



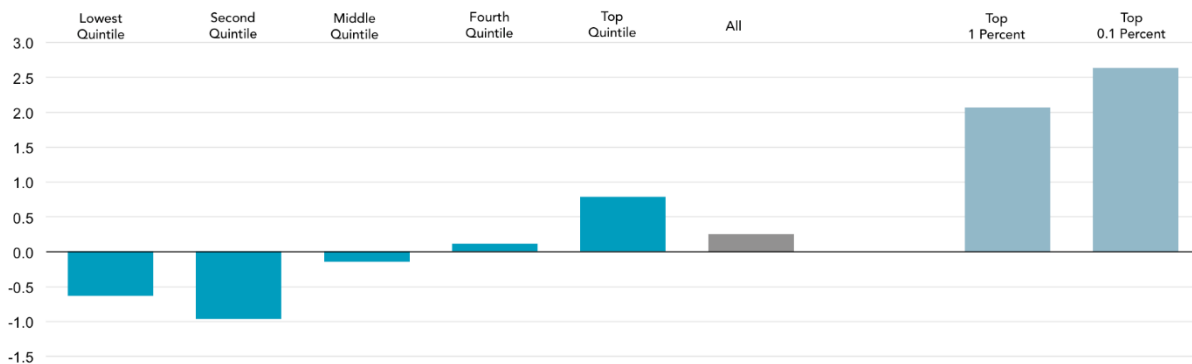
Republicans’ Plan to Repeal and Destroy Health Care

After six years and at least 60 votes in the Houseⁱ to repeal the Affordable Care Act (ACA), Republicans are using health care “reform” as a cover to give money to the wealthy and decrease coverage for American families.ⁱⁱ The so-called “plan” in fact merely cobbles together a handful of conservative pet projects that would put corporate executives back in charge of Americans’ health care system and help the wealthiest at the expense of hardworking American families, reversing the progress made in expanding access to, and containing costs of, health care. This briefing outlines the staggering prices families, consumers, women, children, health providers, and states will all pay if Republicans succeed with their plan to repeal and upend our health care system. This document is based on current information regarding the Republican plan, which may change as more analysis comes out.

The Skyrocketing Price for the Middle Class and Working Families

Republicans seek to stick the middle class and working families with higher health care costs. First, they would replace the need-based tax credit currently available under the ACA with a regressive tax credit based largely on age with little consideration for need. Republicans also would repeal almost all ACA taxes, while leaving in place the tax on more generous health benefits. While we do not yet have a full analysis of the Republican bill, we know that repealing all the ACA taxes would disproportionately hurt the two lowest quintiles, while disproportionately helping the richest Americans. For example, the after-tax income for the top 0.1 percent of Americans would increase by more than 2.5 percent, while the bottom 60 percent of Americans would experience decreases in after-tax income and have less money to support their families.

FIGURE 1
Repeal all Affordable Care Act Taxes
Percent change in after-tax income by expanded cash income percentile, 2017



Source: Urban-Brookings Tax Policy Center Microsimulation Model (version 0516-2).

Republicans' proposed age-based tax credit would not provide low-income families with the help they need to afford health care, according to analysis from the Kaiser Family Foundation. Additionally, subsidies that increase with age would not actually help older Americans bear the increased costs to which the Republican plan would subject them. Under the Republican proposal, insurance companies will be able to charge seniors five times the premiums that they can charge a younger consumer, while the tax credit for older adults is only double that of their younger counterparts.ⁱⁱⁱ

Projected Annual Premium Tax Credit available in the Individual Market under the Affordable Care Act and American Health Care Act, 2020							
Income		Affordable Care Act			American Health Care Act		
(2020 FPL)	Age	Reno, NV	US Average	Mobile, AL	Reno, NV	US Average	Mobile, AL
	27	\$2,899	\$3,225	\$4,522	\$2,000	\$2,000	\$2,000
\$20,000	40	\$3,745	\$4,143	\$5,725	\$3,000	\$3,000	\$3,000
(160% FPL)	60	\$9,030	\$9,874	\$13,235	\$4,000	\$4,000	\$4,000
	27	\$0	\$103	\$1,400	\$2,000	\$2,000	\$2,000
\$40,000	40	\$623	\$1,021	\$2,603	\$3,000	\$3,000	\$3,000
(320% FPL)	60	\$5,908	\$6,752	\$10,113	\$4,000	\$4,000	\$4,000
	27	\$0	\$0	\$0	\$2,000	\$2,000	\$2,000
\$75,000	40	\$0	\$0	\$0	\$3,000	\$3,000	\$3,000
(600% FPL)	60	\$0	\$0	\$0	\$4,000	\$4,000	\$4,000
	27	\$0	\$0	\$0	\$0	\$0	\$0
\$100,000	40	\$0	\$0	\$0	\$500	\$500	\$500
(800% FPL)	60	\$0	\$0	\$0	\$1,500	\$1,500	\$1,500

