

Affordable Care Act: *Potential Legislative and Administrative Actions*

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Repeal Without Replace Scenario

- Potential adverse consequences
 - Offering pre-existing condition protections requires incentives for enrollment;
 - Eliminating provisions that encourage enrollment would threaten sustainability;
 - Increasing risks could cause an increase in insurer withdrawals from the market;
 - Eliminating cost-sharing reduction (CSR) reimbursements could also cause insurers to withdraw from the market.



2017 Proposed Legislative Reforms

- Actuarial considerations:
 - Medicaid Funding
 - Block Grants and Per Capita Caps
 - Individual Health Insurance Market
 - Continuous coverage requirement
 - Premium tax credit structure and widening allowable age rating
 - ‘Stability fund’
 - Eliminating actuarial value requirements and essential health benefits



2017 Proposed Legislative Reforms

□ Medicaid Funding

- Moving to block grants or per capita caps would shift more funding risk to states; they will need flexibility for their Medicaid programs to stay within their budgets.
- Sustainability of Medicaid under block grants or per capita caps funding methods would depend upon initial allocation of funds to each state and growth rates of those funds.



2017 Proposed Legislative Reforms

Table 1: Comparison of Federal Funding of Current System, Per Capita Caps, and Block Grants

	Current System	Per Capita Cap by Enrollee Category	Single Per Capita Cap	Block Grant
Federal share	Percentage based on state's per capita income	Amount defined per program enrollee (state/national) by type (e.g., child, disabled adult, elderly adult, other adult)	Amount defined per program enrollee either by state or nationally	Aggregate amount allocated per state
Savings/costs resulting from changes in total enrollment	Shared between state and federal governments	Shared between state and federal governments	Shared between state and federal governments	Assumed by state
Savings/costs resulting from changes in enrollment mix	Shared between state and federal governments	Shared between state and federal governments	Assumed by state	Assumed by state
Changes in per capita costs (if costs exceed a specified threshold)	Shared between state and federal governments	Assumed by state	Assumed by state	Assumed by state

Source: [Proposed Approaches to Medicaid Funding](#) (Academy Issue brief, March 2017)



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2017 Proposed Legislative Reforms

- Continuous Coverage Requirement
 - ACA individual mandate is weak, but increases enrollment above what it otherwise would be
 - Strengthening the mandate through increased financial penalties, fewer exemptions, and increased enforcement could increase its effectiveness
 - A continuous coverage requirement with late enrollment penalties likely would be weaker than the mandate



2017 Proposed Legislative Reforms

- Changing the premium tax credit structure, and widening allowable age rating
 - Change to a flat tax credit by age
 - Lower premium subsidies to older, lower-income, and those living in high-cost or rural areas.
 - Age rating
 - Likely increasing enrollment of younger adults, reducing enrollment of older adults.



2017 Proposed Legislative Reforms

- Creation of a ‘Stability fund’
 - Could help stabilize the markets and lower premiums.



2017 Proposed Legislative Reforms

- Eliminating actuarial value (AV) requirements and essential health benefits
 - Could make it more difficult for consumers to compare plans.
 - Bronze-level plans would likely remain a plan generosity floor as out of pocket limits would remain.
 - Potential focus on offering bronze-level type to avoid attracting unhealthy in more generous plans.



2017 Proposed Legislative Reforms

- Association Health Plans
 - Could lead to fragmentation of the market:
 - Cherry-picking, adverse selection, and increased costs for sicker individuals could result.
- Selling Across State Lines
 - Could lead to fragmentation of the market and solvency concerns:
 - Young and healthy to find cheaper coverage in states with less restrictive regulations while older and sicker face difficulties.



Administrative Actions

- Market stabilization proposed rule
- Administration decision to not enforce the mandate would lead to a deterioration of the risk pool.
- Decisions regarding cost-sharing reduction reimbursements (and uncertainty regarding those decisions) will affect insurer participation.



Recent Academy Publications

- [Letters to Congress on ACA Repeal without Replace](#)
 - ▣ (December 2016)
- [An Evaluation of the Individual Health Insurance Market and Implications of Potential Changes](#)
 - ▣ (Issue Paper, January 2017)
- [Selling Across State Lines](#)
 - ▣ (Issue brief, February 2017)
- [Association Health Plans](#)
 - ▣ (Issue brief, February 2017)
- [Using High-Risk Pools to Cover High-Risk Enrollees](#)
 - ▣ (Issue brief, February 2017)
- [Proposed Approaches to Medicaid Funding](#)
 - ▣ (Issue brief, March 2017)
- [Letter to U.S. House on American Health Care Act \(AHCA\)](#)
 - ▣ (March 2017)

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