

**Chartbook:
Affordable Care Act
“Repeal & Replace”
Effects & Implications
January 2017**

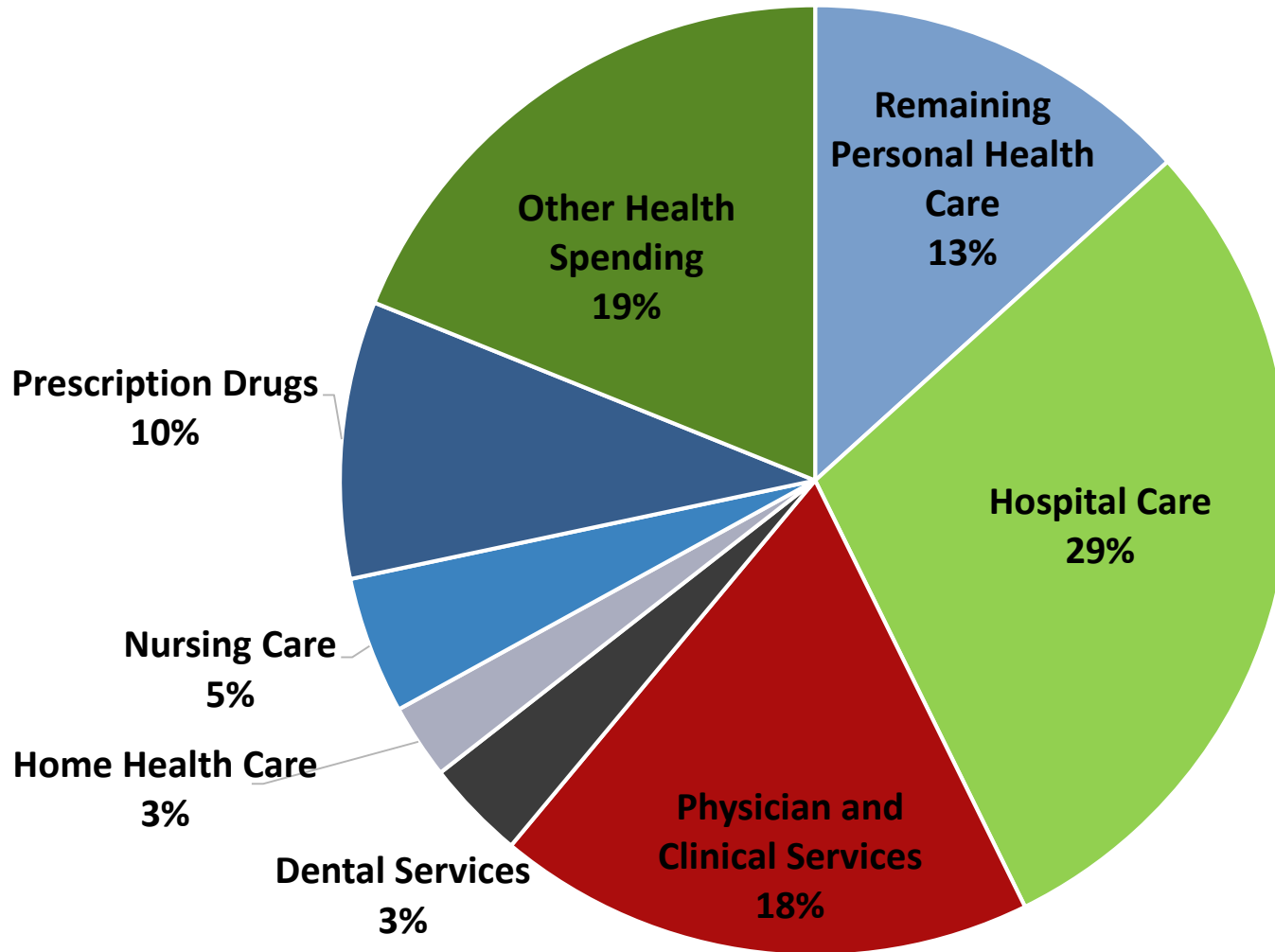


**COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

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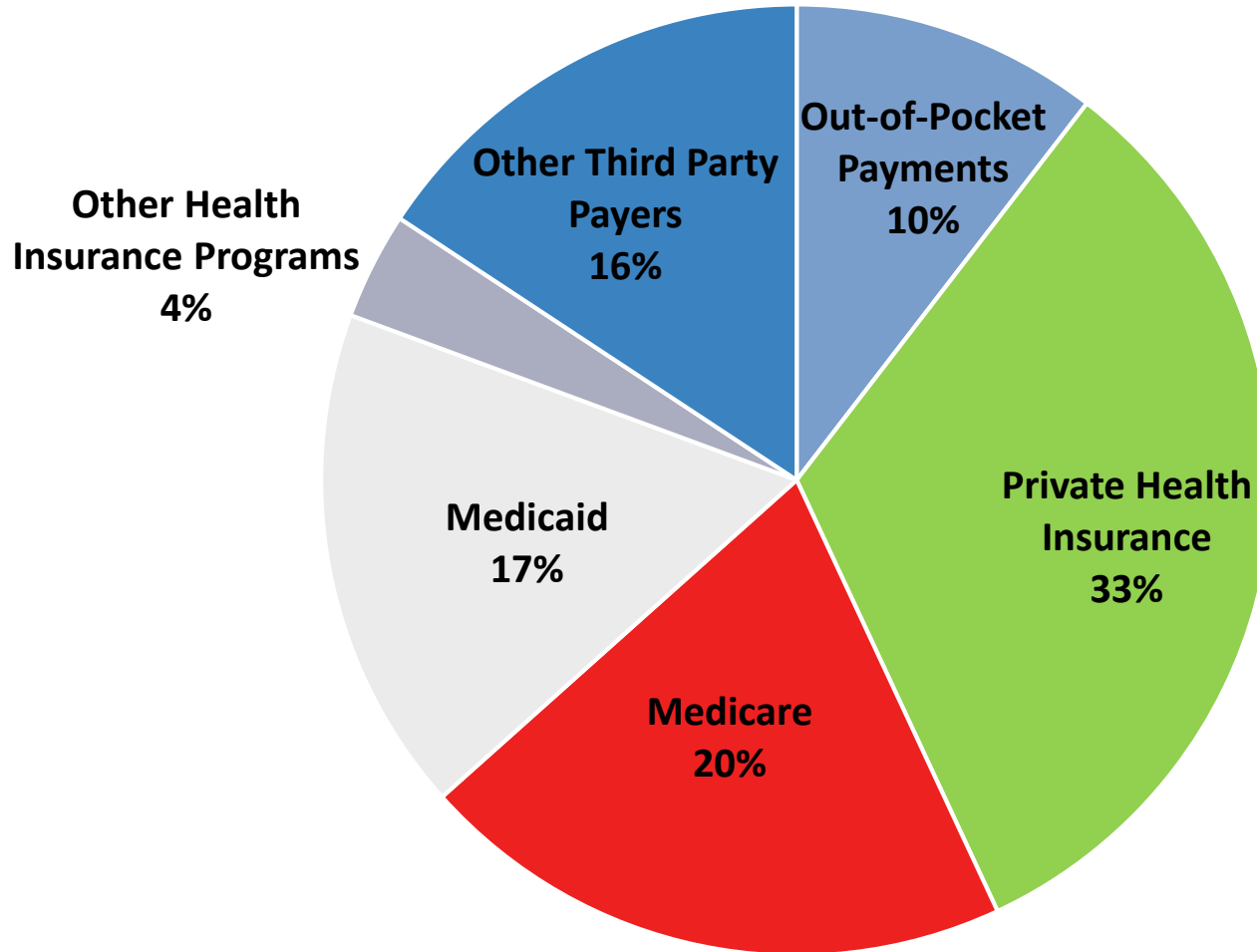
The State of Health Care in the United States

Where Does Health Spending Go?



