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AHCA Update

Georgia Health Policy Center

AHCA UPDATE

April-May 2017

After initially being pulled from the U.S. House of Representatives' floor on March 24, 2017, due to a lack of votes, the American Health Care Act (AHCA; H.R. 1628) passed the House on May 4, 2017, by a narrow margin (217–213 votes). What follows is an overview of key AHCA updates that occurred during April and May 2017, and a look forward.

Key Features of the AHCA (as passed May 4, 2017):

Market Reforms

- Repeals individual and employer mandates but requires continuous coverage to avoid a 30% surcharge
- Replaces premium tax credits with a universal health care tax credit
- Expands use of Health Savings Accounts
- Changes premium age ratio from 3:1 to 5:1
- **Includes state option to waive preexisting condition rules, essential health benefits (EHB), age rating, and community rating (amended 4/26/17)[1]**

Creates Patient and State Stability Fund — $149 billion

- To stabilize individual markets with high-risk pools, reinsurance programs, waivers for EHBs, or preexisting conditions, or essential health benefits waivers
- **Federal invisible high-risk pools (amended 4/6/17)[2]**
- **State high-risk pool funding (amended 5/3/17)[3]**

Repeals most of the ACA's taxes

- Includes repeal of medical device tax, insurer tax, and "Cadillac" tax

Partial reversal of Disproportionate Share Hospital (DSH) cuts

Alters terms of Medicaid expansion

- Grandfathers enhanced 90% match for those enrolled as of March 1, 2017, who maintain continuous coverage after 2019
- States can expand through end of 2017 but only at regular match
- Supplemental safety net funding for nonexpansion states FY 2018 through 2022

Other Medicaid changes

- Per capita caps on federal spending or block grant option for nonelderly, nondisabled groups
- Allows states to impose work requirements for nonelderly, nondisabled, nonpregnant adults starting in FY 2018

[1] https://rules.house.gov/sites/republicans.rules.house.gov/files/115/OMNI/MacArthur%20Amendment.pdf.
[2] https://rules.house.gov/sites/republicans.rules.house.gov/files/115/AHCA/Palmer-Schweikert%20Amendment.pdf.
[3] https://rules.house.gov/sites/republicans.rules.house.gov/files/115/OMNI/Upton%20Amendment.pdf.

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The April and May amendments to the AHCA eliminated a number of Affordable Care Act (ACA) insurance market provisions that were not addressed in the original bill, including the prohibition on preexisting condition exclusions and health status underwriting, as well as provisions requiring guaranteed issue and renewability. Only the following ACA insurance market provisions remain in the passed bill:

- No annual or lifetime limits;
- Dependents can remain covered until age 26; and
- Caps on out-of-pocket expenses

New Provisions for Covering High-Cost Patients

Amendment 32, added on April 6, 2017, creates a federal invisible high-risk-sharing program that would be turned over to states in 2020. Through this program, those with expensive health conditions would be enrolled by their insurers in the program; insurers would then receive reimbursements from the risk-sharing program for health care expenses for these patients that exceed a minimum threshold amount.[4] The program is designed to keep insurance costs down by limiting insurers' financial exposure to high-cost patients. Those patients enrolled in the program would not know that they are enrolled; hence the term "invisible."

Amendment 33, added on April 26, 2017, allows states to define essential health benefits and creates a waiver program that would allow states to set aside a variety of ACA insurance market consumer protections related to community rating, including age rating, EHBs, and preexisting condition protections. More specifically, states that receive such waivers could allow insurers to use preexisting conditions as a factor for setting the price of premiums if the state operates and funds a high-risk pool to alternatively cover those with preexisting conditions. In order to receive a waiver, states must demonstrate that the waiver would reduce average premiums, increase enrollment, and stabilize the state's health insurance market.[5]

Amendment 34, added on May 3, 2017, adds an additional $8 billion to fund state high-risk pools.[6]

What happens next?

The AHCA has passed the House but is subject to substantial changes in the Senate. Any Senate revisions would need to be approved by the House.[7] In addition, the Senate will need to adhere to rules governing the budget reconciliation process, which require, in part, that any of the items in the AHCA deemed to be outside of the scope of reconciliation (making nonbudgetary changes) be removed.

The AHCA would make significant alterations to federal subsidies for Medicaid and the individual insurance market. The CBO estimated in late March that the AHCA would reduce the federal deficit by $150 billion over the next 10 years. However, under the AHCA, 24 million fewer people would be insured (due to the lack of an individual mandate, Medicaid expansion funding cuts, per capita caps, increased Marketplace premiums, and Marketplace subsidy cuts).[8] This CBO estimate was released before the recent amendments regarding EHBs, invisible high-risk pools, and preexisting conditions; however, the CBO will release new estimates for the House-passed version of the AHCA during the week of May 22, 2017.[9]

The Georgia Health Policy Center (GHPC) Health Reform Work Group is a multidisciplinary team composed of faculty and staff from Georgia State University's Andrew Young School of Policy Studies, J. Mack Robinson College of Business, School of Public Health, College of Law, and Rollins School of Public Health at Emory University.

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[4] http://amendments-rules.house.gov/amendments/hirisk0246171129382938.pdf.
[5] http://amendments-rules.house.gov/amendments/MacArthur53171935143514.pdf.
[6] http://amendments-rules.house.gov/amendments/Upton_0253171952435243.pdf.
[7] Siegal, Daniel. Health Law360 (May 4, 2017). 4 Key Takeaways for Attys from the AHCA.
[8] https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1628.pdf.
[9] https://www.cbo.gov/publication/52715