

How the Senate Health Bill Would Affect Private Coverage in Maine



The Senate health bill would impact the availability, quality, and affordability of coverage for tens of thousands of people with private health insurance coverage in Maine. While those with individual market coverage would be the most affected, people with employer coverage could be affected as well.

Impact on Subsidized Marketplace Consumers

About 60,000 Mainers obtain subsidized coverage through the marketplace. Effects on these consumers would vary by age and income, but across age and income groups, most people would be left significantly worse off, and many thousands would likely become uninsured.

Consumers with incomes between 350 and 400 percent of the poverty line (about \$42,000 to \$48,000 for a single person). The Senate bill eliminates premium tax credits for people in this income range. In Maine, that would mean that a 60-year-old would lose \$7,236 in tax credits and see premiums increase to at least 26 percent of income,¹ while a 45-year-old would lose \$1,799 in tax credits and see premiums increase to about 15 percent of income. Senator Collins has expressed strong concern about the ACA's financial assistance "cliff" at 400 percent of the poverty line. Because the Senate bill shifts that cliff down the income distribution, it would impact more people and would likely be larger.

Marketplace consumers with incomes between \$42,000 and \$48,000 are often entrepreneurs, self-employed people, and early retirees, who depend on the individual market for health insurance coverage and rely on tax credits to afford it. (Notably, Maine is among the five states with the highest marketplace participation rates among self-employed people and small business owners.²)

Consumers with incomes between 200 and 350 percent of the poverty line (about \$24,000 to \$42,000 for a single person). The Senate bill makes two major changes to tax credits for people in this income range. First, it rearranges the ACA tax credit schedule, so that older people would pay a larger share of income in premiums and younger people a smaller share. Second, it cuts tax credits across the board by linking them to less generous coverage – basing them on bronze plans rather than silver plans.³

The latter change would leave consumers with a choice: purchase coverage with much higher deductibles, or pay more to maintain the coverage they have now. The median bronze plan had a deductible of \$6,300 in 2016, compared with a median deductible of \$3,000 in silver plans. Thus, most Mainers with incomes between about \$25,000 and \$42,000 would either see their deductibles double or pay hundreds or thousands of dollars more in premiums to maintain the coverage they have today.

On top of that, older people in this income range would see higher premiums even if they switched to bronze plan coverage, because of the Senate bill's changes to the tax credit schedule.

Consumers with incomes between 100 and 200 percent of the poverty line (about \$12,000 to \$24,000 for a single person). The Senate bill eliminates cost sharing reduction (CSR) subsidies for lower-income consumers after 2019. (Importantly, the bill does not simply fail to provide an appropriation for CSRs after 2019; it repeals the underlying CSR program.) In combination with the bill's provision basing tax credits on bronze plans, the result is that people in this income group would see deductibles increase from well under \$1,000 to about \$6,300. Deductibles at these levels would almost certainly prevent lower-income people from accessing needed care. And, faced with deductibles that would prevent them from actually using their health insurance, many low-income people would likely drop coverage altogether.

Impact on Other Individual Market Consumers in Maine

For unsubsidized Mainers purchasing coverage either through the marketplace or in the off-marketplace individual market, the major change in the Senate bill is the provision allowing insurers to charge older people premiums five times as high as younger people. In general, older people would see higher premiums as a result of this change, while younger people would see lower premiums.

In addition, all Mainers purchasing individual market coverage could be impacted by the Senate bill provision allowing states to waive essential health benefit standards. Specifically, the bill alters the ACA's rules for so-called "1332 waivers," requiring the Health and Human Services Secretary to approve any such waiver — including waivers of essential health benefits — so long as it is deficit neutral. CBO projected that, if given the option, states comprising about half the nation's population would waive essential health benefits standards, with maternity coverage, mental health, and substance use treatment among the categories most likely to be waived. As CBO explained, "in response to such changes in minimum requirements, insurers would probably narrow the scope of benefits included in their plans." That means that individual market consumers would be unable to purchase coverage including these benefits, or could purchase such coverage only as a "rider." Since "insurers would expect most purchasers [of the rider] to use the benefits, [they] would ... price that rider at close to the average cost" of the relevant service, for example "more than \$1,000 per month" for maternity coverage.