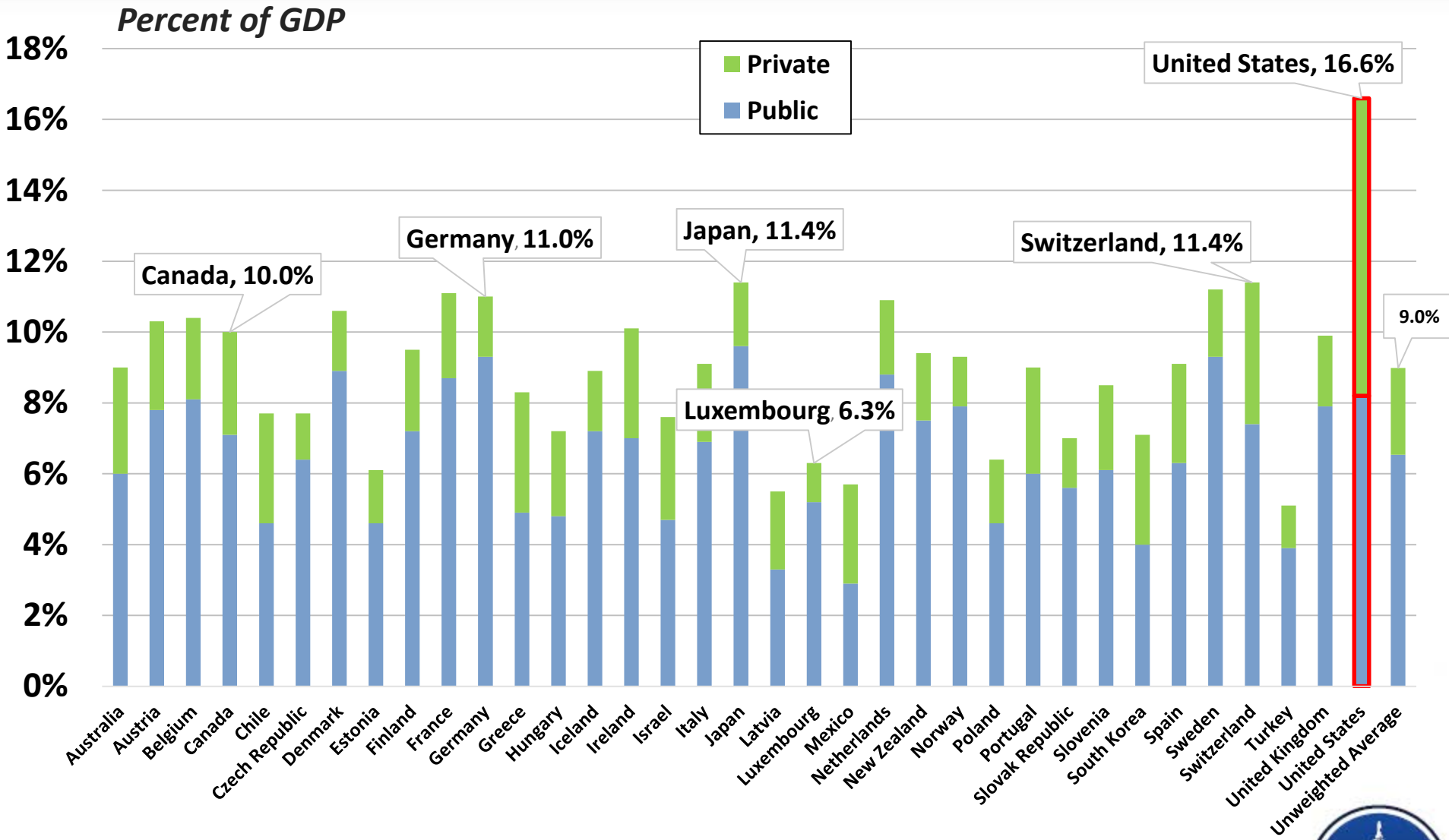
Source: Center for Medicare & Medicaid Services 2016 projections.

How is Health Spending Financed?



Source: Center for Medicare & Medicaid Services 2016 projections.

