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healthcare financial management association

OVERVIEW OF THE AMERICAN HEALTH CARE ACT AS PASSED ON MAY 4, 2017

Overview

Purpose:

This document provides a summary of the American Health Care Act as it was passed by the House of Representatives on May 4, 2017. The bill passed 217 to 213.

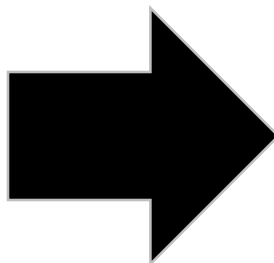
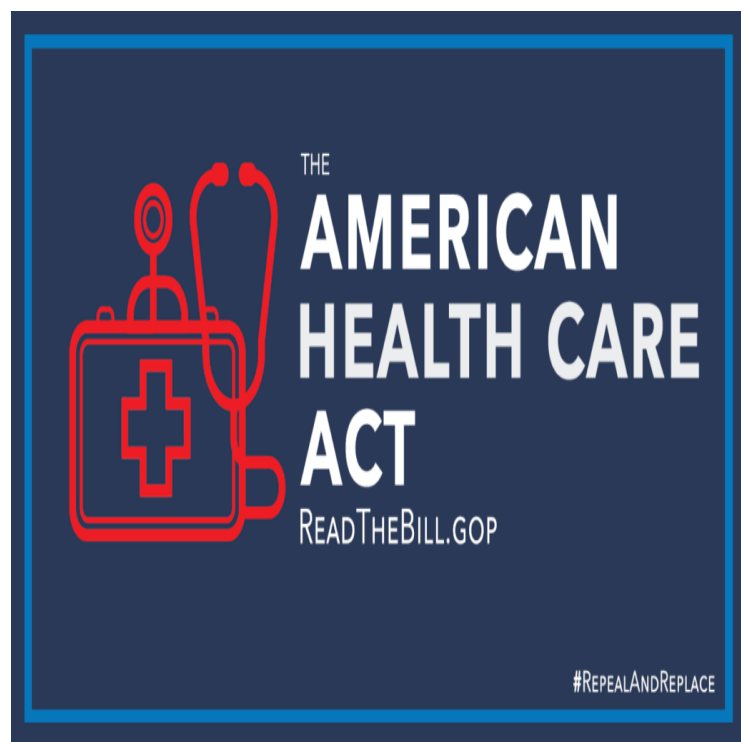
What's Next:

The bill will now move to the Senate for consideration. It's anticipated the Senate will make substantial changes to the legislation before it votes on the revised bill.

HFMA will continue monitoring these events and post updates as warranted.

American Health Care Act (AHCA)

Key Issues Addressed by the Bill Include:



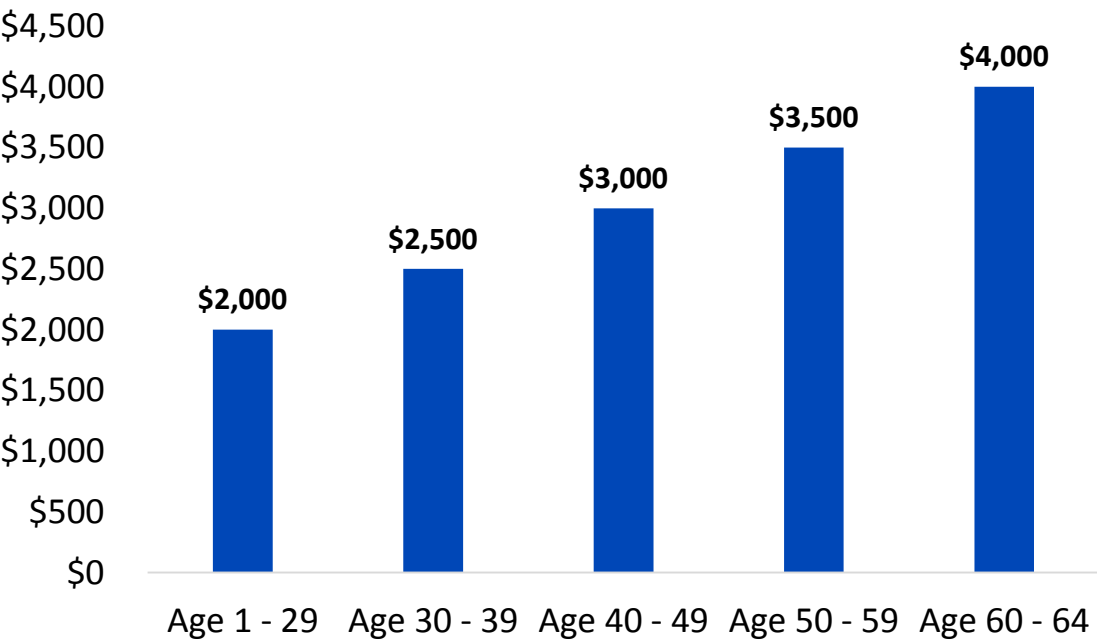
- Coverage Incentives
- Market Reforms
- Stability Funding
- Medicaid Expansion
- Medicaid Per Capita Cap
- Medicaid Eligibility Determinations

