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House Republicans Would Reverse ACA Coverage Gains and Radically Overhaul Medicaid, New Talking Points Confirm

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House Republican leaders yesterday released a set of talking points they are attempting to position as their substitute for the Affordable Care Act (ACA).¹ But the document reveals that House Republicans still seek to repeal the ACA without putting forward a real replacement plan. They also intend to fast track a proposal to radically overhaul Medicaid, putting coverage for children, seniors, and people with disabilities at risk, in addition to ending the ACA's Medicaid expansion for low-income adults.

The document makes clear that the starting point for any House Republican bill is the “repeal and delay” legislation that President Obama vetoed last year. By the end of a decade, that bill would result in 32 million people losing coverage and individual market premiums doubling, the Congressional Budget Office estimated.² The provisions that yesterday's outline suggests House Republicans will add fall far short of repairing that damage; in the case of Medicaid, they would cause additional harm. And taken together, their approach would result in a significant transfer of resources from low- and middle-income families to those at the top.

House Republicans Would Cap, Cut Medicaid and End the Expansion

Yesterday's document reveals that House Republicans plan to use ACA repeal as a vehicle for their longstanding proposals to radically restructure and cut Medicaid financing and coverage by converting the program to a per capita cap or a block grant. The document also confirms that House Republicans seek to effectively end the successful expansion of Medicaid under the ACA. Their plan would:

¹ House Republicans released these major health proposals as part of their recess packet for Republican members. https://gallery.mailchimp.com/301a28247b80ab82279e92afb/files/5c7c3226-a149-4842-ab43-707b7b4720fc/Healthcare_Policy_Brief.pdf?utm_source=HouseGOP%20Staff%20List&utm_campaign=cceeba1704-EMAIL_CAMPAIGN_2017_02_16&utm_medium=email&utm_term=0_f9e806e009-cceeba1704-132524909.

² Congressional Budget Office, “How Repealing Portions of the Affordable Care Act Would Affect Health Insurance Coverage and Premiums,” January 2017, <https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52371-coverageandpremiums.pdf>.

- Cap and cut federal Medicaid funding. The House outline calls for converting Medicaid to either a per capita cap or a block grant. While the new talking points do not offer numbers or details, all past Republican proposals for Medicaid per capita caps and block grants have featured deep cuts that grew steeply over time. Importantly, no features of a per capita cap or a block grant would let states absorb these cuts without cutting coverage. Deep and growing federal funding cuts would force states to decide who would lose coverage and how care would be rationed among the families, seniors, and people with disabilities now covered by Medicaid (in addition to the coverage losses for low-income adults from elimination of the Medicaid expansion, explained below).

Either a block grant or a per capita cap would also end one of Medicaid's greatest strengths: its automatic response to meet need. Instead, states would be fully responsible for bearing the additional costs that might result from a public health emergency, like the opioid crisis or Zika, a costly new prescription drug, or the growing health care needs of aging baby boomers, putting them in the position of having to ration care exactly when people need it most. And while the House document claims a per capita cap or a block grant would increase state flexibility, this approach could actually stymie state innovation, since the federal government would likely no longer provide upfront matching funds for new, cost-effective approaches like medical homes or improved coordination of physical and behavioral health care.³

- End the Medicaid expansion. House Republicans plan to end the ACA's Medicaid expansion, their talking points confirm; as the document states, "Obamacare's Medicaid expansion for able-bodied adults [sic] enrollees would be repealed in its current form." Specifically, the proposal would end the enhanced federal match for the currently enrolled Medicaid expansion population after a limited period of time. While states would technically have the option to continue covering the more than 10 million people who newly gained coverage (and others who would become eligible), they would, by a set date, have to pay between 2.5 and 5 times as much per person to do so. The large cut in federal funding would effectively force states to choose between coverage for low-income adults and coverage for children, seniors, and people with disabilities. Given this choice, the proposal amounts to ending the expansion, while shifting the blame to states.
- Use Medicaid cuts to help finance tax cuts. The House Republican document promises "relief from all the Obamacare tax increases." Based on last year's "repeal and delay" bill, that means that the savings from cutting Medicaid would likely go to help fill the hole created by cutting Medicare taxes for high earners and eliminating drug company, insurer, and other fees that helped finance the ACA's coverage expansion. The Urban-Brookings Tax Policy Center estimated that the resulting tax cuts would average \$50,000 per year for households with incomes over \$1 million.⁴

³ Judith Solomon, "Caps on Federal Medicaid Funding Would Give States Flexibility to Cut, Stymie Innovation," Center on Budget and Policy Priorities, January 18, 2017, <http://www.cbpp.org/research/health/caps-on-federal-medicaid-funding-would-give-states-flexibility-to-cut-stymie>.

