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Middle-Class Families Would Face Higher Costs, Worse Coverage Under Senate Health Bill

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The effort to repeal and replace the Affordable Care Act (ACA) has been rightfully described as resulting in devastating cuts to lower-income families and the most vulnerable Americans.[1] But alongside repeal's devastating impact on coverage and well-being for lower-income families,[2] the considerable damage it would inflict on *middle-class* families has received less attention. The primary Senate "repeal-and-replace" bill under discussion — the Better Care Reconciliation Act (BCRA) — would be particularly harmful for older middle-class people, people with pre-existing conditions and other serious health needs, and middle-class families who depend on Medicaid: families caring for children with disabilities, people with disabilities who rely on Medicaid-funded services to work, and seniors receiving home-based services or nursing home care. In fact, for many people in these groups, the BCRA could be even worse than the House bill.

One indicator of how the Senate bill would affect middle-class Americans is that the Congressional Budget Office (CBO) estimates the bill would cause 4.1 million middle-income adults to lose coverage, increasing the uninsured rate for adults with incomes above 200 percent of the poverty level by about 60 percent.[3] But these figures substantially understate the bill's impact on middle-class families. Many middle-income people who wouldn't lose coverage altogether would still face much higher deductibles and/or premiums, annual and lifetime limits on their employer plans, or higher costs to care for children with disabilities or for long-term care for their parents. And if the so-called "Cruz amendment" is included in the bill — increasing costs for people with pre-existing

[1] Robert Greenstein, "Greenstein: House Votes to Take Health Care Coverage Away From Millions and Make It Less Affordable, Skimpier, or Both for Millions More," Center on Budget and Policy Priorities, May 4, 2017, http://www.cbpp.org/press/statements/greenstein-house-votes-to-take-health-care-coverage-away-from-millions-and-make-it.

[2] Center on Budget and Policy Priorities, "Tracking Reports About the Emerging Senate Bill to Repeal the Affordable Care Act," June 22, 2017, http://www.cbpp.org/research/health/tracking-reports-about-the-emerging-senate-bill-to-repeal-the-affordable-care-act.

[3] These estimates are derived from CBO backup data available at https://www.cbo.gov/publication/52849. Except where otherwise noted, all CBO estimates referenced in this analysis are from Congressional Budget Office, "H.R. 1628, Better Care Reconciliation Act of 2017," June 26, 2017, https://www.cbo.gov/publication/52849. Similar backup data for the CBO score of the revised Senate bill are not available, but since the overall coverage impacts are largely unchanged, the coverage impacts for particular groups would likely be similar as well.

conditions — the impact on some middle-class families would be even greater. Indeed, while the descriptions below apply to the BCRA, they would be generally true about any of the approaches for repealing the ACA under consideration.

Middle-Class Marketplace Consumers

Millions of middle-income Americans get their coverage through the ACA marketplaces. Many Americans who, before the ACA, couldn't risk leaving a large employer — and losing the security of employer-based coverage — now can start a new business, change careers, or retire early and buy coverage through the marketplace. Indeed, in 2014, 1 in 5 marketplace consumers was a small business owner or self-employed.[4] The marketplaces are also an especially important source of coverage for early retirees and people who work at small firms, which are less likely to offer coverage.

Middle-class families would face higher premiums, higher deductibles, or both under the Senate bill — even before considering the "Cruz amendment." The bill's changes to the individual market could significantly increase premiums, out-of-pocket costs, or both for middle-class people — especially older people — buying coverage in the individual market.[5]

- **Many middle-income people would face a choice: higher deductibles or higher premiums.** The Senate bill cuts tax credits across the board by linking them to less generous coverage. That means many middle-income families would have to choose between buying insurance with much higher deductibles or paying more to maintain the same-quality insurance they have now.
    - Example: A middle-aged, middle-income person would face a choice between switching from "silver" to "bronze" plan coverage — increasing his deductible from about $5,000 to about $13,000[6] — or paying hundreds or thousands more in premiums (depending on his income and where he lives) to maintain his current deductible.
- **Older middle-income people would face higher premiums, even for plans with dramatically higher deductibles.** The Senate bill allows insurers to charge older people a larger share of their income in premiums (while lowering the share of income paid in premiums by younger people). As a result, many older people would pay *both* higher deductibles *and* higher premiums.

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[4] Adam Looney and Kathryn Martin, "One in Five 2014 Marketplace Consumers was a Small Business Owner or Self-Employed," U.S. 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.

[5] For further details and 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.

