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\$8 Billion Comes Nowhere Close to Meeting Republican Commitments to People with Pre-Existing Conditions

By Aviva Aron-Dine

President Trump just two days ago promised that the Republican health care bill would be “every bit as good on pre-existing conditions as Obamacare,”¹ and many congressional Republicans have made similar promises. But the changes to the House Republican bill to repeal the Affordable Care Act (ACA) repeal bill that Republicans are reportedly considering today won’t meet those commitments: the bill still eviscerates critical protections for people with pre-existing conditions. In fact, the reported amendment from House Republicans Fred Upton and Billy Long seems to make the bill even worse for people with pre-existing conditions.

An earlier amendment to the House bill from Rep. Tom MacArthur would let states waive the ACA’s prohibition on charging people with pre-existing conditions higher premiums and its requirement that all health insurance plans cover basic medical services.² Now, congressional leaders are reportedly considering adding an additional \$8 billion in federal funding to the bill over five years — \$1 to \$2 billion per year — to try to mitigate the serious harm that such waivers would do.

The details behind this additional \$8 billion are unclear; some accounts suggest it would go to fund state high-risk pools, while others suggest it would go for other purposes. But either way, the additional funding wouldn’t come remotely close to addressing the severe problems that the bill creates for people with pre-existing conditions. Notably, the \$8 billion would restore less than 1 percent of the nearly \$1 trillion the House bill cuts from programs that help people afford coverage.

Moreover, according to news accounts, the additional funding would be available only to states that sought federal waivers of protections for people with pre-existing conditions.³ If so, the new

¹ Margaret Talev, Jennifer Jacobs, and Jennifer Epstein, “Trump Wants Health-Care Bill to Protect Pre-Existing Conditions,” Bloomberg, May 1, 2017, <https://www.bloomberg.com/politics/articles/2017-05-01/trump-wants-health-care-bill-to-protect-pre-existing-conditions>.

² Aviva Aron-Dine, Edwin Park, and Jacob Leibenluft, “Amendment to House ACA Repeal Bill Guts Protections for People with Pre-Existing Conditions,” Center on Budget and Policy Priorities, updated April 27, 2017, <http://www.cbpp.org/research/health/amendment-to-house-aca-repeal-bill-guts-protections-for-people-with-pre-existing>.

³ MJ Lee, Lauren Fox, and Tami Luhby, “Key GOP lawmakers flip on health care after Trump meeting,” CNN, May 3, 2017, <http://www.cnn.com/2017/05/02/politics/republican-health-care-bill/index.html>.

funding would create even stronger incentives than the current bill for states to drop these protections. That could make the bill *even worse than before* for people with serious health needs.

Here's why \$8 billion can't meet the President and congressional Republicans' commitments.

First, the House bill creates major problems for people with pre-existing conditions that the new funding doesn't even purport to solve. These include:

- **Letting insurers once again put annual and lifetime limits on coverage for people with employer plans.** If just *one* state capitalizes on the MacArthur amendment to largely or entirely eliminate requirements that plans cover “essential health benefits,” then large employer plans in *every state* could return to imposing lifetime and annual limits on coverage. As a Brookings analysis explains, that's because the ACA's ban on lifetime and annual limits only applies to essential health benefits, and large employers (even those that don't have employees in multiple states) are free to decide which state's definition of essential health benefits they want to adopt.⁴ Before the ACA, 70 million people covered by large employers, including millions of children, faced lifetime limits on benefits, meaning that their health insurance coverage could end – for good – in the middle of a serious illness.⁵

No amount of funding that House Republicans add to their bill can fix this: no matter what, millions of people with pre-existing conditions who have coverage through their employer would no longer be protected against caps that forced them to worry about exhausting their benefits each year – or for life.

- **Effectively ending Medicaid expansion.** Under the House bill, the federal government would no longer provide enhanced funding for new Medicaid enrollees after 2019, forcing most or all of the 31 states and Washington D.C. that have adopted the ACA's Medicaid expansion to drop it. The Medicaid expansion now covers 11 million people – and that group has high rates of pre-existing conditions.⁶ For example, almost 30 percent of those benefiting from the Medicaid expansion have a mental illness or substance use disorder.⁷

No adjustment Republicans make to their bill for people who get coverage in the individual market can fix this either: millions of low-income adults with pre-existing conditions would still lose coverage and access to care.

