



SPOTLIGHT:

a chro education series by the

REPLACE

american health policy institute

THE ACA

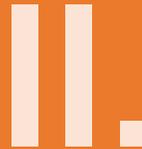
Part Three of Six



AMERICAN
HEALTH
POLICY
INSTITUTE



Employers and the US Health Care System



The Health Care Reform Spectrum



Spotlight: Replace the ACA *PART THREE of SIX*

Nearly a decade after the passage of the Affordable Care Act, health care continues to be a top issue among voters in the U.S., with the two major parties offering distinctly different visions of the direction of future reform. To help CHROs, their teams, stakeholders, and the public better understand the health care landscape and the prospects for change, we’re launching a series of short papers that will discuss the various types of reform proposals being discussed among policy makers, political candidates and other key stakeholders.

OBJECTIVES OF THE SERIES

We hope this CHRO Education Series will increase member awareness of the spectrum of potential future health care reforms that may be proposed over the next two years – and will help senior HR leaders assess the implications of various types of reform on their future business and talent strategies. We will also use these papers as the basis for follow up discussions with members in 2019 that will help shape the Association’s work with policymakers.



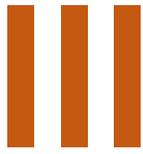
Spotlight: The Medicare for All Act



Spotlight: Medicare Extra for All



Implications for Employers



Introduction

The cost of health care remains a top concern for voters, and it is sure to be a central issue on the policy agendas of presidential candidates as the 2020 elections near.

So far in our series, we have looked at the unique role that employers play in U.S. health care and the problems that plague the system, including high costs and poor relative outcomes compared to other developed nations. Nearly a decade after passage of the Affordable Care Act (ACA), these issues still prompt a continued call for reform. However, policymakers differ on which direction reform should take.

To understand and evaluate existing and future proposals for health care reform, it's useful to focus on the different roles of government. As we explored in Part II, government's increasing role in health insurance can be described in four ways (although none of them are mutually exclusive):

- Provide financial incentives for the purchase of private insurance
- Provide direct coverage to specific populations (*e.g.*, Medicare, Medicaid)
- Influence supply and demand for insurance, primarily through regulation
- Exert full control (single-payer)

Democrats have generally favored a greater role for government in health care focusing in particular on expansion of coverage (*e.g.*, Medicare and Medicaid expansion), as well as regulations aimed at controlling costs. More recently, an increased number of Democrats have openly embraced the concept of a single-payer system. Republicans, for their part, have tended to espouse initiatives aimed at reducing government involvement believing that the free market can best ensure affordable health care for those who wish to purchase it. In Part III of our Education Series, we will examine the key elements of reforms being discussed by Republicans in Congress and by conservative thought leaders and policy experts.

History of “Repeal and Replace”

In March 2010, the ACA was passed by Democrats on a party-line vote and signed into law by President Barack Obama. Since its passage, Republicans made it a campaign promise to repeal the law. But as 20 million more Americans gained coverage under the ACA—primarily through Medicaid expansion—the Republican party's initial promise to simply “repeal” the ACA evolved to “repeal and replace” the law with market-based reforms.

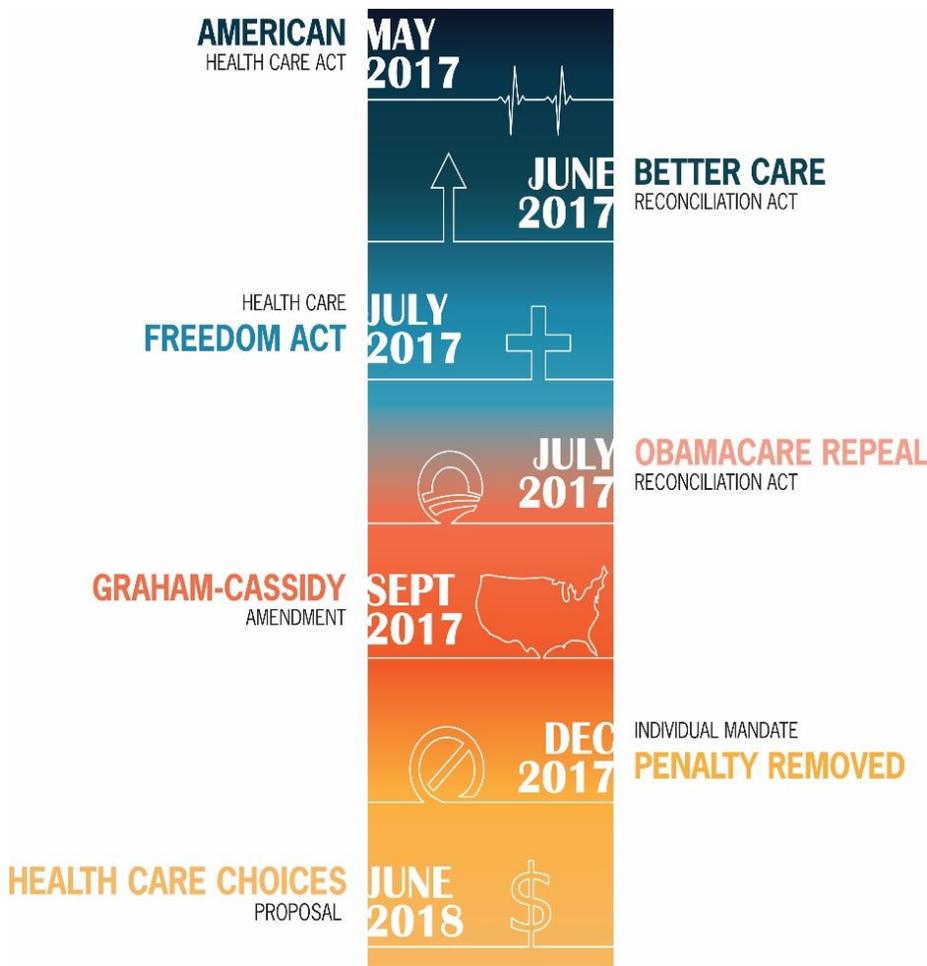
However, Republicans failed to form a consensus around what health care reform should look like and were never able to coalesce around a specific replacement plan.

