

March 1, 2017

Key Details of GOP Health Plan Revealed in Leaked Draft

In his first address to a joint session of Congress, Trump endorsed several policy ideas found in the leaked draft of the House GOP's bill to repeal the Affordable Care Act, including tax credits for insurance and health savings accounts.

The leaked draft suggests that Republicans are considering replacing the ACA's subsidies and mandates with new conservative provisions that would be largely phased in by 2020. The draft, first obtained by POLITICO, is dated Feb. 10. Majority Whip Steve Scalise warned that since negotiations are ongoing, many of the draft's details are now outdated. Still, the leak provides insight into the basic ideas shaping Republicans' health care brainstorming.

In addition to reforming the individual market, the draft also proposes per-capita funding caps for Medicaid, \$15 million of annual funding for "innovation grants" to states to encourage new state-level health policy and the elimination of federal funding for Planned Parenthood.

The draft would also repeal most of the Affordable Care Act's taxes, but only proposes one new major revenue generator: a cap on the tax exemption for employer sponsored insurance beyond the 90th percentile of current premiums. This cap would operate similarly to the ACA's delayed "Cadillac tax," which was slated to start in 2018 but has been pushed back to 2020.

ACA PROVISIONS THAT WOULD BE REPEALED:

- ✗ Enhanced funding for Medicaid expansion
- ✗ Cost-sharing subsidies
- ✗ Most ACA taxes, including the health insurance tax, medical device tax, chronic care tax, tanning tax and Medicare tax increase
- ✗ Tax penalties used to enforce the individual mandate and employer mandate
- ✗ Funding for the Prevention and Public Health Fund
- ✗ Reductions in Disproportionate Share Hospital payments

ACA PROVISIONS THAT WOULD REMAIN

- ✓ Ban on insurers charging more or denying coverage based on preexisting conditions
- ✓ Insurance actuarial value requirements
- ✓ Requirement that insurance plans cover dependents up to age 26
- ✓ Caps on out-of-pocket expenditures
- ✓ Prohibition of lifetime or annual limits

"Continuous Coverage" Requirement Would Replace Individual Mandate

The draft bill repeals the ACA's individual mandate, which imposes a tax penalty on individuals who do not obtain health insurance. However, the bill does not repeal the ACA's protections for individuals with preexisting conditions. To prevent individuals from simply waiting until they are sick to enroll in insurance, the GOP draft institutes a "continuous coverage" requirement that allows insurers to impose a limited penalty on individuals who have allowed their insurance coverage to lapse for a substantial period.

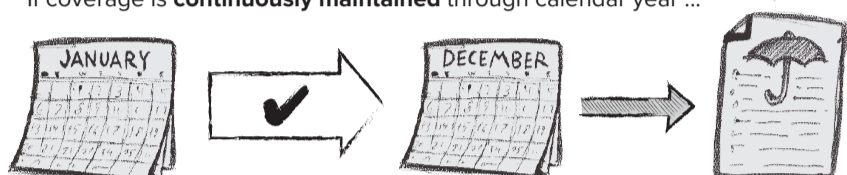
How the "continuous coverage" requirement would work



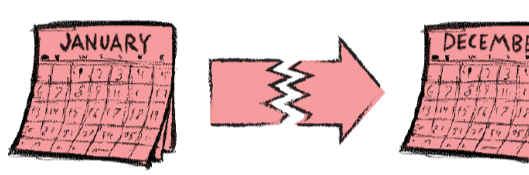
Individuals can freely enroll in insurance plans for 60 days following a qualifying life event, such as:

- ▶ Loss of existing insurance coverage
- ▶ Marriage or divorce
- ▶ Adoption or birth of a child
- ▶ Major change in place of residence or employment

If coverage is **continuously maintained** through calendar year ...



... the individual can reenroll or enroll in a new plan at the standard price for next year.



If there is a **gap in coverage** during the calendar year lasting at least 63 continuous days ...

... insurers are allowed to impose a 30 percent increase in premiums for one year.

ACA Subsidies Are Based on Income, Costs

The Affordable Care Act's subsidies vary to account for differences in an enrollee's income and premium costs. Enrollees pay private insurance premiums equal to a particular percentage of their income, and then subsidies pay for the remainder of premium costs. When premiums rise, the federal subsidy expands so that subsidized enrollees still pay the same amount. The ACA provides additional subsidies to help low-income enrollees with out-of-pocket costs.

Conservative lawmakers dislike income-based subsidies because they can be complicated and costly to administer, and also because the program as a whole could be considered a form of welfare entitlement.

ACA subsidies are based on the **federal poverty level (FPL)**:



As income rises, enrollees pay a higher share of income on premiums

INCOME LEVEL	MAXIMUM SHARE OF INCOME SPENT ON PREMIUMS
100 to 133% FPL	2.03%
133% to 150%	4.07%
150% to 200%	6.41%
200% to 250%	8.18%
250% to 300%	9.66%
300% to 400%	9.66%

Proposed: A Fixed Amount, Based on Age

The draft plan calls for replacing the ACA's income-based subsidies with new age-based subsidies. Regardless of an individual's income or premium costs, the GOP draft plan provides anyone in the individual insurance market a refundable tax credit that is greater for older individuals.