[6] Centers for Medicare & Medicaid Services, "Data Brief: 2016 Median Marketplace Deductible $850, with Seven Health Services Covered Before the Deductible on Average," July 12, 2016, https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-07-12.html.

- Example: A 60-year-old with income of $40,000 in 2020 would have to pay about $1,500 more in premiums even if she switched to a bronze plan with a far higher deductible. To keep the coverage she has today, she would have to pay more.

- **Some middle-income people would lose premium tax credits altogether and see even larger cost increases — with *older* middle-income people, once again, facing the worst impact.** The Senate bill eliminates premium tax credits altogether for people with incomes between 350 and 400 percent of the poverty level (about $42,000 to $48,000 today).
    - Example: CBO estimates that a 64-year-old with income of $56,800 would lose tax credits worth an average of $8,550 in 2026, and would see her sticker-price premium increase as well, forcing her to pay $11,500 more for the coverage she has today — even if she receives a tax benefit from using her health savings account (HSA) to pay her premiums, as the Senate bill now permits. But that assumes that she could afford to make sufficient HSA contributions and pay premiums in full up front, in order to get a relatively modest tax deduction when filing her taxes the following year.

In states that waive Essential Health Benefits standards, middle-class people with pre-existing conditions could face insurmountable costs for necessary services. By allowing states to waive requirements that insurers cover certain Essential Health Benefits, the Senate bill could leave middle-class families paying much more out of pocket for services including mental health, substance abuse treatment, and maternity care. CBO estimates that states comprising about half the population would take up waivers and that in these states, "coverage for maternity care, mental health care, rehabilitative and habilitative treatment, and certain very expensive drugs could be at risk." Previously, CBO had noted that supplemental coverage for maternity care could cost more than $1,000 a month, assuming it's available at all.

Weakening Essential Health Benefits standards would be especially harmful to people with pre-existing conditions. As the American Cancer Society explains, "While the Senate bill preserves the pre-existing condition protections, it allows states to waive the essential health benefits (EHBs) which could render those protections meaningless. Without guaranteed standard benefits, insurance plans would not have to offer the kind of coverage cancer patients need or could make that coverage prohibitively expensive."[7]

If the "Cruz amendment" is included, the impact on middle-class people with pre-existing health conditions could be even more severe. It's unclear whether the amendment — which would let insurers that offer plans subject to the ACA's requirements that premiums not vary based on one's health status also offer plans for which they could charge higher premiums or deny coverage based on health history — will be in the final legislation. But if it is, it would likely result in middle-income people with pre-existing conditions paying considerably more for coverage — and could put care entirely out of reach for many. Notably, the amendment's impact could be especially dire for people with earnings just above the eligibility ceiling for the bill's tax credits. Consumers eligible for tax credits would be at least partially protected from the impact of higher sticker-price

[7] American Cancer Society, "Patients Would Pay More for Less Coverage Under Senate Health Bill," June 22, 2017, https://www.acscan.org/releases/patients-would-pay-more-less-coverage-under-senate-health-bill.

premiums, because tax credits would rise as premiums rise. But these middle-income families would be forced to shoulder the burden of higher costs entirely on their own.

Middle-Class Families with Employer Coverage

For middle-class families now receiving health insurance through their employer, the Senate bill would create new risks — particularly in the case of a sudden financial or health-related shock. The ACA's bar on annual and lifetime coverage limits insulates families — including those with employer-based coverage — from the risk that a costly illness could force them into financial distress or bankruptcy. Likewise, the ACA provides an avenue for middle-class workers who lose their jobs to get affordable coverage through the individual market or Medicaid. The Senate bill would remove these safeguards:

- **The bill could lead to the return of annual and lifetime limits that protect middle-income families from bankruptcy — including families with employer plans.** As a Brookings analysis showed, states' ability to waive Essential Health Benefits would allow for the return of annual and lifetime limits on coverage.[8] Not only could those limits return in the individual market, but large employers in *any* state could potentially reinstate them.[9] Before the ACA, 70 million people with employer-based coverage — or 59 percent of these people — faced lifetime limits.[10] If these limits return, once again a serious illness could drive middle-class families into financial hardship or even bankruptcy.
- **People who lose job-based coverage — or want to leave their job — might not have access to affordable insurance.** Tens of millions of people each year lose job-based coverage and either enroll in individual market coverage or become uninsured.[11] Thus, the availability of affordable, comprehensive individual market coverage is an important protection for people with employer coverage. The Senate bill, by making individual market coverage much less affordable, would undermine this protection.

