

The Senate Health Bill and Colorado

*Questions, Answers, Speculations
and Potential Impacts*



**Joe Hanel, Allie Morgan
and Ian Pelto**

Webinar
June 27, 2017

Today's Speakers



Joe Hanel

Manager of Public
Policy Outreach



Allie Morgan

Legislative Director



Ian Pelto

Research Analyst



Webinar Basics

- How do I ask questions during the webinar?
- Recorded webinar and PowerPoint slides will be available after the webinar.
- Special thanks to our funders:



CHI 'Strike Team' Tracks Federal Action

A series of reports on rebuilding the Affordable Care Act

- **ACA in Colorado**
- **Medicaid funding changes**
- **ACA vs. GOP plans**
- **Q&A about the Senate bill**



<http://coloradohealthinstitute.org/research/re-aca>

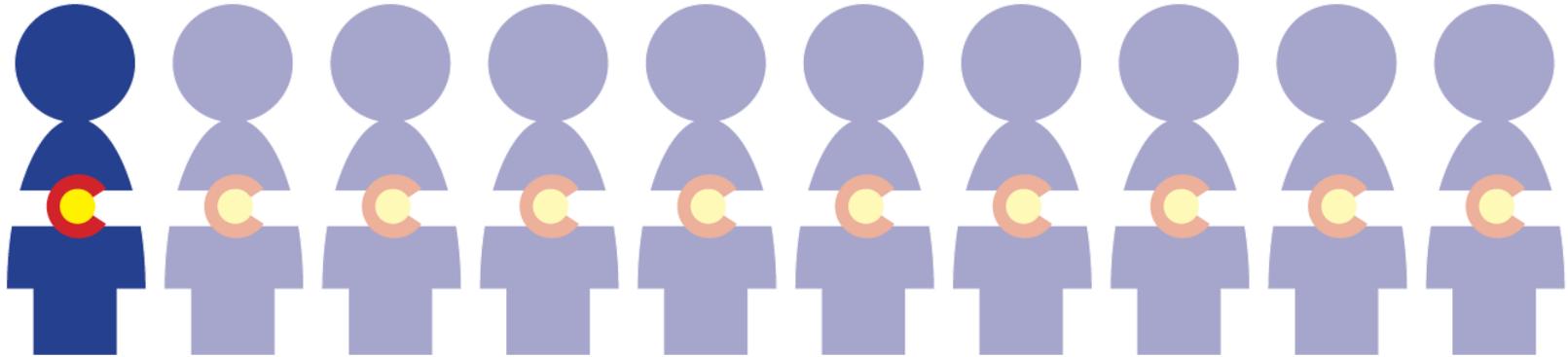


Three Takeaways

- 1 Coverage Matters:** Colorado's uninsured rate dropped to 6.7 percent after ACA took effect.
- 2 Medicaid Cuts:** We project 630,000 fewer covered Coloradans and a \$15 billion loss of federal funds by 2030.
- 3 Private Market Impact:** GOP proposal has stabilizing and destabilizing elements for the market.

THE STAKES

554,000 Insured Through ACA



One in 10 Coloradans has coverage benefits through the ACA.

Medicaid = **450,000**

Connect for Health subsidies = **104,000**

Colorado Uninsured Rate 2015: **6.7%** | 2013: **14.3%**

THE STAKES

Why Does Insurance Matter?



