
# What's in the AHCA? Here's a primer

By Stephanie Zaremba | March 13, 2017

Where does the American Health Care Act stand? There's a lot of opposition, from the left and the right, to the GOP Affordable Care Act repeal bill that was introduced last week. On the other hand, it's normal for bills to seem doomed this early in the process.

So as talking heads talk — and Congressional committees debate through the night — it's worth understanding the bill's major provisions. Check back on athenaInsight this week for updates as news develops.

## What's in the bill

The AHCA targets two of the ACA provisions that were most unpopular with Republicans: the individual mandate and the expansion of Medicaid. It restructures the Medicaid program by shifting the onus to states to determine how to best cover residents through a per-capita grant.

Instead of getting a subsidy for coverage they must buy, people in the individual market are given a tax credit should they choose to purchase coverage.

The AHCA does not address the cost of care, which is arguably the single most important thing Congress and the White House need to do. The payment reform aspects of the ACA —Medicaid ACOs and the CMS Innovation Center programs — are left untouched.

Here's a run down of what the bill changes and what it doesn't:

## Coverage requirements

**Eliminates the individual mandate**

**Retains many popular ACA protections:** the guaranteed issue for pre-existing conditions, the ban on lifetime limits, the cap on out-of-pocket costs, and the provision that allows children to stay on their parents' plan until age 26.

**Removes the "essential health benefits" coverage** for Medicaid, which required health insurance plans to provide coverage for a set of 10 categories of services, including inpatient and outpatient hospital care, ER visits, prescription drug coverage, pregnancy and childbirth and mental health services. States would still face many Medicaid coverage mandates, but the bill would allow them to offer different plans tailored to different populations.

## Medicaid

**Sunsets existing Medicaid expansion**

**Restructures Medicaid funding,** granting to each state a per-capita amount based on previous years' spending. The per-capita grant is calculated year-to-year using a formula similar to Medicare's sustainable growth rate (SGR) method, in which overspend one year results in less money the next. Non-expansion states are granted additional "safety-net" Medicaid funding.

## Funding

**Eliminates the ACA subsidies,** replacing them with age-based, income-capped, refundable tax credits of $2,000 to $4,000. These phase out at annual incomes of $75,000 for individuals and $150,000 for families. The credits cannot be used to purchase plans that cover abortion.

**Nearly doubles contribution limits to health savings accounts (HSAs),** likely increasing the role of the consumer in healthcare purchases.

**Eliminates most ACA taxes,** including the medical device tax, the tax on insurers, the tanning bed tax, and the tax on the wealthy that paid for the ACA. The Cadillac tax on expensive plans is delayed until 2025.

**Establishes grants for states to pursue innovations** to reduce the cost and risks of healthcare, including things like creating high-risk pools, providing preventative care, and establishing state-based cost-sharing reductions.

**Restores pre-ACA payment levels for disproportionate share hospitals —** immediately for non-expansion states and in 2020 for expansion states.

**Provides additional funding for safety-net providers who presumably will see an increase in uninsured patients.** The Medicare Inpatient Prospective Payment System cuts from the ACA are maintained.

How much will it all cost? The Joint Committee on Taxation estimates that in total the AHCA will cut $600 billion in taxes. The Congressional Budget Office is expected to score the bill later on Monday. Stay tuned.

***Updated at 5:05pm:***

On Monday afternoon, the CBO released its scoring report and, as expected, estimated that a repeal of the ACA would cause the number of uninsured patients to rise. The CBO estimated that in 2018, 14 million more people would be uninsured under the new legislation than under current law — and by 2026, that number could jump as high as 24 million.

Some people would forego insurance, the CBO predicted, because their premiums would rise. Others — who now only choose to be covered to avoid penalty under current law — would now elect to go without individual coverage.

Additionally, the CBO estimated that the new legislation would reduce federal deficits by $337 billion over the next decade, and that the availability of lower average cost plans would attract enough healthy people to stabilize the insurance markets.

The Trump administration has been highly critical of the Congressional Budget Office in advance of their highly anticipated report.

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