Ban on **lifetime coverage limits**

These would not have changed under the AHCA but could be affected by a full repeal

I have Medicare. Why do I care about ACA repeal?

Changes to Medicare coverage under ACA

- ▶ No co-pay for **preventative care**
- ▶ Gradual **closure of the Part D donut hole** (by 2020)
- ▶ Slower increase in **Part A co-pays**
- ▶ Froze the income threshold for **Part B premium** surcharge
- ▶ Imposed **Part D tax** on high income beneficiaries
- ▶ Tied reimbursements for **Medicare Advantage** to FFS costs

The AHCA did not focus on Medicare, but Speaker Ryan seeks a larger overhaul

Are my premiums paying for Obamacare?

Generally, no. The ACA is funded primarily through:

Changes in payments for Medicare providers	28%
Additional Medicare withholding for individuals with income over \$200k, couples over \$250k	19%
Collections for premium stabilization	12%
Fees on brand drugs and medical devices	11%
Employer and individual mandate penalties	9%

How does the AHCA change the financing?

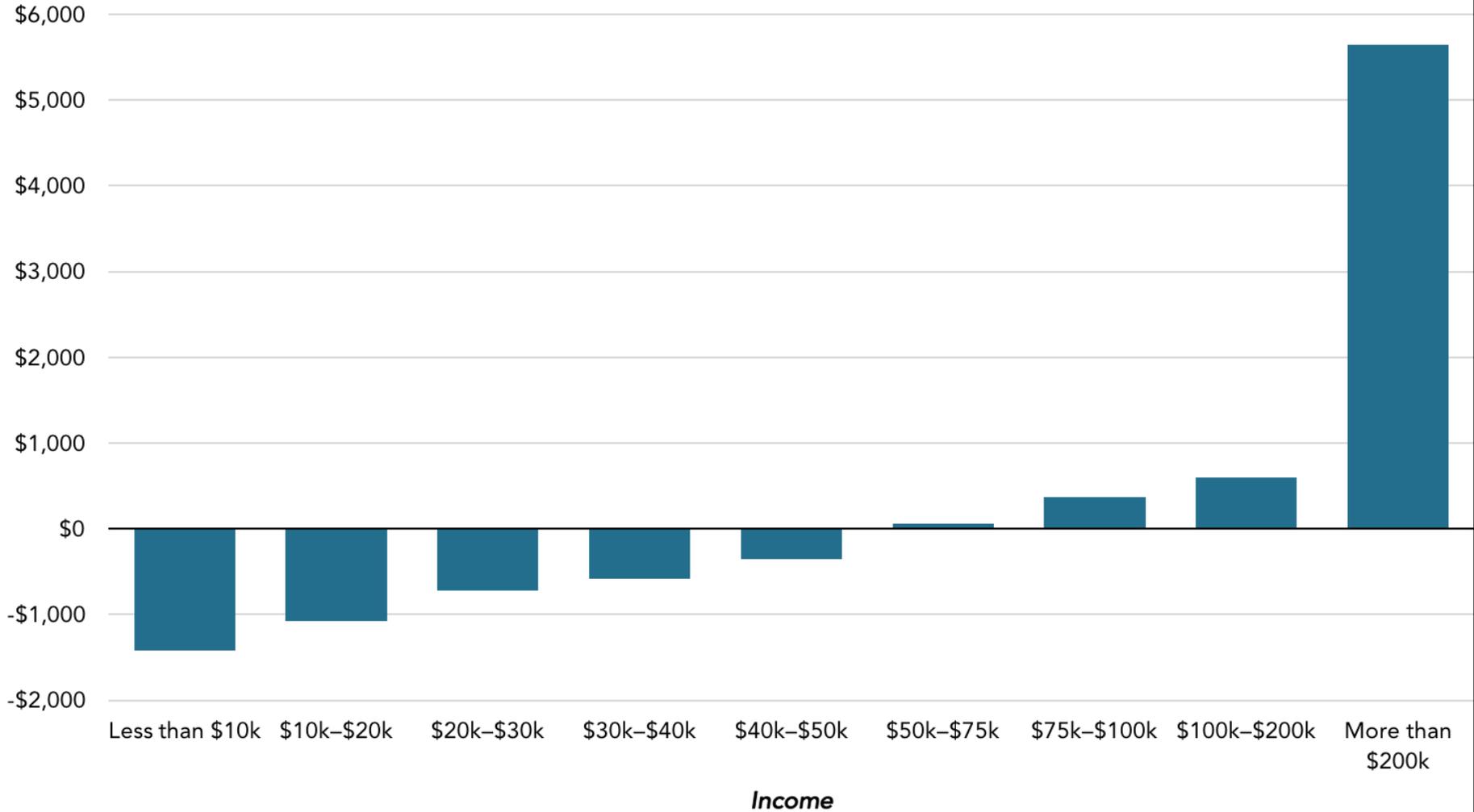
- ▶ Repeals all of the ACA taxes
- ▶ Allows higher HSA contributions
- ▶ Creates tax credits in place of subsidies

