

Health Care Reform: Where Do We Go From Here

Joe Slater, FSA, MAAA

Partner and Consulting
Actuary

Axene Health Partners

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Overview

- The Affordable Care Act
- The 2016 Election
- Republican Health Care Reform
- The American Health Care Act
- Congressional Budget Office Scoring
- Senate Republicans and Health Care Reform
- Near-Term Risks for Stakeholders
- Risks and Opportunities Under Republican HCR
- Questions and Answers

The Affordable Care Act

- The Affordable Care Act (a.k.a., the ACA and Obamacare)
- Passed in March 2010 without a single Republican vote
- The ACA's main provisions
 - Medicaid expansion to 138% of the FPL
 - Guarantee Issue and Modified Community Rating
 - Premium and Cost-Sharing subsidies based on Income
 - Individual and Employer Mandates
 - Essential Health Benefits and Metal Plans

The Affordable Care Act

- The ACA's impact
 - Significant decrease in the number of uninsured (44M to 27M nonelderly uninsured)
 - Large increase in Medicaid population (+15M; +27%)
 - Individual ACA exchanges cover approximately 11M with 85% of them getting premium and/or cost-sharing subsidies
 - Premiums have increased significantly in the Individual market (HHS: +105% since 2013 in 39 states using Healthcare.gov)
 - Many insurers who originally offered ACA-compliant plans have stopped, especially in the Individual market

The 2016 Election's Impact on Health Care Reform

- The 2016 election left Republicans with control of the House of Representatives (239-193), the Senate (52-46-2), and the Presidency
- The Senate filibuster rule means that Republicans need eight Democrats/Independents to pass legislation that is not budget-related (i.e., ACA rating rules, mandates)
- President Trump and many Republicans in both houses favor certain Obamacare provisions (e.g., guarantee issue, dependent coverage to age 26, etc.)
- There is no Republican consensus on how to repeal and replace Obamacare

Republican Health Care Reform

- Multiple proposals, multiple goals, multiple points of view
- Useful paradigm to understand the three Republican approaches to the ACA provided by Phillip Klein, Washington Examiner:
 - The **Reform** school believes that a full repeal of Obamacare is politically unlikely, but believe law can be reformed to move to a more free-market trajectory
 - The **Replace** school wants a full repeal of Obamacare, but believe that a replacement must address those covered by the ACA
 - The **Restart** school wants a full repeal of the ACA and focused efforts on reducing costs, not coverage expansion

The American Health Care Act

- First version released in early March 2017
- Major provisions of the first version:
 - Continues Medicaid expansion until 2020
 - Caps federal contributions to state Medicaid programs starting in 2020 based on the # of beneficiaries in state
 - Means-tested refundable tax credits that vary by age
 - Maintains guarantee issue, but supplements it with “continuous coverage”
 - Continuous coverage allows a 30% surcharge to enrollees that do not have maintain insurance coverage for 63 or more days. Surcharge applies for one year
 - Removal of Individual and Employer mandates

The American Health Care Act

- Freedom Caucus and all Democrats opposed the bill
- First version was withdrawn on March 24, 2017
- Second version of the AHCA was introduced in April
- Major change from first version was the inclusion of the MacArthur Amendment
 - Allows states to waive EHBs
 - Allows state to waive some community rating rules (i.e., a steeper age curve)
 - Allows states to waive guarantee issue if state starts HRP
- AHCA passed House on May 4, 2017

Congressional Budget Office Scoring

- First version of AHCA:
 - Reduce coverage by 14M in 2018 vs ACA (24M by 2026)
 - Reduce federal deficit by \$150 billion over a decade
 - Individual market premiums would decrease by roughly 10% vs ACA by 2026
- Second version AHCA:
 - Reduce coverage by 14M in 2018 vs ACA (23M by 2026)
 - Reduce federal deficit by \$119 billion over a decade
 - Premiums in Individual market would decline by 4% to 20% based on states' decisions to seek waivers
 - House may need to develop and vote on a third version

Congressional Budget Office Scoring

- Criticisms of CBO scoring:
 - CBO's ACA-related enrollment estimates have been consistently incorrect (estimated 21M would enroll in ACA exchanges in 2016, actually only 10M)
 - Baseline CBO estimate is used as comparison for AHCA and is assumed by some policy wonks to be off by 7 to 10M
 - CBO severely over-estimates impact of Individual Mandate (16M impact of IM in ACA, removing IM 14M)
 - CBO scoring does not include an estimate of how cuts in spending and taxes results strengthens the economy

Senate Republicans and Health Care Reform

- AHCA is very unpopular in Senate
- Moderate Republican senators (e.g., Collins, Cassidy, Alexander, etc.) are distressed by CBO's score and loss of coverage for 23M
- Working group of thirteen Republican senators is developing Senate's version of ACA-replacement
- Vote isn't expected until late June at the earliest, best estimate is in August
- House and Senate bills will then be merged in conference after that

Near-Term Risks for Stakeholders

- Cost Sharing Subsidies (CSRs)
 - Part of US House v Burwell/Price
 - Currently no appropriation for these in 2018
 - Carriers leaving markets or seeking higher rate increase (Anthem in OH, BCBSNC 22.9% vs 8.8%)
- ACA Insurer Tax
 - Suspended in 2017, reinstated in 2018
- Large Losses in Individual Market for Many Carriers
 - Risk pool is heavy on the subsidized and older/sicker
 - Large rate increases lead to uncertainty (in some cases)
 - Carriers are leaving many markets (UHC, Aetna, Humana)

Risks and Opportunities Under Republican Health Care Reform

- Could Attract Better Risks to Individual Pools and Lower Costs
 - Reinsurance/State High Risk Pools
 - Steeper Age Slopes
 - Age-Based Tax Credits
 - Continuous Coverage
- Subsidize High Risk Individuals Outside of Individual Market
- Repeal of ACA Taxes Could Boost Economy
- Greater State Flexibility Could Lead to Medicaid Reform

Questions and Answers