Source: Kaiser Family Foundation analysis.
Notes: In the 2017 ACA exchange markets, premiums in Reno, NV and Mobile, AL are approximately representative of the 25th and 75th percentile, respectively. 2017 ACA premiums were increased according to National Health Expenditure projections for direct purchase. Under the ACA, people with incomes below 250% of the poverty level receive additional financial assistance for cost-sharing (not shown above).

While squeezing affordability, Republicans also seek to push costs and risks onto individuals by promoting the use of health savings accounts (HSAs) and high-deductible health plans (HDHPs). HSAs benefit only those families with income high enough to be able to save for health expenses. Most families are not in a financial position to save enough money to cover expected health costs.^{iv} As a result, reliance on savings accounts would largely serve to shelter high income individuals from paying their share of income taxes. HSAs also give higher-income families a larger break from taxes. The higher the tax rate one pays, the more beneficial it is to have access to tax-sheltered saving accounts. For example, if \$1,000 is exempted from taxes, an individual with a 35 percent tax rate saves \$350 in taxes, while an individual with a 10 percent tax rate only saves \$100.

The Republican plan will price many people out of comprehensive coverage, offering instead a bait-and-switch with high-deductible health plans. These plans promise lower-than-average

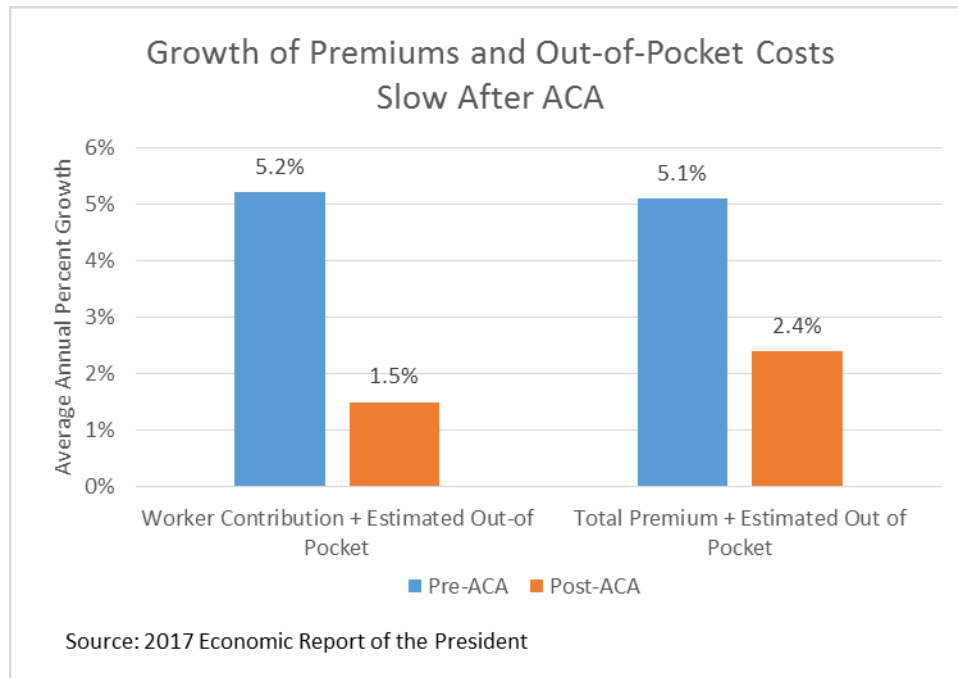
premiums in exchange for higher-than-average deductibles and limited coverage for serious and expensive medical conditions. Not only do these plans not cover preventative and acute care, but without the consumer protections established by ACA, insurance companies could cancel coverage any time someone gets sick. Additionally, by reducing Medicaid eligibility, the Republicans' plan would shift the newly uninsured and those with previously deniable health conditions into state-run high-risk pools that will increase costs on families. Here, consumers will be offered low-premium, high out-of-pocket plans likely with capped annual benefits and rationing of health care services. All of these changes add up to real costs for families. Researchers found that state Medicaid expansions reduced debt sent to collection by \$600-1,000 per person gaining coverage.^v

The Price for Consumers

In addition to increasing costs on the middle-class and working families, the Republicans' plan would allow insurance companies to penalize the uninsured when they are already struggling to purchase health coverage. Republicans would allow insurance companies to slap a 30 percent premium hike on anyone who loses coverage for more than 63 days, harming workers who just lost a job and those struggling to afford higher health costs because of Republican policies.