**Reduces
revenues by
\$352B
over 5 years**

- ▶ Eliminates existing subsidies
- ▶ Repeals Medicaid expansion in 2020
- ▶ Cuts Medicaid thru caps on per capita expenditure
- ▶ Provides “safety net” funding for non expansion states

**Reduces
spending
by \$270B
over 5
years**

Distribution of Change in Average Net Transfers (Benefits - Taxes) under AHCA, 2022

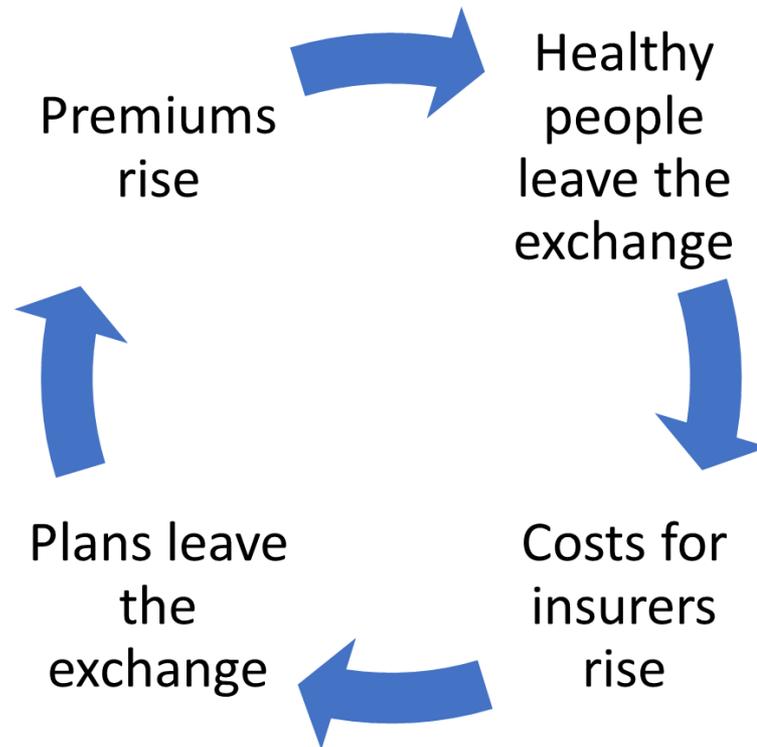


Source: Urban Institute analysis using HIPSIM 2016 and Urban-Brookings Tax Policy Center Microsimulation Model (version 0217-1).

Notes: Income is measured as modified adjusted gross income (MAGI) which equals adjusted gross income plus non-taxable Social Security benefits and tax-exempt interest. Analysis includes both filing and non-filing units but excludes those that are dependents of other tax units. Tax units with negative MAGI are excluded from the bottom income class but are included in the totals. Analysis includes AHCA provisions as amended on March 21, 2017.



What is a “death spiral”?



Is Obamacare in a death spiral?

Premiums did rise for 2017 in many (but not all) places

- ▶ Starting in 2014, many insurers underestimated the costs of care and set premiums too low
- ▶ A number of new insurance companies found it difficult to build provider networks and membership
- ▶ Medical costs are rising again, especially drug costs
- ▶ Transitional programs to stabilize premiums underperformed and then ended

Is Obamacare in a death spiral?

- ▶ **And many counties now have only one insurer in the exchange...**
- ▶ **But there has been little impact on enrollment**
 - ▶ 85% of exchange enrollees get subsidies so have little or no increase in premium
 - ▶ Cost of subsidies increases, though
- ▶ **New Standard & Poors report suggests plans are stabilizing**

Exchanges are still fragile

1. The AHCA penalty for delayed enrollment is even weaker than the individual mandate
2. Higher premiums for older individuals are likely to deter enrollment
3. Uncertainty over healthcare reform may discourage insurers from participating

Decisions for plan participation for 2018 are required by June 21 (May 1 in California)

Ways the Administration Can Encourage the Death Spiral

1. Not enforce the individual mandate
 - ▶ The penalty is still technically in force but IRS is allowing “silent returns”
2. Not enforce the employer mandate
3. Discourage enrollment in the exchanges
 - ▶ Advertising halted in final weeks of enrollment period
4. Stop paying insurers “cost-sharing reductions”

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