



**Summary**  
**Major Elements of the American Health Care Act**  
March 2017

- 1. Coverage Provisions:** The bill would eliminate penalties relating to both the individual and the employer mandates beginning during 2016. In lieu of an individual mandate, beginning during 2019, insurers could assess a penalty of up to 30 percent of the monthly price of the health plan premium on any individual who experienced 63 or more continuous days without coverage during a 12-month look-back period. The penalty would be assessed on all monthly premium payments made during that coverage year (or the remainder of the year for partial-year enrollees).
- 2. Limitations on Medicaid Expansion:** The bill would end Medicaid's enhanced federal match rate for *future* expansion populations (up to 138 percent of the federal poverty limit) as of January 1, 2020. Expansion states, such as Pennsylvania, would be permitted to maintain coverage, at the enhanced federal match rate, for those: 1) enrolled as of December 31, 2019; *and* 2) who do not have a break in eligibility for more than one month after that date. After December 31, 2019, any new expansion adults, or those with breaks in coverage greater than 30 days, would only qualify for regular federal matching funds (51.78% in Pennsylvania).

Pennsylvania has estimated applying the standard federal match rate, rather than the enhanced match at 90 percent, would result in a \$2 billion impact to the commonwealth.

Other policies impacting Medicaid expansion:

- The bill would repeal the Affordable Care Act (ACA) requirements that the benchmark benefit package for the Medicaid expansion population be equivalent to the ACA essential health benefits, as of December 31, 2019.
  - The bill would repeal the requirement that states allow hospitals to make presumptive eligibility determinations.
  - Beginning October 1, 2017, the bill would limit retroactive coverage of Medicaid benefits to only one month prior to the date of the eligibility application, rather than the current three-month period.
  - Beginning October 1, 2017, individuals applying for Medicaid would be required to present documentation of citizenship or legal status before coverage can begin.
  - The bill would require Medicaid expansion states, beginning October 1, 2017, to re-determine expansion enrollee eligibility every six months.
- 3. Per Capita Cap Funding for Medicaid:** The bill establishes a per capita cap approach beginning fiscal year 2020, where a dollar amount would be set for each person covered by the program, based on five different categories (elderly, blind/disabled, expansion adults, children, non-elderly/non-disabled adults). The set



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dollar amount would be based on each state's average funding for these categories during 2016, inflated by a proposed growth rate (medical care consumer price index).

Medicare cost-sharing, disproportionate share hospital (DSH) and administrative expenses are carved out of the cap, as well as certain beneficiaries (i.e.: Children's Health Insurance program, breast and cervical cancer treatment-eligible individuals). The cap amounts are adjusted to reflect the percentage of total Medicaid expenditures during 2016 that were attributable to non-DSH supplemental payments during 2016.

- 4. Hospital Payment Cuts:** Medicare DSH cuts and ACA market basket productivity cuts are not restored (for Pennsylvania, the market basket cuts are a \$12.7 billion impact from 2018 to 2026).

Medicaid DSH cuts would be repealed for expansion states starting during 2020. Expansion states would be subject to Medicaid DSH cuts for 2018 and 2019; non-expansion states would have the cuts repealed immediately. Nationwide, the cuts amount to \$2 billion in 2018 and \$3 billion in 2019. For 2018 and 2019, the full amount of the cuts would be distributed within expansion states—31 expansion states would be shouldering the cuts intended for all 50 states. Under the proposed policy, expansion states would assume a greater share of the cuts than originally intended.

- 5. Tax Credits for Health Insurance Coverage:** Existing ACA subsidies to purchase coverage in the exchange would be replaced, beginning 2020, with advanceable, refundable tax credits for individuals without another source of coverage. The tax credits would be based on age rather than income, starting at \$2,000 for those under 30 years old, and rising to \$4,000 annually for those over 60. The credits would be adjusted for inflation. The total tax credit for a family would be capped at \$14,000.

The amount of the tax credit begins to phase out for higher income individuals at the rate of \$100 for every \$1,000 over a certain income threshold (\$75,000 for an individual; \$150,000 for joint filers).

- 6. Establishes a State Innovation and Stability Program:** Provides \$100 billion during nine years to support states in establishing high-risk pools, reinsurance programs, provide cost-sharing subsidies, or programs to promote access to preventative services. To be eligible for the funding, states must contribute to the cost, with the state share growing from as low as 7 percent during 2018 to 50 percent during 2026. In states that do not choose to apply for funding, the federal government would operate a reinsurance program that would share in the cost of claims between \$50,000 and \$350,000 with insurers.



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- 7. Health Savings Accounts:** The bill would increase the current Health Savings Account (HSA) contribution limit. Both spouses would be able to make catch-up contributions to the same HSA and reduces the penalty for withdrawals used for non-qualified expenses.
- 8. Permits age rating bands to go from 3:1 to 5:1:** The bill would allow insurers to charge certain populations (seniors) up to five times what other populations (younger adults) would pay. States can widen that band even further if they choose to do so. This will significantly increase the cost of coverage for older adults.
- 9. Actuarial Value:** Beginning during 2020, the metal tiers for health plans (i.e., bronze, silver, gold, and platinum) and the corresponding actuarial value requirements—or how much of the cost of coverage is the responsibility of the health plan—would be repealed, enabling insurers to sell a broader range of plans with different benefit and cost-sharing structures.
- 10. Community Health Center Program:** The bill would increase Community Health Center funds for Federally Qualified Health Centers by \$422 million during fiscal year 2018.
- 11. Prevention and Public Health Fund:** The bill would repeal funding for the Prevention and Public Health Fund at the end of fiscal year 2018 and rescind any unobligated funds. This funding has been used to support public health initiatives.
- 12. Repeal of the ACA Taxes:** The bill would repeal most taxes authorized by the ACA for 2018 and beyond, including the increase in the Medicare payroll tax for high earners, the tanning tax, as well as fees on insurers, prescription drugs, and medical device manufacturers. The bill would delay the Cadillac tax until 2025.
- 13. Policies Not Included:**
  - Changes to consumer protections such as guarantee issue; limits on deductibles and cost sharing; requirement to cover essential health benefits (for individual and small group policies); preventative care coverage; extended dependent coverage to 26 years of age; coverage of pre-existing conditions; and prohibition on annual and lifetime benefit and cost limits
  - Selling insurance across state lines and establishing individual and small business purchasing pools
  - Changes to the delivery system and payment reform components of the ACA