



## **Federal Health Update May 5, 2017**

Given yesterday's House adoption of the American Health Care Act (HR 1628), this summary outlines key provisions affecting counties, the key amendments added to garner conservative GOP votes, and an initial review of what might occur now that the bill has been sent to the Senate.

The bill passed with 217-213. All Democrats voted against the measure. Twenty Republicans voted 'no,' with 14 of them from congressional districts carried by Hillary Clinton.

Three amendments were added to the bill one day before the vote:

- One amendment would give states wide latitude in allowing health insurers to sell plans that do not contain all of the ten essential health benefits required of ACA plans. Those benefits include maternity care, substance use and mental health treatment, and prescription drugs. GOP members argue that individuals should not be required to pay for services they do not think they will use. ACA supporters argue that a multiplicity of plans create the incentive to purchase inexpensive, bare bones coverage, with unanticipated health needs then not covered.
- The second amendment would allow states request a waiver from HHS to approve insurance plans in their states to charge higher premiums for persons with chronic and costly conditions such as cancer. HHS would have 60 days to respond and states could proceed if there was no feedback from HHS. By eliminating or greatly weakening community rating, GOP members argue that premiums will decrease for many individuals (mainly younger individuals) and a high risk pool would be created and partially funded by the federal government to help pay for sicker individuals. Those pools, however, have been woefully underfunded in the past, according to most independent analysts, and the amendment is viewed by ACA supporters as a backdoor way for the GOP to claim that no one with a pre-existing condition will be denied health insurance.
- The third amendment would add \$8 billion over five years to fund high-risk pools to help persons with pre-existing conditions afford health insurance. Those funds were added to the \$115 billion already available to states to explore delivery innovations. It appears that the entire fund would now be used by states for high-risk pools if they chose to eliminate community rating.

The underlying bill would remain, including eliminating the Medicaid expansion for 31 states, turning it into a per capita cap and other provisions making it more difficult to enroll and maintain individuals on Medicaid.

In addition to the most recent amendments, the underlying AHCA would:

- end the enhanced 95% federal match for the 31 Medicaid expansion states on January 1, 2020;
- place a per capita cap on federal Medicaid spending on October 1, 2019;
  - rates would be set for each state, given their per-person spending on different groups of Medicaid beneficiaries, including women and children, persons with disabilities and those in long term care.
  - those spending rates would be allowed to grow with inflation, although not as fast as what medical costs are anticipated to grow.
  - the cap would not account for the costs of new costly drugs or treatment.
  - the cap would also lock states with lower provider payment rates and/or aggressive use of managed care into low per-capita payments compared to other states still operating under fee for service models.
- give states the option to choose a Medicaid block grant instead of a per-capita cap providing more flexibility in administering the program;\
- make a number of administrative changes to Medicaid to make it more difficult to maintain coverage, (e.g., re-determine eligibility for Medicaid expansion enrollees every six months);
- eliminate the enhanced six percentage point increase in the normal federal match some states use under the Community First Choice Option to provide supportive services in the home;
- give states the option to require work or other activities to receive Medicaid benefits, fashioned along the terms under TANF; and,
- repeal the Prevention and Public Health Fund used by the state and local public health departments to reduce infectious disease and respond to other public health issues.

The Congressional Budget Office (CBO) estimates that the federal contribution to Medicaid will be cut by 25 percent, with a federal savings of \$880 billion over ten years. Additionally, compared to what would occur under the ACA, there would be 17 percent fewer individuals on Medicaid, mainly due to the loss of Medicaid expansion funds. All told, 24 million individuals would lose coverage under the AHCA.

Remarkably, the CBO did not complete its estimate of the costs or impact on the uninsured rate before the House passed its newly-amended bill. The GOP leadership was pressing for a

legislative 'win' for President Trump. House Republican leaders also wanted to demonstrate that its caucus was able to deliver on a seven year campaign promise to end Obamacare.

### **The Senate**

Action now moves to the Senate. With only 52 Republicans, Senate GOP leaders cannot afford to lose more than two Senators in order to pass an Affordable Care Act repeal bill. Consequently, they have announced that they will be more deliberate in drafting a bill and the bill may differ greatly from the House-passed measure.

Over the past few months a number of Republican Senators have expressed concerns about the House bill, including concerns expressed about the end of Medicaid expansion funds by Sens. Cotton (AR) Gardner (CO) Heller (NV) Portman (OH), and Capito (WV); the defunding of Planned Parenthood and the changes to pre-existing conditions (Sens. Murkowski (AK), Collins (ME)); other general concerns (Sen. Cassidy (LA)); and opposition to the AHCA because it did not go far enough in dismantling the Affordable Care Act (Sens. Paul (KY) and Lee (UT)).

The concerns of the members above indicate that there will need to be a number of compromises. It does not, however, indicate that members would object to significant changes to Medicaid. Some have indicated that they want 'modifications' to the House approach.

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