HEALTH ACCESS
California's Health Consumer Advocacy Coalition

FACT SHEET

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

Senate Republican Proposal Makes California Consumers Pay More for Less Coverage

June 30, 2017

The Senate Republican health care proposal, "Better Care Reconciliation Act" (BCRA), will result in at least four million Californians losing coverage, undermine key protections for those with pre-existing conditions, and force consumers to pay more for their health care. The non-partisan and independent Congressional Budget Office's June 26, 2017 and June 29, 2017 analyses confirm that this proposal will:

- Result in 15 million more Americans uninsured by 2018, 19 million by 2020, and 22 million by 2026.[1]
- Cut overall Medicaid funding by $772 billion nationally over the next decade by eliminating Medicaid expansion and restructuring the Medicaid program. The program will be cut by over a quarter (26%) in the first decade and over a third (35%) in the second.
- Drastically reduce premium tax credits and eliminate cost-sharing subsidies by $424 billion.

BCRA fundamentally changes the Medicaid federal-state partnership and shifts costs to the states. California will bear a significant cost-shift of $30.3 billion annually by 2027, and worsening after that. California will face a cumulative cut of $114.6 billion between 2020 and 2027. [2]

California's uninsured rate is at an all-time low due to the Affordable Care Act (ACA). BCRA will reverse the progress our nation has made, not just in the last five years, but in the last 50 years by eliminating the Medicaid entitlement that has been in place since 1965. This bill directly threatens coverage for the 14.1 million Californians who get coverage through Medi-Cal, and the 2.3 million who buy coverage in the individual market, 1.5 million of whom are in Covered California. The Senate proposal retains the core elements of the House bill and includes much harsher provisions. BCRA will leave millions of Californians uninsured, unable to afford needed care and coverage, and with many consumers paying more for less coverage.

Individual Market: Consumers Face Skimpier Coverage, Higher Costs

BCRA will affect everyone who purchases in the individual market and will leave many (especially low- and moderate-income and older Californians) with no affordable coverage options, regardless of whether they get a subsidy. Over 2 million Californians obtain coverage through the individual market. Around 90% of the 1.5 million Californians enrolled in Covered California get financial assistance to help them afford coverage—an average premium tax credit of $440 a month ($5,280/year).[3] The average subsidy covers nearly 77% of the consumer's monthly premium costs.[4] Under BCRA:

- **Consumers will pay much higher premiums and/or face higher deductibles.** BCRA cuts the affordability assistance in Covered California by 12-14% by tying subsidies to a plan with an actuarial value of 58% rather than a silver plan with an actuarial value of 73%. This means consumers will have much higher deductibles for a plan under BCRA. Currently in California, the deductible for a silver plan is $2,450 for an individual and $4,900 for a family. Under BCRA, the deductible would nearly triple to $7,350 for an individual and $14,700 for a family.[5] This leaves consumers with large, if not prohibitive, out-of-pocket costs.

- **Many middle-income people would be cut off from any affordability assistance.** The income threshold for premium tax credits will be lowered from 400% FPL to 350% FPL, so individuals making between $42,210 and $48,240 annually would no longer get any help affording coverage, even in a high cost-of-living state like California.
- **Older adults would face an "age tax"** because BCRA allows states to charge older adults five times more than young people, up from the three times more that is allowed by the ACA (by going from 3:1 to 5:1 age band). In addition, people over age 40 would be expected to spend a higher percentage of their income on premiums. People aged 40 to 49 with incomes between 300% FPL-350% FPL would pay a higher percentage of their income toward premiums (between 8.35% - 12.5%) while those over 59 years old will be forced to spend over 16%[6] of their income on premiums alone.
  - For example, a 60-year old with an income of $20,000 and living in a high-cost area like Monterey County would pay $8,050 in annual premiums even after subsidies, compared to just $960 under the ACA.[7]
- **Over 700,000 California consumers would lose $700 million in cost-sharing assistance** that reduces copays and deductibles. These cost-sharing subsidies reduce out-of-pocket costs by more than $1,000 per individual and $1,500 per household.[8] For most consumers, this means higher premiums, higher deductibles, and higher copays. Low-income Californians would be shifted to plans with $7,000 deductibles—around a quarter of their income.
- **Destabilizes the individual market and increases costs by eliminating the individual and employer mandates.** This creates incentives for people to delay signing up for coverage until they get sick, worsening adverse selection and driving up premiums for everyone.
- **Locks patients out of coverage for missing a single payment.** BCRA also denies care to consumers in the individual market for 6 months if they fail to maintain continuous insurance coverage by missing just one payment. This punitive change undermines the risk pool and prevents consumers from getting needed care during financial unstable moments in their lives.