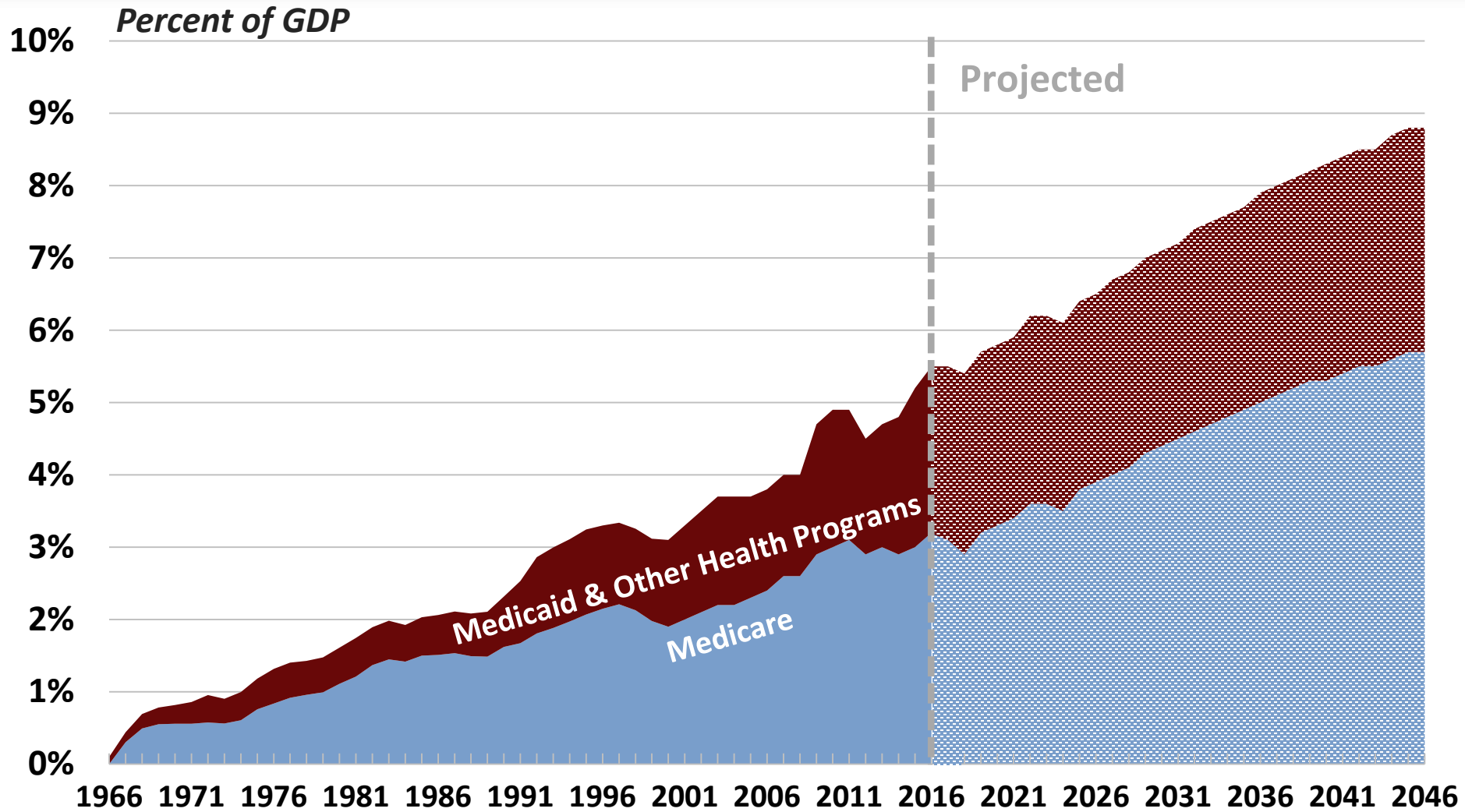
Total Health Spending by Country



Source: Organization for Economic Cooperation and Development data.
 Note: data is from 2014.

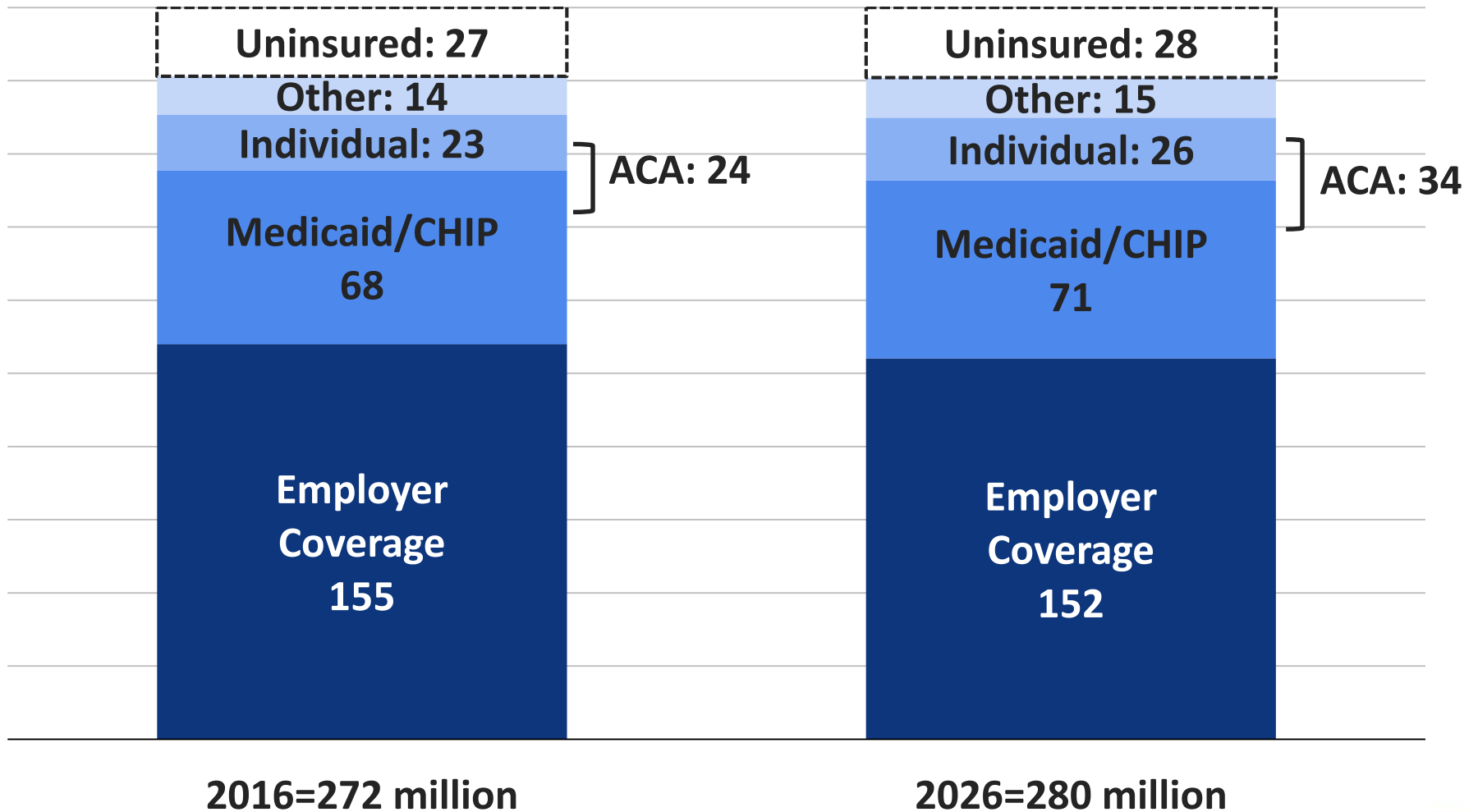


Federal Health Care Spending, 1966 - 2046 (Projected)



Source: Congressional Budget Office (CBO) 2016 Long-Term Budget Outlook.

Sources of Insurance Coverage for the Non-Elderly



Source: CBO 2016 data.

Note: this does not reflect the CBO January 2017 baseline estimates.

What is Actually in the Affordable Care Act (ACA)?

Major Regulations

■ **Guaranteed Issue**

- Prevents insurers from being able to deny coverage, or charge more for coverage based on pre-existing conditions
- Insurance rescission also prohibited, except for fraud

■ **Limits on “Risk Rating”**

- Insurance companies cannot charge different premiums based on risk, except
 - Up to 3:1 “age rating”
 - Up to 2:1 for tobacco use

■ **Adult children can stay on parents’ insurance until 26**

■ **Medical Loss Ratio Limits**

- Limits insurance co.’s non-medical expenses, generally to 20% of premiums

■ **Essential Health Benefits and Related Rules**

- Individual and small group insurance plans must cover 10 specific types of benefits and offer benefits equivalent to their state’s “benchmark plan”
- Insurance must cover all cost sharing above ~\$7,000/~\$14,000
- No annual or lifetime limits on insurer cost



Major Coverage Provisions

- **Individual Mandate**
 - Penalizes/taxes individuals who don't maintain minimum essential coverage
- **Employer Mandate**
 - Penalizes/taxes employers with over 50 full-time equivalent employees who do not provide health insurance to their employees
- **Medicaid Expansion**
 - Allows states to expand Medicaid to individuals and families up to 138% of the federal poverty level
- **Exchange premium subsidies**
 - Provides income-based subsidies for purchasing insurance on health exchanges for those earning up to 400% of the federal poverty level
- **Cost sharing subsidies**
 - Subsidizes out-of-pocket costs for low-income individuals and families with silver plans on the insurance exchanges