Step 1
Get Insured



Step 2
Access Care



Step 3
Use Care
Wisely

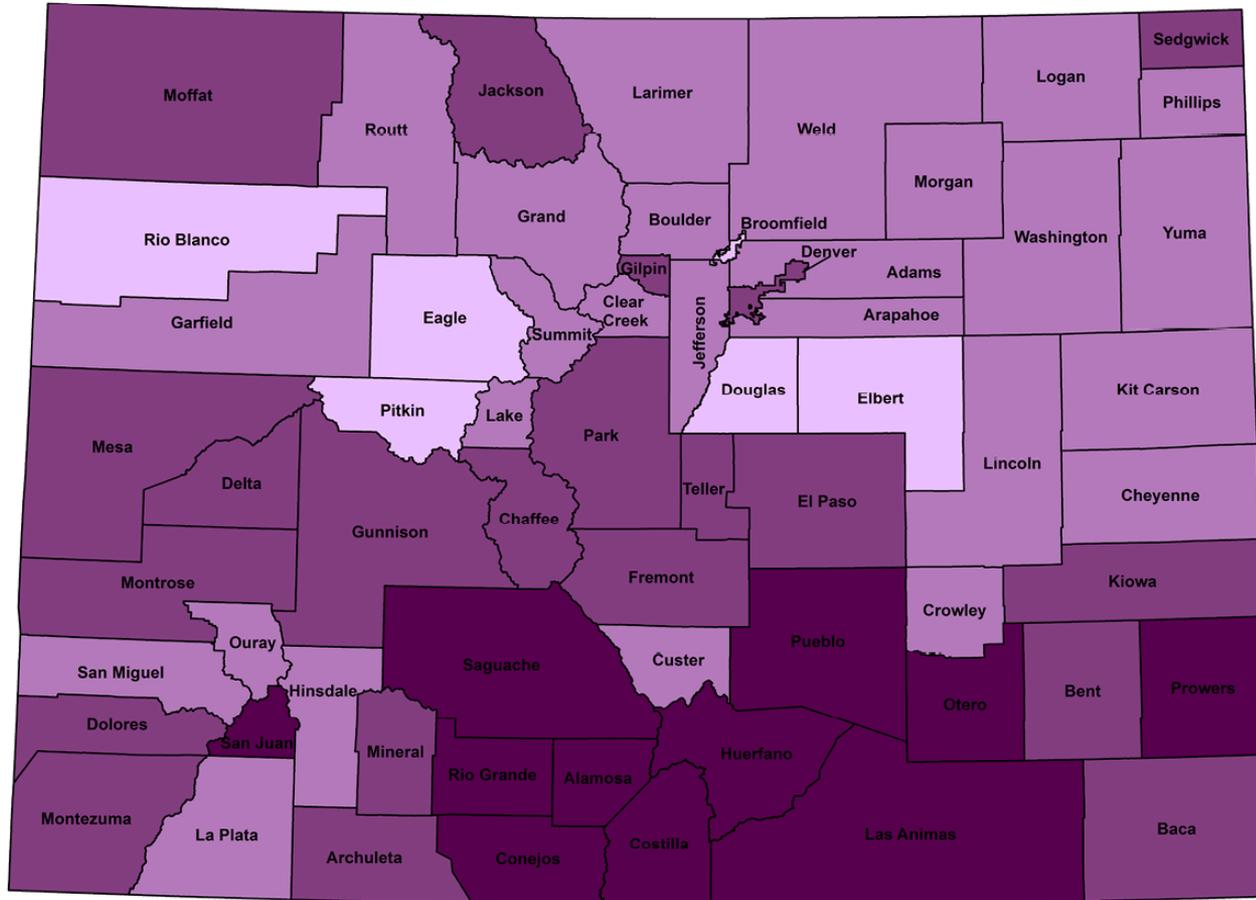


Step 4
Better Health,
Cheaper Care



THE STAKES

Medicaid Expansion: A Rural Story



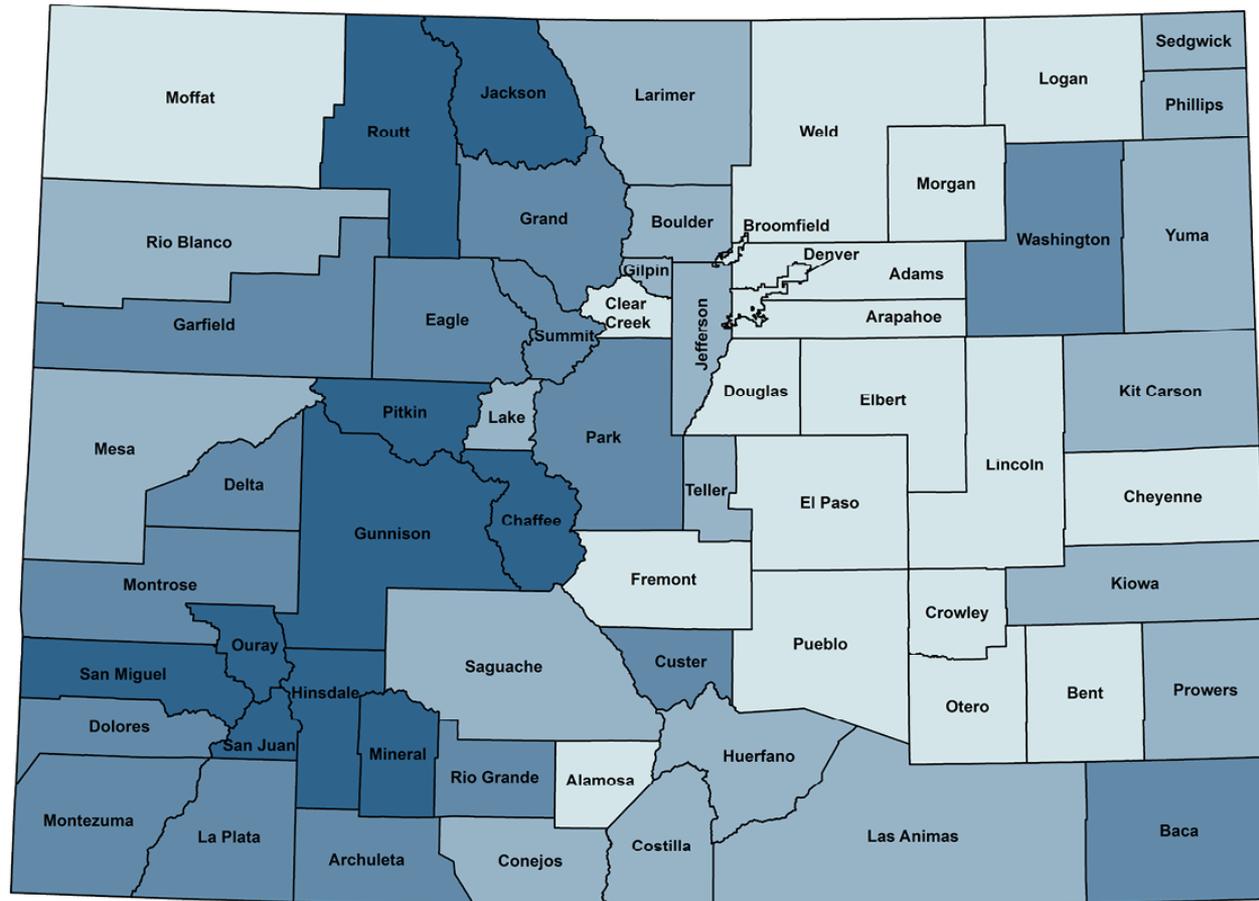
Percentage of County Residents Covered Through the ACA Medicaid Expansion, 2016

