

Understanding the Serious Flaws in the American Health Care Act

Republican leaders in Congress are rapidly moving a bill that would repeal the Affordable Care Act. The American Health Care Act (AHCA) would dramatically change America's health care system.

What are these changes? What effects would they have? When do we expect Congress to vote on these measures? Below is a brief description of some of the major pieces.

Medicaid

1. Eliminates the Medicaid expansion, putting 11 million people's health care in jeopardy.

Because of the Affordable Care Act (ACA), 31 states and D.C. expanded Medicaid for individuals up to 138% of the federal poverty line. Medicaid is a public health insurance program that provides health coverage to low-income families, children, pregnant women, seniors, and persons with disabilities. The federal government paid at least 90 percent of the cost of covering these new Medicaid enrollees. Under the AHCA, states could continue to offer Medicaid to people below 138% of the poverty line, but the federal government would no longer pay 90 percent of the cost for new enrollees after 2020. Instead, states will have to pay up to five times as much for each new enrollee. Moreover, the number of people covered under the Medicaid expansion will drop dramatically. Most people cycle on and off Medicaid so the state will be left with an enormous cost burden to continue to pay for covering this population. Finally, seven states have laws that automatically trigger ending or winding down the Medicaid expansion if the federal matching rate decreases or require the state to act to prevent an increase in state Medicaid costs.

2. Caps federal funding for Medicaid, dramatically cutting the program over time, shifting billions of dollars onto the states. The new AHCA institutes a per capita cap on Medicaid, meaning the federal government pays a fixed amount to each state based on the number of Medicaid participants. This breaks the link between federal funding and the cost of Medicaid. The cap amount would increase at a slower rate than health care costs are rising, forcing the state to cover the difference. **If there's an outbreak or epidemic, causing an unanticipated spike in health care costs, federal Medicaid funding would not increase automatically as it does now. States would be left holding the bag for any additional costs above the initial cap amount.** States would have to find funds from other sources—like education and public safety—or cut benefits, kick people off the program, or cut provider payments. Furthermore, a per capita cap leaves Medicaid vulnerable to additional cuts in the future since it's no longer linked to the cost of providing health care and Congress could simply ratchet down the cap amount.

Total Medicaid cuts: \$880 billion over ten years.

Individual Market

1. **Ends the individual mandate and instills a new one that benefits insurance companies, likely making quality health care unaffordable and inaccessible for many, especially those with pre-existing conditions.** The Affordable Care Act required individuals to have health insurance or face a penalty tax. The individual mandate brought more people into the insurance marketplace, particularly younger and healthier individuals. This broader risk pool spreads the risk and enables lower costs. The new AHCA eliminates the individual mandate and instead instills a continuous coverage requirement. If your coverage lapses for two months or more, then insurance companies can increase your premiums by 30%. This is likely to lock people out of the insurance market, especially healthier and younger individuals. **It's estimated that repealing the individual mandate would cause premiums to go up by 20% by 2018.**
2. **Dismantles financial assistance for premiums and cost sharing for low-income families.** The new AHCA replaces the current financial assistance for premiums and cost sharing with pretty skimpy tax benefits that range from \$2,000 per year for younger individuals to \$4,000 a year for older adults. **For many people, this small tax benefit is far below their yearly health care costs.** Moreover, lower-income individuals or people with higher premiums do not get more assistance. In fact, couple making \$150,000 a year gets the same assistance as a couple earning \$20,000 a year.
3. **Promotes Health Savings Accounts in ways that skew towards benefiting people who are wealthy.** The new AHCA expands Health Savings Accounts (HSAs), loosening restrictions on the amount of money people can save tax free in these accounts. However, this benefit skews towards the wealthy. **For families living paycheck to paycheck, the financial assistance provided in the new AHCA is so insufficient that most will struggle just to afford the premiums to pay for the plans they have.** They won't have anything left to put into an HSA.

Legislative Outlook

Congressional leaders and President Trump are determined to move this bill very, very quickly. *Their goal is to have the bill passed into law before they leave for the April recess on Friday, April 7.*

Contact your members of Congress today. Urge them to oppose the American Health Care Act and to protect Medicaid and the Medicaid expansion.