

REPEAL & REPLACE ACTIVITY REPORT **FOR THE WEEK OF APRIL 14th, 2017**

ACA Repeal and Replace

Trump administration issues final rule on 2018 individual insurance market^{1,2}

The Department of Health and Human Services issued a final rule this week that changes a number of policies in the individual insurance market. These changes include:

1. Shortening the open enrollment period in the insurance exchanges to be from November 1st – December 15th;
2. Increased verification requirements for people looking to enroll during special enrollment periods;
3. Requiring individuals to pay outstanding premiums they owe before being allowed to get new coverage;
4. Reducing the actuarial value requirements of plan tiers to allow them to fall 4 percent below the mandated levels (e.g. a silver plan covers 70% of costs, but under the new rule this could actually be between 66 to 72% of costs).

ACA reform outside of repeal^{3,4}

Although the Republican-led efforts to repeal and replace the ACA have floundered at the legislative level, there are still a number of actions that the Trump administration has taken to weaken the law, including:

1. Weakening the enforcement of the individual mandate;
2. Creating confusion in the individual market that deters insurers from continuing to participate or joining, and
3. Increasing the burden of enrollment through the health insurance marketplaces and shifting the cost of coverage onto consumers (see above write-up).

Furthermore, there are other actions that the President can take to do even more damage to the ACA, including:

1. Eliminating the cost-sharing reduction subsidies by stopping the appeal of the *House v. Burwell* lawsuit.
2. Reducing the size of premium subsidies through regulations;
3. Allowing states to impose work requirements for Medicaid beneficiaries, and
4. Redefining the essential health benefits requirements.

¹ <http://www.reuters.com/article/us-usa-healthcare-rule-idUSKBN17F2RX>

² <http://healthaffairs.org/blog/2017/04/14/examining-the-final-market-stabilization-rule-whats-there-whats-not-and-how-might-it-work/>

³ <http://khn.org/news/death-by-1000-cuts-how-republicans-can-still-alter-your-coverage>

⁴ https://www.nytimes.com/interactive/2017/04/12/us/what-trump-can-do-to-dismantle-obamacare.html?_r=0

Renewed focus on ACA repeal and replace^{5,6,7}

Just a few weeks after Republicans pulled the American Health Care Act from a vote on the House floor following insistence from President Trump that they move on to the pressing issue of tax reform if they couldn't immediately get an ACA repeal and replace bill to pass, the administration has once again shifted course saying that health care reform must come before tax reform. Discussions with the opposing Freedom Caucus have been ongoing in an attempt to get enough party support to pass an amended version of the AHCA. The current negotiations include allowing states to opt out of to ACA requirements – community rating and essential health benefits. How these changes will affect more moderate Republicans and if they would be able to pass the Senate is still unclear.

Alaska's reinsurance fund successful in keeping down individual market premiums⁸

Facing extremely high premium increases in the individual market last year, Alaska decided to divert funds from a tax on insurance plans from the general state budget to a reinsurance program. The \$55 million in tax revenue that the state collects was given to insurers who covered exceptionally sick patients. With the new reinsurance program, insurers in Alaska's individual market only raised their premium rates 7% for 2017 (a drastic decrease from the expected 42% increase). This meant that both customers and the federal government saved money, since 86% of Alaska's enrollees through its health exchange receive premium subsidies. In fact, the federal government saved more than the state spent on the reinsurance fund (\$56 million). Alaska has since applied for a waiver from the federal government to refund its spending. The waiver is still pending, but the state estimates that an additional 1,650 people will join the marketplace because of the lower premiums (and in spite of having only one insurer). Other states, including Minnesota and New York, are also considering implementing similar programs.

Report: Individual market profitability improving^{9,10}

A new Standard & Poor's report found significant improvement in the profitability of the individual market in 2016. Although the report, which looked at the performance of many Blue Cross plans in nearly three dozen states, emphasized that it would take a few more years for the market to stabilize, the 2016 results were a drastic improvement over the previous year and most insurers should be profitable by next year. The report is further evidence that the individual market is not in a "death spiral" as President Trump and many Republican legislators have claimed.

