Our Health Care at Risk: Medi-Cal, Covered California, and the Affordable Care Act

The House Republican Proposal (March 6, 2017) Costs More and Covers Less

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The House Republican proposal ("American Health Care Act") introduced on March 6th will lead to millions of Californians losing coverage, and many more seeing higher health care costs. There are many unanswered questions in the current proposal and we have yet to see the Congressional Budget Office's official, independent analysis of how many people the House Republican proposal would cover and how much it would cost ("the CBO score"). The details that are available indicate the House Republican proposal would cover far fewer people and raise premiums and deductibles.

While the House Republican proposal directly threatens the coverage of the five million Californians who directly get coverage and financial assistance through the Affordable Care Act (ACA), it would also impact the 14.1 million Californians who get coverage through Medi-Cal and everyone who buys coverage as an individual, with or without a subsidy.

Less Coverage, Higher Costs, Lower Subsidies, Fewer Benefits

For those who buy coverage on the individual market, the proposal explicitly raises copays and deductibles while reducing financial help to pay for premiums and cost sharing—and cut benefits by eliminating the floor on benefits.

- Currently, 90% of the 1.5 million Californians enrolled in Covered California get financial assistance based on their income to help them afford coverage—a tax credit on average of $440 a month.[1]
- **The House Republican proposal would significantly reduce the tax credits that consumers currently receive and effectively results in a major tax hike on many low- and moderate-income families** who now get help through Covered California. The proposed tax credits are worth about half the financial help available under the ACA.[2]
- The House Republican proposal's tax credit is based on age, not income. As a result, **low-income individuals could lose thousands of dollars in financial help**. The proposal allows great variation of pricing—going from 3:1 to 5:1 age bands, which means **people over age 50 will pay more for their premiums, perhaps twice as much as they do today**—while getting less help paying for it. The combination of giving increasing prices and giving less financial help means consumers will not be able to afford coverage.
- **No adjustment for higher cost areas:** The House Republican proposal's tax credit does not adjust for geographic differences in health care costs, unlike the subsidies provided through the ACA. As a result, **people who live in higher cost areas (most of California, particularly in the northern part of the state) will be worse off** than under the ACA. In addition, the House Republican proposal does not adjust tax credits if health care costs rise, which means the low- and moderate-income families would receive less help over time and drop coverage due to lack of affordability.
- **Reducing financial assistance and shifting tax credits leads to unhealthy risk pool and higher costs:** Hundreds of thousands of Californians would no longer be able to afford coverage under the House Republican proposal. As more of the 2-3 million Californians in the individual market are forced to drop coverage because it is unaffordable, the rest would be left in a smaller and sicker insurance pool—and thus

seeing premiums skyrocket as a result. Since the tax credits are not tied to the premium costs, many more—both subsidized and unsubsidized—would lose coverage.

- **Increase out-of-pocket costs such as deductibles and cost sharing**. It eliminates the direct subsidies now available in Covered California to help lower-income families with cost sharing. The proposal also deletes the "actuarial value" requirement for health plans that offered four tiers of coverage. The lowest level under the ACA required a plan to cover at least 60% of the cost of care for a covered population. The House Republican proposal instead eliminates the floor on value of coverage so a **health insurance policy could cover less than half the cost of care** for an average population. **That means higher copays, higher deductibles, and coverage that costs more when you need care.**
- **Continuous coverage requirement is punitive and undermines risk pool.** The House Republican proposal **replaces the individual mandate with a far more punitive 30% premium surcharge** that would further discourage healthy people from signing up for coverage. In the House bill, anyone who goes without coverage for more than 62 days will pay *30% more for their coverage*—no matter their reason for going without coverage. Consumers who do not maintain coverage because they lose their job, have to move, or get married would have to pay 30% more for a full year (whereas they currently do not under special enrollment periods and exemptions under the ACA). The House Republican proposal is more costly and cumbersome than the ACA's individual mandate, and will also exacerbate the problem of adverse selection—since the only people willing to pay the 30% surcharge would in fact be those who need the most care.

Medi-Cal: Seniors, Children, Adults, and the Disabled: Coverage Capped

The biggest impacts of the House Republican proposal would be to Medi-Cal, which currently covers 14.1 million Californians, over one-third of our state.