- 2.6% to 5.1%
- 5.2% to 7.9%
- 8.0% to 11.2%
- 11.3% to 18.9%

Source:
Colorado Department of Health Care Policy and Financing

THE STAKES

Ski Country Loves Market Subsidies



Percentage of County Residents Receiving ACA Subsidies to Buy Individual Market Insurance, 2016

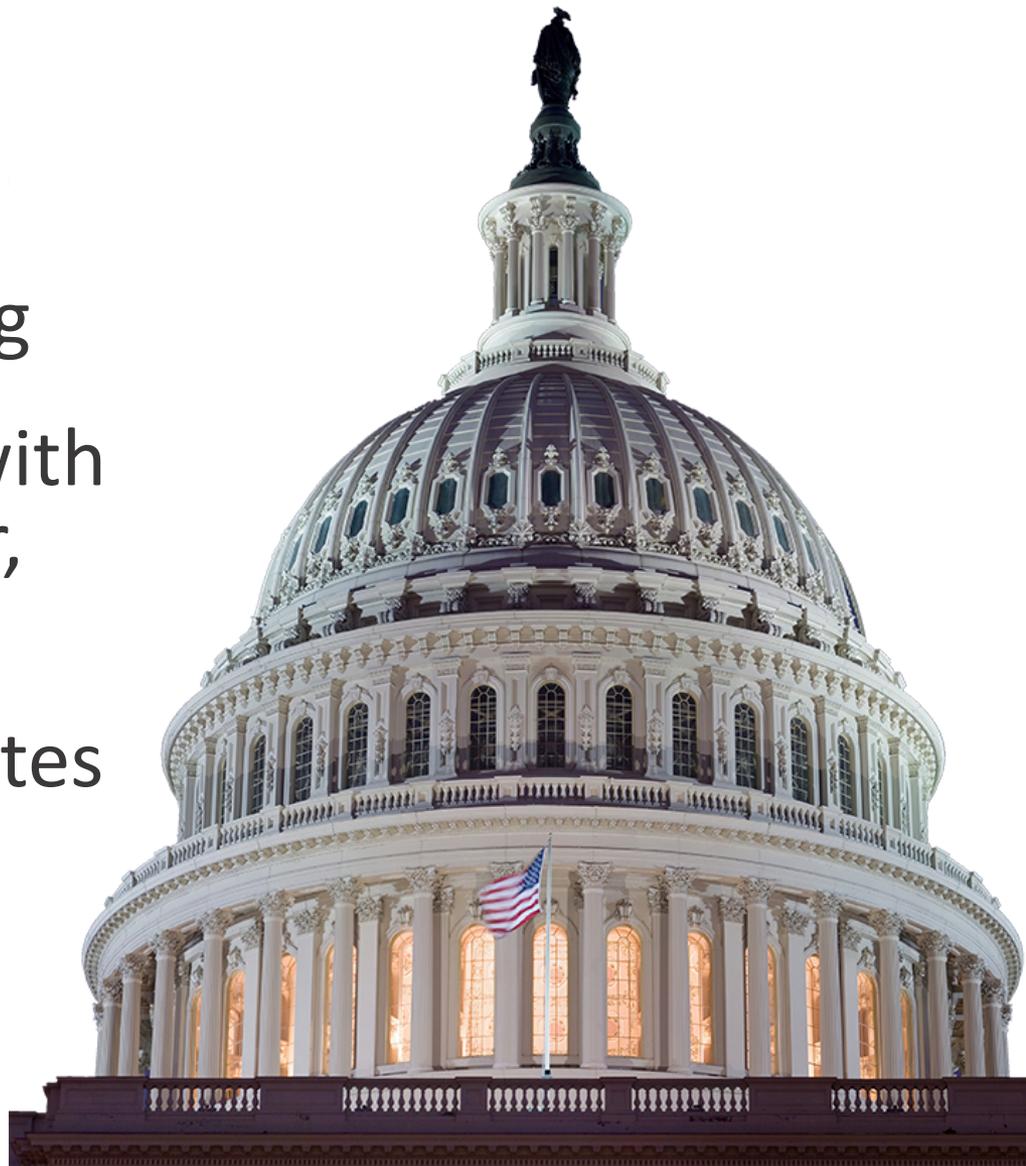
- 0.6% to 1.5%
- 1.6% to 2.4%
- 2.5% to 4.7%
- 4.8% to 8.2%