Middle-Class People with Medicaid Coverage

The Senate bill caps and cuts federal funding for Medicaid by converting nearly the entire program to a per capita cap, with growth rates set well below projected growth in state Medicaid costs. The most CBO recent estimate of the Senate bill shows that the per capita cap would cut

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[8] Matthew Fiedler, "Like the AHCA, the Senate's health care bill could weaken ACA protections against catastrophic costs," Brookings, 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/.

[9] This could occur because under current rules, large employer plans can select any state's definition of Essential Health Benefits to use in applying rules around annual and lifetime limits.

[10] 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, March 2012, https://aspe.hhs.gov/basic-report/under-affordable-care-act-105-million-americans-no-longer-face-lifetime-limits-health-benefits.

[11] Matthew Buettgens, Stan Dorn, and Hannah Recht, "More than 10 Million Uninsured Could Obtain Marketplace Coverage through Special Enrollment Periods," Urban Institute, November 2015, http://www.urban.org/sites/default/files/publication/74561/2000522-More-than-10-Million-Uninsured-Could-Obtain-Marketplace-Coverage-through-Special-Enrollment-Periods.pdf.

federal Medicaid spending by about $180 billion over the next ten years; in 2026 the cut would equal about $41 billion or nearly 9 percent.[12] Medicaid currently serves over 70 million people nationwide, and nearly 6 in 10 Americans say the program is important for them and their family.[13] It is a crucial source of insurance not just for low-income families, but also for many middle-income families. What's more, benefits like long-term services and supports that middle-income families count on could be *especially* at risk for cuts under the Senate bill, because many of them are "optional" services that states can readily limit in response to federal funding cuts.[14]

CBO estimates show that because of the per capita cap, the Senate bill's total federal Medicaid spending cut would grow over time, placing those services at ever-growing risk. The total cut would rise from 26 percent in 2026 to 35 percent by 2036, relative to current law. Based on these CBO estimates, the Committee for a Responsible Federal Budget has roughly estimated that the Senate bill would cut $2.6 trillion from Medicaid from 2027 to 2036.[15]

Medicaid's support for middle-class families includes:

- **Seniors needing nursing home care.** As people age, they have more serious and chronic health problems that require nursing home or other long-term care. This happens to everyone, regardless of income, and Medicaid — the nation's primary payer for long-term care — serves as a safety net for middle-class families when they need these very expensive services.[16] Often, middle-class families turn to Medicaid after spending available assets on their care. Roughly 1 in 3 people now turning 65 will require nursing home care at some point; 64 percent of nursing home residents now rely on Medicaid; and more than three-quarters of long-term nursing home residents will eventually be covered by Medicaid.[17]

  The cuts under the Medicaid per capita cap, however, would deepen just as the baby-boom generation enters its 80s and the share of seniors who are 85 and older grows substantially. People 85 and older are far likelier than other seniors to need nursing home and other long-term services and supports. As a result, they incur 2.5 times more in Medicaid spending than

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[12] Congressional Budget Office, "Longer-Term Effects of the Better Care Reconciliation Act of 2017 on Medicaid Spending," June 29, 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52859-medicaid.pdf.

[13] Ashley Kirzinger, *et al.,* "Kaiser Health Tracking Pool: Future Directions for the ACA and Medicaid," Kaiser Family Foundation, February 24, 2017, http://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-future-directions-for-the-aca-and-medicaid/.

[14] The Medicaid program includes services that states must cover — called mandatory services — and services they can cover at their option. Nursing home care is a mandatory service while most long-term services and supports provided in the home are optional.

[15] Edwin Park, "CRFB: Senate Bill Cuts Medicaid $2.6 Trillion in Second Decade," Center on Budget and Policy Priorities, July 11, 2017, https://www.cbpp.org/blog/crfb-senate-bill-cuts-medicaid-26-trillion-in-second-decade.

[16] MaryBeth Musumeci and Katherine Young, "State Variation in Medicaid Per Enrollee Spending for Seniors and People with Disabilities," Kaiser Family Foundation, May 1, 2017, http://www.kff.org/medicaid/issue-brief/state-variation-in-medicaid-per-enrollee-spending-for-seniors-and-people-with-disabilities/.

[17] David Grabowski, Jonathan Gruber, and Vincent Mor, "You're Probably Going to Need Medicaid," *New York Times,* June 13, 2017, https://www.nytimes.com/2017/06/13/opinion/youre-probably-going-to-need-medicaid.html.

younger seniors ages 65-74.[18] In short, under the Senate bill, states would face large and growing federal funding shortfalls even as the need for long-term services and supports is greatest.

