CPEHN
California Pan-Ethnic Health Network

Going from Bad to Worse!
Revised Senate Better Care Reconciliation Act (BCRA) will Devastate Californians

July 14, 2017: Senate Republican leaders released their revised health care bill, Better Care Reconciliation Act (BCRA) on Thursday, July 13th. The bill goes from bad to worse further weakening consumer protections, including for those with pre-existing conditions, while retaining a massive $772 billion cut to the Medicaid program which will threaten coverage for millions of seniors, children and people with disabilities. The revised Senate bill continues with the elimination of the Medicaid expansion and retains the GOP's less generous subsidies for middle to low-income earners who rely on financial assistance to purchase coverage in the marketplace. These provisions will strip health care away from **22 million Americans including at least 4 million Californians, a majority communities of color.**[1] The new plan, the "Better Care Reconciliation Act" (BCRA) will be devastating to the health of California seniors, children and communities of color. Some of these proposed changes could happen *as early as 2017.*

Republicans had a chance to improve the bill but instead they chose not to, leaving the worst of the cuts in place while merely tinkering around the edges. Unfortunately BCRA is so flawed it cannot be fixed. CPEHN urges the Senate to drop this plan and start working across the aisle to come up with real solutions to ensure more people have access to quality, affordable health care coverage.

Highlights of the Revised Senate Bill, Better Care Reconciliation Act (BCRA)

Medi-Cal: The Senate's revised bill, the Better Care Reconciliation Act (BCRA) continues to slash Medicaid funding by **$772 billion** threatening not only the health of **close to 4 million** Medicaid expansion adults, but the health of all 14 million Medi-Cal enrollees including seniors, children and people with disabilities, a majority communities of color. The bill turns its back on the more than 50 year partnership between the federal government and states to cover the cost of care for our poorest residents. California could see a reduction of up to $92.4 billion in cumulative funding for the Medicaid program by 2027.[2]

- **Includes Drastic Cuts to Medicaid:** The revised plan retains a draconian proposal to cap and cut Medicaid by $772 billion over 10 years. Starting in 2025, the Senate repeal bill will make far deeper cuts of 35% to Medicaid, by dramatically slowing the growth of the per capita caps to Consumer Price Index for all urban consumers (CPI-U). The CPI-U is only projected to grow 2.4% annually, while the costs of care for non-disabled

[1] Congressional Budget Office Cost Estimate, June 26, 2017: https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/52849-hr1628senate.pdf

[2] Jennifer Kent & Mari Cantwell, "Summary and Preliminary Fiscal Analysis of the Medicaid Provisions in the Better Care Reconciliation Act," Department of Health Care Services, June 27, 2017. http://www.dhcs.ca.gov/Documents/BCRA_Impact_Memo_062717.pdf

children and adults will rise at more than twice that rate. The long-term impacts of BCRA on the Medi-Cal program go beyond the devastating impacts in the AHCA. The current proposal represents a significant shift of costs from the federal government to states resulting in nearly $3.0 billion in costs to California in 2020, increasing to $24.3 billion General Fund in 2027. **Cumulatively over the period from 2020 through 2027, the impact to California is $114.6 billion, or $92.4 billion state General Fund** threatening coverage for the 14 million Californians in the state's Medi-Cal program.

- **Eliminates the Medicaid Expansion:** The revised plan continues with repeal of the Medicaid expansion by 2024. The federal share of funding for the 3.8 million Californians (close to two-thirds communities of color) currently covered under the expansion would decrease to 90% in 2020, reverting to the traditional federal share of funding in 2024. This change alone would cost the state $12 billion by 2027 or a total of $51 billion from 2021 through 2027.

- **New! Threatens access to mental health and substance use disorder services (SUDs):** The revised BCRA continues to allow Medicaid insurers to deny coverage for essential health benefits including mental health and substance use disorder services. This provision coupled with massive cuts to Medicaid puts coverage of these services at great risk. Twelve percent of adults enrolled in Medicaid are living with substance use disorder and Medicaid covers 3 in 10 adults living with an opioid addiction. People living with substance use disorders are more likely to have mental health needs and other chronic medical conditions, and SUDs can't be treated in isolation. **The revised BCRA includes an additional $45 billion in funds for the opioid crisis**. While we applaud the inclusion of these funds, they are time limited and paltry compared to the $772 billion cut to Medicaid and the unmet need for substance use disorder services.

- **Jeopardizes Women's Health:** Under the revised BCRA, Planned Parenthood would continue to face a 1-year Medicaid funding freeze. The federal proposal restricts Medicaid, CHIP or block grant program funds from being paid to any provider who offers abortion services in addition to primary services or family planning. Planned Parenthood provides services to more than 600,000 Medi-Cal and Family PACT enrollees and receives nearly $250 million in total funding. Women's health would be jeopardized as fewer women will have less access to mammograms, birth control, and maternity care.

- **Creates additional eligibility and enrollment barriers for Medi-Cal recipients:** BCRA erects new barriers to enrollment, making it even harder for beneficiaries, to obtain and maintain their health care coverage including at hospitals or in emergency rooms where immediate care is needed most. The bill also allows states to institute new work requirements as a condition of medical care.

Prevention:

- **New! Reduces Funds for Prevention:** The revised BCRA adds $5 billion in one-time funding for public health emergencies, but continues to eliminate funds for the

Prevention and Public Fund (PPHF). While we applaud the addition of funds to respond to public health crises, the PPHF focuses on a broader set of public health priorities including vaccines and efforts to advance health equity through prevention and early detection of chronic diseases such as diabetes and asthma. The additional BCRA funding is minimal and time limited and cannot be used to reduce chronic disease or for unanticipated Medicaid costs such as the cost of new drugs and treatment or the cost of care for the aging population in Medi-Cal. California stands to lose $300 million over the next five years ($60 million a year) if the PPHF is eliminated.