Medi-Cal: Capping Coverage for Seniors, Children, Adults, and People with Disabilities

The Senate Republican proposal radically restructures Medicaid financing and eliminates the ACA's Medicaid expansion, cutting $772 billion over the next ten years.[9] By 2026, the proposal cuts 26% of federal spending and as a result, the number of Medicaid beneficiaries would fall by 15 million nationally.[10] In the second decade, the proposal's cut to Medicaid would grow to 35% annually. Most of those losing Medicaid would likely end up uninsured because they would not have access to affordable coverage. California already has one of the lowest per capita costs of any Medicaid program in the nation, and there are few opportunities for additional efficiencies or savings. These federal cuts would force the state to cut eligibility, benefits (such as adult dental and IHSS) and provider rates, which are already among the lowest in the nation. BCRA will:

- **End the Medicaid expansion in 2024, forcing 4 million low-income Californians to lose coverage.** BCRA phases out the enhanced funding for the expansion beginning in 2021. This change alone would cost California over $12 billion in 2027, and over $50 billion 2020-2027.[11] For 2017-18, the total Medi-Cal budget is about $100 billion. California will not be able to make up billions in lost funding and may be forced to end the expansion before 2024.
- **Radically restructure the Medicaid program by capping federal funding** either by a per capita cap or block grant, neither of which will keep pace with current medical cost trends. It undoes the federal commitment to match state funding dollar-for-dollar, resulting in tens of billions in deeper cuts to Medi-Cal. The CBO estimates that Medicaid funding caps, coupled with elimination of the expansion, will reduce federal Medicaid spending by 26%.[12] These caps would cost California another $11.3 billion in 2027.[13]
- **Institute per capita caps and block grants that do not account for increasing health care costs.** Today, the federal government matches every dollar California spends on Medi-Cal. BCRA would undo the

guarantee of federal funding by capping funding per beneficiary, and the state would be responsible for all costs above that per beneficiary cap. These caps would not be sufficient to cover an aging population, medical inflation, or public health emergencies:

- As the number of people over age 80 increases, California would still get the same amount per person, even though people over age 80 need more long-term care, which costs more.
- If we have an epidemic like Zika, or if an expensive new drug like Sovaldi ($84,000) is introduced, 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 climbs.

Medi-Cal: Eligibility Changes Make It Harder for Vulnerable People to Get Coverage

BCRA also imposes draconian requirements for Medicaid eligibility and permits severe cuts in benefits. These changes would cut Medicaid spending by an additional $19.3 billion nationally over ten years.[14] BCRA would:

- **Eliminate the requirement that Medicaid cover "essential health benefits"** for the expansion population, effectively cancelling coverage of mental health and substance abuse treatment.
- **Impose burdensome enrollment and renewal requirements:** Eliminates streamlined state enrollment processes and permits states to require Medi-Cal expansion adults to renew every 6 months instead of annually. Requiring people to renew twice a year will lead eligible people to lose coverage or experience gaps in coverage because they moved or missed paperwork.
- **Permit states to mandate work requirements in Medicaid:** BCRA allows states to impose work requirements. Nearly 8-in-10 Medicaid enrollees are part of a working family. Health coverage makes it easier for people to find and keep jobs. Work requirements would trigger enrollment denials and increase coverage interruptions, endangering the health of people in need of care.
- **Increase medical debt for the most vulnerable by eliminating retroactive eligibility:** Medi-Cal currently covers care received for up to the three months before a consumer applies. Retroactive eligibility is an important tool to fight medical debt for people who apply during or after a hospitalization.

