Louisiana Budget Project

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Policy Brief: American Health Care Act is a Bad Deal for Louisiana

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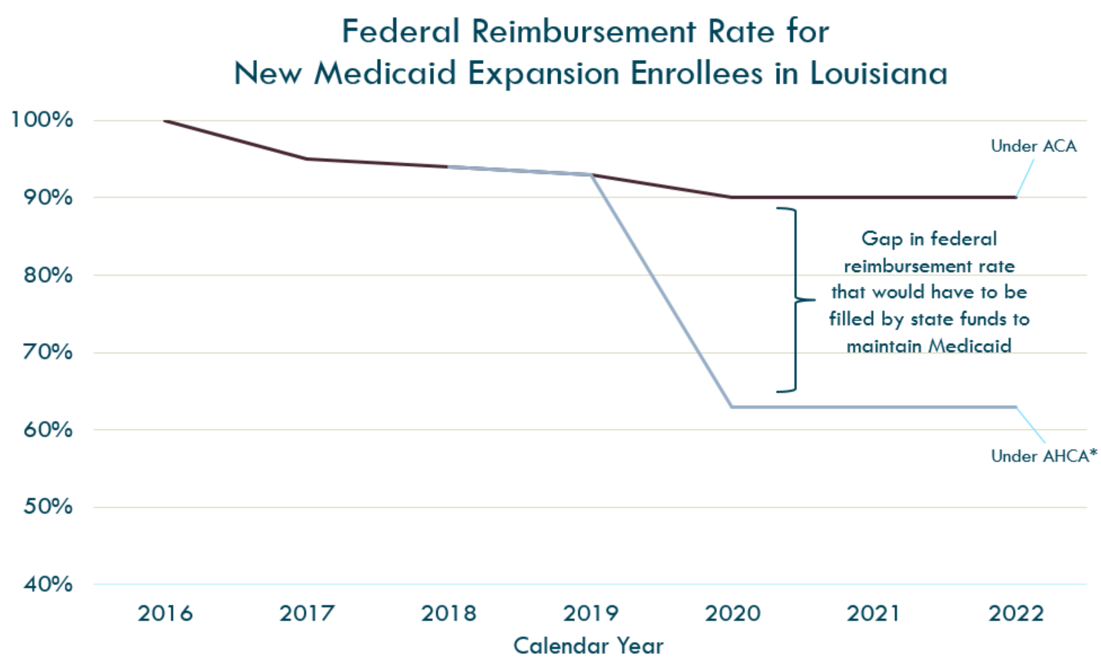
The Republican plan to replace the federal Affordable Care Act would shift billions of dollars in Medicaid costs from the federal government to the state - and would reduce the tax credit for people who buy coverage through the federal marketplace by an average of $3,013. This would cause an increase in the number of people without health insurance in Louisiana, reversing much of the progress made since the health reform law was passed by Congress in 2010.

Phasing Out Medicaid Expansion

The GOP plan, known as the American Health Care Act, would phase out the “enhanced” federal reimbursement rate the state receives for the costs of covering Medicaid expansion enrollees (working-age adults who earn below 138 percent of the federal poverty limit, or $16,243 a year for a single person). Louisiana is currently responsible for 5 percent of the cost of covering the expansion population, with the federal government paying the remaining 95 percent. By 2020, the state’s cost share will increase to 10 percent. For the rest of the Medicaid population (low-income children, persons with disabilities and elderly), the federal government pays 62.3 percent of the cost, with the state picking up the remaining 37.7 percent.