Source:
Connect for Health Colorado

THE PLAN

The Better Care Reconciliation Act

- Roll back Medicaid expansion
- Cap Medicaid funding
- Smaller tax credits, with higher costs for older, rural customers
- Broad waivers for states
- Future impacts on Medicare



THE PLAN

New CBO Report



GOP bill would save

\$321 billion

and leave

22 million people

Uninsured by 2026

THE PLAN

Timeline for Major Provisions

- Now:** Most ACA taxes cut
- 2018:** Individual mandate penalty ends, reinsurance funds begin, cost-sharing reductions funded
- 2019:** State innovation grants, six-month waiting period, 5:1 age band, end of medical loss requirement for insurance companies
- 2020:** New tax credit structure begins, cost-sharing reductions end, Medicaid per capita caps begin
- 2021:** Federal match for ACA Medicaid expansion cut to 85 percent
- 2022:** Federal match cut to 80 percent
- 2023:** Federal match cut to 75 percent
- 2024:** Federal match cut to 50 percent
- 2025:** Inflation rate for Medicaid per capita caps cut to CPI-U

Source: Congressional Budget Office

Two Major Cuts

ACA Expansion Cuts to Federal Match

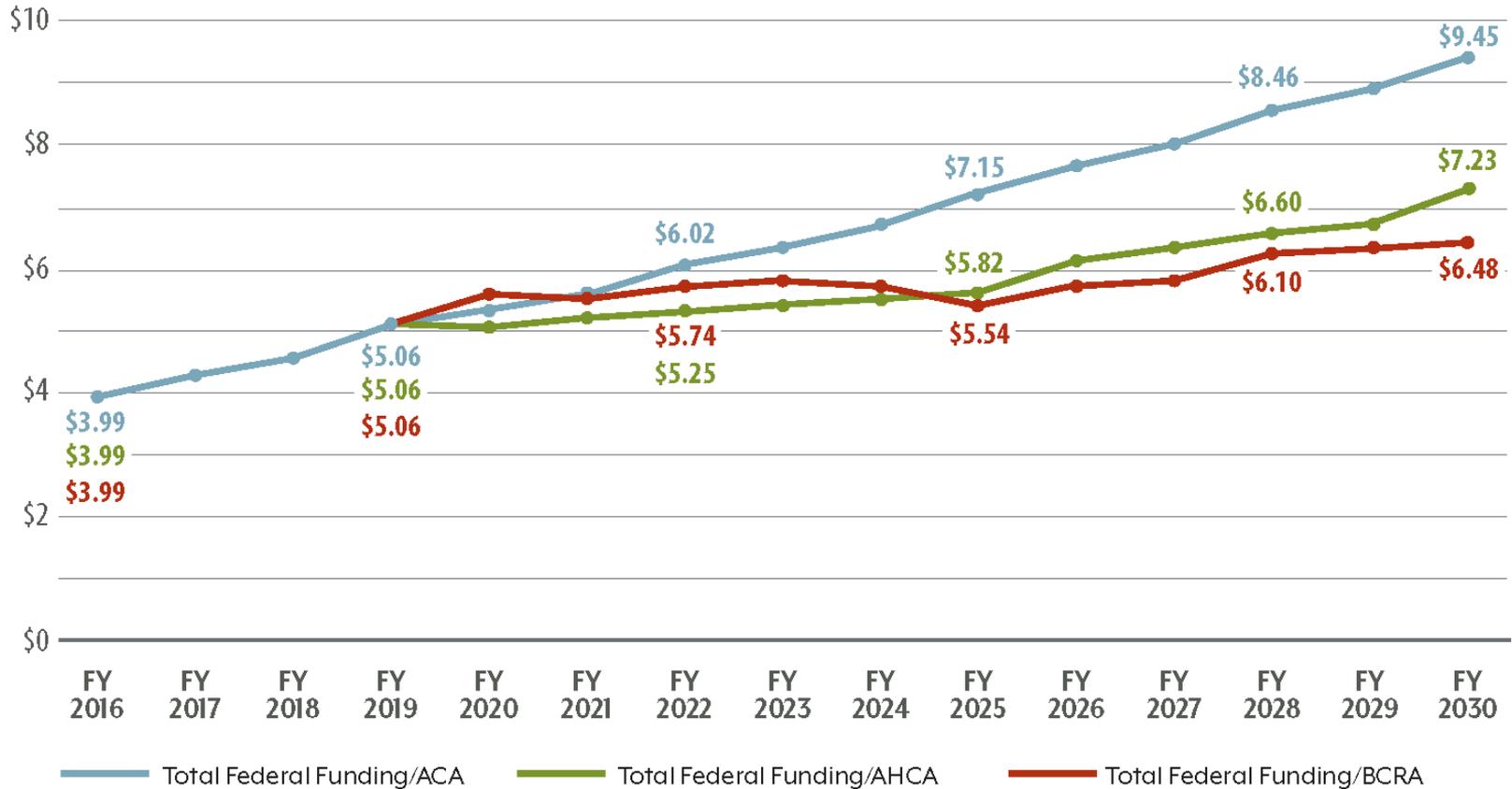
- 90 percent in 2020
 - 75 percent in 2023
 - 50 percent in 2024
- Where is Colorado's breaking point?*

