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

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