This proved problematic when the Republican party maintained control of the House of Representatives and Senate and won the White House with the election of President Donald Trump in 2016.

On his first day in office, President Trump issued an executive order to “minimize the unwarranted economic and regulatory burdens” of the ACA, and tasked Congress with writing legislation to repeal and replace the law. Meanwhile, Republicans had to act quickly to put together a replacement plan for the ACA.

House Republicans introduced their first repeal-and-replace bill, the American Health Care Act (AHCA), in March 2017. The bill narrowly passed the House but died in the Senate. In June 2017, Senate Republicans released the Better Care Reconciliation Act; a revised version of this bill was voted down in July 2017, with the late Sen. John McCain (R-AZ) casting the decisive no vote. Finally, in September 2017, Republican Senators Lindsey Graham, Bill Cassidy, Dean Heller and Ron Johnson released an amendment to AHCA, the Graham-Cassidy-Heller-Johnson amendment, which again failed to garner enough votes in the Senate.

Timeline of GOP Reform Proposals



In December 2017, as part of the tax reform package, Congress amended the ACA’s unpopular individual mandate that required all Americans to purchase insurance by eliminating any financial penalty. But with gridlock in Congress on how to repeal and replace the law, Republicans’ biggest victory so far has been on the regulatory front. The Trump Administration has implemented regulatory changes to increase choices for Americans who can’t afford the cost of health care coverage on the individual market – costs driven higher by the benefit coverage mandates of the ACA. The administration has also issued guidance to give states more waiver flexibility to circumvent certain ACA regulations. For example, states can alter the ACA’s essential health benefit

requirementsⁱ, or use federal funding for premium tax credits to provide state-administered subsidies to individuals.ⁱⁱ

As more aspects of the law have been implemented over time, both the public and the insurance industry have adapted to the changes. Polls show that although most American voters viewed the ACA unfavorably between 2010 to 2017, this reversed in 2017, and a slim majority of Americans (53%) have since viewed the law favorably.ⁱⁱⁱ This switch is likely in response to Republicans' attempts to repeal the law, and also reflects the popularity of some aspects of the ACA, including protections for people with pre-existing conditions and the provision allowing adult children to stay on their parents' health insurance plans until age 26.

Going forward, Republicans are expected to frame their approach to health care reform as plans to “increase choice and competition” or to “make health care more affordable and accessible,” rather than to “repeal and replace” the law.

Proposals for Reform

Graham-Cassidy-Heller-Johnson Amendment (September 2017)

The best way to anticipate what future Republican reform plans will look like is to analyze the most recent proposed GOP bill, the Graham-Cassidy amendment to the AHCA.

This bill would repeal key ACA provisions, including the individual and employer mandates, premium and cost-sharing subsidies, and the Medicaid expansion to able-bodied, childless adults.

It would instead create state block grants through the Market-based Health Care Grant Program, which would allow states to design their own reforms to expand health insurance coverage and reduce premiums. This would greatly increase the flexibility that states have in designing their Medicaid programs and in managing their individual markets and allow states to better target assistance to those in need. The block grant would replace Medicaid expansion and the current federal spending for premium and cost sharing subsidies. Federal Medicaid funding would be converted into a per capita allotment to limit federal spending on the program.