Eliminating Key Consumer Protections by Allowing States to Waive Protections

BCRA permits state waivers to eviscerate key patient protections such as the essential health benefits standard, which requires insurers to cover such services as doctors, hospitals, prescription drugs, maternity, mental health, and substance abuse treatment. Letting states waive out of vital benefit coverage requirements in the individual and small group markets will also affect the large group market and self-insured employer plans because the definition of essential health benefits determines the level of coverage people get from their employers.

Waivers could also eliminate other consumer protections, such as caps on out-of-pocket costs, exposing consumers once again to cost sharing of hundreds of thousands of dollars in the most extreme cases. Waivers could also allow the state to abolish Covered California and eliminate tax credits for moderate-income consumers. California would face significant pressure to undo core protections for those with pre-existing conditions through a waiver.

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

The Senate Republican proposal repeals a long list of taxes on the affluent, benefitting those with incomes above $200,000, drug companies, insurance executives, and other parts of the health care industry while at the same time cutting tax credits for low-income consumers and taking away benefits from millions of Americans.[15]

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 will negatively impact Medicare's financial underpinnings. This funding cut also sets up a future effort to undo the Medicare guarantee, change the program to a voucher system, reduce benefits, and increase costs to older Americans. The proposal will also directly impact the millions of seniors and persons with disabilities who rely on Medi-Cal as well as Medicare.

Conclusion

We should keep what works in the ACA and improve upon it, such as lowering premiums and co-pays by providing consumers with more financial assistance and improve the delivery of care. The Senate Republican proposal does the opposite: it funds a massive tax break for the wealthiest Americans, along with drug and insurance companies, all the while stripping coverage from millions of people and driving up health care costs for everyone.

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. Health Access represents consumers in the legislature, at administrative and regulatory agencies, in the media, and in other public forums. For more information, please visit www.health-access.org.

Endnotes

[1] Congressional Budget Office, H.R. 1628 Better Care Reconciliation Act of 2017 Cost Estimate, June 26, 2017.
[2] CA DHCS and DOF, Summary and Preliminary Fiscal Analysis of the Medicaid Provisions in the Better Care Reconciliation Act, June 27, 2017.
[3] Covered California, Active Member Profile (June 2016).
[4] Covered California, Income Guidelines Use Through March 2017, September 2016.
[5] National Academy for State Health Policy, Barely Covered: Initial Analysis of Coverage and Affordability Impacts to Consumers and the Proposed Better Care Reconciliation Act, June 2017.
[6] Better Care Reconciliation Act of 2017, Table on Page 6, June 22, 2017.
[7] Covered California, New Analysis Shows the Better Care Reconciliation Act Would Mean Dramatically Higher Costs for Most Consumers, Putting Care Beyond Reach of Many, June 28, 2017.
[8] Covered California, Bringing Health Care Within Reach, March 14, 2017.
[9] Congressional Budget Office, H.R. 1628 Better Care Reconciliation Act of 2017 Cost Estimate, June 26, 2017.
[10] Ibid.
[11] CA DHCS and DOF, Summary and Preliminary Fiscal Analysis of the Medicaid Provisions in the Better Care Reconciliation Act, June 27, 2017.
[12] Congressional Budget Office, H.R. 1628 Better Care Reconciliation Act of 2017 Cost Estimate, June 26, 2017.
[13] CA DHCS and DOF, Summary and Preliminary Fiscal Analysis of the Medicaid Provisions in the Better Care Reconciliation Act, June 27, 2017.
[14] Ibid. Table 2, Appendix.
[15] Ibid.