

Overview of the proposed American Health Care Act

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March 2017

The American Health Care Act to date

After marathon sessions in two House committees, the recently-released Republican health care reform bill, The American Health Care Act or AHCA, continues to move along the political process. So far, Democrats have been steadfast in opposing the proposed legislation. A fair number of Republicans have expressed concern about the bill as well.

Democrats and others on the left argue that everyone insured under Obamacare will lose their health insurance. They believe it's either Obamacare or nothing. They neglect to mention that the Affordable Care Act (ACA) only insures a total of 20 million people, or 40 percent of people who were uninsured in 2010 when the legislation was signed into law.

The Congressional Budget Office (CBO) released its estimates of the impact of the AHCA. The CBO projects that 24 million will lose their health insurance by 2026. This is a startling and somewhat unbelievable number. It means essentially that either everyone currently insured under Obamacare, including the 14 million new Medicaid enrollees, will lose their insurance or that millions of people will choose to not purchase health insurance.

The AHCA ends the Medicaid expansion in 2020. All enrollees up to that point can theoretically stay in the program. The CBO estimates that by 2026 health insurance premiums in the individual market will be lower by 10 percent. Hopefully, in the next 10 years, further reform beyond the AHCA would take place and people would have access to lower-cost, individualized plans.

The CBO estimates an \$880 billion cut to Medicaid over the next 10 years and that Medicaid spending will be 25 percent less than today by 2026. However, Medicaid spending was \$500 billion last year, which projects out

to \$5 trillion total spending over the next ten years if spending remains constant. The \$880 billion "cut" is actually 17 percent of estimated spending at today's costs. This would be the first time a financial limit was placed on the Medicaid entitlement and represents the largest reform to Medicaid since it became law 50 years ago.

Supporters of the ACA also neglect to mention that Obamacare forced millions off their existing health insurance plans and that the law has done nothing to hold down the rapidly increasing cost of health care.

Multiple special interest groups that support Obamacare oppose the Republican plan.

Many Republicans and Libertarians also oppose the bill because it didn't go far enough in replacing Obamacare with less government and more patient-centered alternatives. After seven years of the failed Affordable Care Act, this is an understandable position.

The Congressional Republican leadership, however, has an enormous problem. First, they do not have 60 votes in the U.S. Senate. Reconciliation, dealing only with budgetary considerations, requires a simple majority vote. Consequently, the leadership has chosen to put forth a bill that only concerns itself with the financial parts of Obamacare.

Second, Republicans ran on repealing the ACA. Not attempting to repeal Obamacare is not a political option. Repealing Obamacare and not replacing it would create havoc in our health care system.

Third, there is virtually no way the Republican leadership could successfully use the "nuclear option" in the U.S. Senate and pass a comprehensive free-market replacement bill with a simple majority. At least four Republican senators are on record opposing

such things as cuts to Medicaid and the complete elimination of government subsidies. Republicans have only 52 votes in the Senate – losing more than two votes would sink the bill.

The Republican House leadership looks at health care reform as a three step process. Phase One is passage of The American Health Care Act. Phase Two is administration action on the 1,442 discretionary measures in Obamacare. These can be done by the president or more likely by Health and Human Services Secretary Tom Price. Phase Three is additional (hopefully) bipartisan legislation that expands patient-centered solutions.

Within the confines of reconciliation, the new bill addresses several critical areas in our health care system. For 75 years, employers have been providing “free” health care benefits for employees. Because of the favorable tax treatment of these benefit costs, the tax loss to the federal government is estimated to be \$3.5 trillion over the next ten years. Through the use of refundable tax credits, the AHCA is a start at giving individuals and small groups the same tax consideration as larger group employers and their employees. This would not only be fair, it would decouple health insurance from employment and would allow people to take their health insurance with them no matter where they worked or lived.

The bill would begin to unravel the government-imposed benefit mandates in insurance plans. The AHCA offers greater contributions to health savings accounts and allows for catastrophic insurance without the government mandates.

The AHCA doesn’t end Medicaid, but it does give states more control over the entitlement and is a start to ensure the program will truly function as a safety-net for the most vulnerable in our country. Medicaid is not financially sustainable in its present form.

Republican leadership in Congress will be walking a tightrope the next few weeks. They must convince 218 members of the House and 50 members of the Senate to support the bill. If repeal and replacement of Obamacare are not successful with this bill, health care reform will, in all likelihood, be dead for the

foreseeable future. The country will be stuck with Obamacare, the Medicaid expansion for able-bodied individuals, the distorting employer-paid model of health benefits, the financially unsustainable Medicare program, and more government central-planning.

Summary of the American Health Care Act

- Repeals the individual and employer mandate.
- Eliminates virtually all of the ACA taxes and defers the “Cadillac tax” on high-cost health insurance plans until 2025.
- Provides a refundable tax credit based on age, not income. The credit starts at \$2,000 per person for 18 year olds and gradually increases to \$4,000 as people age. The maximum for a family is \$14,000.
- People purchasing catastrophic health insurance plans, without the current ACA benefit mandates, can receive the tax credits.
- Expands health savings account (HSA) contributions to \$6,550 per year for individuals and \$13,000 per year for families.
- Reforms Medicaid. States would receive per capita federal block grants. States that did not expand Medicaid under the ACA would receive more federal money for disproportionate share hospitals (those hospitals that have a higher share of low-income patients) and possibly more funds because of changes in the federal match. Phases out Medicaid expansion starting in 2020 and gives states more control over the entitlement.
- States would receive federal money through a \$100 billion grant over the next decade which apparently could be used for such things as high-risk pools.
- Retains several ACA provisions. Children can stay on their parents’ health insurance plans until age 26. The bill addresses the pre-existing condition mandate. (There is a loop-hole for insurance companies,

however. If a person does not continuously have insurance for two months, the company can charge an additional 30 percent premium surcharge.)

- Changes the community rating from 3:1 to 5:1 which will make health insurance more affordable for younger, healthier individuals.
- Cuts \$337 billion off the federal deficit over ten years.
- Lowers taxes by \$883 billion for everyone who uses health care. Eliminates the ACA taxes on drug companies, medical device manufacturers, insurance companies, and insurance plans.
- Lowers insurance premiums ultimately by 10 percent.
- Places a limit on Medicaid spending for the first time in the history of the entitlement, saving \$880 billion over ten years.

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