Refundable Tax Credits

Instead of Income-Based Tax Credits, AHCA Provides Age-Based Credits Beginning in 2020

Key Features

Schedule of Age-Based Coverage Tax Credits

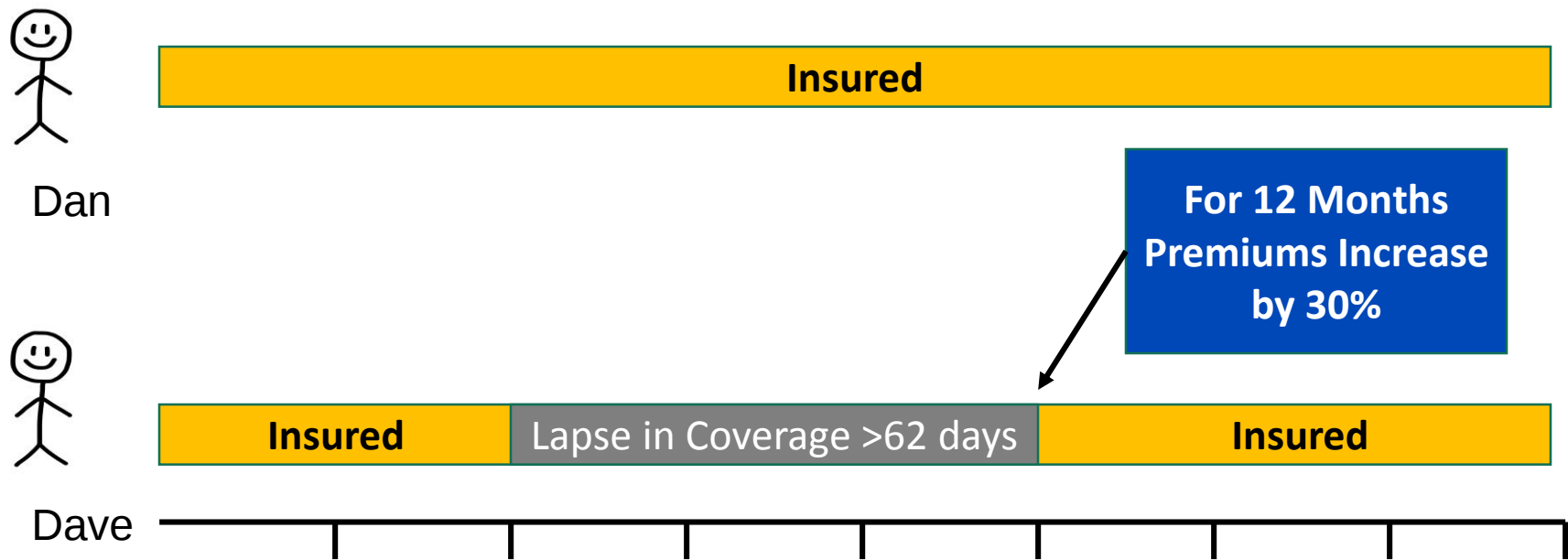


- Available to purchase coverage on the individual market.
- Credits are advanceable, refundable.
- Indexed to CPI + 1%
- Phased out for individuals at \$75k and families at \$150k
- Credits not adjusted to account for regional premium differences.

