colorado health INSTITUTE

What Now?

Five Next Steps for the Affordable Care Act in Colorado & Five Lessons Learned from the Repeal and Replace Debate

MARCH 29, 2017

A Series of Reports on Rebuilding Federal Health Policy

The 18-day lifespan of the American Health Care Act (AHCA) left many open questions about the future direction of national health policy, but it also clarified the boundaries of the debate.

Affordability of health care and insurance and the sustainability of private and government spending remain the primary challenges.

This report provides the Colorado Health Institute's take on the reforms that can be addressed in the wake of the AHCA's failure by state and national policymakers as well as the lessons learned about how to approach those reforms.

Five Next Steps for the Affordable Care Act in Colorado

Colorado state legislators can't control the national debate.
But they do have the power to address these pressing topics.

1. The Affordability Gap

Even prior to passage of the Affordable Care Act (ACA) in 2010, rising insurance prices were a national problem. They remain a problem under the ACA, and many consumers are opting for high-deductible plans that require heavy cost-sharing in return for lower monthly premiums. Expensive insurance on the individual market hits two groups especially hard: people who make a bit too much to qualify for Medicaid, and those in the upper middle class who make too much to get tax subsidies under the ACA. Colorado also struggles with geographic disparities, particularly in rural areas. Western Slope residents face the highest premium prices and some of the biggest price increases.

Here are three policy options:

Basic Health Plan: Minnesota and New York run Basic Health Plans to help people just outside of Medicaid eligibility cushion the transition from government-provided coverage to the expensive private market.

Subsidy extensions: The legislature's House Bill 1235 would extend subsidies up to 500 percent of the federal poverty level (FPL) for families paying more than 15 percent of their annual incomes on policies through the individual market. (ACA subsidies end at 400 percent FPL.) However, this approach will be expensive for a legislature that is hard pressed to fund competing priorities.

Risk pool improvements: The ACA did not meet its supporters' targets for signing up young adults for insurance coverage, and as a result, the risk pool on the individual market is less healthy and more expensive than anticipated. Renewed outreach efforts to young adults could improve the risk pool. Enforcement of the individual mandate by the Trump administration will be crucial in maintaining or improving the risk pool, both in Colorado and around the country.

2. Medicaid Costs

Rising costs for Medicaid fueled some of the debate over the ACA and its proposed replacement. Here in Colorado, the Department of Health Care Policy and Financing (HCPF), which runs Medicaid, accounts for nearly one-third of state spending in the 2017-18 budget. Roughly a quarter of the state population receives Medicaid benefits.

HCPF, which launched a program six years ago to help contain Medicaid costs, is working on the second phase in an effort to accelerate savings. It's called the Accountable Care Collaborative (ACC), and legislators are about to hear a lot about it. Under the ACC, the state contracts with regional entities to arrange care for Medicaid members. The second phase will push for more integration of physical and behavioral health care — an approach that shows promise in improving health and cutting costs.

The Joint Budget Committee is considering a bill to provide legislative authorization for the ACC. This bill could provide legislators a chance to learn more about the ACC and have increased oversight of Medicaid spending.

3. Health Insurance Exchange Sustainability

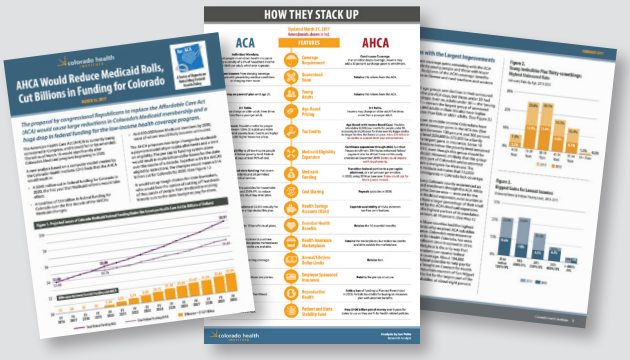
Across the country, enrollment in exchanges has been underwhelming in comparison to predictions by ACA supporters. Enrollment in Connect for Health Colorado has increased, however, and Colorado's exchange appears to be financially sustainable at its current enrollment numbers.

About 178,000 Coloradans used the exchange to obtain insurance in 2016, and 104,000 of them received ACA tax credits or subsidies to help make it more affordable. But a Colorado Health Institute analysis shows that 122,000 of the 209,000 Coloradans who are eligible for the tax credits or subsidies – about 60 percent – do not use them. The question now is whether Connect for Health Colorado can begin reaching more of those people and extending coverage and federal benefits across the state.

