Bernie Lowe & Associates, Inc.
"Beyond the Product"

# Health Care Reform Update

## IMPORTANT NOTICE REGARDING HEALTHCARE REFORM

**Update #69** **June, 2017**

## Senate Releases the Better Care Reconciliation Act of 2017

Senate Republicans released the draft version of the Better Care Reconciliation Act of 2017 late last week. This is the Senate version of the American Health Care Act (AHCA), aimed at repealing and replacing the Affordable Care Act (ACA). Below is a summary of what major changes the Senate would make to the House-passed bill; a more comprehensive analysis will be available, including the fiscal effects, when the Congressional Budget Office (CBO) scores the bill this week.

| ACA SUMMARY Current Law | BETTER CARE RECONCILIATION ACT OF 2017 (SENATE VERSION) | AMERICAN HEALTH CARE ACT (HOUSE VERSION) |
|---|---|---|
| **Date** | | |
| March 23, 2010 | Discussion draft proposed in Senate June 22, 2017 | Passed by the House of Representatives on May 4, 2017 |
| **General Provision Overview** | | |
| • Require most U.S. citizens and legal residents to have health insurance.<br>• Create state-based health insurance exchanges through which individuals and small businesses can compare plans, apply for financial assistance, purchase coverage.<br>• Provide refundable premium tax credits, based on income and cost of coverage, for individuals/families with income between 100-400% of the federal poverty level.<br>• Impose new insurance market regulations, including requiring guaranteed issue of all non-group health plans during annual open enrollment and special enrollment periods; limiting rating variation to 4 factors: age (3 to 1 ratio), geographic rating area, family composition, and | • Repeal ACA mandates (2016), and cost sharing subsidies (2020).<br>• Modify ACA premium tax credits starting in 2020. Extend eligibility to individuals with income under 100% FPL, end eligibility for income above 350% FPL. Tie subsidy level to a less expensive benchmark plan with 58% actuarial value (AV) and change required individual contributions at income levels above 150% FPL so younger people pay less toward subsidized coverage and older adults pay more.<br>• Retain private market rules, including requirement to guarantee issue coverage, set premiums based on modified community rating, prohibition on pre-existing condition exclusions, requirement to | • Repeal ACA mandates (2016), standards for health plan actuarial values (2020), and, premium and cost sharing subsidies (2020).<br>• Modify ACA premium tax credits for 2018-2019 to increase amount for younger adults and reduce for older adults, allow tax credits to apply to coverage sold outside of exchanges and to catastrophic policies. In 2020, replace ACA income-based tax credits with flat tax credits adjusted for age. Eligibility for new tax credits phases out at income levels between $75,000 and $115,000<br>• Retain private market rules, including requirement to guarantee issue coverage, prohibition on pre-existing condition exclusions, requirement to extend dependent coverage to age 26. Modify age rating limit to permit variation of 5:1, unless |

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| tobacco use (1.5 to 1 ratio); prohibiting pre-existing condition exclusion periods; prohibiting lifetime and annual limits on coverage; and extending dependent coverage to age 26.<br><br>• Require ten essential health benefits be covered by all individual and small group health insurance<br><br>• Require plans to provide no-cost preventive benefits and limit annual cost-sharing.<br><br>• Expand Medicaid to 138% of the federal poverty level at state option and require a single, streamlined application for tax credits, Medicaid, and CHIP.<br><br>• Extend CHIP funding to 2015 and increase the match rate by 23 percentage points up to 100%.<br><br>• Close the Medicare Part D doughnut hole and enhance coverage of preventive benefits in Medicare.<br><br>• Reduce Medicare spending by reducing payments for Medicare Advantage plans, hospitals, and other providers.<br><br>• Establish the Independent Payment Advisory Board and the | extend dependent coverage to age 26. Modify age rating limit to permit variation of 5:1, unless states adopt different ratios, effective 2019. Retain essential health benefits requirement, although bill makes it easier for states to waive it.<br><br>• Create new association health plan option for small employers (called "small business health plans") established in the large group market where community rating and essential health benefits requirements do not apply.<br><br>• Retain health insurance marketplaces, annual Open Enrollment periods (OE), and special enrollment periods (SEPs).<br><br>• Establish State Stability and Innovation Program with federal funding of $112 billion over 9 years. Program divided into short-term and long-term funding. Short-term funding of $50 billion, to be used for reinsurance program for calendar years 2018-2021, administered by CMS. Insurers in every state are eligible to participate. Long-term program with funding of $62 billion from 2019-2026 is available for states to use for 4 purposes (state reinsurance programs, high-risk | states adopt different ratios, effective 2018. Retain prohibition on health status rating with state option to waive for individual market applicants who have not maintained continuous coverage.<br><br>• Retain health insurance marketplaces, annual Open Enrollment periods (OE), and special enrollment periods (SEPs).<br><br>• Impose late enrollment penalty for people who don't stay continuously covered.<br><br>• Establish Patient and State Stability Fund with federal funding of $115 billion over 9 years available to all states, and additional funding of $8 billion over 5 years for states that elect community rating waivers. States may use funds to provide financial help to high-risk individuals, promote access to preventive services, provide cost sharing subsidies, and for other purposes. In 2020, $15 billion of funds shall be used only for services related to maternity coverage and newborn care, and mental health and substance use disorders. [For 2018-2026, a further $15 billion is allocated through the fund for Federal Invisible Risk Sharing Program (reinsurance). This program is established as part of the fund, though administered by CMS to make payments directly to health |