New analysis suggests that the Republican plan will increase costs for the average enrollee by \$2,409 in 2020. For older individuals, their costs will increase by \$6,971 in 2020 and for poorer individuals by \$4,061 in 2020.^{vi} Representative David Brat, a Republican, has said "So far I have seen no evidence that this bill will bring the cost curve down."^{vii}

By contrast, the Affordable Care Act has saved families money, not only by covering out-of-pocket costs, but also by slowing down premium growth. According to the Council of Economic Advisers, workers with employer-sponsored coverage had a premium that was, on average, \$3,600 lower in 2016 than if premium growth would have been if the ACA had not become law.^{viii}

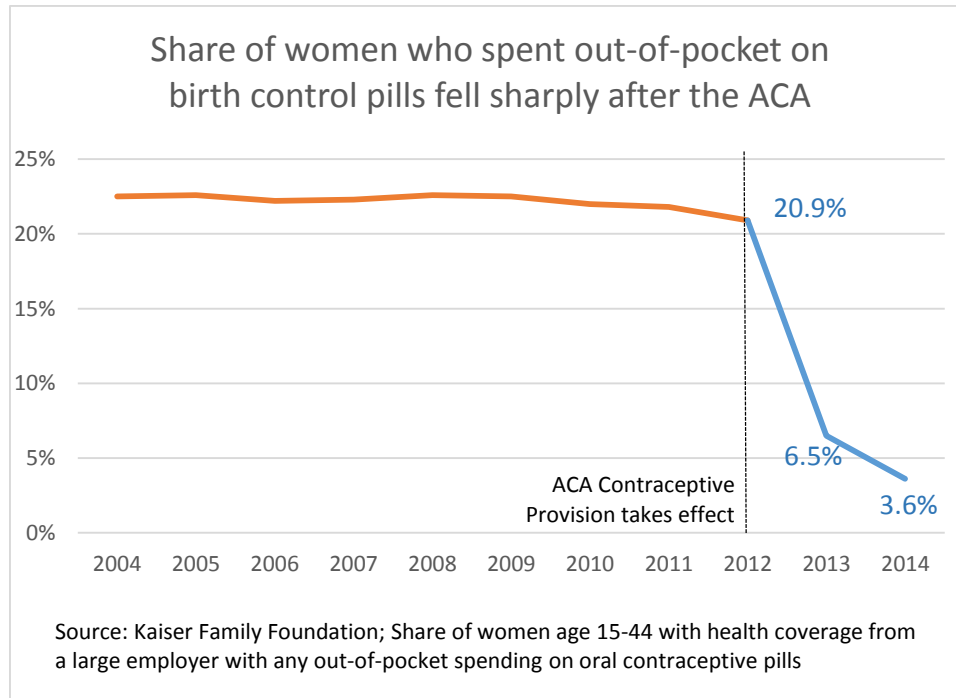


The Price for Kids

About 44 million children receive health coverage through Medicaid and the Children’s Health Insurance Program (CHIP).^{ix} In large part due to the Medicaid expansion, only 5 percent of children in America remain uninsured—an all-time low.^x Medicaid not only covers almost 50 percent of all births in the nation,^{xi} but also ensures that new moms get the prenatal care needed to give their babies the best start in life. Economists found that a 15 percentage point increase in Medicaid eligibility is associated with an 8 percent decrease in child deaths from factors like diseases.^{xii} Yet, the Republican proposal seeks to undermine these services and protections by freezing Medicaid expansion in 2020 and dramatically reducing federal contributions and shifting cost burdens onto state budgets.