Per Capita Caps

- Federal funding capped using base plus inflator
- Applies to all Medicaid, not just ACA expansion

MEDICAID

\$15 Billion Loss for Colorado

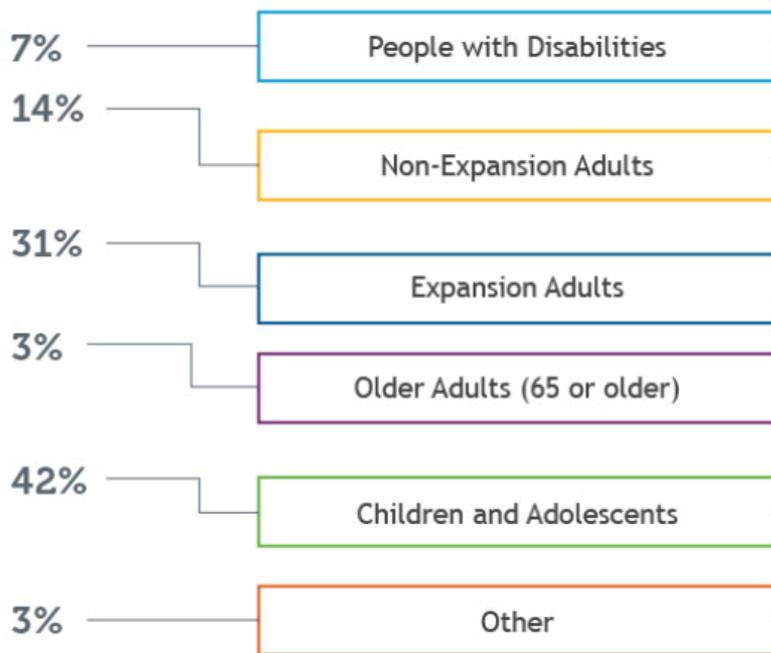


630,000 fewer people covered by 2030

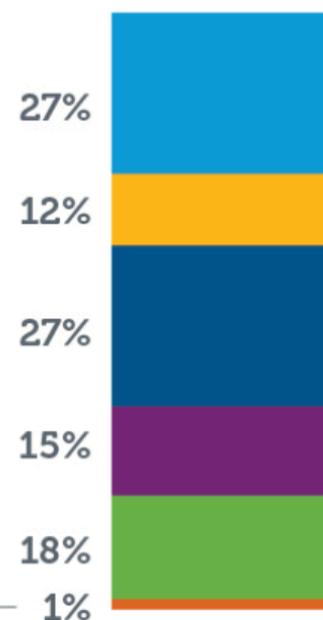
MEDICAID

Who is Covered and What it Costs

Caseload



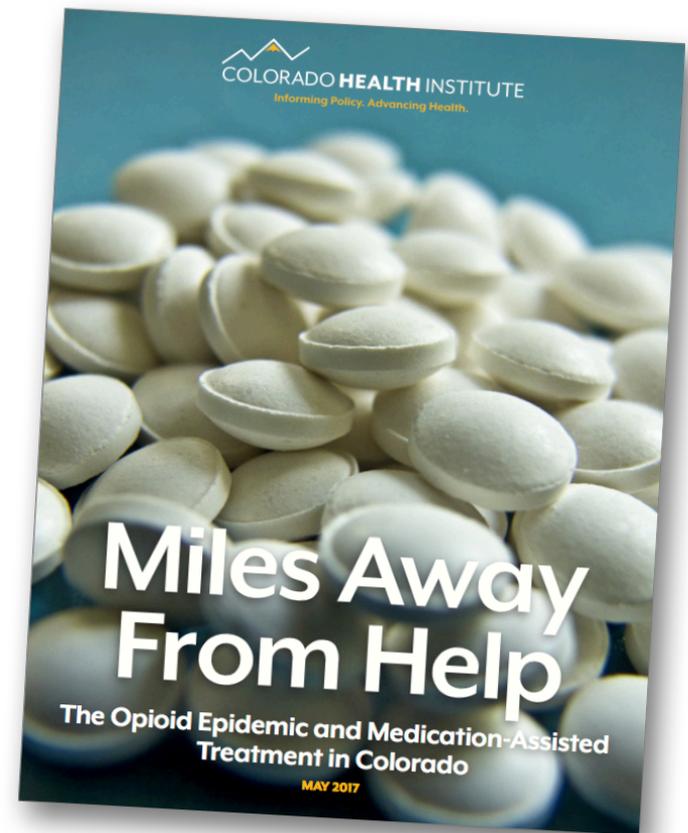
Expenses



Source: Colorado Department of Health Care Policy and Financing Annual Report 2015-16

Drug Use Treatment Funding

- **\$2 billion** funding for opioid treatment (no funding after 2018)
- \$45 billion requested
- **880 overdose deaths** in Colorado in 2015
 - Nearly 30 percent were Medicaid members



Planned Parenthood Funding Ban