⁵ https://www.washingtonpost.com/news/wonk/wp/2017/04/12/trump-changes-course-again-says-health-care-repeal-must-happen-before-tax-overhaul/?utm_term=.4cfbf4b121a

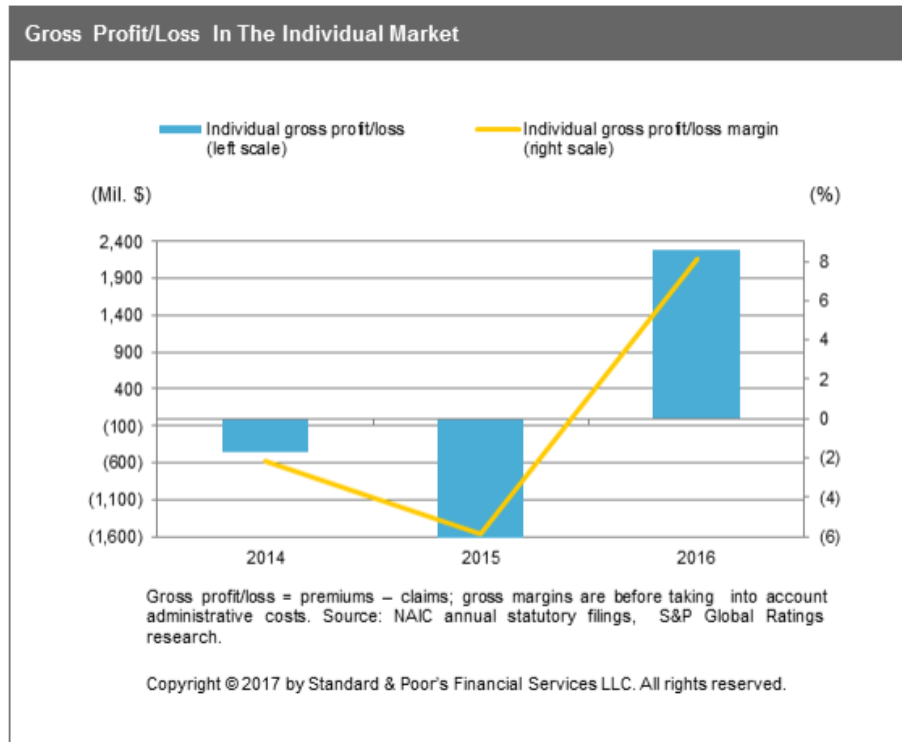
⁶ <https://www.usatoday.com/story/news/politics/2017/04/12/freedom-caucus-leader-brat-predicts-health-care-passage-within-weeks/100389906/>

⁷ <http://www.politico.com/story/2017/04/trump-tax-reform-health-care-237125>

⁸ <http://www.vox.com/policy-and-politics/2017/4/13/15262614/obamacare-alaska-reinsurance>

⁹ https://www.globalcreditportal.com/ratingsdirect/renderArticle.do?articleId=1828594&SctArtId=421970&from=C&M&nsf_code=LIME&sourceObjectId=10047007&sourceRevId=5&fee_ind=N&exp_date=20270408-00:16:31

¹⁰ <https://www.nytimes.com/2017/04/07/health/insurers-stem-losses-and-may-soon-profit-from-obamacare-plans.html>



Medicaid

Bill to expand Medicaid introduced into North Carolina legislature¹¹

A bill that would expand North Carolina's Medicaid program was submitted by three Republican Representatives into the state's House. The bill, titled "Carolina Cares" would expand the program but would also require "participant contributions" in the form of a premium that equals 2 percent of house hold income. Beneficiaries would also need to be employed or pursuing a job to qualify for coverage. It is unclear if the bill will pass the legislature and if the federal government will approve the waiver that the state would need to submit to include the additional requirements. Expanding Medicaid in the state could benefit more than 500,000 North Carolinians.

Medicaid expansion pays off^{12,13}

A new study published in *Health Affairs* looked at data from the National Association of State Budget Officers for fiscal years 2010 to 2015 to examine the fiscal effects of Medicaid expansion under the ACA. The researchers concluded that although there were larger health care expenditures when states expanded Medicaid eligibility, these costs were covered by federal

¹¹ http://www.journalnow.com/news/local/gop-proposal-would-expand-medicaid/article_90492d1d-adcb-537d-b123-10b07d97551c.html

¹² <http://californiahealthline.org/news/new-data-show-medicaid-expansion-pays-off-as-some-holdout-states-rethink-it>

¹³ <http://content.healthaffairs.org/content/early/2017/04/10/hlthaff.2016.1666>

funding and did not force states to reduce funding for other programs or policy priorities. These findings are not surprising since the federal government has paid 100% of the cost for new enrollees during the first few years of the Medicaid expansion. By 2020, states will have to pay 10 percent of the costs for new enrollees. The fiscal impact of Medicaid expansion will need to be tracked as the policy adjusts moving forward.