A lawsuit filed by U.S. House Republicans against the Obama administration seeks to invalidate cost-sharing subsidies offered through the ACA. That lawsuit is on hold, but if the Trump administration (the new defendant) chooses not to offer a defense, then coverage on Connect for Health Colorado would be less attractive, and enrollment could drop.

More in This Series:

Visit **coloradohealthinstitute.org** to read more reports from our series on rebuilding federal health policy.



4. Another Look at ACA Waivers

With Congress seemingly stalled on health policy, states have a tool to start designing their own systems. The ACA offers states wide latitude to alter major parts of the law through what's known as a 1332 waiver, as long as coverage and federal costs are not negatively affected.

Congressional approval is not needed for these waivers, although they do need to be approved by the U.S. Department of Health and Human Services. With Congress at a stalemate, it's possible the next big idea in health policy will be generated at the state level. Here in Colorado, legislators could experiment with a reallocation of tax credits to better serve high-cost regions or with a basic health plan for lower-income residents, among other ideas.

5. Interstate Insurance Purchases

The one health policy that President Trump consistently pushed on the campaign trail was to let people buy health insurance policies from any state. The ACA offers a limited ability for interstate insurance purchases, but the idea has not taken off.

Wyoming has already authorized out-of-state insurance. If Colorado legislators are willing, Wyoming would offer a geographically convenient partner to begin experimenting with this approach. The downside is that customers might opt for skimpier plans from states with looser rules on insurance companies, and then end up with large bills if they need health care.

Five Lessons Learned from the Repeal and Replace Debate

The short life of the AHCA offers these five lessons about the future scope of health policy debates.

1. Coverage Matters

Republican opponents of the ACA warned that once the social safety net was expanded, it would be highly difficult to retract. They were proven right.

The Congressional Budget Office estimated that 24 million Americans would lose health coverage under the AHCA — a number that proved unacceptable for many members of Congress and their voters. The Colorado Health Institute estimated Colorado would have 600,000 fewer Medicaid enrollees by 2030, and that most of them would likely become uninsured.

Future bills are likely to be judged against the coverage expansion brought by the ACA. In Colorado, the uninsured rate dropped by more than half, to 6.7 percent, in the year after ACA implementation. Any proposal, either in Colorado or nationally, that would raise the number of uninsured would have a hard time passing.

2. Medicaid Matters

The majority of news coverage of the ACA focuses on private insurance and tax credits. But the debate in Washington this month put renewed focus on Medicaid — the source of most of the ACA's coverage gains and most of its spending.

In Colorado, an estimated 465,000 people joined Medicaid through the eligibility expansion authorized by the ACA. The expansion was particularly important in two very different regions — the city of Denver and rural counties, especially in southern Colorado.

3. The Federal Government Matters (But So Does the State)

The federal government provides generous matching funds that currently cover 94 percent of the cost of the ACA's Medicaid expansion. Without this extra match, Colorado and most other states would not be able to afford the expansion.

In addition, much of health care is a national market, and only changes at the national level will be able to make a dent in prescription drug prices, for example.

However, states have a limited yet meaningful ability to create innovative policies — including through the ACC or federal waivers.

4. Expectations Matter

Republican members of Congress pitched repeal of the ACA and its replacement by the AHCA as a simple fix for the country's costly health system. The AHCA's fate demonstrates that no easy solutions exist. Similarly, for proponents of the ACA, their victory in Congress does not mean that health care problems have been solved.

Instead, future reforms will have to diagnose specifically what is wrong the system and make targeted repairs. The work will be slow and painstaking, and elected officials and voters will need to keep their expectations in check.

5. A Bipartisan Approach Matters

The ACA, unlike most major legislation, was passed with only votes from Democratic lawmakers. Republicans attempted the same feat with the AHCA but failed.

The one-sided approach hobbled both bills. Even though the ACA became law, intense partisanship prevented Congress from passing the clean-up legislation that is always necessary to smooth out the rough edges of new laws.

It's unlikely that either party will command a large enough majority — and enough party discipline — to pass major health legislation on its own in the foreseeable future. Any major new health legislation will require substantive input from both parties and a willingness to take a rare step in national politics these days — compromise.

Written by **Joe Hanel**, Manager of Public Policy Outreach

The Colorado Health Institute is a trusted source of independent and objective health information, data and analysis for the state's health care leaders. The Colorado Health Institute is funded by the Caring for Colorado Foundation, Rose Community Foundation, The Colorado Trust and the Colorado Health Foundation.

303 E. 17th Ave., Suite 930, Denver, CO 80203 • 303.831.4200 ***coloradohealthinstitute.org***