Impact on Mainers in the "Coverage Gap"

One group that might appear to benefit from the Senate bill is the tens of thousands of Mainers in the so-called coverage gap: adults with incomes below the poverty line who currently have access to neither Medicaid coverage nor marketplace subsidies because Maine did not expand Medicaid. Under the Senate bill, this group could access marketplace subsidies. Nonetheless, they are likely to gain very little, and could actually be made worse off.

- First, premiums alone would put coverage out of reach for many people with incomes below the poverty line. Under the Senate bill, this group would have to pay premiums equaling 2 percent of their income to purchase individual market coverage. A large body of research finds that premiums at these or even lower levels put coverage out of reach for many people in poverty.
- More important, because the Senate bill eliminates cost sharing reduction subsidies and bases tax credits on bronze rather than silver plans, the benchmark plans people could purchase for 2 percent of income would have deductibles of about \$6,300.⁴ (Note that the poverty line for a single adult is about \$12,000.)
- Even if they could afford their premiums, lower-income people enrolled in benchmark coverage could not afford the out-of-pocket payments required to obtain health care. And, knowing that, they would be even less likely to sign up for coverage and cut back on other expenses like rent, transportation, or food in order to stay current on premiums.

Meanwhile, **the Senate bill would likely prevent Maine from ever expanding Medicaid**, since it bars states that have not yet expanded from receiving the enhanced federal match (even before the higher match phases out for all states from 2021-2023). Thus, Mainers in poverty would lose any chance to benefit from expansion, while gaining access to coverage that would be worth very little to them.

Impact on Mainers with Employer Coverage

The Senate bill could also result in the return of annual and lifetime limits on coverage for a significant share of the 600,000 Mainers with employer coverage.

That's because the ACA's prohibition on annual and lifetime limits only applies to coverage of services classified as essential health benefits. So if states eliminated or greatly weakened essential health benefits standards, plans could go back to imposing coverage limits on any services excluded from essential health benefits — including for people covered through their employer. Moreover, because large employer plans are currently allowed to select any state's definition of essential health benefits to abide by, essential health benefits waivers *in any state* could mean a return to annual and lifetime limits for people in employer plans *nationwide*.⁵ Before the ACA, 431,000 Mainers, most of them with employer plans, had lifetime limits on their coverage.

In addition, tens of millions of people each year lose job-based coverage and either enroll in individual market coverage or become uninsured. Thus, the availability of affordable, comprehensive individual market coverage is an important protection for Mainers with employer coverage.

¹ This estimate is conservative, since it does not take into account the Senate bill's provision allowing insurers to charge older consumers higher (sticker price) premiums. For an explanation of the methodology behind these estimates, see Aviva Aron-Dine and Tara Straw, "Senate Bill Still Cuts Tax Credits, Increases Premiums and Deductibles for Marketplace Consumers," Center on Budget and Policy Priorities, revised June 25, 2017, <http://www.cbpp.org/research/health/senate-bill-still-cuts-tax-credits-increases-premiums-and-deductibles-for>.

² See Adam Looney and Kathryn Martin, "One in Five 2014 Marketplace Consumers was a Small Business Owner or Self-Employed," Department of the Treasury, January 12, 2017, <https://www.treasury.gov/connect/blog/Pages/One-in-Five-2014-Marketplace-Consumers-was-a-Small-Business-Owner-or-Self-Employed.aspx>. While estimates of the number of Maine marketplace consumers with incomes between 350 and 400 percent of the poverty line are not available, 12 percent of Maine marketplace consumers (subsidized and unsubsidized) have incomes between 300 and 400 percent of the poverty line.

³ More precisely, the Senate bill bases tax credits on the median plan with an actuarial value of 58 percent. The ACA bases tax credits on the second-lowest cost silver plan, plans with actuarial values of 68-72 percent.

⁴ To buy up to a plan with even a \$3,000 deductible, a 60-year old Mainer with income at the poverty line would have to pay about a fifth of income in premiums.

⁵ For a more detailed explanation, see Matthew Fiedler, "Like the AHCA, the Senate's health care bill could weaken ACA protections against catastrophic costs," Brookings Institution, June 23, 2017, <https://www.brookings.edu/blog/up-front/2017/06/23/like-the-ahca-the-senates-health-care-bill-could-weaken-aca-protections-against-catastrophic-costs/>.