



California Pan-Ethnic Health Network

May 2017

## The Republican ACA Repeal Plan Will be Devastating for California

The House and Senate Republicans are fast-tracking a bill that would repeal the ACA and strip health care away from as many as **24 million Americans including millions of Californians**.<sup>1</sup> The new plan, the “American Health Care Act” (AHCA) will be devastating to the health of California seniors, children and communities of color. The ACA helped reduce the state’s uninsured rate from 17 percent in 2013 to about 7 percent in 2016.<sup>2</sup> Communities of color, the majority of the newly insured under Affordable Care Act (ACA), will be most negatively impacted by the Republican plan. Prior to the ACA communities of color, who made up just over half of all residents, were three-quarters (74%) of California’s uninsured. The ACA significantly helped to close the coverage gap, cutting uninsurance rates by more than half for Asian Americans and African Americans between 2013 and 2015 and reducing rates for Latinos at slightly lower rates.<sup>3</sup> These proposed changes could happen *as early as 2017*.

**Medi-Cal:** The AHCA slashes Medicaid funding by \$880 billion nationally threatening not only the health of 3.7 million Medicaid expansion adults who are projected to lose coverage but everyone else who depends on the program for their basic health care needs. Specifically, the AHCA:

- **Repeals the current Medi-Cal expansion** by 2019. Current enrollees would be allowed to keep their Medi-Cal but only if they do not have a break in eligibility for more than one month effective 2020. After that date, these individuals could still apply for coverage but the state would have to pay a larger share of the cost of care, a disincentive for states to continue to provide this coverage. A recent report estimates California would need to spend an additional \$10 billion annually by 2027 to maintain this coverage.<sup>4</sup> **As a result 3.7 million adults (2.3 million people of color) in California will be at risk of losing their comprehensive health care coverage.**
- **Institutes Drastic Cuts to Medi-Cal** by moving states including California to a **per-capita cap or a block grant financing** system which would limit federal spending for all Medi-Cal enrollees (including expansion adults). These types of financing structures eliminate entitlement protections and decrease the federal share of funding over time thus limiting the flexibility of states to expand the program to new populations or to respond to changes in health care costs due to unforeseen factors such as higher prescription drug costs, increases in the prevalence of chronic disease or the adoption of new health care technology. Additionally, the AHCA carves out certain populations including American Indians from the per-capita-cap structure, leaving states to decide how they will reimburse tribal eligible and Indian Health Services funded facilities for the critical services they provide. **A many as 14 million Medi-Cal individuals (9.3 million people of color), including pregnant women and children, seniors and persons with disabilities will be at risk of losing their coverage, or facing significant reductions in services** if the Republican’s plan to restructure the Medicaid program is approved.
- **Authorizes Work Requirements:** A late-night deal between Republicans and hardliners would provide states the option to require Medicaid recipients to work for their benefits, an effective and

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<sup>1</sup> Congressional Budget Office Cost Estimate, March 13, 2017: <https://assets.documentcloud.org/documents/3516452/CBO-Health-Care-Cost-Estimates.pdf>

<sup>2</sup> “Federal Health Care Reform Generated Broad Coverage Gains Through 2015,” but These Gains Are Now in Jeopardy”. November 2016. Center on Budget & Policy Priorities. <http://calbudgetcenter.org/resources/federal-health-care-reform-generated-broad-coverage-gains-2015gains-now-jeopardy/>

<sup>3</sup> Ibid

<sup>4</sup> Lucia, Laurel; Jacobs, Ken; and Bindman, Andrew, “Medi-Cal Expansion Under AHCA: Severe Coverage and Funding Loss unless State Backfills Billions in Federal Cuts,” UC Berkeley Labor Center, March 2017. <http://laborcenter.berkeley.edu/medi-cal-expansion-under-ahca/>

punitive proposal as more than half of Medi-Cal adults in California are working or actively looking for work.<sup>5</sup>

- **Eliminates Essential Health Benefits requirements in Medi-Cal**, removing the protection and subsequent federal funding that helps to ensure Medi-Cal enrollees can access a broad range of health care services, *including mental health, substance use disorder, and preventive services*.
- **Creates additional eligibility and enrollment barriers for Medi-Cal recipients** making it even harder for beneficiaries, including lawfully present immigrants, to obtain and maintain their health care coverage including at hospitals or in emergency rooms where immediate care is needed most.

