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Dear Senator Feinstein:

Health Access California, the statewide health care consumer advocacy coalition working for quality, affordable health care for all Californians, writes in **strong opposition to H.R. 1628 ("American Health Care Act"/AHCA)**. We urge you to **oppose the bill** and any other ACA repeal measures that would increase the number of uninsured Californians and cut federal funding to health programs like Medicaid and our state marketplace, or otherwise undermine the health care system we all rely on.

California's robust implementation of the Affordable Care Act (ACA) has reduced our uninsured rate by more than half, from 17% to 7%,<sup>1</sup> the biggest drop of any state in the nation. The ACA has also played an important role in moderating the rise in the cost of health care, providing new patient protections for millions, and ending policies and practices that discriminated against women, LGBTQ people, people with disabilities, and racial and ethnic minorities. The ACA increased access to health care for underserved populations and made health care coverage more equitable.

We continue to be gravely concerned that the AHCA will cause over 4 million Californians to lose coverage. Our Medicaid (Medi-Cal) program will face a staggering \$24 billion annual cut within a decade.<sup>2</sup> Additionally, Californians who receive subsidies to afford coverage through our state's marketplace, Covered California, will see a 50% cut to \$5 billion<sup>3</sup> of federal financial assistance.

While the AHCA threatens the coverage of Californians who directly get coverage and financial assistance through the ACA, it will also impact all of the 14.1 million Californians who get coverage through Medi-Cal, everyone who buys coverage as an individual, with or without a subsidy, in or off the exchange, and everyone else who receives coverage through their jobs.

### **AHCA Threats to California's State Marketplace Covered California**

The AHCA will affect everyone who purchases in the individual market and will leave many with no affordable coverage options, regardless of whether they get a subsidy or not. Nearly 3 million<sup>4</sup> Californians obtain coverage through the individual market in any given year. About half of these individuals purchase insurance in the exchange, Covered California, and the rest purchase insurance off the exchange.

- For 2016, around 90% (or nearly 1.5 million)<sup>5</sup> of the 1.7 million Californians enrolled in Covered California get financial assistance to help them afford coverage—an average premium tax credit of \$318 a month (\$3,500/year) for an individual, and

\$442 (\$5,300/year) for a household.<sup>6</sup> The average subsidy covers nearly 77% of the consumer's monthly premium costs.

- AHCA would reduce tax credits by imposing a flat tax credit (\$2,000 - \$4,000) by age that is not based on people's income or actual costs of care. Low and moderate-income families, older people, and people who live in areas with high health care costs will see the biggest reductions in tax credits and increases in premium costs.
- AHCA does not account for the wide differences in the underlying cost of care between all of the rating regions. Low and moderate-income consumers, especially older consumers living in rural or high-cost regions (like the Northern counties, San Francisco, or the Central Coast) will end up paying more in premiums. For example, a 62-year old living in Humboldt County and earning \$30,000/year will end up paying \$13,487 after receiving a flat \$4,000 tax credit under AHCA, compared to paying just \$2,494 after a \$12,389 tax credit under the ACA.<sup>7</sup>
- AHCA also removes \$700 million in cost-sharing protections that guarantee nearly 750,000 Californians won't face excessive out-of-pocket costs. These cost-sharing reduction subsidies reduce out-of-pocket costs by more than \$1,000 per individual and \$1,500 per household.<sup>8</sup>
- A Center on Budget and Policy Priorities study suggests that Covered California enrollees would see health care costs go up on average \$2,800/year, and in over half the counties that average cost increase would be over \$4,000/year, all due to the changes proposed in the AHCA.<sup>9</sup>

### **AHCA Threats to California's Medi-Cal (Medicaid) Program**

The AHCA radically restructures Medicaid financing and effectively rolls back the ACA's Medicaid expansion, cutting \$880 billion over the next ten years. By 2026, federal spending cuts would rise to \$155 billion, amounting to a 25% cut.<sup>10</sup> This would force states to make punishing cuts to provider rates, benefits, and eligibility—and most of those losing Medicaid would likely end up uninsured because they would not have access to affordable coverage. Medi-Cal covers 14.1 million Californians, over 1/3 of our state, of which close to 4 million adults<sup>11</sup> are enrolled through the Medicaid expansion.

- For fiscal year 2017-2018, the California Department of Health Care Services estimates the Medi-Cal budget to be nearly \$103 billion, \$67 billion of which is comprised of federal funds.<sup>12</sup> California depends greatly on federal funding for its Medi-Cal program and any reductions or cost-shifts to the state will greatly imperil program benefits and coverage for millions of Californians.
- 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. Any additional costs to the state would force cuts to eligibility, benefits (such as adult dental and in-home supportive service/IHSS), and provider rates, which are already among the lowest in the nation.
- AHCA effectively ends Medicaid expansion by phasing out the enhanced funding that has allowed California to enroll around four million low-income adults who were previously ineligible. This change alone would cost California nearly \$5 billion in 2020

and over \$18.5 billion by 2027, out of a \$103 billion Medi-Cal budget. Ending the Medicaid expansion, along with other changes, means California would lose \$24 billion/year in federal funding by 2027.<sup>13</sup>

- AHCA proposes Medicaid funding caps (block grants or per capita caps) that would result in deeper cuts to the core Medicaid program. It undoes the federal commitment to match state funding dollar-for-dollar, resulting in tens of billions of dollars 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 25%.<sup>14</sup>
- Per capita cap funding does not account for increasing health care costs or public health emergencies. Currently, the federal government matches every dollar California spends on Medi-Cal. The AHCA eliminates the federal funding guarantee by capping federal contribution per beneficiary, leaving the state responsible for all costs above that per beneficiary cap.
- Not only does AHCA cut funding, it also imposes draconian requirements for Medicaid eligibility and enrollment. AHCA requires Medicaid expansion adults to renew every 6 months, which will create additional and unnecessary administrative barriers for already eligible people that will cause them to lose coverage or experience coverage gaps for potentially missing re-determinations.
- AHCA ends “presumptive eligibility” for expansion adults that would result in many going without care because they cannot afford the costs of hospital care. Lastly, AHCA eliminates “retroactive eligibility,” which would result in many incurring high medical debt for up to 3 months prior to when their Medicaid application was submitted and subsequently approved.

