HEALTH ACCESS
California's Health Consumer Advocacy Coalition

FACT SHEET

Our Health Care at Risk: Medi-Cal, Covered California, and the Affordable Care Act

The House Republican Proposal (H.R.1628, AHCA) Covers Less & Costs More

March 21, 2017 (updated)

California's uninsured rate is at an all-time low thanks to the gains we made under the Affordable Care Act (ACA). The House Republican health care proposal ("American Health Care Act" or AHCA) introduced on March 6th results in at least four and perhaps more than five million Californians losing coverage, and many more seeing higher health care costs. The non-partisan and independent Congressional Budget Office's March 13th analysis[1] confirms that the AHCA will result in 14 million people losing coverage in 2018, 21 million by 2021, and 26 million by 2026.[2] The proposal will also cut overall Medicaid funding by $880 billion (25%) over the next decade by eliminating the Medicaid expansion and restructuring the Medicaid program. The AHCA will reverse the progress that California and the rest of the nation has made on health care.

While the House Republican proposal directly threatens the coverage of the five million Californians who directly get coverage and financial assistance through the ACA, it would also impact the 14.1 million Californians who get coverage through Medi-Cal, and everyone who may need to buy coverage as an individual, with or without a subsidy.

Individual Market: Consumers Face Less Coverage, Higher Costs

The AHCA will affect everyone who purchases in the individual market, regardless of whether they get a subsidy, and leave many with no affordable coverage options. Nearly 3 million Californians obtain coverage through the individual market any given year. About half of these individuals purchase through Covered California. Around 90% of the 1.5 million Californians enrolled in Covered California get financial assistance to help them afford coverage—an average tax credit of $440 a month ($5280/year).[3] The average subsidy covers nearly 77 percent of the consumer's monthly premium costs.[4]

- The AHCA significantly reduces the tax credits that many consumers currently receive and effectively results in a **major tax hike on low- and moderate- income families** who get assistance through Covered California. The proposed tax credits will be worth about half the financial help available under the ACA.[5]
- **Flat tax credits instead of income-based tax credits mean consumers will face higher premiums:** The AHCA's tax credit is not based on need and are the same size for anyone making up to $75,000. The subsidies that consumers get through the ACA, on the other hand, are based on need and accounts for a person's income and how much health care costs in a particular region. As a result, lower income people will lose thousands of dollars in financial help.
- Even with AHCA giving more subsidies based on age, **older adults would be hit particularly hard** because the AHCA also has a provision that would allow insurers to charge older adults five times higher premiums than young people (by going from 3:1 to 5:1 age bands). For example, average premiums would rise 20% to 25% for 64-year olds, while dropping 20%-25% for 21-year olds.[6]
- **No adjustment for high cost areas like Northern California, rural areas, etc:** The ACA's premium tax credits are based on the local cost of insurance, so people in consistently high-cost areas like Northern California and rural areas get larger subsidies than people in lower-cost areas. The House Republican proposal

eliminates the ACA's geographic adjustment, resulting in reduced tax credits for people in high-cost areas.

- **Less financial assistance over time:** The AHCA does not adjust tax credits as health care costs rise, which means low- and moderate-income families will receive less help over time and drop coverage due to lack of affordability.
- **Consumers will see higher out-of-pocket costs without cost sharing assistance:** The AHCA eliminates the financial assistance that helps lower-income people (below 250% FPL) with out-of-pocket costs like deductibles and copays. This means people will be paying more for less coverage that has drastically higher deductibles and other cost-sharing. **The AHCA would eliminate the assistance that half of Covered California enrollees receive, Cost Sharing Reductions that on average reduce out-of-pocket expenses by more than $1,500 per household per year or more than $1,000 for an individual.**[7] In addition, insurance coverage would be much skimpier because the AHCA eliminates the Actuarial Value (AV) requirements (the share of a person's health costs that a plan covers). The ACA requires plans to cover at least 60% of the cost of care for a covered population. By eliminating the floor on the value of coverage, an insurance policy could cover less than half the cost of care for an average population. This translates into higher out-of-pocket costs for less coverage.
- **Continuous coverage mandate is punitive and undermines risk pool.** The AHCA replaces the individual mandate with a far more punitive 30% premium surcharge that would further discourage healthy people from signing up for coverage. Under the AHCA, anyone who goes without coverage for more than 62 days will pay *30% more for their coverage for an entire year*—no matter their reason for going without coverage. The ACA, on the other hand, has a cap on the individual shared responsibility payment. If someone only has coverage for part of the year, the fee is 1/12 of the annual amount for each month they don't have coverage. Those who have short gaps (less than 2 months) don't pay the fee at all. **The AHCA will also exacerbate the problem of adverse selection by creating incentives for people to delay signing up for coverage until they get sick.**