**Individual Coverage:** The AHCA will lead to higher premiums and health care costs for millions of Californians including seniors, chronically ill and low and middle income individuals who currently rely on financial assistance to help pay for their health care coverage. Specifically the AHCA:

- **Repeals ACA Cost-Sharing and Tax Credit Subsidies**, replacing income-based assistance with age adjusted tax credits that would range from \$2,000 a year for an individual under 30 to \$4,000 a year for an individual 60 years or older. The proposed tax credits are worth on average 40% less than what is currently available under the ACA, an average tax credit is \$440 a month or \$5200 per year – thousands less than what the GOP is offering.<sup>6</sup> That amount may vary as the new subsidies do not take cost changes based on age and geographic region into account. As a result, a 63 year old earning \$30,000 a year in Fresno County would see premiums double – from \$209 a month to \$436 per month according to a recent Covered California analysis.<sup>7</sup> Currently, 90% of the **1.5 million Californians enrolled in Covered California** get financial assistance based on their income to help them afford coverage.
- **Weakens Pre-Existing Condition Exclusions**, thanks to the MacArthur Amendment approved by the House on May 4<sup>th</sup> which authorizes insurers to charge higher premiums to people with pre-existing conditions (called community rating). States would be encouraged to provide separate coverage for older, sicker individuals through state run high-risk pools which according to experts on both sides of the aisle will lead to higher costs, fewer benefits, long waiting lists and rationed care. Historically, California's high-risk pool was a disaster for the state, covering just 13,000 individuals.<sup>8</sup> The program was unaffordable. Benefits were capped at \$75,000 a year or \$750,000 over a lifetime, lower than the limits of any other state's pool. An individual with a chronic condition could easily exceed that amount with just one hospitalization. A subsequent amendment introduced by Rep. Upton (R-Michigan) and co-authored by Rep. Valadao (R-Hanford), Rep. Denham (R-Turlock) and Rep. Knight (R-Lancaster), to add an additional \$8 billion in funding for these pools would not be nearly enough to cover this population.
- **Allows States to Eliminate Essential Health Benefits**, thanks to the MacArthur Amendment approved by the House on May 4<sup>th</sup>. Benefits subject to elimination could include mental health, prescription drug coverage, autism and maternity care. Eliminating these benefits effectively eliminates annual out-of-pocket caps and reinstates annual and lifetime coverage limits, hurting those with the most serious illnesses, like cancer. Those with pre-existing conditions will also be

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<sup>5</sup> Lucia, Laurel; Jacobs, Ken; and Bindman, Andrew, "Medi-Cal Expansion Under AHCA: Severe Coverage and Funding Loss unless State Backfills Billions in Federal Cuts," UC Berkeley Labor Center, March 2017. <http://laborcenter.berkeley.edu/medi-cal-expansion-under-ahca/>

<sup>6</sup> "Kaiser Family Foundation Analysis: Average Health Insurance Tax Credit for Consumers Would be at Least a Third Lower under Currently Discussed Replacement Plans than the ACA," March 1, 2017: <http://kff.org/health-reform/press-release/kff-analysis-average-health-insurance-tax-credit-for-consumers-would-be-at-least-a-third-lower-under-currently-discussed-replacement-plans-than-the-aca/>

<sup>7</sup> Preliminary Analysis of Impacts to Consumers From Changes in Premium Subsidies and Cost-Sharing Reductions Available Under the Proposed American Health Care Act," Covered California, March 14, 2017 [http://hbex.coveredca.com/pdfs/Preliminary\\_Analysis\\_of\\_AHCA.pdf](http://hbex.coveredca.com/pdfs/Preliminary_Analysis_of_AHCA.pdf)

<sup>8</sup> "Few can use state high-risk pool for the uninsured," by Jordan Rau, LA Times, October 28, 2008. <http://articles.latimes.com/2008/oct/28/local/me-uninsured28>

most negatively impacted because many plans will not include these essential benefits, resulting in soaring costs for those who need them.