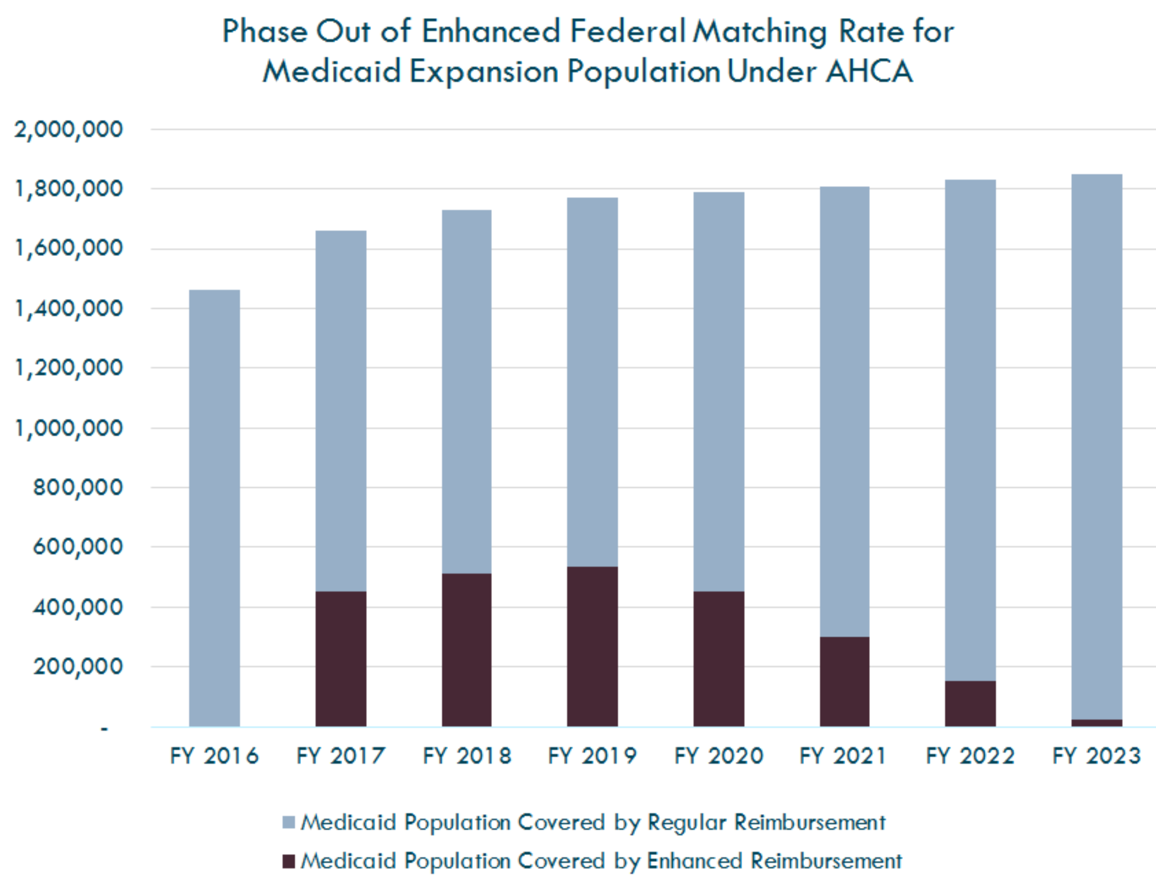
The AHCA would eliminate the enhanced reimbursement rate for all Louisianans who enroll under the Medicaid expansion after December 31, 2019 and instead reimburse the state for new expansion enrollees at the lower “regular” rate.



*Assumes Louisiana’s regular FMAP will remain at, or near, FY 2018 FMAP level.

Under the AHCA, the federal government would continue to pay 90 percent of the costs for anyone enrolled in the Medicaid expansion before January 1, 2020, which the state projects will be approximately 540,000 people. But anyone who loses Medicaid coverage for one month or more - if, for example, their income temporarily moves above the 138 percent threshold - would revert to the higher 37 percent match rate.

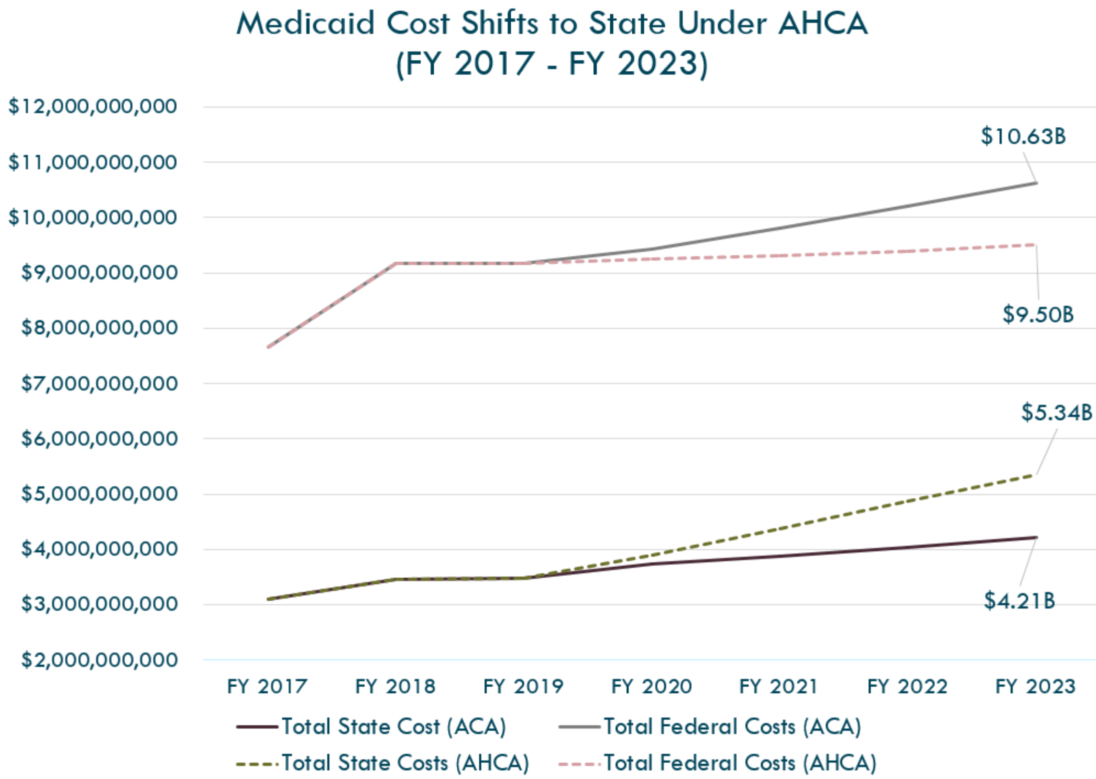
The Congressional Budget Office (CBO) estimates that less than one-third of those enrolled in Medicaid expansion before the cut-off date will be continuously enrolled through the end of 2022. By the end of 2024, CB0 projects that less than 5 percent of that population would remain continuously enrolled. At the same time, the number of Louisianans eligible for Medicaid under both the traditional and expanded eligibility criteria would continue to slowly increase. In other words: The costs to Louisiana of continuing to cover the Medicaid expansion population would increase dramatically starting in 2020.