Ending the Medicaid expansion results in $8 billion cut to Medi-Cal: Funding for the Medi-Cal expansion that gave comprehensive Medi-Cal coverage to more than 4 million Californians would be cut off in the year 2020 and replaced with a lower federal match for those newly enrolling in Medi-Cal: that alone would cost California $8 billion a year out of a $100 billion Medi-Cal budget (state and federal dollars). As a result, the state will have to cut off coverage to millions.

Caps to federal funding would result in deeper cuts: The House Republican proposal also includes a radical restructuring of the Medicaid program by capping federal funding, which would cut California's Medi-Cal program by another $8-$10 billion, depending on the details of the proposal, for total cuts of $15-$20 billion, if not more, of the $66 billion that the federal government now contributes to Medi-Cal.

Per capita cap does not account for increasing health care costs or public health emergencies: Today the federal government guarantees that for every dollar California spends on Medi-Cal, the federal government will match dollar-for-dollar. The House Republican proposal undoes the guarantee of federal funding by changing federal funding to a "per capita cap" which would multiply the number of people on Medicaid times what the per-person payment for that category. Even within categories, this cap would not take into account an aging population, medical inflation, or public health emergencies.

- As the number of people over age 80 increases, California would still get the same per person amount---even though people over age 80 need more health care than a 65 year-old.
- Similarly, under another baby boom, California would get the same amount per kid, even though children under age 2 go to the doctor more than most 8 year olds.
- If we have an epidemic like Zika, or if a new drug like Sovaldi got introduced that cost $84,000, or if EpiPen hiked its prices to over $600 per pen, California would still get the same amount per person—no matter how much the cost of health care climbed.

Who would pay when health care costs go up faster than the federal formula allows? Californians—either through higher state taxes or by denying people care or coverage. When one in three Californians depends on Medi-Cal--14 million people—then this will impact virtually every provider in the state and these cuts will affect all of us.[3]

Reducing Care and Coverage for Low- and Moderate-Income People to Fund a Massive Tax Break for the Wealthiest and the Health Industry

The proposal repeals a long list of taxes on the affluent and the health care industry, benefitting those with incomes above $200,000 and drug companies, health insurers and other parts of the health care industry while taking away benefits from millions of people.[4] It even makes the point by removing an ACA-imposed cap on the tax deductibility of compensation of more than $500,000 for health insurance executives—while at the same time cutting the tax credits for low-income consumers.

Danger for Medicare

The revenues and reforms in the ACA extended the life and solvency of the Medicare program—repealing the ACA Medicare taxes on the affluent would negatively impact Medicare. This funding cut sets up a future effort to undo the Medicare guarantee and change the program to a voucher system, as HHS Secretary Tom Price has proposed, reducing benefits and increasing costs.

The proposal will also directly impact the millions of seniors and persons with disabilities who rely on Medi-Cal as well as Medicare because of the Medicaid cuts and caps.

For the ACA and the health system as a whole, we should keep what works like covering the benefits people need and fix what needs fixing, including lowering copays and providing consumers with more help paying for premiums. The House Republican proposal does the opposite. It funds a massive tax break for the wealthiest by stripping coverage from millions of people and driving up health care costs.

About Health Access California

Health Access California is the statewide health care consumer advocacy coalition, advocating for the goal of quality, affordable health care for all Californians. We represent consumers in the legislature, at administrative and regulatory agencies, in the media, and at public forums. For more information, please visit www.health-access.org.

Endnotes

[1] Covered California, Active Member Profile (June 2016): http://hbex.coveredca.com/data-research/library/active-member-profiles/CC_Membership_Profile_2016_06.xlsx

[2] KFF, March 1, 2017: http://kff.org/health-reform/issue-brief/how-affordable-care-act-repeal-and-replace-plans-might-shift-health-insurance-tax-credits/

[3] CBPP, March 3, 2017: http://www.cbpp.org/blog/house-gop-medicaid-provisions-would-cut-federal-medicaid-spending-by-560-billion-over-next

[4] CBPP: http://www.cbpp.org/blog/house-gop-medicaid-provisions-would-cut-federal-medicaid-spending-by-560-billion-over-next