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| Center for Medicare and Medicaid Innovation (CMMI). | pools, cost sharing subsidies, and direct payments to providers), though a minimum portion of total funding must be used for reinsurance. State matching funding is required for long-term program beginning in 2022.<br><br>• Encourage use of Health Savings Accounts by increasing annual tax free contribution limit and through other changes.<br><br>• Phase out enhanced FMAP for Medicaid expansion to states that adopted the expansion as of March 1, 2017 from 90% in 2020 to traditional state match by 2024.<br><br>• Convert federal Medicaid funding to a per capita allotment and limit growth in federal Medicaid spending beginning in 2020. State per enrollee amounts for 5 groups would increase at a rate of medical CPI for children and adults and medical CPI plus one percentage point for the elderly and disabled for 2020 – 2024 and then by CPI-U for 2025 and beyond; provide state option to receive a block grant for certain adults.<br><br>• Add state option to require work as a condition of eligibility for nonelderly Medicaid adults who are not disabled or pregnant. | insurers.] In states that don't successfully apply for grants, funds will be used for reinsurance program.<br><br>• Repeal funding for Prevention and Public Health Fund at the end of Fiscal Year 2018 and rescind any unobligated funds remaining at the end of FY2018. Provide supplemental funding for community health centers of $422 million for FY 2017<br><br>• Encourage use of Health Savings Accounts by increasing annual tax free contribution limit and through other changes<br><br>• Limit enhanced FMAP for Medicaid expansion to states that adopted the expansion as of March 1, 2017, and sunset enhanced FMAP for those states as of January 1, 2020 except for those enrolled as of December 31, 2019 who do not have a break in eligibility of more than 1 month<br><br>• Convert federal Medicaid funding to a per capita allotment and limit growth beginning in 2020 using 2016 as a base year; provide state option to receive a block grant for non-expansion adults and children or only non-expansion adults.<br><br>• Add state option to require work as a condition of eligibility for |

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| | • Prohibit federal Medicaid funding for Planned Parenthood clinics for one year.<br>• Appropriate $2 billion for FY 2018 for grants to states to support substance use disorder treatment and recovery support services. Eliminate funding for Prevention and Public Health Fund. Provide supplemental funding for community health centers of $422 million for FY 2017.<br>• No change to Medicare benefit enhancements or provider/Medicare Advantage plan payment savings.<br>• Repeal Medicare HI tax increase and other ACA revenue provisions. | nondisabled, nonelderly, nonpregnant Medicaid adults.<br>• Prohibit Medicaid funding for Planned Parenthood clinics.<br>• No change to Medicare benefit enhancements or provider/Medicare Advantage plan payment savings.<br>• Repeal Medicare HI tax increase and other ACA revenue provisions. |

Links to the full draft versions of the proposed bills:

The draft version of the Better Care Reconciliation Act of 2017
The draft version of the American Health Care Act (AHCA)