Major Offsets

Revenue

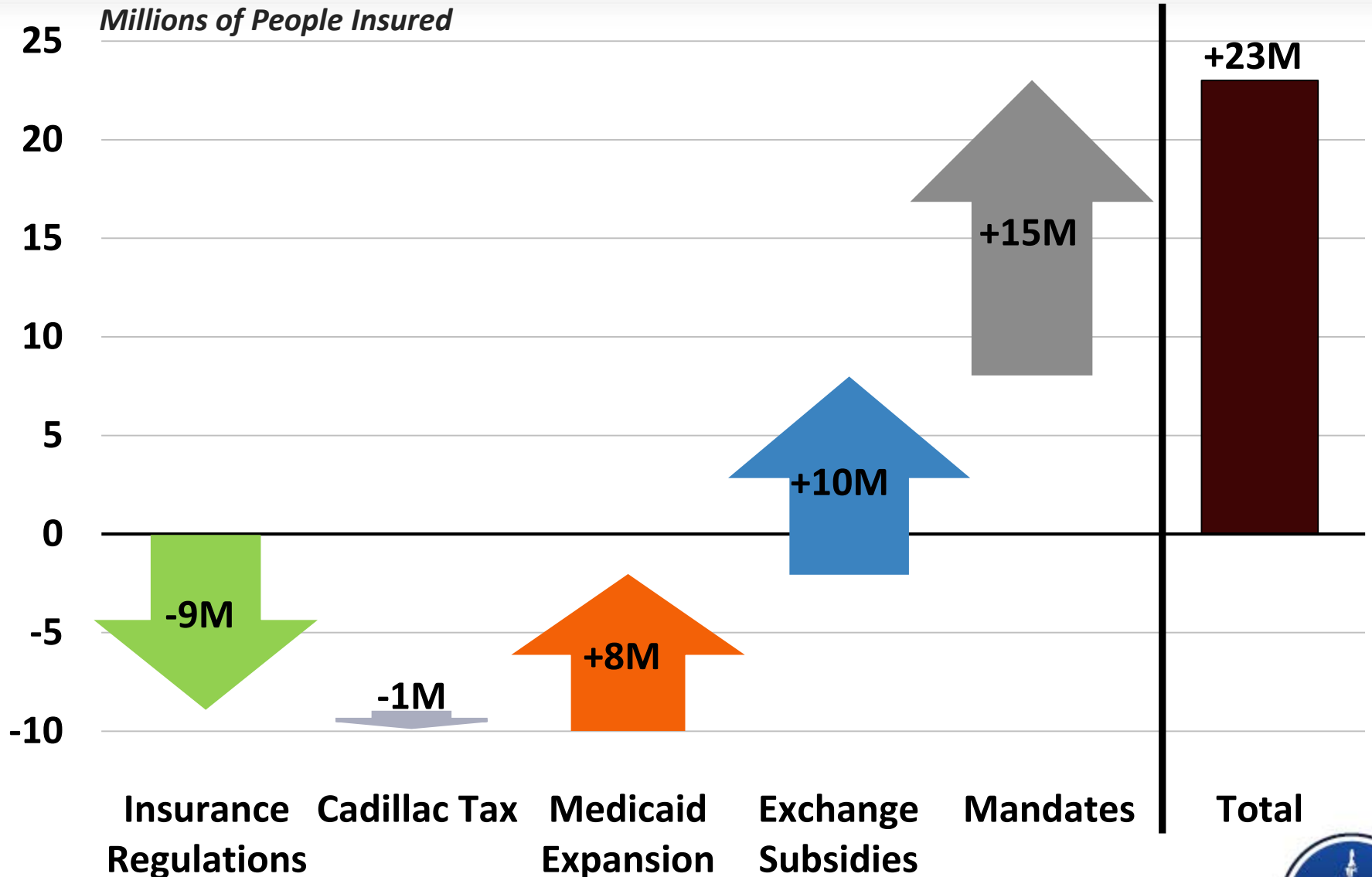
- 0.9% Medicare Payroll Surtax on Income above \$200k/\$250k
- 3.8% Net Investment Income Tax on Income above \$200k/\$250k
- 40% Cadillac Tax on high-cost employer plans (starts in 2020)
- Various health care fees/excise taxes (i.e. medical device tax) and other small tax changes

Medicare

- Reductions in Medicare Advantage payments
- Reductions in various Medicare provider and drug payments
- “Productivity adjustments” to slow growth of provider payments
- Reductions in Disproportionate Share Hospital (DSH) payments
- Higher means-testing Medicare premiums
- Various FFS reforms designed to slow cost growth



How the ACA Changed Coverage



Source: CRFB estimates based on CBO data.

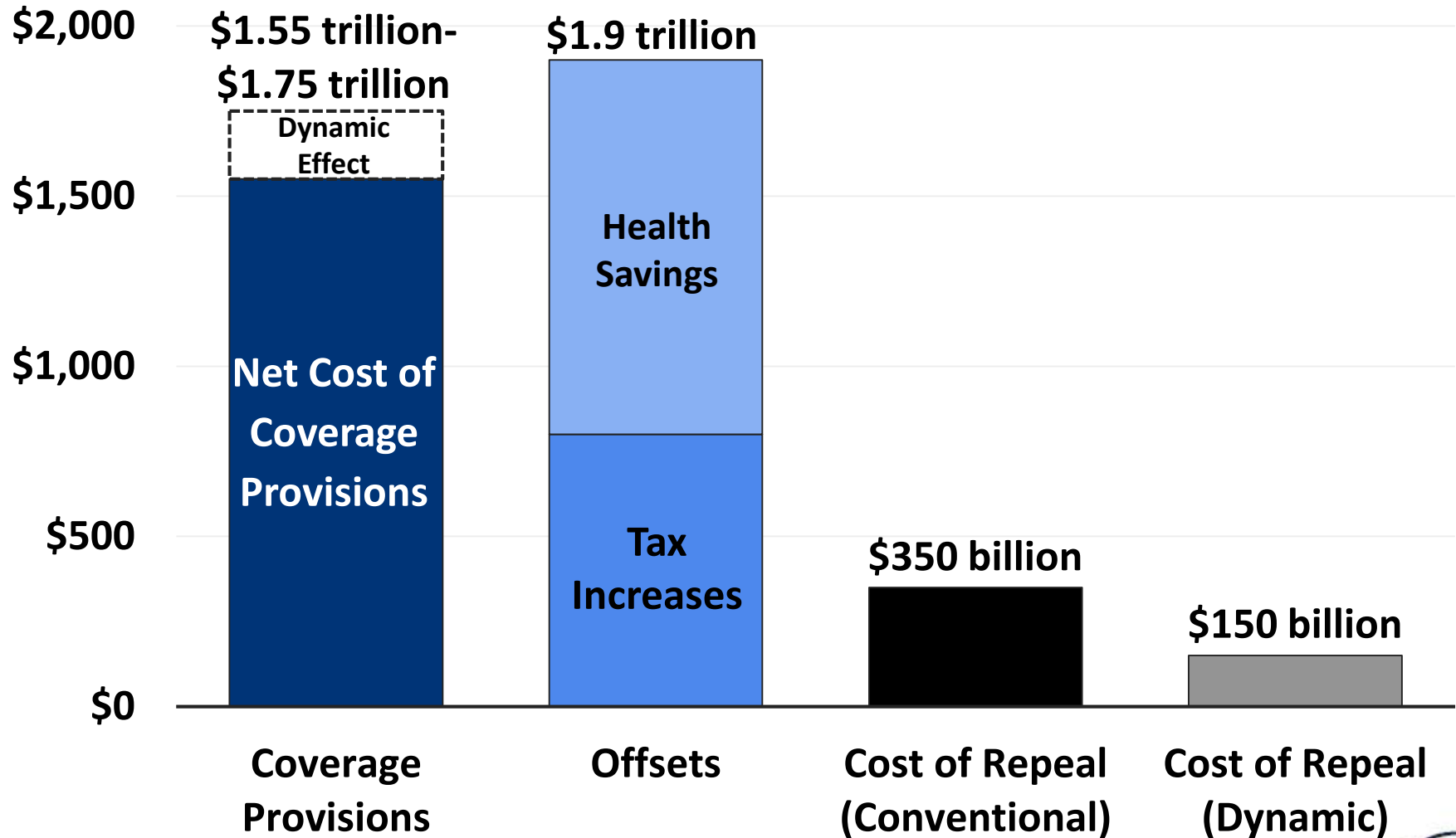
Note: this does not reflect the CBO January 2017 baseline estimates.