The Price for Women

The ACA established consumer protections that eliminated health care discrimination against women. These consumer protections have guaranteed women access to no-cost preventative care and lowered costs for their essential health care services. In particular, women benefit from coverage for their reproductive health needs: in 2013, women saved \$1.4 billion on birth control pills.^{xiii} Before the ACA contraceptive provision took effect, 21 percent of women of reproductive age at a large employer with employer insurance paid out-of-pocket for birth control pills; now less than four percent.^{xiv}



Although until now arcane budget rules may have prevented them from further rolling back health protections for women, Republicans now see an opening to strip away other benefits. For example, the Republican bill seeks to end federal funding for family planning clinics, discourages insurers from covering abortion services, and undermines maternity care in the Medicaid program. Medicaid today covers nearly half of all births in the nation^{xv} but could be shifting away from providing these critical services if the Republican bill becomes law.

The Price for States

The Republican proposals threaten to pull the rug out from under the Medicaid program by stripping states of an estimated \$370 billion over ten years.^{xvi} First, Republicans plan to repeal the extension of Medicaid coverage to those earning up to 138 percent of the poverty line starting in 2020. To date, 31 states and the District of Columbia have opted in to this program,^{xvii} helping 11 million more Americans gain health care coverage.^{xviii}

Next, Republicans would slowly starve Medicaid over time by converting the program into a block grant that caps payments per-enrollee. Experience with past block grant programs suggests that, over time, governors and state legislatures will face a series of tough choices as increasing program needs outpace increases in grants. When this happens, states will be forced to choose between reducing the number of people in the program, cutting the range of covered services, cutting payments to health care providers, or raising state taxes and cutting other public services and investments to balance the state budget. Per capita caps work similarly: states will be unable to adjust to unanticipated cost increases.^{xix}

Finally, states will need to reopen defunct high-risk pools to catch the scores of newly uninsured under the Republican plan. These plans are expensive to administer, expensive for enrollees, and

offer much worse coverage than is currently available today.^{xx} High-risk pools are an emergency coverage option and cannot take the place of comprehensive coverage. Many Americans might end up reliant on these pools: 27 percent of adults under the age of 65 have pre-existing conditions.^{xxi} High-risk pools also tend to lead to losses, forcing taxpayers to absorb the costs or plans to pools to default on beneficiaries. In 2011, net losses for 35 state high-risk pools were about \$5,510 per enrollee, which fell on state budgets to provide.^{xxii}

The Price for Providers

While claiming that doctors will be paid more for Medicaid enrollees in their plan, Republicans offer no details about how states could afford this in the face of steep cuts to federal funding. In fact, as states look to address budget shortfalls caused by the Republican proposal to upend Medicaid, states may be forced to reduce payments to health providers. Similarly, Republican proposals will increase uninsurance rates, passing health care costs onto hospitals and those with existing insurance. By reducing the uninsurance rate, the ACA saved hospitals \$10.4 billion^{xxiii} in uncompensated care costs—that is, the medical bills that go unpaid due to a patient having no insurance or a “skinny” insurance plan like the high-risk pool and catastrophic plans Republicans want to shift consumers to. As more people lose insurance, hospitals will strain to cover higher costs for uncompensated care, which could saddle hospitals with at least \$5.4 billion to \$9 billion in new costs annually.^{xxiv}

In exchange for increasing the number of uninsured, Republicans claim they will increase payments to hospitals experiencing higher volumes of Medicaid and uninsured consumers. However, Republicans do not address whether these payments would truly cover the costs of caring for millions of uninsured Americans or how states can afford to pay more if they do not. Nor do they address any other funding issues impacting hospitals’ bottom lines such as sequestration and Republican-led efforts to limit hospital payments for out-patient services.

The Benefits for the Wealthy and Big Businesses

As consumers, the middle class, working families, women, and children all lose under the Republican plan, there are some winners: big businesses and the wealthy. Republicans are poised to put corporate interests back in charge of Americans’ health care and give away tax breaks totaling over \$470 billion through 2025 to Wall Street investors, corporate interests, and the wealthiest among us.^{xxv} Repealing all ACA taxes will give the richest families an additional \$200,000 a year in after-tax income, raising their after-tax income by 2.6 percent; low-income families will lose \$205 a year (this analysis does not take into account the Republican age-based tax credits).^{xxvi} To put this glaring inequity in perspective, 960 low-income families will give up 2 months’ electricity bills or a month of groceries (reflecting their loss of \$205) in order to pay for one wealthy family’s club fee at President Trump’s Mar-a-Lago resort (reflecting their gain of \$200,000).^{xxvii}

The House GOP bill gives further benefits to high-income Americans. For example, the Republican bill allows health insurance companies to once again deduct high CEO salaries from their tax bills, meaning that taxpayers will be subsidizing a company’s ability to pay their executives multimillion dollar salaries.

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