- **Children with special health care needs.** Over 11 million children have special health care needs, and 56 percent of them live in middle-class families (those with incomes between two and four times the poverty line, or roughly $41,000 to $81,000 for a family of three in 2017).[19] Medicaid helps these families by giving states the flexibility to cover them using two key pathways: the Katie Beckett and Medicaid buy-in programs. Nearly all states have implemented a Katie Beckett program, which expands Medicaid eligibility to children with special health care needs in middle-class families, allowing them to receive needed care at home rather than in institutions.[20] Five states have implemented the Family Opportunity Act buy-in program, which allows families to purchase Medicaid for their children at a premium based on their income. That allows their children to receive long-term services and supports and other critical services for children with special health care needs that job-based coverage does not provide.

  These programs, however, are not required by federal law, so the children with disabilities and special health care needs that they serve are at greater risk of losing coverage under a per capita cap. The Medicaid cuts that states would need to make due to large federal funding cuts would put both the Katie Beckett and Medicaid buy-in programs at risk. Without these options, middle-class families would face severe risks to their economic security; many would either have to move their children to a nursing home or sharply cut their work hours or stop working altogether to care for their children.

- **Seniors and adults with disabilities receiving care at home.** Seniors and people with disabilities are particularly vulnerable to cuts because they account for a high share of Medicaid costs.[21] It would be virtually impossible for states to compensate for the deep federal funding cuts under the Senate bill's per capita cap without reducing these services for middle-class families. As noted, the cuts would become increasingly severe just as the need for home- and community-based services grows substantially as the baby-boom generation reaches its 80s.

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[18] See, for example, Judith Feder and Nicole Lallemand, "If the Senate Repeal-and-Replace Bill Goes Forward, It Would Cut Medicaid Just as More Elderly Americans Need Long-Term Services and Support," July 20, 2017, http://www.urban.org/urban-wire/if-senate-repeal-and-replace-health-care-bill-goes-forward-it-would-cut-medicaid-just-more-elderly-americans-need-long-term-services-and-support; and Matt Broaddus, "Population's Aging Would Deepen House Health Bill's Medicaid Cuts for States," Center on Budget and Policy Priorities, March 24, 2017, https://www.cbpp.org/blog/populations-aging-would-deepen-house-health-bills-medicaid-cuts-for-states.

[19] MaryBeth Musumeci and Danielle Poindexter, "Medicaid Restructuring under the American Health Care Act and Children with Special Health Care Needs," Kaiser Family Foundation, June 22, 2017, http://www.kff.org/report-section/medicaid-restructuring-under-the-american-health-care-act-and-children-with-special-health-care-needs-issue-brief/.

[20] For more information on Medicaid coverage for children with special health care needs, see Jessica Schubel, 'House ACA Repeal Bill Puts Children with Disabilities and Special Health Care Needs at Severe Risk," Center on Budget and Policy Priorities, June 14, 2017, http://www.cbpp.org/research/health/house-aca-repeal-bill-puts-children-with-disabilities-and-special-health-care-needs.

[21] *Ibid.*

In addition, like coverage for children with disabilities and special health care needs, coverage for many seniors and adults with disabilities receiving long-term care in their homes is optional for states. States have several ways to expand eligibility for those with long-term care needs. For example, 44 states have extended Medicaid eligibility to middle-income seniors and people with disabilities so they can stay in their homes and get needed care. But since states spend more on home- and community-based services than any other optional Medicaid service,[22] these services would be a prime target for cuts states facing large cuts in their federal Medicaid funding.

If states cut eligibility to these seniors and adults with disabilities due to the cuts under a per capita cap, as is likely, it would jeopardize states' significant progress in moving care for seniors and people with disabilities away from nursing homes to more effective care in the community. This would harm not only them but also the middle-class families that would have to shoulder a much greater share of the basic caregiving responsibilities as well as the financial burden of the care they aren't able to provide on their own. Those with older parents could be forced to put those needs above other priorities, including saving for their children's college education or for their own retirement. The negative effects would be felt over multiple generations.

[22] Martha Heberlein, "Analysis of Mandatory and Optional Populations and Benefits," Medicaid and CHIP Payment and Access Commission, April 21, 2017, https://www.macpac.gov/wp-content/uploads/2017/04/Review-of-June-Report-Chapter-Analysis-of-Mandatory-and-Optional-Populations-and-Benefits.pdf.