How the Senate Health Bill Would Affect Health Insurance Coverage in Arkansas

The Senate health bill would impact the availability, quality, and affordability of coverage for hundreds of thousands of people in Arkansas. New Urban Institute estimates show that the bill would cause 367,000 Arkansans to lose coverage in 2022.[1] That would increase the state's uninsured rate among non-elderly residents from 7.1 percent to 21.3 percent, meaning that 1 in every 7 non-elderly Arkansans who would have coverage under current law would lose it under the Senate bill. In percentage terms, Arkansas's uninsured rate would triple, among the largest increases in the country.

Yet even these numbers understate the bill's impact on Arkansas. In addition to causing hundreds of thousands of people to lose coverage, the bill would make coverage worse or less affordable for hundreds of thousands more. And while it would do the most harm to those who get coverage through Medicaid or the marketplace, it could also hurt Arkansans with employer coverage.

Impact on Marketplace Consumers

About 60,000 Arkansans obtain coverage through the Affordable Care Act (ACA) marketplace.[2] The bill's effects on these consumers would vary by age and income, but overall, most people would be significantly worse off, and tens of thousands would likely become uninsured. Specifically, the Senate bill would make coverage and care significantly less affordable for four groups of Arkansans.

1. Older marketplace 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 Arkansas, that would mean that a 60-year-old with income just above 350 percent of the poverty line would lose $4,707 in tax credits in 2020 and see premiums increase to a fifth of her income.[3]

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.

2. Most marketplace consumers with incomes between 200 and 350 percent of the poverty line (about $24,000 to $42,000). 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 their income in premiums and younger people a smaller share. Second, it cuts tax credits across the board by linking them to less generous coverage — effectively basing them on bronze rather than silver plans.

The latter change would leave consumers with a choice: purchase coverage with far 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.[4] Thus, most Arkansans with incomes between about $24,000 and $42,000 would either see their deductibles double or pay significantly more in premiums to maintain the coverage they have now.

On top of that, older people in this income range would see higher premiums *even if* they switched to higher-deductible plans, because of the Senate bill's changes to the tax credit schedule. For example, a 60-year-old Arkansan with income of $40,000 in 2020 could choose between paying about $1,500 more in premiums and seeing her deductible double, or paying about $3,000 more in premiums to maintain her current coverage.

3. Consumers with incomes between 100 and 200 percent of the poverty line (about $12,000 to $24,000 for a single person). Starting in 2020, the Senate bill eliminates the cost-sharing reduction subsidies that currently bring down deductibles, copays, and other out-of-pocket costs for lower-income marketplace consumers.[5] In combination with the bill's provision basing tax credits on bronze plans, this would raise deductibles for people in this income group from well under $1,000 to about $6,300.

Deductibles at these levels would almost certainly prevent lower-income people from obtaining 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.

4. Older people at higher income levels. For higher-income Arkansans purchasing unsubsidized coverage through the marketplace (or in the off-marketplace individual market), the major change in the Senate bill would allow insurers to charge older people premiums five times as high as younger people. In general, this change would raise premiums for older people, while lowering them for younger people. But the increase for older people would be much larger than the decrease for younger people. For example, CBO estimates that silver plan premiums would rise by $5,200 on average (nationally) for 64-year-olds in 2026, while falling by only $1,000 for 21-year-olds.[6]

Taking into account all of the changes discussed above, the Kaiser Family Foundation estimates that the Senate bill would result in Arkansans paying an average of *60 percent more* in premiums (after counting tax credits) for silver plans compared to current law.[7]

In addition, all Arkansans purchasing individual market coverage could be affected by the Senate bill provision allowing states to waive essential health benefits standards. Commenting on a similar provision of the House bill, CBO found that states comprising about half of the nation's population would waive at least some essential health benefits rules, and that "maternity care, mental health and substance use benefits, rehabilitative and habilitative services, and pediatric dental benefits" would be the most at risk. As CBO explained, people needing these services "would face increases in their out-of-pocket costs. Some people would have increases of thousands of dollars in a year." Likewise, services like maternity care would likely only be available as coverage "riders," which would be priced based on the assumption that only people who needed the relevant services would buy them. CBO noted that supplemental coverage for maternity care could cost more than $1,000 a month.[8]

Weakening essential health benefits standards would especially harm 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."[9]

Impact on People Currently Covered by Medicaid

The Senate bill would likely make it very difficult for Arkansas to maintain its Medicaid expansion, and it does not offer alternative private coverage that would be a realistic option for people in poverty.

