CALIFORNIA HOSPITAL ASSOCIATION

Providing Leadership in Health Policy and Advocacy

American Health Care Act

UPDATED Summary of Proposed Legislation
March 10, 2017

The Ways & Means Committee and the Energy & Commerce Committee considered and favorably reported the Republican leadership's plans to partially repeal and replace the Affordable Care Act (ACA), legislation known as The American Health Care Act (AHCA). The committees voted along party lines. The nonpartisan Congressional Budget Office has yet to publish its score, so it is not certain if the bills would meet the prescribed budget savings targets or how many people would lose or gain health insurance coverage as compared to current law.

Of most significance to California's hospitals, the AHCA:

- Reduces the number of insured
- Does not eliminate Medicare market basket cuts or productivity adjustments for hospitals in the ACA
- Does not restore Medicare DSH cuts
- Does not repeal the area wage index rural floor provisions
- Significantly reduces federal spending for Medicaid by phasing out the Medicaid expansion enhanced match, reduces the annual growth rate and sets per capita caps for payments.
- Does not limit states' use of provider financing.

The AHCA's key components would:

- Remove the individual mandate and penalty.
- Incentivize continuous coverage by allowing a surcharge of up to 30 percent for those with a coverage lapse of more than 63 days.
- Create age-based refundable tax credits ranging from $2,000 to $4,000 (beginning in 2020). The credits replace the ACA's income-based subsidies. Credits for a single household would be limited to $14,000. Credits would be phased out for individuals earning at least $75,000 and families earning at least $150,000.
- Repeal essential benefit plan requirements for the Medicaid expansion population beginning December 31, 2019.
- Reinstate Medicaid DSH cuts for expansion states beginning in 2018 for 2 years. Medicaid DSH cuts for non-expansion states are repealed permanently.
- Cap Medicaid payments to states based on the number of Medicaid enrollees (a per capita cap) beginning with fiscal year 2019 Medicaid expenditures. The base year for these expenditures is 2016, and the growth rate will be based on the medical care component of the consumer price index, which is significantly lower than the current projected growth rate.
- Eliminate the enhanced Federal Medical Assistance Percentage (FMAP) for the Medicaid expansion population who enroll after 2019. "Grandfathered" expansion population enrollees (those in prior to 2020) will continue to receive the enhanced FMAP as long as they remain continuously enrolled.

1215 K Street, Suite 800, Sacramento, CA 95814 • *Telephone:* 916.443.7401 • *Facsimile:* 916.552.7596 • www.calhospital.org

Corporate Members: Hospital Council of Northern and Central California, Hospital Association of Southern California, and Hospital Association of S an Diego and Imperial Counties

- Repeal the requirement for states to allow hospitals to make presumptive eligibility determinations.
- Limit retroactive Medicaid coverage to only one month prior to the eligibility application (down from three months).
- Require expansion states to re-determine eligibility every six months beginning October 1, 2017. States receive a 5 percent FMAP increase until December 2019 to cover administrative costs.
- Defund Planned Parenthood for one year.
- Eliminate many of the ACA taxes, including but not limited to the medical device tax, the drug industry excise tax and tanning salon tax, beginning in 2018. It also delays the implementation of the "Cadillac" tax (on employer sponsored insurance health benefits) until 2025.
- Include $100 billion for state innovation grants aimed at stabilizing the individual market over 10 years. States could use this money to create reinsurance programs or high-risk pools to cover the costs of the sickest, most expensive customers.
- Allow insurers to charge older customers more, while dropping costs for younger customers. Currently, insurers can charge their oldest customers no more than three times as much as younger enrollees. The bill allows that to increase to a five-to-one ratio.