Maintain Coverage

In 2019 AHCA Replaces the Individual Mandate with A “Continuous Coverage” Requirement to Minimize Adverse Selection Against Plans

Example of How a Continuous Coverage Requirement Works



*Individuals who lose coverage but qualify for “Special Enrollment Periods” are not subject to exclusions

Other Market Provisions

AHCA Makes A Number of Changes to Subsidies and Mandates Impacting Coverage

Mandates and Subsidies

- Individual and Employer Mandate Reduced to \$0 for 2016
- Eliminates Cost Sharing Subsidies for Those Making Less than 250% FPL

Insurance Market Reforms

- Expands Age Rating from 3:1 to 5:1
- States Define Minimum Health Benefits Starting in 2018
- Eliminates Actuarial Value Standards in 2020

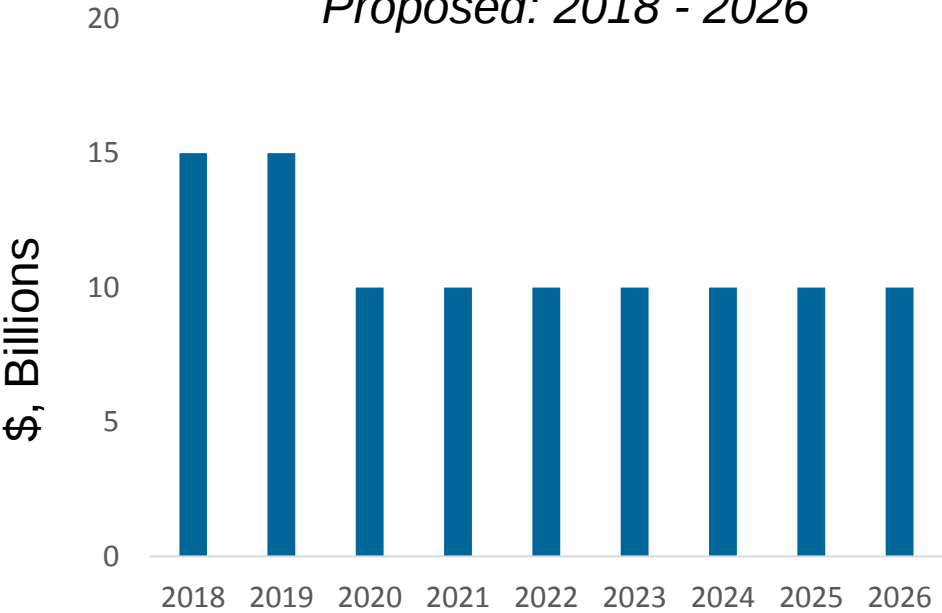
HSAs/ Consumerism

- Increases the Contribution Limit for HSAs to Match Limits on Cost Sharing

Stability Funding

AHCA Provides More Than \$100 B Over Nine Years to Help Stabilize Insurance Markets and Reduce the Cost of Coverage