Under the Senate bill, Arkansas's cost to maintain its expansion would rise by 50 percent compared to current law in 2021, 100 percent in 2022, and 150 percent in 2023, and would be almost triple its current-law cost — an increase of over $400 million per year — starting in 2024.[10]

While people losing coverage under expansion could obtain marketplace subsidies under the Senate bill, in practice, the overwhelming majority would end up uninsured; as CBO concluded, "because of the expense for premiums and the high deductibles, most of [those losing Medicaid expansion coverage] would not purchase insurance."

- 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 this or even lower levels put coverage out of reach for many people in poverty.
- More importantly, 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.** (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.
- In addition, as noted above, the Senate bill would allow states to waive the ACA's requirements that plans cover essential health benefits. **CBO estimates that this could result in individual market plans in up to half the country dropping coverage for services including mental health and substance use treatment.** These services are particularly important to low-income people enrolled in Medicaid expansion coverage.

Meanwhile, the Senate bill would convert virtually the entire Medicaid program to a per capita cap, with cap rates set well below projected medical costs. To give a sense of magnitudes, had a per capita cap at the House bill growth rates been in effect through the 2000s, federal Medicaid spending would have been cut by about $18 billion in 2011, and states would have had to increase their own spending by an average of 11 percent that year to make up for the federal cuts. Under the Senate bill, the cut would have risen to $27 billion, requiring states to increase their own spending by an average of 17 percent.[11] Under either approach, but especially the Senate bill, the cuts would deepen dramatically over the long run.

Cuts of this magnitude would necessarily jeopardize coverage and reduce the quality of coverage for Arkansas seniors, people with disabilities, families with children, and pregnant women covered by Medicaid. Certain services could be especially vulnerable to cuts. For example, home- and community-based services are an optional benefit that many states already limit based on available funds. Faced with large federal funding cuts, Arkansas would almost certainly further reduce access to these services. Home- and community-based services helped some 37,000 Arkansas seniors and people with disabilities remain in their homes in 2013, instead of having to be placed in a nursing home.[12]

Impact on Arkansans 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 1.3 million Arkansans 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.[13] Before the ACA, 865,000 Arkansans, most of them with employer plans, had lifetime limits on their coverage.[14]

In addition, tens of millions of people each year nationwide 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 Arkansans with employer coverage as well.

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[1] Linda J. Blumberg *et al*., "State-by-State Coverage and Government Spending Implications of the Better Care Reconciliation Act," Urban Institute, June 2017, http://www.urban.org/sites/default/files/publication/91501/2001383-qs_state_by_state_coverage_senate_final_6.27_10.pdf.

[2] Centers for Medicare & Medicaid Services, "2017 Effectuated Enrollment Snapshot," June 12, 2017, https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf.

[3] All estimates in this section assume consumers face their state average benchmark premium. For the full 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.

[4] 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.

[5] Importantly, the bill does not simply fail to provide an appropriation for cost sharing reductions after 2019; it repeals the underlying cost sharing reduction program.

[6] Congressional Budget Office, "Better Care Reconciliation Act of 2017," June 26, 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/52849-hr1628senate.pdf.

[7] Gary Claxton *et al*., "Premiums Under the Senate Better Care Reconciliation Act," Kaiser Family Foundation, June 26, 2017, http://www.kff.org/health-reform/issue-brief/premiums-under-the-senate-better-care-reconciliation-act/.

[8] Congressional Budget Office, "American Health Care Act of 2017," May 24, 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1628aspassed.pdf.

[9] 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.

[10] Matt Broaddus and Edwin Park, "Senate Bill Would Effectively Eliminate Medicaid Expansion by Shifting Hundreds of Billions in Expansion Costs to States," Center on Budget and Policy Priorities, June 23, 2017, http://www.cbpp.org/research/health/senate-bill-would-effectively-eliminate-medicaid-expansion-by-shifting-hundreds-of.

[11] Loren Adler, Matthew Fiedler, and Tim Gronniger, "Effects of the More Austere Medicaid Per Capita Cap Included in the Senate's Health Bill," Brookings Institution, June 26, 2017, https://www.brookings.edu/research/effects-of-the-more-austere-medicaid-per-capita-cap-included-in-the-senates-health-bill/.

[12] Judith Solomon and Jessica Schubel, "Medicaid Cuts in House ACA Repeal Bill Would Limit Availability of Home- and Community-Based Services," Center on Budget and Policy Priorities, May 18, 2017, http://www.cbpp.org/research/health/medicaid-cuts-in-house-aca-repeal-bill-would-limit-availability-of-home-and.

[13] For a more detailed explanation, see Matt Fiedler, "Like the AHCA, the Senate's Health Bill Could Weaken 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/.

[14] 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.