



American Health Care Act: Impact on Oregonians

Addendum to reflect version that passed the U.S. House on May 4, 2017

On May 4, 2017, the U.S. House of Representatives passed the American Health Care Act (AHCA), which repeals many aspects of the Affordable Care Act. The bill now is in the U.S. Senate for further discussion.

The Oregon Department of Consumer and Business Services and Oregon Health Authority delivered a report about the American Health Care Act and its impacts on Oregonians to Governor Kate Brown on March 16, 2017. The report found as many as 465,000 Oregonians could lose coverage as a result of the bill.

Several developments have occurred since the publishing of the report:

- The House adopted several amendments that allow states to waive federal requirements or develop their own health care programs.
- The Trump Administration unveiled its budget proposal, which affects Medicaid and other health programs.
- The Congressional Budget Office (CBO) released an updated report on the budget and coverage impacts of the AHCA.

Below is a summary of these new developments.

Medicaid changes

There are not significant changes to the Medicaid program from the time the AHCA was introduced to the version that passed the House. The updated CBO score indicates that none of the changes to the AHCA mitigated the potential \$2.6 billion shift in Medicaid costs to Oregon or the loss of Medicaid health coverage for as many as 375,000 Oregonians.

Private insurance market changes

Several amendments were added before the AHCA passed the House. The changes give states the ability to waive certain requirements of the Affordable Care Act and provide funding to stabilize premiums for people affected by the waivers.

Palmer-Schweikert Amendment: An amendment proposed by Rep. Gary Palmer of Alabama and Rep. David Schweikert of Arizona establishes a federal invisible risk sharing program, which would provide payments to health insurers for claims incurred by eligible people. The amendment allocates \$15 billion for 2018 to 2026.

MacArthur Amendment: An amendment sponsored by Rep. Tom MacArthur of New Jersey allows states to waive any of the following Affordable Care Act requirements:

- Federal age ratio requirements. The ACA established a 3-to-1 age rating ratio, meaning that the oldest adults could not be charged more than three times the premium for the youngest adults based on age. The AHCA expands the default federal age ratio to 5-to-1, but also recognizes state laws requiring more narrow age ratios. Under this amendment, states may waive the AHCA's 5-to-1 age ratio in favor of an even higher ratio.
- Federally defined essential health benefits (EHB). The ACA requires plans to cover 10 categories of essential health benefits, such as preventive care and mental health. The amendment allows states to waive the federal EHB requirements and define their own essential health benefits starting in 2020.
- Community rating and continuous coverage requirements. The ACA prohibits insurers from using health information to set premiums. The amendment allows states that implement a high-risk pool or a reinsurance program to waive these protections and rate based on health status for people who cannot demonstrate continuous coverage over the previous 12 months. States that receive this waiver would also be exempt from the AHCA's mandatory 30 percent surcharge for people who fail to maintain continuous coverage.

Upton Amendment: The amendment proposed by Rep. Fred Upton of Michigan allocates \$8 billion more for 2018 to 2023 for use by states that receive waivers of federal rating and continuous coverage requirements under the MacArthur Amendment. These funds are available to reduce premium and out-of-pocket costs for people who see their premiums increase as a result of the waiver.

Impact on Oregon: According to the updated CBO report, states that pursue waivers of EHBs and community rating would see lower average premiums after 2020 because plans would be required to cover a smaller portion of expected health costs. However, premiums would vary significantly according to health status and the types of benefits provided. Less healthy people would experience much higher premiums, and over time, it would become more difficult for them to purchase coverage. In addition, some people would experience substantial increases in what they spend on out-of-pocket health costs, the CBO stated.

Oregon is developing a reinsurance program to encourage insurers to participate in the market and stabilize rates. The state would need more details about the invisible risk sharing program and the amendments to determine whether to pursue them.