The Effects of FULLY Repealing the Affordable Care Act (ACA)

Budgetary Effects of Fully Repealing the ACA

Billions of Dollars



Source: CRFB calculations based on CBO 2016 data.

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Budgetary Effects of Fully Repealing the ACA

Policy	2018-2027 Cost/Savings (-)
Repeal Individual and Employer Mandates	\$250 billion*
Repeal Exchange Subsidies	-\$900 billion
Repeal Medicaid Expansion	-\$1,100 billion
Other Coverage Provisions/Interactions	\$200 billion^
Subtotal, Coverage Provisions	-\$1,550 billion
Repeal “Cadillac Tax” on High Cost Insurance Plans	\$100 billion
Repeal 3.8% Net Investment Income Tax	\$250 billion
Repeal 0.9% Medicare Hospital Insurance Surtax	\$150 billion
Repeal Various Insurer, Provider, and Manufacturer Fees	\$200 billion
Repeal Other Revenue Provisions	\$100 billion
Subtotal, Revenue Provisions	\$800 billion
Repeal Reductions in Medicare Advantage	\$450 billion
Repeal Reductions in Medicare Provider Payment Growth	\$500 billion
Repeal Other Medicare and Medicaid Savings	\$150 billion
Subtotal, Medicare and Related Provisions	\$1,100 billion
Total Cost, Conventional Scoring	\$350 billion
Macro-dynamic Feedback Effects	-\$200 billion
Total Cost, Dynamic Scoring	\$150 billion

Source: CRFB calculations based on CBO 2016 data.

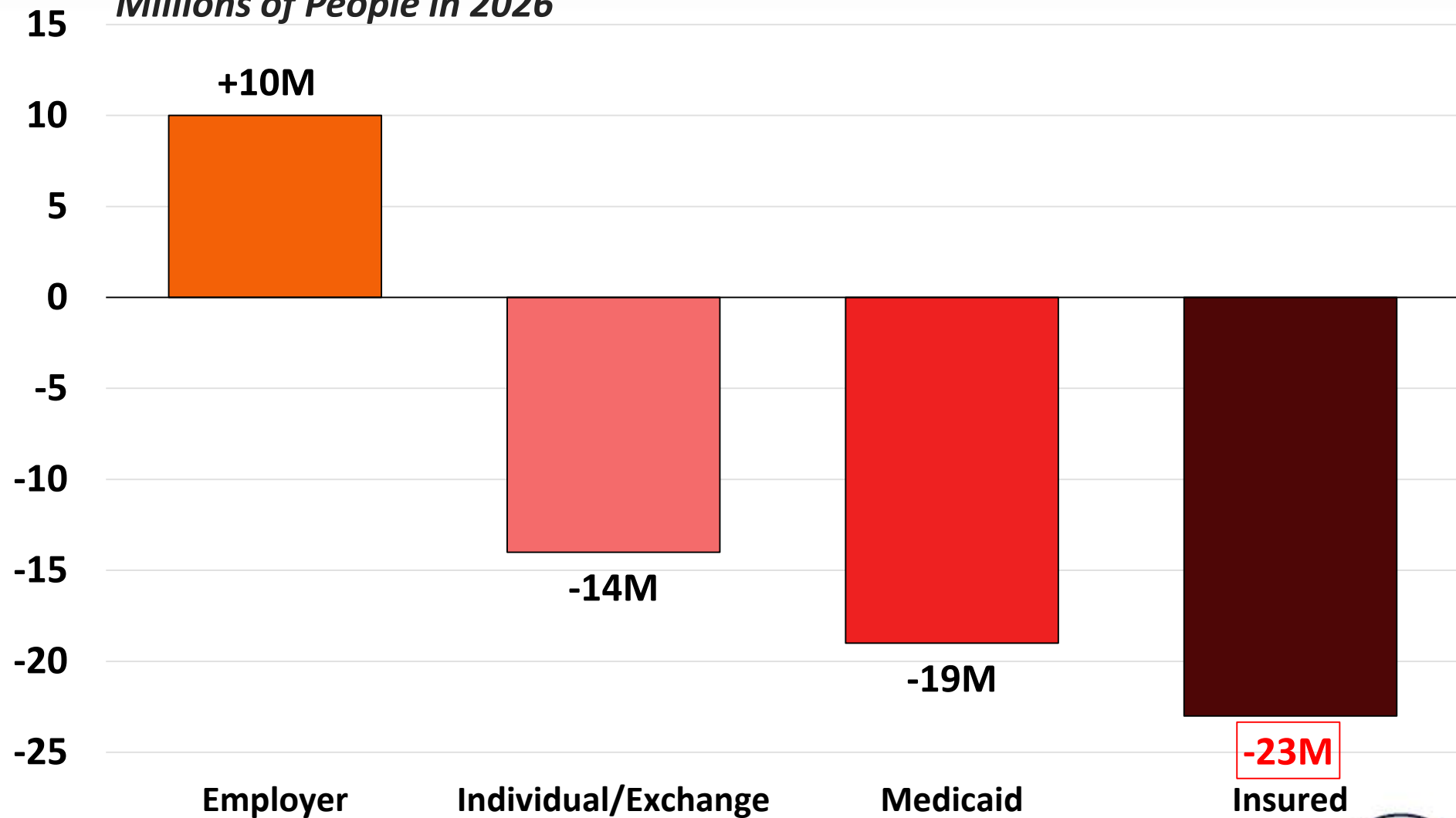
*Excludes interactions with other provisions.

^Includes Prevention Fund, increased Medicaid spending for territories, and funding for home and community-based services; excludes revenue from the Cadillac tax.



Change in Coverage Under Full Repeal

Millions of People in 2026



Source: CBO 2016 data.