Graham-Cassidy would keep some of the ACA's insurance market rules, such as the prohibition on denying coverage based on health status and the prohibition on excluding pre-existing conditions but would allow states to set their own covered benefit and rating rules for fully-insured plans under the block grant program. This means that states would be able to set their own rating rules for age and geographic location for the individual and small group markets. It would also encourage the use of Health Savings Accounts (HSAs) by increasing the annual contribution limits.^{iv}

Using the four-part framework from Part II of our series, the chart below shows how the Graham-Cassidy proposal would compare with the current state under the ACA.

Role	Current State	Graham-Cassidy
Financial incentives	<ul style="list-style-type: none"> • Tax policy encourages ESI • Subsidies for low income to purchase coverage on Exchanges 	<ul style="list-style-type: none"> • Maintain the tax-preferred treatment of ESI and repeal the Cadillac Tax on high value employer plans • Encourage use of Health Savings Accounts by increasing contribution limits • Subsidies provided for low income people through block grants to the states
Direct coverage to select populations	<ul style="list-style-type: none"> • Medicaid/CHIP • Medicare • Veterans/Armed Forces • Federal Employees 	<ul style="list-style-type: none"> • Repeal Medicaid expansion to able-bodied, childless adults • Convert federal Medicaid funding to a per capita block grant and limit growth in federal Medicaid spending • No change to Medicare, Veterans, Federal employees
Influence Supply and Demand	<ul style="list-style-type: none"> • Employer mandate • “Minimum Essential Coverage” standards 	<ul style="list-style-type: none"> • Repeal most ACA benefit mandates and premium and cost-sharing subsidies • Establish a new state block grant program to fund reforms designed by states • Eliminate “Minimum Essential Coverage” standards • Allow states to set market rules for coverage, such as premium rating based on age and geographic location, and permitting insurers to establish multiple risk pools • Repeal employer mandate • Repeal individual mandate
Fully control	n/a	n/a

Health Care Choices Proposal (June 2018)

After Congress failed to pass the Graham-Cassidy amendment, conservative health policy scholars, state leaders, and state-

based advocacy organizations came together to write and release a new proposal for reform in June 2018: “The Health Care Choices proposal.”³⁹ Like Graham-Cassidy, it would repeal some of the same ACA taxes, the minimum essential coverage rules,

and increase HSA contribution limits. Although it has not yet been released in the form of proposed legislation, it could provide the basis for a future Republican effort to replace the ACA.

The Health Care Choices proposal is different from Graham-Cassidy in that it does not convert federal Medicaid funding into a per capita cap. The proposal also addresses some of the roadblocks that Republicans faced in passing Graham-Cassidy. For example, many Republican senators in states that had expanded Medicaid did not like that Graham-Cassidy would decrease federal funding the most for states that had expanded Medicaid.^{vi} The Health Care Choices Proposal would include a new formula to determine how much federal assistance each state receives based on current spending for ACA subsidies and Medicaid expansion.

Instead of the federal government giving tax credits to individuals, this money would go to the states in a block grant allocation. The block grant would provide a fixed amount of funding to each state, where at least 50% would be required to go toward supporting the purchase of private insurance, and another 50% would be required to provide coverage for those who are low-income. (These two categories would overlap.) A

portion of the block grant would also be required to offset the costs of high-risk patients. Another feature of the Health Care Choices proposal is that any person on Medicaid would be permitted to use the value of that premium assistance for a private market plan if they so choose.

Between now and the 2020 election, we expect both Republicans and Democrats to refine their party positions on health care reform. Both sides will be gearing up for the next health care reform debate by deciding which plan to use should their party be in a position to pass legislation.

Next Up: The “Medicare for All” Act

The next piece in our series will analyze the Democrats’ “Medicare for All” Act, which envisions a much more extensive role for government than the current system.

We will also spotlight the Center for American Progress’s public option proposal, “Medicare Extra for All,” and in our final installment, will explore the implications these proposals have for employers.

Endnotes

ⁱ <https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Waiver-Concepts-Guidance.PDF>

ⁱⁱ <https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/Waiver-Concepts-Guidance.PDF>

ⁱⁱⁱ <https://www.kff.org/interactive/kaiser-health-tracking-poll-the-publics-views-on-the-aca/#?response=Favorable-Unfavorable--Don't%2520Know&aRange=twoYear>

^{iv} <https://www.kff.org/interactive/proposals-to-replace-the-affordable-care-act/>

^v <https://americanhealthcarechoices.org/wp-content/uploads/2018/09/Proposal-06-19-18.pdf>

^{vi} <https://avalere.com/press-releases/graham-cassidy-heller-johnson-bill-would-reduce-federal-funding-to-states-by-215-billion>