### **AHCA Threats to Important Patient and Consumer Protections**

California has a long, proud tradition of providing strong patient and consumer protections in health insurance. These protections ensure consumers get the care they need, when they need it, and without facing unfair costs. California has implemented these consumer protections over the last four decades, beginning with the Knox-Keene Act of 1975. Since then, we have built on these protections in the HMO Patient Bill of Rights (1996–1999) and in our work to implement and improve upon the Affordable Care Act (2010–2014). California has also adopted numerous other consumer protections over the years, including timely access to care, provider directories, and surprise medical bills.

- Our consumer protections are stronger than those found in many other states, and stronger than those provided under federal law. AHCA eviscerates key consumer protections by permitting states to waive out of vital benefit coverage requirements in the individual and small group markets, which would also affect the large group market and self-insured employer plans.
- AHCA permits states to set age rating ratio higher than the current 3 to 1 ratio, which means insurers can charge older consumers much higher premiums for coverage.
- AHCA also allows states to eliminate the current 10 essential health benefits by letting states define what categories of benefits are covered, eliminating lifetime and annual

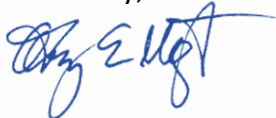
limits, and lifting the caps on out-of-pocket expenditures. Annual and lifetime limits and maximum caps on out-of-pocket costs, all of which depend on the definition of essential health benefits, could be eliminated for everyone in commercial coverage, including those who get coverage from their employers.

- With the massive cuts to Medi-Cal and affordability assistance in the individual insurance market, California would face immense pressure to take these waivers and scale back benefits and consumer protections, as a way to try to reduce premiums for lower-income consumers. California may have no choice but to waive some of the benefits, which would lead to consumers facing higher costs and skimpier benefits.
- Contrary to AHCA's claims of protecting those with pre-existing conditions, the House proposal would actually eliminate protections for people with pre-existing conditions and placing them into "high-risk pools" that would be insufficiently funded. "High-risk pools" are an unacceptable option for people with pre-existing conditions.
- California's high-risk pool, the Major Risk Medical Insurance Program (MRMIP), which many people relied on before the ACA, had high premiums (137% of market value), high deductibles, and a \$75,000 annual and \$750,000 lifetime limits on coverage—and long waiting lists. Fewer than 7,000 Californians<sup>15</sup> were enrolled at any one time, a tiny number in a state with nearly 40 million people, including millions of uninsured. "High-risk pools" will not prevent insurance companies from charging people with pre-existing conditions much more for coverage.
- *For a more detailed summary of California consumer protection laws, please see the attached "California Patient Protections at Risk Fact Sheet."*

The AHCA will not only reverse the progress that California and the rest of the country has made on health care, it will also result in higher uninsured rates than even before the ACA was enacted. The AHCA will cause 4-5 million Californians to lose their health coverage, cut tens of billions of federal dollars for California's health system, eliminate consumer protections, including and especially for people with pre-existing conditions, and lead to increased health costs for everyone.

**For these reasons, Health Access California continues to oppose to H.R. 1628, the "American Health Care Act" and urges you to oppose and vote NO this bill,** as well as any other proposal that takes away the financial assistance, benefits, and consumer protections that millions of Californians currently depend on for their health care needs.

Sincerely,



Anthony Wright  
Executive Director

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- <sup>1</sup> UC Berkeley Labor Center, [Taking Stock: Californians' Insurance Take-Up Under the Affordable Care Act](#), October 2016.
- <sup>2</sup> California Department of Health Care Services, [Summary and Preliminary Fiscal Analysis of the Medicaid Provisions in the Federal American Health Care Act](#), March 2017.
- <sup>3</sup> Covered California, [Bringing Health Care Coverage Within Reach, Measure the Financial Assistance Available through Covered California That Is Lowering the Cost of Coverage and Care Data Brief](#), March 2017.
- <sup>4</sup> California Health Care Foundation, [California Health Insurers Enrollment in 2015](#), September 2016.
- <sup>5</sup> Covered California, [Bringing Health Care Coverage Within Reach, Measure the Financial Assistance Available through Covered California That Is Lowering the Cost of Coverage and Care \(Financial Assistance Statistics\)](#), March 2017.
- <sup>6</sup> Supra, note 3.
- <sup>7</sup> Covered California, [Regional Analysis of Support Provided to Consumers Under the ACA Compared to Changes Proposed in the AHCA](#), March 2017.
- <sup>8</sup> Supra, note 3.
- <sup>9</sup> Center for Budget and Policy Priorities, [House GOP Health Plan Cuts Tax Credits, Raises Costs by Thousands of Dollars for Californians](#), April 2017.
- <sup>10</sup> Supra, note 2.
- <sup>11</sup> Supra, note 2.
- <sup>12</sup> California Department of Health Care Services, [2017-18 Governor's Budget Highlights](#), January 2017.
- <sup>13</sup> Supra, note 2.
- <sup>14</sup> Supra, note 2.
- <sup>15</sup> Insure the Uninsured Project, [The False Equivalency of High-Risk Pools to Replace the ACA](#), April 2017.