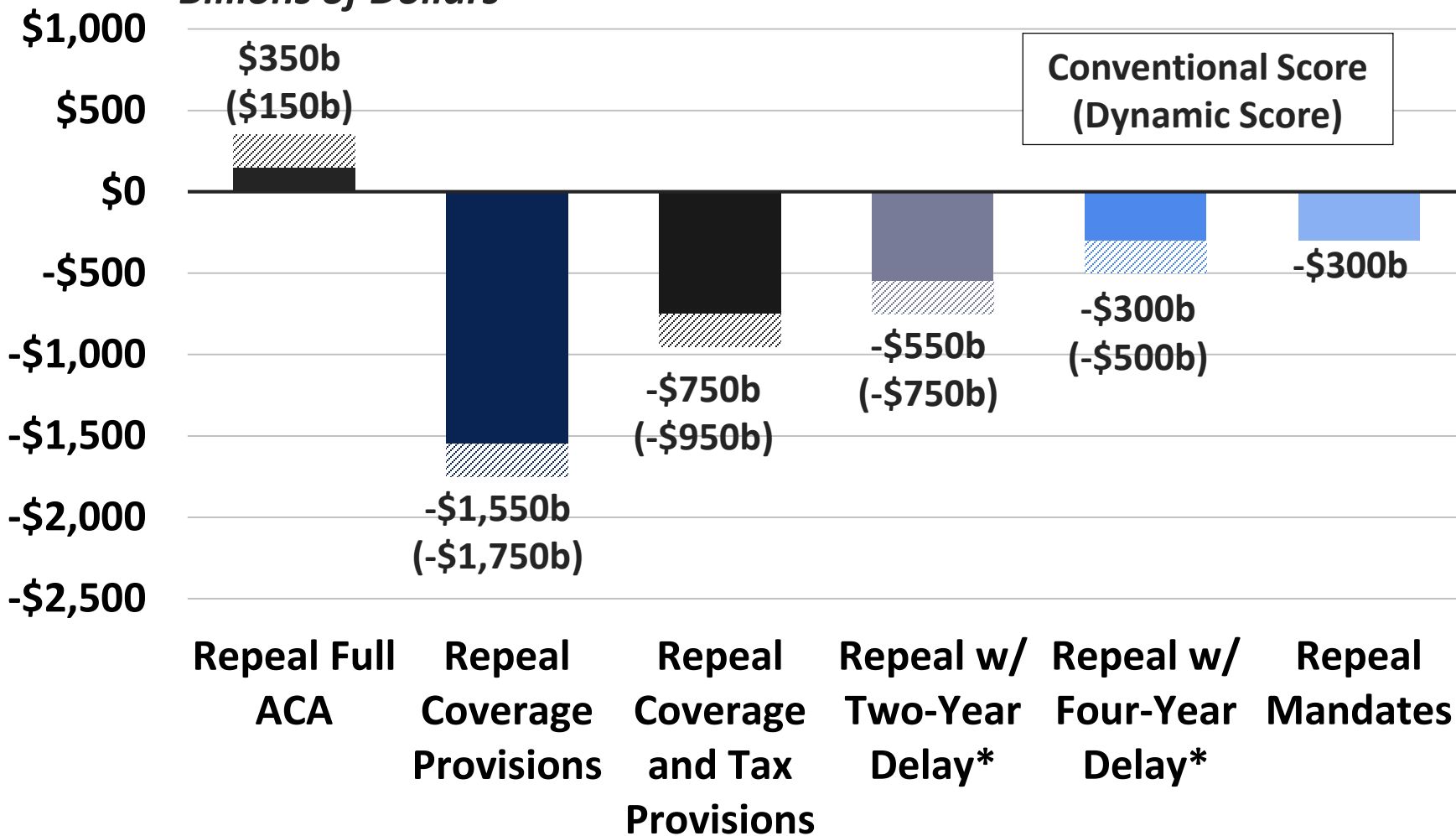
Select Effects of Full ACA Repeal

- Insurance Coverage ↓
- Gross Domestic Product ↑
- Wages and Incomes ↑
- Average Individual Market Premiums ↓
- Health Costs for Older/Sicker/Poorer Americans ↑
- Health Costs for Younger/Healthier/Richer Americans ↓
- Federal Budget Deficit ↑
- Federal Health Spending ↓
- Overall Health Spending ?

The Effects of **PARTIALLY** Repealing the ACA

Cost/Savings (-) of Different Repeal Scenarios

Billions of Dollars

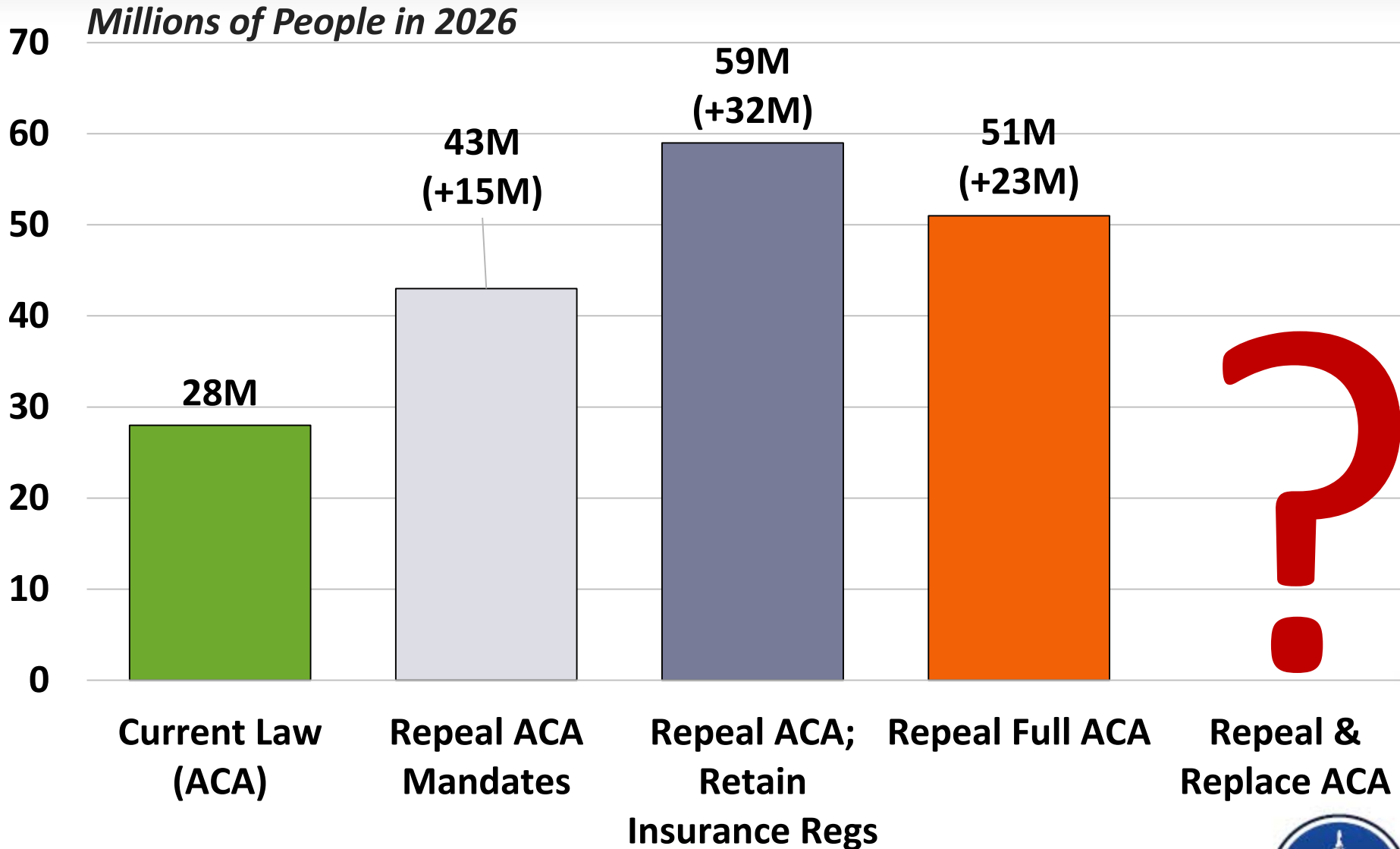


Source: CRFB calculations based on CBO 2016 data.

