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American Health Care Act: Key Provisions and Implications in Michigan

In March 2017, House Republicans unveiled the American Health Care Act (AHCA), their proposal to replace the Affordable Care Act (ACA). On March 13, the U.S. Congressional Budget Office projected that under the AHCA, 14 million Americans would lose their health insurance in 2018, with the number of uninsured rising to 24 million by 2026. The following summarizes key AHCA provisions and who in Michigan is primarily affected. For more details, see CHRT's companion piece, "*American Health Care Act: Michigan Impacts*."

Provision	*American Health Care Act (AHCA)*	Who is Primarily Affected in Michigan
Replace the ACA's Individual Mandate with a Continuous Coverage Requirement	Enrollees who experience a lapse in coverage longer than 63 days would pay 30% higher premiums for one year upon re-enrolling in individual coverage.	Individual market enrollees and those that experience spells of uninsurance would be most affected. There were an estimated 533,000 enrollees in Michigan's individual market in 2016.[1] There is considerable churning of coverage within the individual market. Our latest survey shows that 5% of those with individual market coverage had spells of uninsurance within the past year.[2] In addition to these individuals, about 519,000 people in Michigan were uninsured in 2015 but had household incomes that could have qualified them for ACA tax credits.[3] In 2017, the average annual premium for the second-lowest cost silver plan in Michigan was $2,736 (before tax credits). A 30% continuous coverage surcharge would increase that annual premium to $3,557.[4]
Change Tax Credits from those based on income and premium cost in the ACA to based on age and allow the tax credits to be used on or off Exchange	Proposed annual tax credit structure: • **20-29**: $2,000 • **30-39:** $2,500 • **40-49:** $3,000 • **50-59:** $3,500 • **60 and older:** $4,000 Family limit of $14,000 Credits phase out at income levels of $75, 000-$115,000 Adjusted annually by CPI plus 1%	In 2016, about 275,000 Michigan residents (87.9% of exchange enrollees in the state) received an ACA premium tax credit.[5] Average ACA tax credits were projected to be $3,375 in 2020 compared to an average expected tax credit of $2,946 under AHCA.[6] AHCA tax credits are expected to be 13% lower than average ACA tax credits.
Repeal Cost-Sharing Reduction Subsidies	The ACA includes cost sharing subsidies for those at 250% of poverty or less. AHCA would repeal these subsidies in 2020.	In 2016, about 165,000 Michigan residents (52.6% of exchange enrollees in the state) received cost-sharing reduction subsidies through the ACA.[7]
Widen Age Rating Bands	The ACA allows plans to vary rates between the youngest and oldest from 1:3. AHCA would allow rate bands of 1:5.	25% of enrollees in Michigan's Health Insurance Marketplace in 2016, approximately 86,000 individuals, were ages 18-34. 29% of enrollees in Michigan's Health Insurance Marketplace in 2016, approximately 100,000 individuals, were ages 55-64.[8]
Freeze Medicaid Expansion	Allow Medicaid expansion to continue with enhanced federal matching rate until 2020 (90%). In 2020, the enhanced federal matching rate continues indefinitely for expansion enrollees covered on December 31, 2019, who do not have a lapse in coverage for longer than 1 month. All others would receive the traditional federal matching rate (65.15% for Michigan in 2016).	As of December 2016, there were about 1,800,000 "traditional" Medicaid enrollees and about 649,000 Healthy Michigan Plan enrollees.[9] Michigan and most states would be likely to stop covering the expansion population over time under this provision.
Shift Medicaid from funding based on the cost of coverage to Per-Capita limit	In 2020, shift the entire Medicaid program to a per-capita cap system. States would receive a fixed per-enrollee payment for different enrollment groups based on FY2016 expenses. Payments would grow with medical inflation.	In FY2015, Michigan Medicaid expenditures were $15.9 billion, of which the federal share was $11.6 billion.[10] Starting in 2020, the rates of increase in federal funding would be limited to medical inflation and enrollment but would not take account of changes in technology. For example, in March 2016, the state's Medicaid program began covering the specialty drug Sovaldi to treat Hepatitis C.[11] The cost of a typical course of Sovaldi treatment is around $84,000 per person,[12] which would not be included in the base cost. This provision would transfer considerable costs to states over time.[13]

ENDNOTES

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