- **\$6 million** in federal funding for Planned Parenthood in Colorado in 2016
- **25,000 patients** served through Colorado Medicaid funding
 - About 35 percent of all Planned Parenthood clients use Medicaid



MEDICAID

Two More Parts to Know



**Hospital Provider Fee
Cuts**



**Work Requirements
(Optional for States)**

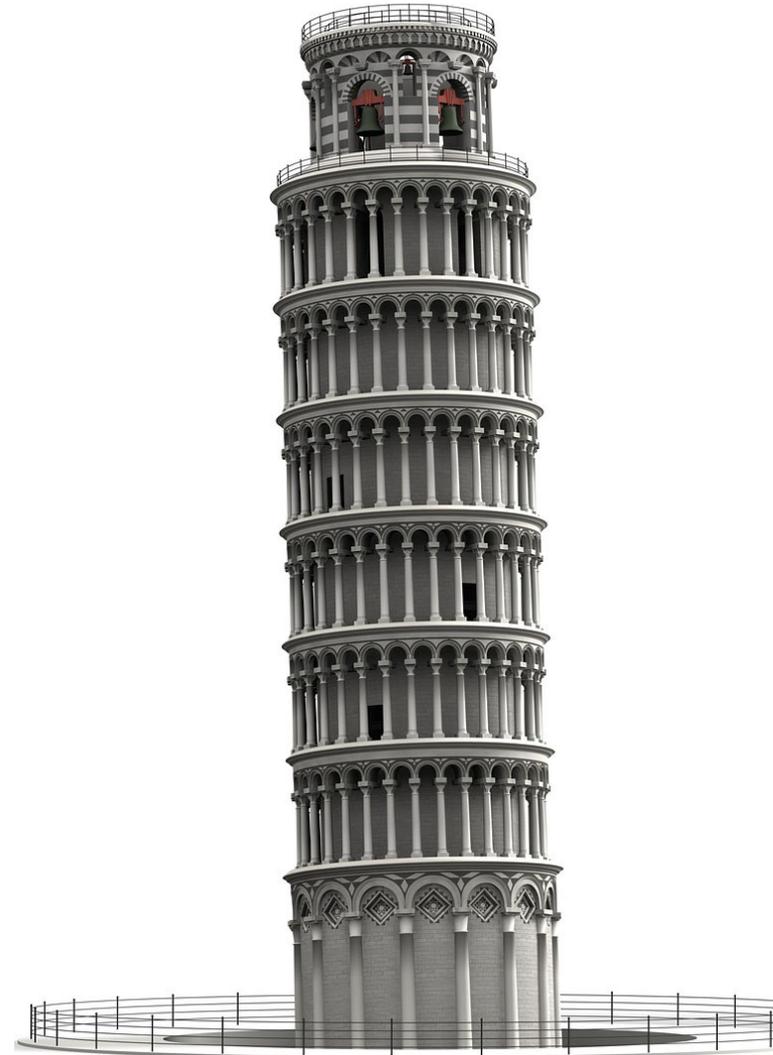
Stabilizing and Destabilizing Effects

Stabilizing features

- Cost-sharing reductions funded for two years
- Federal money available for reinsurance

Destabilizing features

- Lower tax credits could lead to fewer insured
- Individual mandate repealed with uncertain replacement



PRIVATE MARKET

Higher Prices in Rural Colorado

Cost of a silver plan premium in 2020 after tax credit:



Fort Collins

Age 27

\$30,000 income

ACA: \$2,480

Senate: \$2,280



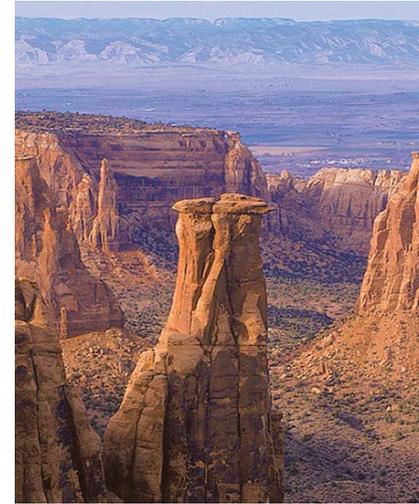
Denver

Age 40

\$40,000 income

ACA: \$4,080

Senate: \$3,890



Grand Junction

Age 60

\$42,000 income

ACA: \$4,480

Senate: \$20,050

Source: Kaiser Family Foundation

Essential Health Benefits

States could waive the ACA's 10 essential benefits:

- Outpatient care, emergency room, hospital treatment, prenatal care, mental health and substance use, prescription drugs, disability and chronic care coverage, lab tests, preventive health screenings, pediatric services including dental and vision

But Colorado already has fairly rich mandated benefits

- Maternity, mental health and autism, to name a few.



Competing Theories of Risk

Affordable Care Act

- **Risk sharing:** One big risk pool
- **Pitfall:** Not enough young and healthy people get covered
- **Pain point:** High premiums



Republican bills

- **Risk segmenting:** Riskier customers pushed out of pool
- **Potential pitfall:** Coverage unaffordable for the sick
- **Pain point:** High deductibles

OTHER FEATURES OF THE SENATE BILL

Repeal of ACA Taxes

- \$563 billion in tax cuts 2017-2026
- The largest:
 - Net Investment Tax (capital gains tax on high incomes)
 - Tax on health insurance companies
 - Cadillac tax on employee health plans delayed until 2026
 - Medicare tax on high incomes
 - Repeal of cap on health care flex spending accounts



Medicare: The Ice Gets Thinner

- **Repeals Medicare tax on high earners in 2023**
 - Potential \$117 billion drop in revenue over a decade
 - Likely to accelerate depletion of Medicare Trust Fund
- **No changes to Medicare benefits**



Cuts to Public Health Funding

Repeal of Prevention and Public Health Fund

- \$9 million in funding for Colorado



- \$4.75 million for chronic disease prevention
- \$4.18 million for infectious diseases, free or low-cost vaccines

Open-Ended Waivers for Governors

- Even broader waiver potential than ACA
- Governors can act without legislature
- Feds *must* approve waiver if it's deficit-neutral
- \$2 billion in grants to prepare waivers

Winners and Losers

Republican plans cover **fewer people** than the ACA currently does. They are generally **better** for people who are young, healthy, and higher income and **worse** for those who are older, sicker, and lower income.

Sarah Kliff, Vox.com

Three Takeaways

- 1 Coverage Matters:** Colorado's uninsured rate dropped to 6.7 percent after ACA took effect.
- 2 Medicaid Cuts:** We project 630,000 fewer covered Coloradans and a \$15 billion loss of federal funds by 2030.
- 3 Private Market Impact:** GOP proposal has stabilizing and destabilizing elements for the market.

But Wait! There's More!

HOW THEY STACK UP

Updated June 26, 2017 Amendments shown in red text.

