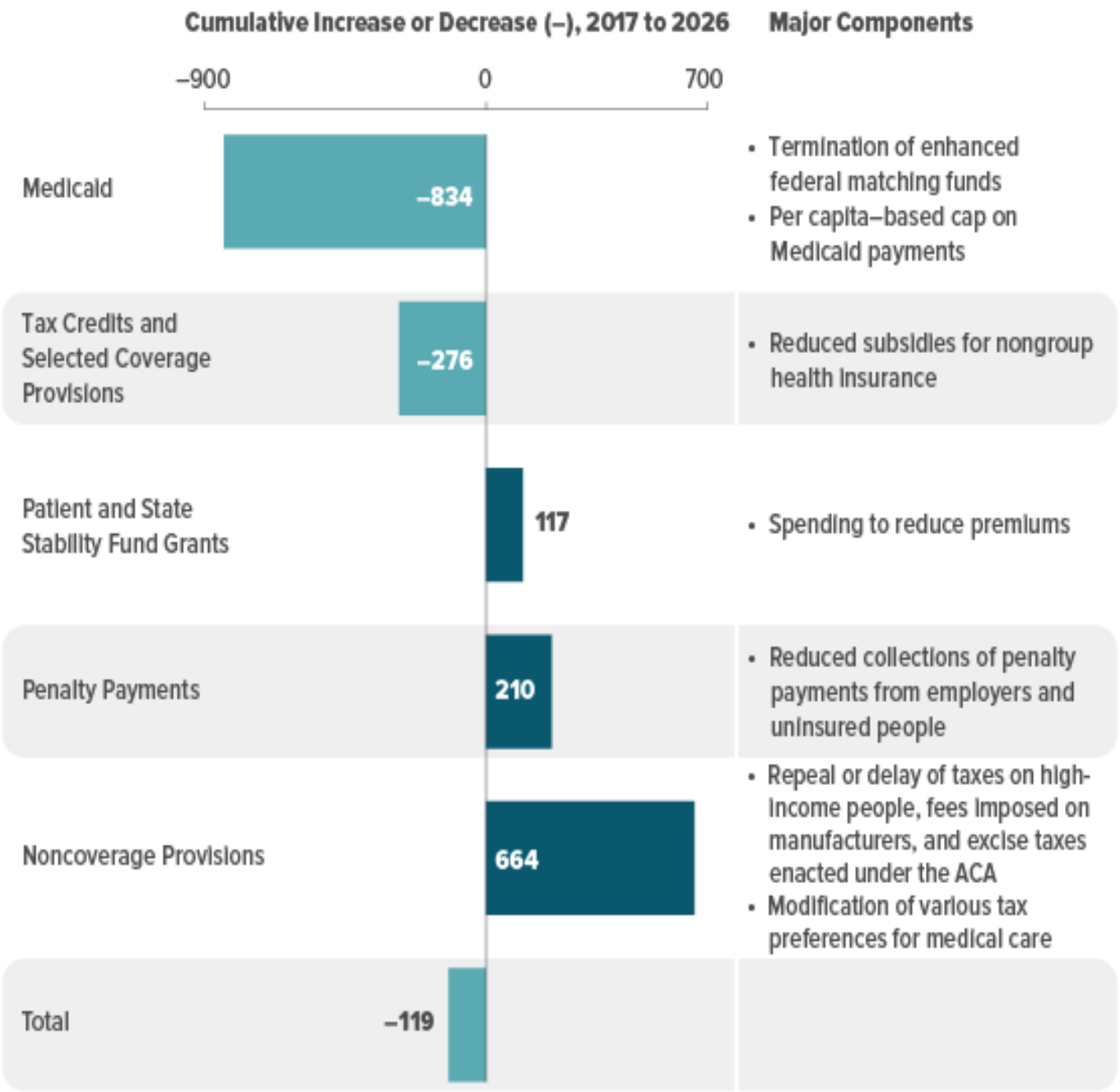
Net Effects of H.R. 1628 on the Budget Deficit

Billions of Dollars



Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

These estimates are for H.R. 1628, the American Health Care Act of 2017, as passed by the House of Representatives on May 4, 2017.

ACA = Affordable Care Act.

Congressional Budget Office Releases Score of Health Overhaul Bill; Counties' Concerns Remain Unchanged as Senate Moves Forward

~By NACo Writer BRIAN BOWDEN May 26, 2017

On May 24, the non-partisan Congressional Budget Office (CBO) released its highly anticipated cost and coverage estimates of the American Health Care Act (AHCA), which passed the United States House of Representatives on May 4th. CBO scored an earlier version of the bill, prior to several amendments to the legislation to secure the simple majority of votes necessary in the House under the special legislative procedure known as budget reconciliation. The new CBO score estimates the full impact of AHCA and sets a baseline for deficit reduction that must be achieved in the Senate's final measure.

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CBO estimates the House-passed AHCA would lead to 23 million more uninsured individuals over the next decade compared with current law, a slight reduction from the 24 million individuals included in a previous estimate. The CBO score also anticipates AHCA would reduce the federal deficit by $119 billion in the same time frame, saving the federal government $32 billion less than the previous version of the bill. CBO predicts federal support for Medicaid would be cut by $834 billion over the next ten years, resulting in 14 million fewer Medicaid enrollees. The federal reduction in spending on Medicaid—both to the core program as it existed before the Affordable Care Act (ACA) was passed as well as the expansion of Medicaid adopted by 32 states that was made possible by the ACA—is responsible for most of the cost savings found in the AHCA.

