



# Replacing the ACA with ... something

By Stephanie Zaremba | March 3, 2017

It's hard to keep track of the twists and turns in the ACA "repeal and replace" saga. Don't worry; we've kept up for you.

Here are some takeaways from the past week of Washington debate, as President Donald Trump and Congressional Republicans take steps – however small – to turn their rhetoric into reality.

## The President's speech sent Republicans scrambling

During his address to Congress on Tuesday, President Trump outlined several high-level principles that he said should be included in an ACA replacement.

Trump talked about refundable tax credits, expansion of health savings accounts and greater state flexibility for Medicaid. He called for increasing competition by allowing the sale of health plans across state lines, and for tackling unnecessarily high costs, particularly in drugs. And he vowed to retain the ACA prohibition on discriminating against individuals with pre-existing conditions.

What Trump left out, though, was almost more revealing. He did not opine on whether Medicaid expansion should be retained in any form, in order to achieve his prior promises of "insurance for everybody." And Medicaid expansion has divided Republicans since the ACA first came to be.

In addition, while Trump has now outlined his overarching goals, he has left nearly all of the details undiscussed. Congressional Republicans have spent much of the past two months hoping the administration would give direction on those details once Tom Price was confirmed as Secretary of HHS.

But it's becoming increasingly clear that it will be up to the legislative branch to actually draft its own legislation. So GOP members in the House and Senate now face a tough reality: They need to find consensus, quickly, on the details of a replacement plan.

## Republicans haven't agreed on 'replace'

Late last week, a draft of a sweeping House GOP ACA replacement bill was leaked. The plan would have scrapped the individual mandate, created protections

for pre-existing conditions that differ from the ACA's absolute protection, and replaced ACA subsidies with refundable tax credits based solely on age. It would have transformed Medicaid into a block grant program, repealed all ACA taxes, and made changes to the individual market, such letting states determine which "essential benefits" plans must cover.

Just as everyone wrapped up a weekend digesting the plan, many Republicans declared that they wouldn't support the bill. Leaders of the Republican Study Committee and House Freedom Caucus – two of the most conservative groups in the House – said the proposal would cost too much.

Republican Study Committee chair Rep. Mark Walker called it "a new health insurance entitlement with a Republican stamp on it." And on the Senate side, Sen. Rand Paul called the plan "Obamacare lite." In a bizarre episode later in the week, lawmakers searched for copies of another rumored replacement plan.

But it's hard to imagine any replacement plan that maintains coverage for all of the beneficiaries of the ACA – again, something Trump has promised – and still receives the support of this contingent of members. So the GOP remains at square one: deeply divided over how to address the healthcare law.

## Governors are also split

Governors also convened in DC this week for the National Governors Association winter meeting, where the split is more predictable. Those leading states that elected to expand Medicaid – largely though not exclusively Democrats – want to ensure that their residents don't lose existing coverage. Meanwhile, governors of non-expansion states are looking for a replacement plan that "rewards" their ACA resistance.

Regardless of where they fall in the debate, governors were given ample reason for concern when they were shown an analysis of the House GOP plan by Avalere Health and McKinsey & Company. The consultants' report predicted coverage declines of between 30 and 50 percent, plus a decline in federal funding support of 65 to 80 percent.

Transitioning Medicaid to a block grant program, the analysis said, would leave non-expansion states with a \$1.5 billion gap to fill, and expansion states a \$6.2 billion gap.

## Despite all this, don't count out repeal

It's easy to look at all of this and think that repeal efforts will inevitably collapse. Over the weekend, Washington Gov. Jay Inslee predicted that Democrats would win the battle to save the ACA.

But we have seen members of Congress push past worse odds, and Republicans have spent the past seven years committing to ACA repeal. An about-face is almost unimaginable. Predictions beg to be proven wrong – 2016 was a demonstration of that – but don't be surprised if a plan with broad GOP support emerges from the chaos and is quickly moved through Congress by the spring.

After all, they have a tax code to reform.

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