Source: LBP analysis of projections by Louisiana Medicaid Subcommittee of the Health and Social Services Estimating Conference and Congressional Budget Office

Between fiscal years 2020 and 2023, an estimated $2.6 billion in Medicaid costs would be shifted from the federal government to the state. In fiscal year 2023 alone, the AHCA would increase the costs to the state by $1.1 billion, which is 27 percent more than estimated $4.2 billion the state would spend on Medicaid in 2023 if no changes are made to federal law.

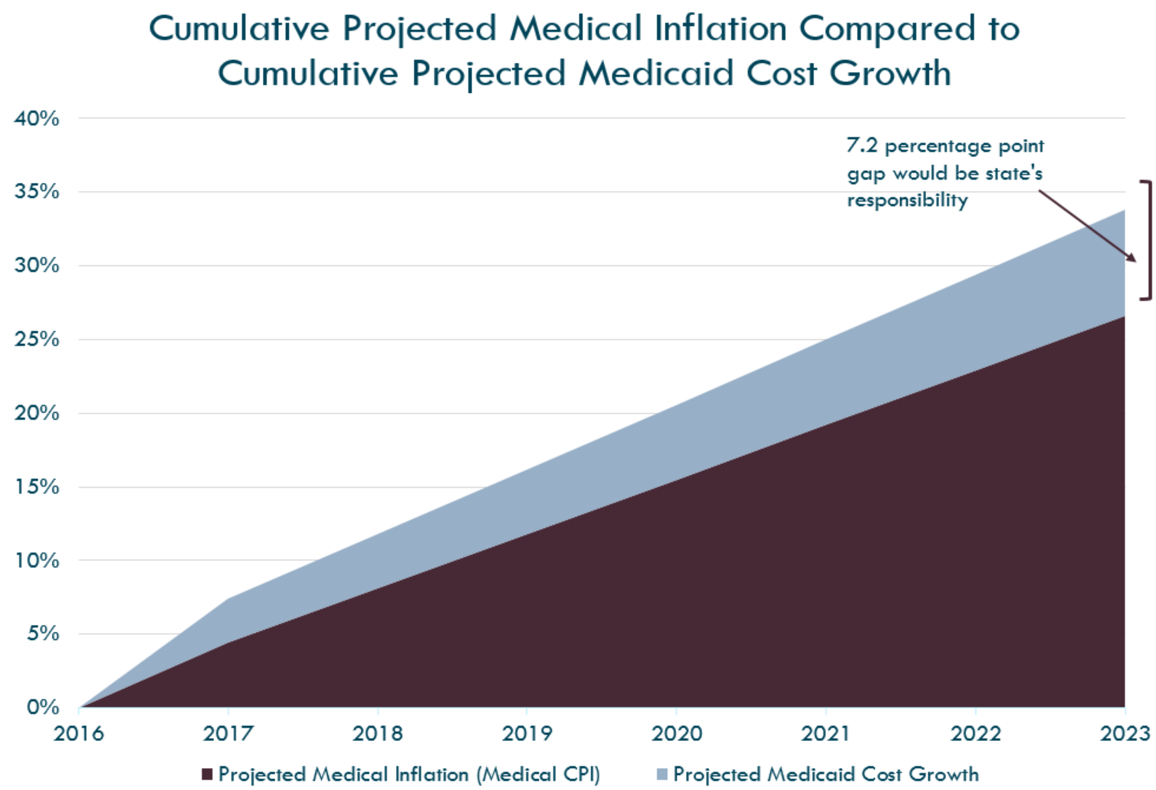
The growing costs to the state likely would force state leaders to jettison the Medicaid expansion, which would severely limit coverage options for low-income Louisianans, eliminate jobs in the healthcare sector and related fields, and worsen health outcomes for the state.



