Additional background materials on the Senate Republican health repeal bill

<u>Top concerns:</u>

- **The bill includes deep cuts to Medicaid**, resulting in less access to care for vulnerable Americans, such as seniors, people with disabilities, low-income children, and people needing mental health and substance abuse treatment, **including people struggling with opioid addiction**.

- **The bill ends Medicaid as we know it by getting** the federal government out of Medicaid policy. As a result, states would be on the hook to pay more for vulnerable Americans on Medicaid and states would dictate who receives care.

- **Women's health is at risk:** The bill defunds Planned Parenthood, makes essential care optional for services such as maternity, contraceptives, and mammograms. Plans including abortion services are ineligible for tax credits, so no plans in CA or NY would be eligible.

- **Seniors on the individual market will pay much more for worse plans.** Insurers will be able to charge seniors five times more for health care. Older people who earn between $36,640 and $41,580 would have to pay higher premiums (16% of their income before receiving a tax credit). Many Americans would now pay higher out of pocket expenses.

- **Essential health benefits**—like emergency services, doctor visits, hospitalization, prescription drugs, maternity coverage, mental health and substance abuse treatment, prevention services, pediatric dental and vision, laboratory services, rehabilitative services, and prescriptions—**will be optional for states, meaning those with the greatest need for care may not get it.**

Analysis and summary of Senate bill

- **Medicaid changes**
  - **California is expected to lose a significant amount of funding- likely at least as much as their previous estimate of $24 billion annually.**
  - Changes the funding structure to a fixed amount per beneficiary- limiting federal funding to a set formula that will **result in cuts** starting in FY2020.
  - Medicaid expansion funding phased out over three years starting in 2021.
  - States may also block grant Medicaid, with even less funding than the new capped allotment.
  - Imposes restrictions on using provider taxes to finance Medicaid, which California (and nearly every other state) utilizes.
    - Reduces the ability for states to use provider taxes to finance the state's Medicaid match.
  - Provides an additional $10 billion for states that did not expand Medicaid.

- **Medical loss ratio- how much insurers have to spend on medical care**
  - Eliminates the current standard that insurers have to spend at least 80-85% of premiums on medical care. States may have a requirement, but the federal standard is repealed.

- **Individual mandate and employer mandate**
  - Strikes the individual mandate to have coverage
    - Insurers shall impose a 6-month waiting period for people who cannot show they were continuously covered in the previous 12 months.
  - Strikes the employer mandate to offer coverage

- **Women's health, including: maternity care, contraception coverage, Planned Parenthood funding, and any restrictions on plans based on if they include coverage for abortion services**
    - One year **block on Planned Parenthood funding**.
    - **No plans that cover abortion services are eligible-** so no one in California or New York can use the tax credit subsidy because all plans have this coverage in the state.
    - Small business tax credits for health coverage cannot be used for plans that include abortion coverage.
    - Federal essential health benefit protections are eliminated, so services such as maternity care, contraceptive coverage, and mammograms are optional based on state action.
- **Individual market**
    - Tax credit subsidies are provided from 0-350% of poverty (upper limit of $41,580 for an individual). Current law is 100-400% (upper limit of $47,560 for an individual). **This creates an even larger cliff.** Starts in 2020.
        - Tax credit subsidies are based on plans with an actuarial value of 58%, meaning people will have higher out of pocket costs. (Current subsidies are tied to Silver plans with a 70% actuarial value)
        - **Older people pay a greater percentage of their income-** the highest being for people over the age of 59 who are 300-350% of the poverty level paying **16.2% of their income** on premiums.
        - Younger people pay a lower percentage of their income**-** for example, a 28-year-old making 300-350% of the poverty level would pay 6.4% of their income on premiums.
    - No one with an offer of employer-sponsored coverage is eligible for the tax credit subsidies, <u>even if the employer coverage is unaffordable</u>. Under current law, if employer coverage is more than 9.66% of income, that person may qualify for assistance through the exchanges.
    - Lawfully present immigrants would now have a 5-year waiting period to be eligible for the tax credits.