⁴ Chye-Ching Huang, Chuck Marr, and Emily Horton, "Eliminating Two ACA Medicare Taxes Means Very Large Tax Cuts for High Earners and the Wealthy," Center on Budget and Policy Priorities, updated January 11, 2017, <http://www.cbpp.org/research/federal-tax/eliminating-two-aca-medicare-taxes-means-very-large-tax-cuts-for-high-earners>.

Affordability, Coverage Would Fall Under House Republican “Replacement” Proposals

The House Republicans’ outline would eliminate elements of the ACA that have helped successfully extend health coverage and broaden affordability, while replacing them with provisions that fall far short of meeting the standards the ACA set in terms of access, affordability, and quality. Their plan would:

- Replace a tax credit that makes coverage affordable with one that wouldn’t. The House Republican document highlights the importance of refundable tax credits for making health care affordable — without acknowledging that ACA repeal would eliminate refundable premium tax credits that are helping more than 9 million people afford coverage today. While the House document is short on details, the alternative tax credits it describes would not adjust based on income or the local cost of health coverage. That means they would offer moderate-income families far less help with premiums and no replacement at all for the assistance the ACA gives them with deductibles and other out-of-pocket costs. And while the ACA’s tax credits adjust automatically to shield families from premium increases, the House Republican approach appears to put families on the hook for most or all premium increases, with the result that tax credits would cover less and less of the cost of coverage over time.
- Expand Health Savings Accounts that do little for families struggling to pay for insurance — but provide large tax breaks for the wealthy. As with past Republican outlines, House Republicans tout the benefits of Health Savings Accounts (HSAs). But HSAs — tax-advantaged accounts in which individuals can save money to pay out-of-pocket health expenses — are of little or no value to most of the people who would lose coverage under ACA repeal.⁵ These accounts benefit only those who can afford to put in money — and the size of the tax benefits they provide is significantly larger for families in higher tax brackets. Indeed, for 90 percent of those who gained coverage due to the ACA, the tax benefit would be worth 15 cents or less per dollar of savings — even as wealthier families would receive a tax benefit well more than twice that.
- Rely on unspecified “State Innovation Grants” to substitute for coverage. House Republicans remain determined to eliminate the ACA’s individual mandate and weaken its subsidies — key components that help diversify the risk pool and keep costs down — leaving them with the challenge of keeping premiums from skyrocketing while continuing to cover people with pre-existing conditions. Rather than offer concrete solutions to that problem, House Republicans rely on “State Innovation Grants” — a catch-all program with no details and unspecified funding and suggest that the grants will help states meet remaining needs for affordable health coverage. The document suggests that states could use the Innovation Grants to revive their pre-ACA high-risk pools. In the past, high-risk pools failed to provide affordable, quality coverage for sicker individuals. In 2011, just

⁵ Edwin Park, *et al.*, “Roth HSAs in Cassidy-Collins Plan: Little for Most Workers, Tax Shelters for the Top,” Center on Budget and Policy Priorities, February 2, 2017, <http://www.cbpp.org/research/health/roth-hsas-in-cassidy-collins-plan-little-for-most-workers-tax-shelters-for-the-top>.

226,000 people were enrolled in high-risk pools, which were plagued by high premiums, high out-of-pocket costs and limited benefits, including lifetime caps.⁶

The House Republican talking points begin by indicting the ACA's health insurance marketplaces and Medicaid in an attempt to justify rushing to repeal the former and radically overhaul the latter. But in fact, these programs are providing affordable, quality health insurance for tens of millions of Americans, and the ACA has improved coverage for tens of millions more. Dismantling the ACA and restructuring and cutting Medicaid will only worsen health care access, quality, and affordability, the standards by which any health care legislation should be judged.

⁶ Drew Altman, "High-Risk Pools as Fallback for High-Cost Patients Require New Rules," Kaiser Family Foundation, January 23, 2017, <http://kff.org/health-reform/perspective/high-risk-pools-as-fallback-for-high-cost-patients-require-new-rules/>.