Patient and Market Stability Funding
Proposed: 2018 - 2026

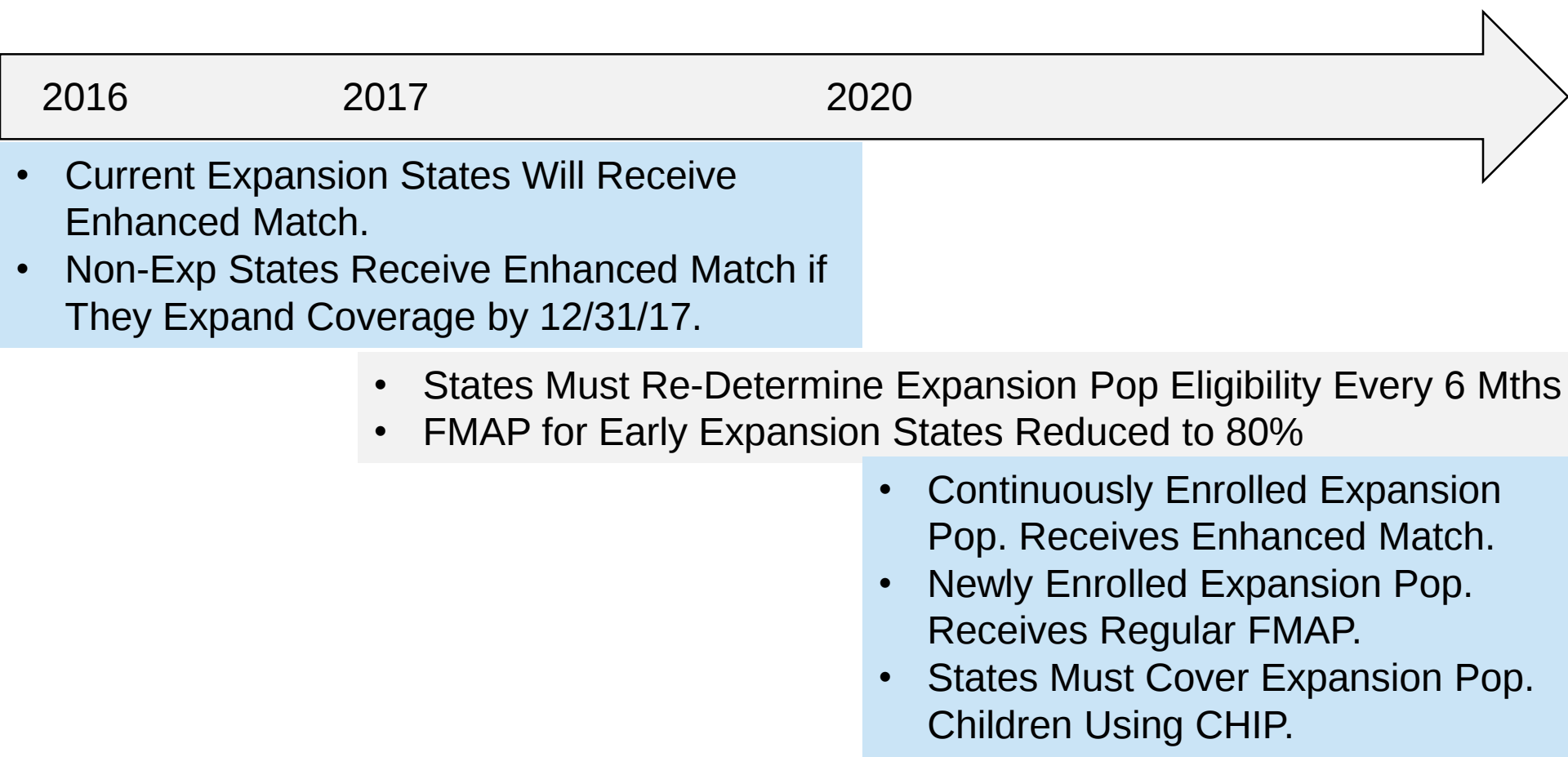


Allowable Uses

- Implement High Risk Pools
- Stabilize Individual Market Premiums
- Promote Plan Participation
- Promote Access to Preventive Services
- Make Payments to Providers
- Reduce Out of Pocket Costs

Medicaid Expansion Population

States Will Receive the Enhanced Match for Newly Eligible Individuals
Between 100 – 138% FPL Until 2020



Federal Medicaid Reform

Starting in FFY 2020 AHCA Replaces the Traditional Medicaid Match with a Per Capita System of Funding

Comparison of Traditional Medicaid to a Per Capita Cap

Program Feature	Traditional Medicaid	Per Capita Allotment
Federal Funding	The federal government “matches” state spending for qualifying services/ populations.	A per capita allotment is the product of the state’s per capita allotment for the five beneficiary categories. Allotment is determined by a state’s average medical assistance and non-benefit expenditures per full-year-equivalent enrollee.
ACA Expansion Population	Yes	Yes – After 2020 Funding Level Depends on When Enrolled.
Inflation Adjustment	Yes	2020: CPI Medical + 1% After 2020: CPIM and CPIM+1
Population Adjustment	Yes	Yes

Medicaid Eligibility Determination

Starting in 2020, AHCA Makes Changes to Medicaid Eligibility Determination Processes

Eligibility and Redetermination Changes

- **Hospital Presumptive Eligibility**: Repeals requirement that states allow hospitals to make presumptive eligibility determinations.
- **Limit Retroactive Eligibility**: Retroactive benefits begin at the start of the month in which the application is made.
- **Citizenship or Legal Resident Documentation**: Requires individuals to present documentation of citizenship/legal status before coverage begins.
- **Redeterminations for Medicaid Expansion Populations**: Requires expansion states to re-determine expansion enrollee eligibility every six months.