FEATURES	ACA	AHCA (HOUSE)	BCRA (SENATE)
Coverage Requirement	Individual Mandate: Most people must obtain health insurance or pay a penalty of 2.5% of household income or \$695 per adult, whichever is greater.	Continuation Coverage: Individual mandate penalty repealed. Also, if an employee drops coverage, insurers may add a 30 percent surcharge upon re-enrollment.	Individual mandate penalty repealed: But imposes six-month waiting period to re-enroll if coverage has lapsed more than 63 days.
Pre-Existing Conditions	Bans insurers from denying coverage to people with pre-existing medical conditions or charging them more.	States may revive rules against different pricing based on pre-existing health conditions.	Bans insurers from denying coverage to people with pre-existing conditions or charging them more. But gives states wide latitude in making Essential Health Benefits required for plans, potentially increasing out-of-pocket costs, especially for sicker enrollees.
Young Adults	May stay on parents' plan until age 25.	Same as the ACA.	Same as the ACA.
Age-Based Pricing	3:1 Ratio: Insurers may charge an older adult three times more than a younger adult.	5:1 Ratio: Insurers may charge an older adult five times more than a younger adult. States may approve higher ratios.	Insurers may charge an older adult five times more than a younger adult for the same health care plan.
Tax Credits	Income-Based: Provides credits for people making between 139% of \$16,000 and 400% (\$48,000) of federal poverty level. Credits are higher in states with higher insurance prices.	Age-Based (with Income-Based Cap): Provides \$2,000 for people under 30, for those over 30, higher credits increasing to \$4,000/year for those over 60. Based on price.	Tax credits based on age, income, and geographic rating region: Available to people earning less than 150 percent of the federal poverty level and to lower income people who are not covered by Medicaid. Subsidies can't be used to purchase a plan that covers abortion.
Medicaid Eligibility Expansion	Expanded eligibility to all low-income people below 139% of federal poverty level. Federal government pays at least 90% of cost.	Continues expansion through 2020: But then freezes enrollment. Eliminates enhanced federal payment rate for states that continue to expand on December 31, 2019. States could impose work requirements.	Federal funding for states that expanded Medicaid starts to roll back in 2021 and reverts to traditional Medicaid funding rates by 2026. Above states to implement work requirements.
Medicaid Funding	Joint federal and state funding that covers all eligible residents and all permitted medical services.	Transition federal portion to a per capita allotment, or a set amount per month: For those over 21 in 2026. States could opt to block grants instead.	Transitions federal portion of Medicaid funding to a per capita allotment, or a set amount per enrollee: Starting in 2026. Federal payments would ignore all above state than under the ACA. States could opt to block grants instead.
Cost Sharing	Provides cost sharing subsidies for household members 100% and 200% FPL to reduce out-of-pocket costs. Must buy other plan.	Repeals subsidies in 2020.	Expands availability of HDAs and increases annual tax-free contributions.
Health Savings Accounts (HSAs)	Cap on tax-free contributions of \$7,300 annually for individual. Must be in a high deductible plan.	Expands availability of HSAs: Increases tax-free contributions.	States can change what qualifies as an essential health benefit in private insurance.
Essential Health Benefits	Requires insurers to offer 10 benefits in all plans.	Allows states to waive some or all benefits.	Same as AHCA.
Health Insurance Marketplaces	Creates online marketplaces to purchase individual insurance, and integrates marketplaces as the only place tax credits are available.	Retains the marketplace, but makes tax credits available outside the marketplace.	Retains ban.
Annual/Lifetime Dollar Limits	Bans insurers from limiting coverage.	Retains ban.	Same as AHCA.
Employer Sponsored Insurance	Requires larger companies to provide affordable coverage to employees or face a fine.	Eliminates the penalty.	Provides \$112 billion to help states stabilize individual market. But \$10 billion goes directly to insurers that take heavy losses from large classes.
High-Risk Consumers	Covers all high-risk consumers through preexisting condition mandate.	Provides \$120 billion for a "Patient and State Stabilization Fund": States have option to use this money to create a high-risk pool.	Same as ACA.

COLORADO HEALTH INSTITUTE

Health Reform and Colorado

An Analysis of the Senate's Better Care Reconciliation Act by the Colorado Health Institute's Team of Experts

Re: ACA

JUNE 23, 2017

A Series of Reports on Rebuilding Federal Health Policy

CHI's health reform "strike team," a group of analysts from across our organization with different areas of expertise, delved into the proposed Better Care Reconciliation Act (BCRA) to provide an early determination of its potential impact on Coloradans. Our estimates and predictions will be updated if, as expected, details of the proposal change between now and the vote of the full Senate.

The analysis found that the BCRA would have the biggest impact on the Medicaid program, which now covers one of every four Coloradans. Colorado lawmakers would be handed a bigger bill for Medicaid, leading to some tough choices. At the same time, the law would give states more latitude in designing health policy.

In any case, CHI expects that the state's uninsured rate, which fell to a historic low of 6.7 percent in 2015, will begin to head higher.

Top Five Colorado Impacts of the BCRA

- Colorado's 1.3 Million Medicaid Enrollees:** CHI projects that 628,000 fewer Coloradans would be covered by Medicaid by 2030 under a rollback of expansion funding.
- Medicaid Funding:** Colorado would see a loss of more than \$15 billion in federal money by 2030, according to CHI calculations.
- Lower Middle Class Coloradans:** Financial help for this group, often referred to as the "working poor," to pay for insurance would decline. And deductibles could head higher. Residents of the Western Slope and Eastern Plains, in particular, will struggle with affordability.
- Planned Parenthood:** The bill would strip federal Medicaid funding for a year. Planned Parenthood in Colorado served about 25,000 people covered by Medicaid in 2016, costing about \$6 million in funding.
- Young Involuntaries:** The individual mandate is dropped without a replacement. Young adults between 19 and 29 were the target of this rule designed to widen the pool of the uninsured still left within this age group. They would have less incentive to become covered.

Do You Have a Question? We'll Answer It!

CHI's Health Reform "Strike Team" brainstormed our biggest questions about the proposed Senate bill to replace the Affordable Care Act (ACA). Now, we'd love to know what questions you have — and set about this bill could affect Colorado.

Colorado Health Institute
303 E. 17th Avenue, Suite 930
Denver, CO 80203
303.831.4200

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Joe Hanel @CHI_JoeHanel

Allie Morgan @CHI_AllieM

Ian Pelto @CHI_Pelto



COLORADO HEALTH INSTITUTE

coloradohealthinstitute.org

[f](#) [t](#) @COHealthInst

info@coloradohealthinstitute.org

303.831.4200