Source: LBP analysis of projections by Louisiana Medicaid Subcommittee of the Health and Social Services Estimating Conference and Congressional Budget Office

Per Capita Caps

The AHCA also proposes placing per capita caps on federal Medicaid reimbursements for each state. The caps would be based on state spending on each Medicaid enrollment group in fiscal year 2016 and indexed for medical inflation each year, which is estimated to be 3.7 percent annually over the next decade. Medicaid costs, however, are expected to increase at an average annual rate of 4.4 percent between 2017 and 2026 according to CBO, creating a growing gap between the actual costs of providing care in Medicaid and the federal funding available to pay for that care. The projected rise in Medicaid costs above the rate of medical inflation is attributable to the aging population, increased use of expensive medical technology, and growth in the costs of prescription drugs. By 2023, the cumulative gap between the growth in medical inflation and growth in Medicaid costs will be an estimated 7.2 percentage points. Because the federal reimbursement cap will linked to medical inflation, the state will be left covering the gap left between the federal funding cap and actual costs.



Source: Congressional Budget Office

Estimates by the Urban Institute indicate that the per-capita caps will leave Louisiana with $10 billion less in federal funding for Medicaid between 2019 and 2028. With increasingly limited federal funding for Medicaid each year, the state would have to decide whether to commit more of its own resources to maintain current levels of coverage and services, or to reduce spending by cutting payments to health care providers or restricting eligibility in Medicaid. It is difficult to predict exactly how Louisiana state leaders would respond, but some cuts to Medicaid coverage and benefits would be inevitable. CBO predicts that by 2026, 14 million fewer Americans would have Medicaid coverage than would under the ACA---the combined result of the per capita caps and phasing out of the Medicaid expansion.

AHCA's impact on ACA Premium Tax Credits

The AHCA also would impact the 170,000 Louisiana residents who receive premium tax credits to buy health insurance on the federal marketplace. The bill would create a new system of tax credits, in which the amount each individual would receive would be based strictly on their age, rather than their income and the costs of coverage. In 2016, the average marketplace consumer in Louisiana received a premium tax credit of $362 per month, or $4,344 annually. Under the AHCA, the average tax credit in Louisiana would be reduced by $251 per month, or $3,013 annually.

2020 Tax Credit Projections Under ACA Compared to AHCA		
Example 1: 20 year-old in Calcasieu Parish Income: $20,000/year Subsidy under ACA: $4,200 Subsidy under AHCA: $2,000 % difference in subsidy: 52% Number of people who receive ACA subsidies in Calcasieu Parish: 5,855	**Example 2:** 40 year-old man in Livingston Parish Income: $20,000/year Subsidy under ACA : $5,460 Subsidy under AHCA: $3,000 % difference in subsidy: 45% Number of people who receive ACA subsidies in Livingston Parish: 4,579	**Example 3:** 60 year old woman in Caddo Parish Income: $30,000/year Subsidy under ACA : $10,210 Subsidy under AHCA: $4,000 % difference in subsidy: 61% Number of people who receive ACA subsidies in Caddo Parish: 10,170

Sources:
Centers for Medicare and Medicaid Services. 2016 Qualifying Health Plan Selections by APTC and County, as of February 1, 2016.
Kaiser Family Foundation. Tax Credits under the Affordable Care Act vs. the American Health Care Act: An Interactive Map

The CBO estimates that premiums in the individual insurance will decrease by 10 percent by 2026 under the GOP bill, not nearly enough to offset the dramatic decrease in tax credits, especially for low-income consumers. What's more, the projected decrease in premiums is attributable to the likelihood that many older Americans would drop out of the individual marketplace because they would not be able to afford coverage with the severely reduced tax credits in the AHCA. Because older people have higher health costs, their decreased participation in the marketplace would slightly reduce premiums for the younger, healthier people who remain. Fewer older people in the marketplace would also equate to fewer people receiving the AHCA's highest tax credit ($4,000 per year) meaning even more federal savings at the expense of health coverage for older Americans. CBO estimates that under the AHCA, the federal government will spend $361 billion on tax credits over 10 years, compared to the $673 billion it would have spent on tax credits under the ACA during the same time period—a 46 percent reduction.

The policy changes analyzed in this report are just three of the major changes included in the legislation. The 123-page bill makes many other alterations to nation's health care system that will affect both consumer costs and coverage levels, including: eliminating the individual and employer mandates, creating continuous coverage penalties, and reversing the ACA's tax increases on the wealthy. Taken together, the provisions of the AHCA would be detrimental to Louisiana's budget, healthcare providers, and consumers. Louisiana's own Sen. Bill Cassidy summed it up best with his initial reaction to the CBO's analysis of the bill: it's awful.