Health Care Reform: Where Do We Go From Here

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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