The subsidies are intended to account for higher insurance costs for older individuals. Under the Affordable Care Act, insurers can charge older enrollees up to three times as much for premiums, and the draft plan would increase that to a sixfold allowed increase.

While age-based subsidies would be much simpler to administer, many poorer individuals would likely drop their coverage for lack of affordability.

One taxpayer can claim credits for **themselves and four family members**, with a **\$14,000 limit**

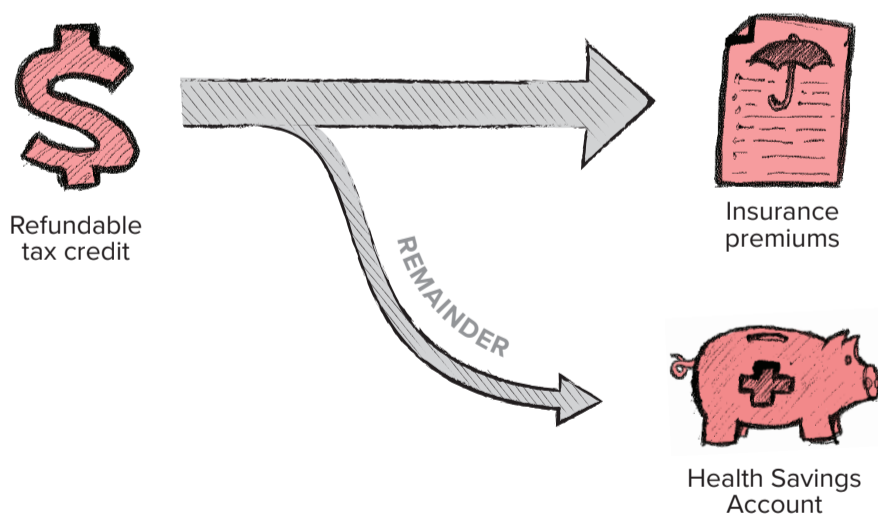
AGE RANGE	SIZE OF REFUNDABLE TAX CREDIT (MONTHLY)	TOTAL ANNUAL CREDIT
< 30 years old	\$167	\$2,004
30 to 39	\$208	\$2,496
40 to 49	\$250	\$3,000
50 to 59	\$292	\$3,504
60+	\$333	\$3,996

GOP Plan Would Encourage Use of Health Care Savings Accounts

The GOP draft plan would emphasize the use of health savings accounts (HSAs), a tax-advantaged savings account that individuals can withdraw from to pay for certain out-of-pocket health expenses such as prescription medicine.

In addition to depositing their own savings, the draft plan would allow individuals to opt to have any leftover funds from their age-based tax credit sent to the health savings account.

The draft plan also makes a host of other changes to health savings accounts to improve their use, including expanding the size of allowed contributions and a reduction of the penalty for non-health-related withdrawals. The draft bill would also allow individuals to pay for over-the-counter medication with their HSA funds.



GOP Replacement Would Let States Decide Coverage Requirements

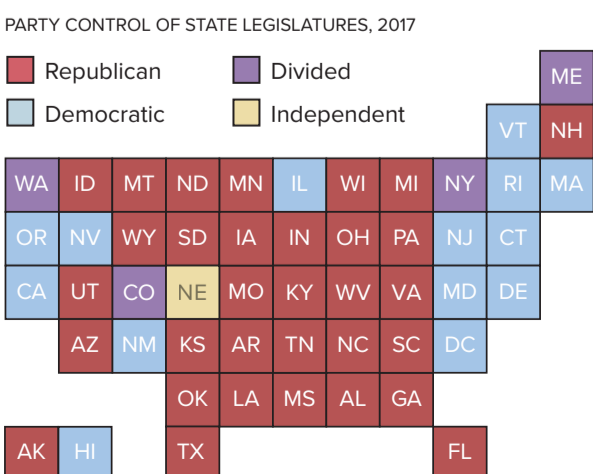
Under the ACA, private insurance plans are required to cover a wide range of benefits in order to qualify as subsidy-eligible health insurance. The GOP draft replacement would fully repeal these mandated benefits and instead allow states to define their own packages.

Ten federally mandated benefits required in private insurance under the Affordable Care Act

✗ There would be no federally defined essential benefits in the GOP replacement bill

✓ States would be free to define their own sets of mandated benefits

Republicans control both chambers of the legislature in 32 states, which would give them an advantage in setting state-level health policy.



Sources: POLITICO staff reports; Timothy Jost, "A look at Republican intentions? Diving into the leaked ACA replacement bill," HealthAffairs Blog