*Assumes revenue and mandate provisions are repealed immediately, Medicaid expansion and exchange subsidies are repealed on a delay, and most other provisions are retained.



Number of Uninsured Under Different Scenarios



Source: CBO 2016 and early January 2017 data.

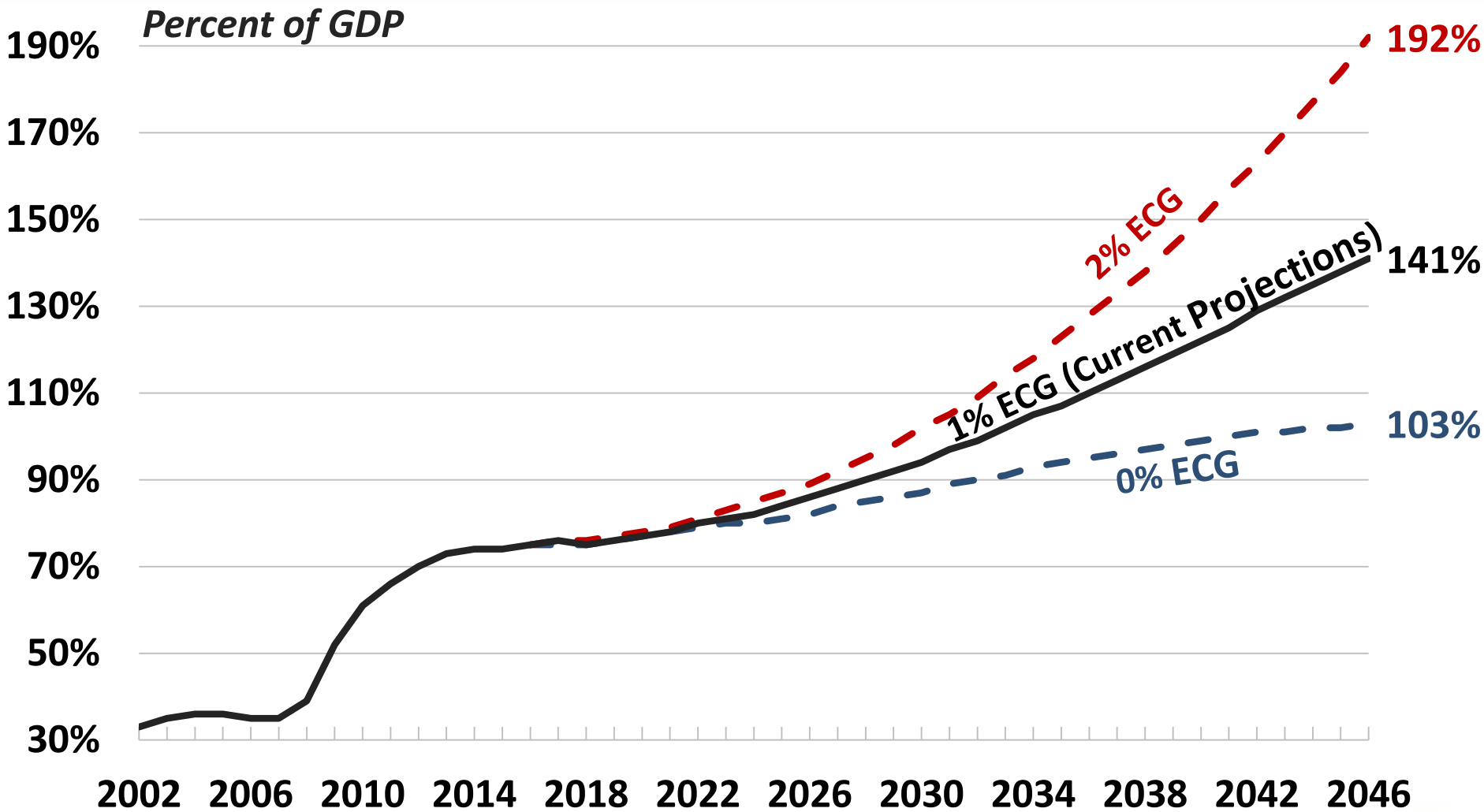
Note: this has not been updated to reflect the CBO January 2017 baseline.

Principles for Fiscally Responsible ACA Repeal & Replace

Principles for Fiscally Responsible ACA Repeal & Replace

1. Retain or replace, and build upon, the ACA's cost-control measures.
2. Reduce, rather than increase, the debt.
3. Maintain or improve Medicare solvency.

Debt Held by the Public Under Different Health Care Excess Cost Growth Scenarios



Source: CBO 2016 Long-Term Budget Outlook.

*ECG refers to excess cost growth, or growth in per-capita health spending above the rate of per-capita potential GDP growth. Numbers in the graph above are average ECG over the period.



Reining in Health Care Cost Growth

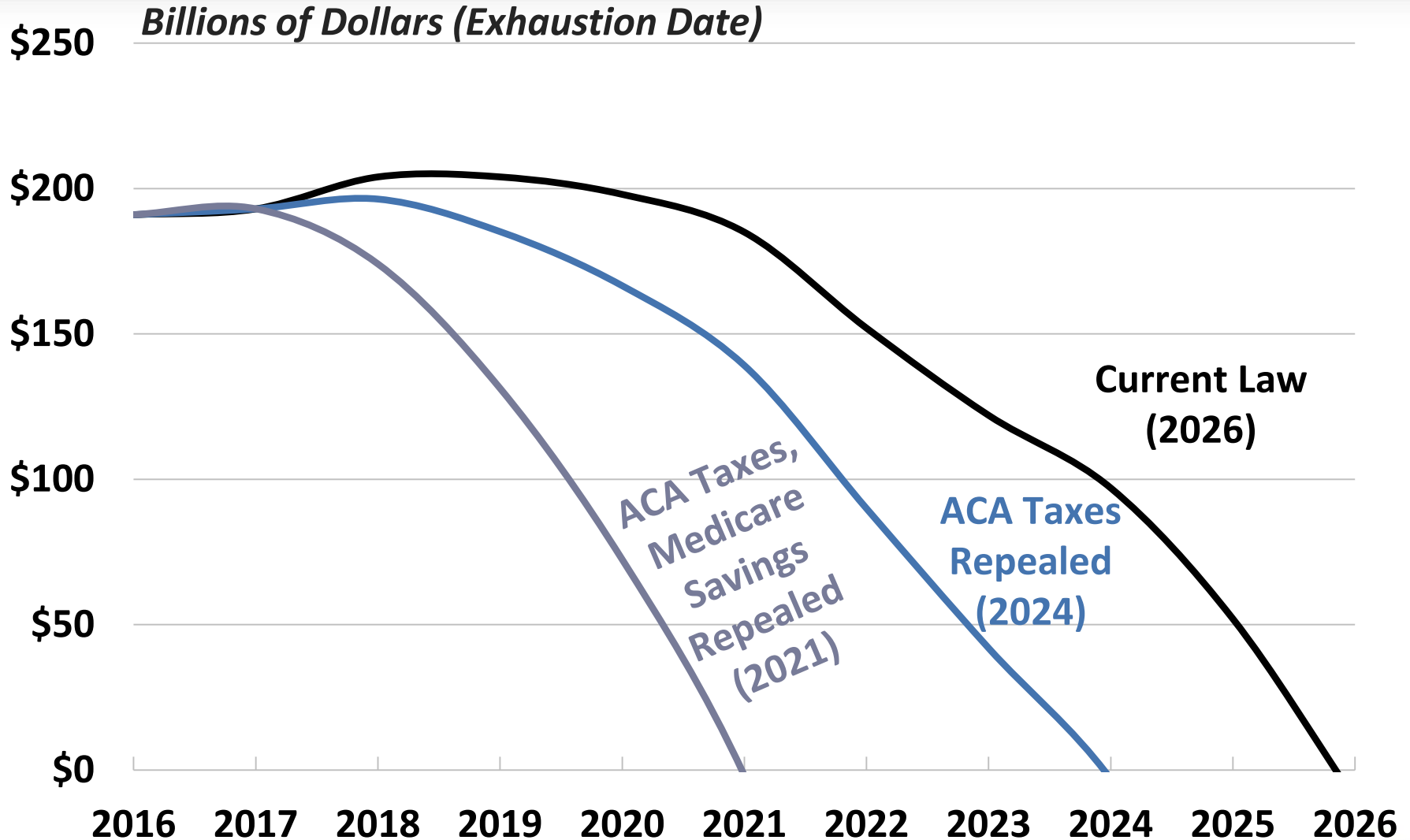
Cost-Control Measures in ACA:

- Productivity adjustments for Medicare payments
- Payment reforms and experiments (i.e. Accountable Care Organizations, bundled payments)
- New government entities for cost control (i.e. Center for Medicare & Medicaid Innovation, Independent Payment Advisory Board)
- Demonstration projects for Medicare/Medicaid dual eligibles
- Cadillac tax on high-cost plans

Other Cost Control Ideas:

- Expand ACOs and bundled payments
- Modernize benefit design to increase first-dollar cost-sharing, reduce catastrophic out-of-pocket costs
- Limit Medigap and other wrap-around plans from covering first-dollar costs
- Reform medical malpractice rules
- Cap or replace employer health exclusions

Medicare Hospital Insurance Trust Fund Balance & Exhaustion Date Under Different Repeal Scenarios



Source: CRFB calculations based on CBO 2016 data.

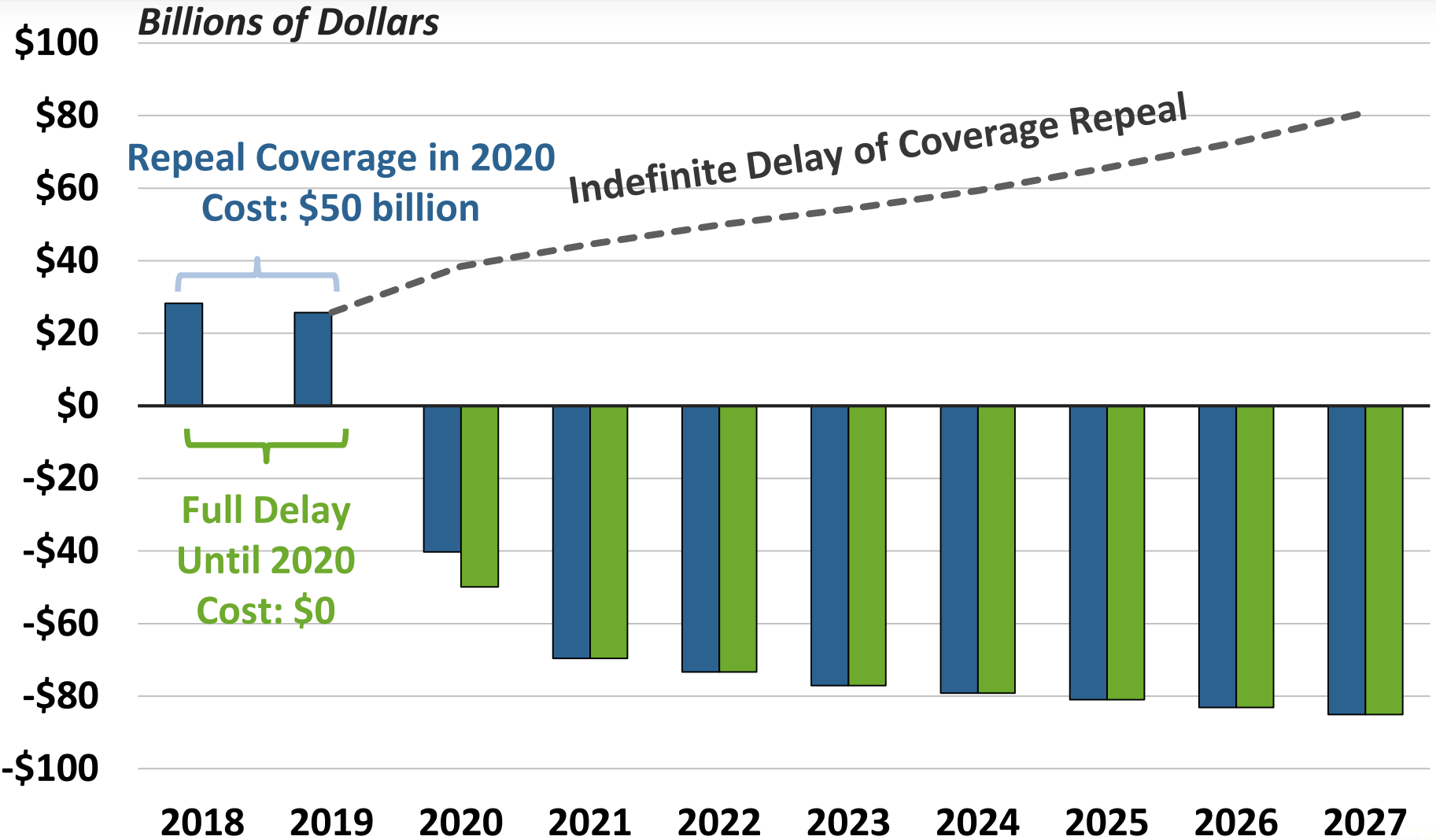


ACA “Repeal and Delay”

Additional Principles for Repeal and Delay

4. Continue the ACA's offsets as long as coverage provisions are retained.
5. Generate sufficient repeal savings to finance any future replacement.
6. Enact any replacement in a timely and fiscally responsible manner.

Annual Cost of Repeal and Delay



Source: CRFB calculations based on CBO 2016 data.

For More Information:

Papers:

- [Principles for Responsible “Obamacare” Repeal and Replace](#)
- [The Cost of Full Repeal of the Affordable Care Act](#)

Blogs:

- [Repeal and Delay Shouldn’t Increase Near-Term Deficits](#)
- [Full Obamacare Repeal Would Hasten Medicare’s Insolvency](#)
- [What’s The Plan to Replace ‘Obamacare’?](#)