⁴ Matthew Fiedler, “Allowing states to define ‘essential health benefits’ could weaken ACA protections against catastrophic costs for people with employer coverage nationwide,” Brookings, May 2, 2017, <https://www.brookings.edu/2017/05/02/allowing-states-to-define-essential-health-benefits-could-weaken-aca-protections-against-catastrophic-costs-for-people-with-employer-coverage-nationwide/>.

⁵ Thomas D. Musco and Benjamin D. Sommers, “Under the Affordable Care Act, 105 Million Americans No Longer Face Lifetime Limits on Health Benefits,” Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, March 2012, <https://aspe.hhs.gov/basic-report/under-affordable-care-act-105-million-americans-no-longer-face-lifetime-limits-health-benefits>.

⁶ Jamie Ryan and Melinda K. Abrams, “Medicaid Cuts Would Affect Older, Sicker Americans,” The Commonwealth Fund, April 6, 2017, <http://www.commonwealthfund.org/publications/blog/2017/apr/medicaid-cuts-would-affect-older-sicker-americans>.

⁷ Judith Dey *et al.*, “Benefits of Medicaid Expansion for Behavioral Health,” Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, March 28, 2016, <https://aspe.hhs.gov/system/files/pdf/190506/BHMedicaidExpansion.pdf>.

- **Threatening Medicaid home- and community-based services for people with disabilities.** The House bill would cap and cut federal funding for virtually the entire Medicaid program, setting annual limits on federal funding per-enrollee that would grow more slowly than the need for that funding would rise, forcing states to make deeper cuts in their Medicaid programs with each passing year. Faced with these large cuts in federal Medicaid funding, many states would have to cut home- and community-based services, an optional Medicaid benefit that most states already limit based on available funds. These services, which include nursing and home health care and help with chores, meals, transportation, and other services, let people with serious health problems remain in their homes instead of having to be placed in a nursing home. Under the House bill, tens of millions of people with disabilities, seniors, and children with special health care needs and disabilities – all of them people with pre-existing conditions – would face the risk of losing coverage or going without needed care as states scaled back eligibility, covered benefits, and provider payments over time.

Here, as well, no adjustment that House Republicans make to the bill for people getting coverage in the individual market could resolve this: millions of Medicaid enrollees with pre-existing conditions would still be at substantial risk of losing critical health services.

- **Putting health coverage out of reach for many older Americans.** Some 84 percent of people age 55-64 have pre-existing health conditions.⁸ Under the House bill, insurers could charge older consumers premiums that are five times higher than younger consumers, and older people would also receive smaller subsidies than they do today to help them afford insurance. For example, a 60-year-old woman with \$22,000 of annual income who faced the national average benchmark premium would pay \$8,200 more in premiums after tax credits than she does now.⁹ The Congressional Budget Office projects that uninsured rates for people age 50-64 would double due to the House bill.¹⁰

Moreover, high-risk pools are only intended to serve those with the most serious health conditions. Many older people have pre-existing conditions like hypertension and asthma that likely would not qualify for high-risk pools.

Even if Republicans dropped the MacArthur amendment altogether, millions of people with pre-existing conditions would still face unaffordable premiums because of their age.

- **Leaving big gaps in benefits.** The House bill would let states eliminate the ACA's essential health benefits requirements,¹¹ which means that plans would not have to cover basic services like mental health and opioid treatment, prescription drugs, or even hospitalizations. That means that even if people with pre-existing conditions found affordable plans, they often

⁸ Office of the Assistant Secretary for Planning and Evaluation, "Health Insurance Coverage for Americans with Pre-Existing Conditions: The Impact of the Affordable Care Act," Department of Health and Human Services, January 5, 2017, <https://aspe.hhs.gov/system/files/pdf/255396/Pre-ExistingConditions.pdf>.