Insurance Market Reforms: The BCRA **forces people to pay more for less** and 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 BCRA:

- **New! Weakens consumer protections, particularly for those with pre-existing conditions (Cruz Amendment):** A new amendment drafted by Senator Ted Cruz (R-Texas) would allow any individual to purchase a catastrophic plan in the individual market and use their tax credit subsidies to help pay for the cost of premiums. Catastrophic plans are cheaper, making them attractive for younger, healthier individuals but they provide much skimpier benefits. As a result, consumers who choose these plans will be on the hook for a much larger share of their medical expenses when they try to access their care. Allowing this type of catastrophic coverage encourages the creation of separate insurance pools, one for healthier individuals and the other for older, sicker patients who cannot afford to skimp on coverage and therefore will be forced to pay much higher premiums in order to remain insured. The end result is a further erosion of consumer protections for individuals, particularly those with pre-existing conditions.

- **Eliminates tax credit subsidies for middle-income earners and provides less generous subsidies for everyone else:**
    - Under BCRA, **individuals above 350% FPL ($42,210 a year) would lose their entire subsidy** and will end up paying much higher premiums. For everyone else, tax credits would no longer be available for the second lowest cost silver plan.
    - Because the benefits in benchmark plans under BCRA would be less generous (compare it to the current bronze plan), **deductibles would nearly triple for a Covered California enrollee** from $2,500 per year to $7,350, with a deductible for a family increasing to more than $14,700. Individuals, particularly low-income and older Californians would see dramatic increases in the cost of coverage (ie. through higher co-pays and deductibles). As a result these individuals would not purchase any plan according to the CBO. The Kaiser Family Foundation found premium costs would increase an average of 74 percent for the most popular healthcare plan, given the reduced assistance in the GOP bill.

- **Institutes a Continuous Coverage Requirement:** BCRA eliminates the individual mandate to purchase health care coverage but institutes a new continuous coverage requirement. Individuals who go longer than 63 days without coverage would be forced to wait six months before getting coverage. 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.

- **Increases costs for low-Income, older individuals:** Tax credits would still vary by age and as a result would still be much higher for older individuals. A 20-29 year old earning 0-350% FPL would only have to pay between 2-6.4% of their income towards health insurance while an individual 59 and older would be forced to pay between 2-16.2% of their income towards health insurance. By 2026, a 21 year old earning $68,200 would pay $4,100 for coverage under BCRA; a 64 year old, $20,500 according to the CBO.

- **Eliminates Cost-Sharing Reduction Subsidies (CSRs):** The ACA provides critical subsidies to a smaller subset of the population to help offset the cost of care. CSRs typically help to cover the cost of co-pays and deductibles. The federal CSR payments are currently the subject of a federal lawsuit challenging their legality. The Trump Administration has refused to say whether it will defend the CSRs and continue to pay them after May 2017 a decision which continues to cause havoc for insurers and consumers. The Republican proposal eliminates them for good.

- **New! Allows individuals to use Health Savings Accounts (HSAs) to pay for their premiums:** BRCA allows consumers to use their HSA money to help with premium payments. HSAs are bad health policy because they must be linked with high deductible health plans, and thus encourage underinsurance by shifting cost risks to consumers and essentially undercutting basic protections provided by comprehensive health plans. HSAs provide little assurance of affordable, quality health care to those with chronic illnesses, families with children, those on moderate incomes, or older Americans with more health-care needs. HSAs are additionally bad tax policy because they disproportionately benefit high-income earners and are of little to no value to low- and moderate income earners, who cannot afford to set aside money for basic necessities like housing and food, let alone money to put into HSAs.

- **New! Includes additional funds for the State Stability and Innovation Fund:** The revised BCRA **adds an additional $70 billion to the original $112 billion "State Stability" fund** to help ease the cost of caring for sicker individuals who remain in ACA plans. The funds could be used to push even more extreme policies to weaken consumer protections and drive down the cost of care. BCRA also sets aside 1 percent of the stability funds for states with costs that are 75 percent above the national average, which would benefit high-cost states like Alaska. These funds, while important, are inadequate and are not proposed to be used to boost tax credits for individuals.

- **Further restricts immigrants from accessing care:** BCRA includes a proposal to restrict lawfully present immigrants from enrolling in marketplace plans – even with their own money. BCRA also restricts tax credit subsidies to U.S. citizens and “qualified aliens” who must be verified first in order to enroll in coverage. This change will result in unnecessary delays in accessing care and coverage and the loss of coverage for many immigrants including university researchers and students, those with humanitarian statuses or circumstances, applicants for lawful permanent resident status with approved visa petitions, and others. Individuals from the Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau who work and reside in the U.S. under Compacts of Free Association (COFA) would no longer be able to buy insurance in state exchanges. These individuals pay taxes and have permission to work in the U.S. This policy makes no sense – immigrants as a group are younger and healthier than the native-born population.

Revenues:

- **Extends three Affordable Care Act taxes:** The revised BCRA extends three ACA taxes on wealthy individuals, a 3.8 percent tax on investments on the wealthy; a .9 percent surtax on Medicaid for the wealthy; and a tax on insurance executive's compensation. Unfortunately the money collected from these taxes goes into a state fund rather than directly to consumers to make subsidies more affordable.