    - $50 billion is provided for insurers to apply for to help with market stabilization.
    - $62 billion is provided for states to apply for to pay for health services or high risk pools for expensive patients.
    - **No plans that cover abortion services are eligible**- no one in California or New York can use the tax credit subsidy because all plans have this coverage in these states.
    - **Insurers can charge older people five times more based on age**. Current law allows charging three times more.
    - **The payments to insurers that reduce copays for 7 million people are provided through 2019.** The requirement to reduce copays for low-income people, and the federal payments to insurers to support this **are repealed after that time.**

- **Preexisting conditions**
    - People with preexisting conditions may still purchase coverage, but without essential health benefits that coverage may not include the care they need. (see next bullet point)

- **Essential health benefits**
    - The requirement that plans include the following ten categories of essential care becomes a state option.
        - Prescription drugs
        - Maternity care
        - Substance use disorder and mental health services
        - Rehabilitative services
        - Pediatric services (oral and vision)
        - Laboratory services
        - Emergency services
        - Ambulatory patient services (doctor visits)
        - Preventative care (including mammograms and contraception)
        - Hospitalization
    - This means insurers can drop coverage such as maternity care and mental health services (or any other categories listed above). They could also carve out other types of expensive care, such as cancer treatment.

    - This will also impact employer-sponsored coverage as well because the ban on yearly and lifetime limits is tied to essential health benefits. Insurers can impose limits on coverage not listed as essential.

- **Substance abuse treatment (including opioids)**
    - The **greatest impact on individuals needing treatment are the cuts to Medicaid and the elimination of essential health benefits**, such as mental health and substance abuse treatment. These treatments are no longer required in all states starting in 2020, and states may choose to waive essential health benefits earlier. States may also require certain benefits to be covered for individual market plans in their state.

    - Includes $2 billion in 2018 in funding to help address the opioid crisis (Senators Portman and Capito requested $45 billion over 10 years).

    - Lifts the 16 bed cap, known as the Institutions of Mental Disease (IMD) Exclusion, which prohibits substance abuse facilities with more than 16 beds from receiving patients with Medicaid coverage. Instead, the draft bill allows these facilities to provide 30 consecutive days of care three times per year, per person in inpatient facilities.

      This provision only applies to substance abuse (not co-occurring disorders or mental health disorders in isolation).

- **Public health funding**
    - Repeals the Public Health and Prevention Fund, which makes up 12% of the current budget for the Centers for Disease Control and Prevention. This eliminates **$9 billion** from public health funding. California has received over $298 million from this fund for public health programs. In 2016, California received around $61.5 million from this fund.

- **Community health centers**
    - Increase of $422 million for community health center funding in 2017.

- **Small business tax credit for health insurance is eliminated after 2019**

- **Health Savings Accounts**
  Health savings accounts are often referred to by Republicans as an alternative to having comprehensive health insurance, but this is very problematic for low- and middle-income families that can't afford to put extra money aside to benefit from tax-free health savings accounts. Changes the bill makes:
    - Allows over the counter medications to be eligible for tax-free health savings accounts starting in 2017 (currently you need a prescription for drugs to be eligible).
    - Repeals the $2,500 contribution limit on health savings accounts and defers to employer limits.
    - Reduces the tax on health savings account distributions that are not for medical expenses.
    - Increases the limit for contributions to a health savings account to $6,550 for individuals/$13,100 for families.
- **Tax breaks**
    - Repeals 0.9% additional payroll tax for families with over $250,000 in income in 2023 and on.
    - Repeals 3.8% tax on investment income for families with over $250,000 in income in 2017 and on.
    - Repeals fee on health insurance providers in 2017 and on.
    - Repeals 2.3% excise tax on manufacturers and importers of medical devices in 2018 and on.
    - Repeals fee on prescription pharmaceutical manufacturers and importers in 2018 and on.
    - Delays the 40% excise tax on expensive health plans (called the "Cadillac tax") until 2026.
    - Reinstates a business tax deduction for retiree prescription drug costs.
    - Replaces the current 10% of income threshold for itemizing medical costs as tax deductible with a 7.5% threshold.
    - Repeals the tax on tanning booths effective October 1, 2017.
    - Repeals the $500,000 limitation on the deduction for health insurance company executive compensation.