⁹ Aviva Aron-Dine and Tara Straw, "House GOP Health Bill Still Cuts Tax Credits, Raises Costs by Thousands of Dollars for Millions of People," Center on Budget and Policy Priorities, March 22, 2017, <http://www.cbpp.org/research/health/house-gop-health-bill-still-cuts-tax-credits-raises-costs-by-thousands-of-dollars>.

¹⁰ Congressional Budget Office, "Cost Estimate for the American Health Care Act," March 13, 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/americanhealthcareact.pdf>.

¹¹ "Essential Health Benefits Under Threat," Center on Budget and Policy Priorities, <http://www.cbpp.org/essential-health-benefits-under-threat>.

could end up enrolled in plans that don't cover key benefits that they need, like mental health and substance use disorder treatment or prescription drugs.

No amount of funding House Republicans add for high-risk pools can fix this problem; millions of people with pre-existing conditions would no longer be guaranteed coverage that meets their actual health needs.

Second, \$8 billion – whether it goes for high-risk pools or other purposes – falls far short of closing the House bill's funding gaps. Overall, \$8 billion restores *less than 1 percent* of what the House bill cuts from programs that help people afford coverage.

But supposing the \$8 billion is dedicated to high-risk pools:

- **The \$8 billion falls far short of what's needed to make high-risk pools sustainable.** The \$8 billion represents just a 6 percent increase in the \$130 billion that the bill already includes for grants over the coming decade that states could potentially use for high-risk pools. But experts have concluded that \$130 billion would leave these pools underfunded by *at least* \$200 billion (and that estimate assumes that people would still have to pay premiums of roughly \$10,000 a year).¹² Over ten years, the \$8 billion increase wouldn't even fill the funding shortfall for Michigan and Missouri, much less nationwide.

Moreover, not all of the \$130 billion would likely go for high-risk pools, as states can use these funds for a variety of purposes unrelated to people with pre-existing conditions — and the House bill provides *no* such funding whatsoever after 2026.

- **As history demonstrates, high-risk pools have serious, fundamental flaws.** Where the ACA enabled people with pre-existing conditions to get the same kinds of insurance as everyone else, the amended House bill would segregate them in high-risk pools that pool sick people with even sicker people and consequently have proven to be financially unsustainable over time. Historically,¹³ state high-risk pools have featured very high premiums, benefit exclusions, annual and lifetime limits, and other problems — even when the pools had enough funding to avoid waiting lists (which they often did not).

Finally, the reported changes to the bill could make things even worse for people with pre-existing conditions. If, as reported, the \$8 billion is available only for states that waive pre-existing conditions protections, that would add to the already strong incentives for states to drop these protections.¹⁴ If more states dropped the protections in order to access the additional funding, people with pre-existing conditions in these states would be left much worse off than they would have been *without* the additional funding but *with* these protections in place.

¹² Emily Gee, "House Health Care Plan Is Not Enough to Keep High-Risk Pools Afloat," Center for American Progress, May 2, 2017, <https://www.americanprogress.org/issues/healthcare/news/2017/05/02/431698/house-health-care-plan-not-enough-keep-high-risk-pools-afloat/>.

¹³ Edwin Park, "Trump, House GOP High-Risk Pool Proposals a Failed Approach," Center on Budget and Policy Priorities, November 17, 2017, <http://www.cbpp.org/blog/trump-house-gop-high-risk-pool-proposals-a-failed-approach>.

¹⁴ Jacob Leibenluft, "MacArthur Amendment Would Mean Return to Pre-ACA Law for People with Pre-Existing Conditions," Center on Budget and Policy Priorities, April 27, 2017, <http://www.cbpp.org/blog/macarthur-amendment-would-mean-return-to-pre-aca-law-for-people-with-pre-existing-conditions>.

Depending on the details, the pending changes to the House bill are either a drop in the bucket relative to its serious problems for people with pre-existing conditions or a further step in the wrong direction. Either way, the amended bill continues to break the President's and congressional Republicans' promises to protect the tens of millions of Americans who struggle with pre-existing health conditions.