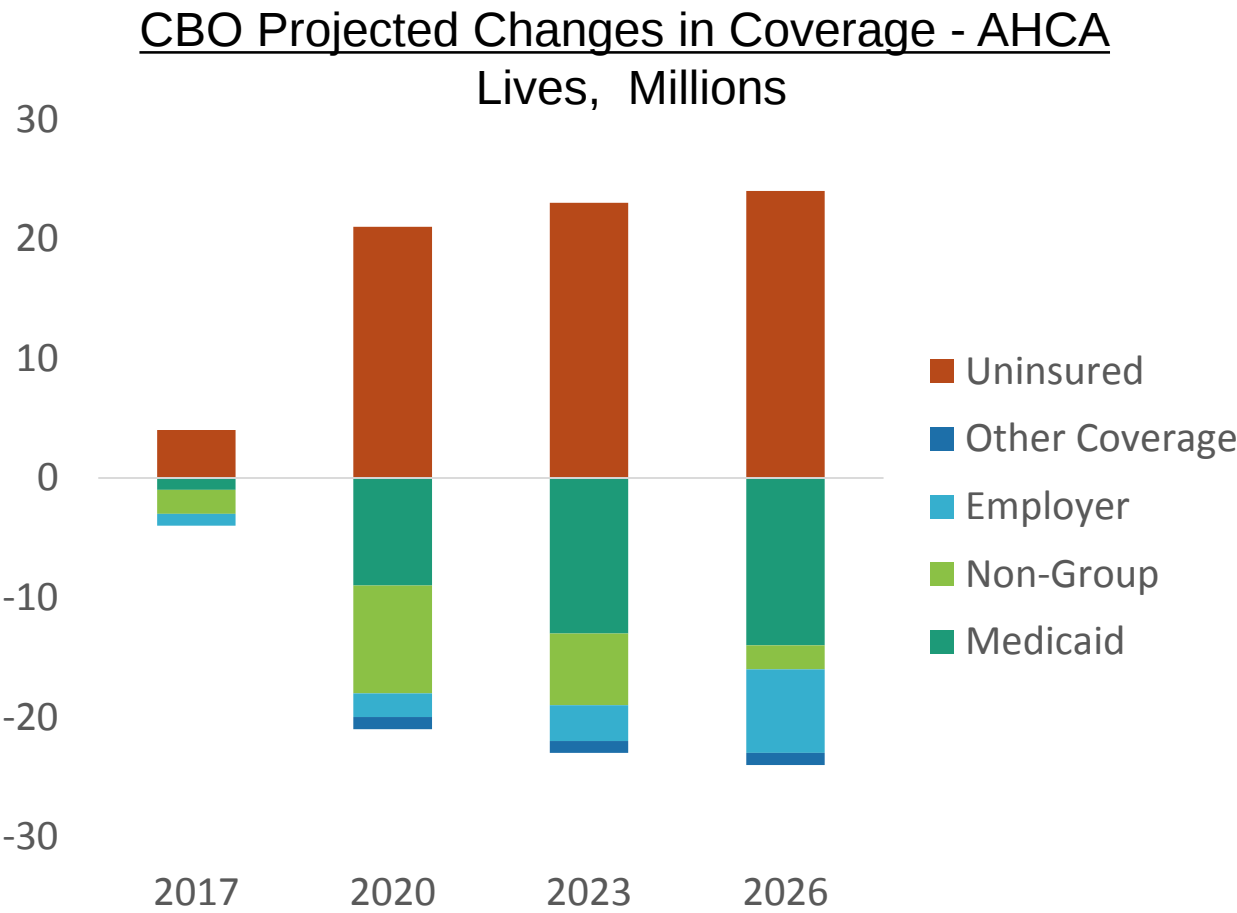
Key Amendments

The “MacArthur” and “Upton” Amendments Were Key to AHCA Passage

- States may apply for waivers of “Title I*” ACA provisions.
- Waivers would allow states to replace the “continuous coverage provision” with health status rating (HSR).
- Allowing HSR requires states to implement program(s) to stabilize premiums in the individual market place.
- Waiver states could access additional funding to support high risk pools or reinsurance programs.
- “Default” state waiver approval 60 days after submission.

Projected Impact

The AHCA Will Increase the Uninsured Resulting in Increases in Provider Bad Debt and Demand for Charity Care



Questions?

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