- **Institutes a Continuous Coverage Requirement**, starting in 2019. Enrollees in the individual market, including those with pre-existing conditions, would be required to maintain continuous coverage or pay a penalty. Individuals who go longer than 63 days without coverage would be assessed a 30% late enrollment surcharge on top of their base premiums for a full year. This penalty will more than likely be borne by older, sicker individuals who cannot afford to have their coverage lapse. Millions of healthier individuals may forgo coverage resulting in higher premiums and deductibles for everyone.
- **Expands Age Bands from 3-to-1 to 5-to-1**, forcing individuals over the age of 50 to pay more for their premiums, perhaps twice as much as they do today, while cutting income-based financial assistance for the poor and middle class to help pay for the cost of coverage. The combination of increased premiums and less financial help means many older and low-income consumers will not be able to afford coverage. The
- **Excludes Certain Immigrants from ACA Tax-Credits**, by changing ACA eligibility rules from lawfully present to qualified immigrants. This change will unjustly exclude certain immigrants who are currently eligible for subsidies under the ACA, putting at risk many who are survivors of crime, fleeing violence and persecution, and who have urgent medical needs. These individuals also include immigrants from the Federal States of Micronesia, the Republic of Palau and the Republic of the Marshall Islands, Compact of Free Association (COFA) counties that have historically provided the U.S. with unfettered use of their waters and lands for military use.
- **Guts Consumer Protections**, by eliminating Actuarial Value Calculations, or the requirement for health plans to offer access to the same benefits, the GOP proposal eliminates the current requirement that plans cover at least 60% of the cost for these services. As a result, a health plan could pay far less than what is currently required which will result in higher co-pays and deductibles for consumers and coverage that costs more overall.
- **Eliminates funds for the Prevention and Public Health Trust Fund** by 2019. The Fund provides critical resources for prevention, wellness, and public health activities to promote healthy eating and active living, tobacco control, and vaccinations. The non-partisan Congressional Budget Office estimates that direct spending will be reduced by \$9 billion over a ten year period, which means that **California could lose \$300 million in prevention funding over the next 5 years.**<sup>9</sup>
- **Eliminates funding for Planned Parenthood** -- a deliberate assault on women's reproductive freedom and many low-income and rural communities who receive many of their primary care services through Planned Parenthood clinics.

#### Financing:

- **Accelerates Tax Cuts for the Health Care Industry and Affluent Individuals:** With 24 million people projected to lose coverage, the AHCA is more of a tax reform bill than a health care bill. The AHCA repeals a long list of taxes on the health care industry including a limit on business expense deductions of health plan CEOs who make more than \$500,000 a year and wealthy individuals with incomes above \$200,000, while taking away financial assistance from millions of low and middle income Californians who would otherwise not be able to afford care. These tax cuts would be accelerated to 2017 as part of a recent manager's amendment to the bill.

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<sup>9</sup> *California Could Lose more than \$300 Million to Fight Health Epidemics over Five Years if the ACA and Prevention and Public Health Fund are Repealed*, Washington, D.C.: Trust for America's Health, 2016. Available online at: <http://tfah.org/reports/prevention-fund-state-facts-2017/release.php?stateid=CA>.

**We need you to make your voice heard TODAY!** We must save the important health care gains under the ACA and prevent vulnerable communities from losing access. Help us hold California's Congressional Representatives accountable by talking to legislators and [sharing your story](#) today!