Medi-Cal: Capping Coverage for Seniors, Children, Adults, and People with Disabilities

The AHCA radically restructures Medicaid financing and effectively rolls back the ACA's Medicaid expansion, cutting $880 billion over the next ten years. By 2026, the annual cut in federal spending would rise to $155 billion, a 25 percent cut. As a result, the number of Medicaid beneficiaries would fall by 14 million in 2026.[8] Most of those losing Medicaid would likely end up uninsured because they would not have access to affordable coverage. Medi-Cal covers 14.1 million Californians, over one-third of our state, with four million adults of that figure enrolled in Medi-Cal through the Medicaid expansion.

- **California already has one of the lowest per capita costs of any Medicaid program in the nation**, and there are few opportunities for additional efficiencies or savings. Any additional costs to the state would force cuts to eligibility, benefits (such as adult dental and in-home supportive service/IHSS), and provider rates, which are already among the lowest in the nation.
- **Ending the Medicaid expansion results in California losing $22 billion in federal funding by 2027**[9]: The AHCA effectively ends the Medicaid expansion by phasing out the expansion's enhanced funding that has allowed California to enroll over four million low-income adults who were previously ineligible. **This change alone would cost California over $15 billion a year out of a $100 billion Medi-Cal budget** ($66 billion of which is federal dollars) in current dollars and $22 billion by the year 2027 unless the State of California finds another $8-$10 billion to draw down the reduced federal dollars.[10] These funding cuts will force California to end the expansion, or otherwise leave millions of low-income Californians uninsured.
- **Medicaid funding caps would result in deeper cuts:** The House Republican proposal radically restructures the Medicaid program by capping federal funding, which would undo the federal commitment to match state funding dollar-for-dollar and result in deeper cuts to Medi-Cal. The CBO estimates that Medicaid funding caps, coupled with elimination of the expansion, will reduce federal Medicaid spending by 25 percent. As a result, California will lose tens of billions of federal support for Medi-Cal into the future.

- **Per capita cap does not account for increasing health care costs or public health emergencies:** Today, the federal government matches every dollar California spends on Medi-Cal. The House Republican proposal undoes the guarantee of federal funding by capping federal funding per beneficiary, and the state would be responsible for all costs above that per-beneficiary cap. A per-capita cap would not be sufficient to cover an aging population, medical inflation, or public health emergencies:
    - As the number of people over age 80 increases, California would still get the same per person amount---even though people over age 80 need more long-term care, which costs more.
    - If we have an epidemic like Zika, or if a new drug like Sovaldi got introduced that cost $84,000, or if EpiPen hiked its prices to over $600 per pen, California would still get the same amount per person—no matter how much the cost of health care climbs.

Medi-Cal: Eligibility Changes Make it Harder for Vulnerable People to Get Coverage

The House Republican proposal also imposes draconian requirements for Medicaid eligibility and permits severe cuts in benefits. These changes would cut Medicaid spending by an additional $19 billion nationally over ten years.[11] The AHCA would:

- **Require Medi-Cal Expansion Adults to Renew Every 6 Months:** States currently redetermine eligibility for expansion adults once a year, and Medi-Cal beneficiaries are already required to immediately report changes that affect their eligibility, such as changes in their income. **Requiring people to renew twice a year will lead eligible people to lose coverage or experience gaps in coverage** because they moved or missed paperwork. This provision would also **speed up repeal of the ACA's Medicaid expansion** because starting in 2020, states would no longer receive enhanced federal matching funds for people enrolling in the expansion who have been off Medicaid for one month or more.
- **Ends Presumptive Eligibility for Expansion Adults, Jeopardizing Hospital Care for Most Vulnerable:** Presumptive eligibility is a process that allows people to quickly enroll in Medi-Cal at a hospital or other safety net provider based on basic income information, and allows then to submit a complete application later. Without this rule, many will go without care because they cannot afford the costs of hospital care, increasing medical bankruptcies.
- **Increases Medical Debt for Most Vulnerable by Eliminating Periods of Retroactive Eligibility:** Medi-Cal currently allows beneficiaries to submit claims for up to 3 months prior to when they applied if the applicant would have been eligible those months. Retroactive Eligibility is an important tool to fight medical debt for people who apply during or after a hospitalization, helping to cover costs they would have been eligible for within the retroactive eligibility period—for both the patient and the hospital.
- **Eliminates the requirement to cover mental health and substance abuse treatment in the Medi-Cal program by eliminating the requirement that Medicaid cover "essential health benefits":** One of the major improvements of the ACA for the Medicaid program was adding coverage of comprehensive mental health and substance abuse treatment. Before the ACA, Medi-Cal generally covered mental health and substance abuse treatment only for the most seriously ill, not for people whose lives could be turned around with earlier interventions.

Reducing Coverage and Care for Low- and Moderate-Income People to Fund a Massive Tax Break for the Wealthiest and the Health Industry

The House Republican proposal repeals a long list of taxes on the affluent and the health care industry, benefitting those with incomes above $200,000 and drug companies, health insurers and other parts of the health care industry while taking away benefits from millions of people.[12] It even makes the point by removing an ACA-imposed cap on the tax deductibility of compensation of more than $500,000 for health insurance executives—while at the same time cutting tax credits for low-income consumers.

Danger for Medicare

The revenues and reforms in the ACA extended the life and solvency of the Medicare program—repealing the ACA Medicare taxes on the affluent would negatively impact Medicare's financial underpinnings. This funding cut sets up a future effort to undo the Medicare guarantee and change the program to a voucher system, as HHS Secretary Tom Price has proposed, reducing benefits and increasing costs.

The proposal will also directly impact the millions of seniors and persons with disabilities who rely on Medi-Cal as well as Medicare because of the Medicaid cuts and caps.

For the ACA and the health system as a whole, we should keep what works like covering the benefits people need and fix what needs fixing, including lowering copays and providing consumers with more help paying for premiums. The House Republican proposal does the opposite. It funds a massive tax break for the wealthiest people and drug and insurance companies by stripping coverage from millions of people and driving up health care costs.

About Health Access California

Health Access California is the statewide health care consumer advocacy coalition, advocating for the goal of quality, affordable health care for all Californians. Health Access represents consumers in the legislature, at administrative and regulatory agencies, in the media, and in other public forums. For more information, please visit www.health-access.org.

Endnotes

[1] Congressional Budget Office, American Health Care Act Cost Estimate, March 13, 2017.
[2] Center on Budget and Policy Priorities, CBO: 24 Million People Would Lose Coverage Under House Republican Health Plan, March 14, 2017.
[3] Covered California, Active Member Profile (June 2016).
[4] Covered California, Income Guidelines Use Through March 2017, September 2016
[5] Kaiser Family Foundation, How Affordable Care Act Repeal and Replace Plans Might Shift Health Insurance Tax Credits, March 1, 2017.
[6] Congressional Budget Office, American Health Care Act Cost Estimate, March 13, 2017.
[7] Covered California: http://hbex.coveredca.com/pdfs/Bringing_Health_Care_Coverage_Within_Reach.pdf
[8] Supra, note 2.
[9] Medi-Cal Expansion under the AHCA, UC Berkeley Labor Center, forthcoming March 2017
[10] Governor's Budget Summary 2017-18, p. 53: $18.9 billion total funds in 2017-18 for the 4.1 million Californians in the "optional" Medi-Cal expansion. Estimate of loss of $15 billion assumes state general fund spending of $1.9 billion, 10% of total spending under ACA with 50%FMAP of $1.9 billion for total spending of $3.4 billion.
[11] Supra, note 1.
[12] Ibid.