The CBO score is significant because it allows the Senate to officially take up the House's legislation and provides them a baseline number. The Senate must ensure whatever changes they make to the AHCA lead to no less than $119 billion in savings over ten years. This will be especially difficult as influential Republican senators have indicated they want to reduce the number of Medicaid beneficiaries expected to lose coverage under the legislation, which would decrease savings in the bill. For the math to add up, Senate Republicans would need to offset smaller cuts to Medicaid by reinstating some taxes that the AHCA eliminated, a move most Republicans stand firmly against. These strict procedural rules are necessary for the Senate to utilize the filibuster-proof budget process and move the bill with only 51 votes, rather than the typical 60-vote threshold.

CBO expressed uncertainty about these estimates, given the difficult of knowing which states would waive, or opt out of, key parts of the Affordable Care Act (ACA)'s insurance regulations. This 'opt-out' provision was added to the bill after negotiations between Rep.

Tom MacArthur (R-N.J.), then a co-chair of the moderate Republican Tuesday Group, and Rep. Mark Meadows (R-N.C.), leader of the conservative Republican Freedom Caucus. In their estimates, the CBO makes several assumptions about how states would interact with the new law. First, CBO assumes one-sixth of the population lives in a state that would utilize broad waivers for allowing insurers to opt out of requirements, such as the provision that all insurers must cover essential health benefits, including maternity care and mental health and substance abuse disorder services. CBO also assumes one third of the population lives in a state that will make “moderate changes” to regulations, and they assume half of the population lives in a state that will not use any of the waivers.

After public outcry over the ability of states to allow insurers to charge more for people with pre-existing conditions, a practice prohibited under the ACA, another last-minute change to AHCA allocated an additional $8 billion to high risk pools. CBO estimates that individuals with health problems (including those with preexisting or newly acquired medical conditions) would face “extremely high premiums” in states that obtain waivers—if they could afford it at all—despite the new amendment. As a result, CBO predicts that the individual insurance markets in these states (representing one-sixth of the population) would begin to destabilize after 2020. Like earlier estimates, premiums would be lower for younger and healthier Americans, while older people, low income individuals and those with medical conditions would have to pay substantially more for their health insurance.

With the release of the CBO score, the Senate expects to accelerate their efforts to move their health reform bill after they return from the Memorial Day recess the week of June 5. Timing of a final vote is uncertain, but it is widely believed that the Senate must pass a bill before the August recess so they can pursue other priorities, such as tax reform. Senators have already been meeting behind closed doors to discuss how to move forward with the House-passed measure. Senate Majority Leader Mitch McConnell initially established a working group of 13 Senators, but has since opened it up to any Senator who wants to attend. His chamber faces very different dynamics than the House and he can only afford to lose two Republican votes on the bill. In a recent interview, McConnell remarked, “I don't know how we get to 50 (votes) at the moment. But that's the goal."

NACo remains concerned with provisions of the health reform overhaul that would massively weaken the federal-state-local partnership that underpins our nation’s health care system and shifts federal and state costs to counties. The House-passed AHCA restructures Medicaid’s financing system to a per capita cap or a block grant system, under which Medicaid programs would receive a reduction in federal funding. States would therefore have to make up the difference with their own funds, including by shifting costs to counties or imposing cuts to state Medicaid programs.

The Medicaid per capita cap formula would be based off Fiscal Year (FY) 2016 spending, which would not allow Medicaid programs to increase rates for providers and creates

downward pressure across the system. Since many providers already do not accept Medicaid patients due to low payment rates, this formula could further increase the burden on safety net providers who will continue to serve Medicaid enrollees and the uninsured, predominantly our 961 county-supported hospitals, 883 nursing homes and 750 behavioral health authorities.

Most states require counties to provide some level of health care to low-income, uninsured or underinsured individuals, and Medicaid expansion helps counties meet these obligations. Therefore, NACo opposes efforts to repeal the Medicaid expansion and supports maintaining the current eligibility and coverage standards.

The AHCA would also directly impact our nation's 2,800 local public health departments, two-thirds of which are county-based, by eliminating the Prevention and Public Health Fund (PPHF) beginning in FY 2019. This fund provided $932 million for public health programs in FY 2016, including $324 million for immunization programs and $160 million for preventive services. Federal investments, primarily from the Centers for Disease Control and Prevention, are responsible for approximately one-fourth of local health departments' revenue. Since 2008, local health departments have lost 43,000 jobs, a decrease of 23 percent, and budget cuts continue affecting on- in-four local health departments. NACo opposes cuts to core local public health and prevention funding, including the Prevention and Public Health Fund.

In addition to our role as health care providers, payers and administrators, counties employ 3.6 million people and spend approximately $25 billion annually to provide quality health benefits to our workforce. The AHCA only delays—rather than permanently repeals—the 40 percent tax on certain employer health benefits instituted under the Affordable Care Act, or the so called "Cadillac Tax." Under the AHCA, the Cadillac Tax would be retained as a revenue mechanism, though its implementation would be delayed from 2020 until 2026. County governments are generally not able to compete with private sector wages and salaries, so healthcare coverage is the primary benefit used to attract and maintain a quality workforce. The Cadillac Tax would negatively impact counties by forcing them to raise insurance deductibles or significantly reduce healthcare benefits for employees, removing this crucial employment tool.

NACo continues to advocate for counties' interests in the health care reform debate, most recently weighing in with Senate Finance Committee Chairman Orrin Hatch (R-Utah). We will continue to monitor developments and analyze their impacts on counties.

Resources:

- NACo Policy Brief on Medicaid
- NACo Policy Brief: Support repeal of the Cadillac Tax
- NACo Policy Brief: Protect funding for prevention and public health