Issue Brief

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Republican Leaders Releasing "Bipartisan Health Care Stabilization Act" and CBO Issues Report

Here we go again. Congress is wrestling with funding the remaining fiscal year 2018 budget (through Sept. 30). The current continuing resolution that is funding the federal government expires Friday, March 23.

Senators Lamar Alexander (R-TN) and Susan Collins (R-ME), and Representatives Greg Walden (R-OR) and Ryan Costello (R-PA) want to provide payments for cost sharing reductions authorized by section 1402 of the ***Affordable Care Act*** for three years (2019 to 2021). Note: This is the item Senate Majority Leader Mitch McConnell promised Senator Collins to obtain her vote on the tax reform bill.

Additionally, their proposal – S.1771 – would (1) change the state innovation waiver process established by the ACA, (2) appropriate a total of $30.5 billion for reinsurance programs or invisible high-risk pools in the nongroup insurance market, (3) allow any enrollee in the nongroup market to purchase a catastrophic plan, and (4) require some existing funding for operations in the health insurance marketplaces to be used specifically for outreach and enrollment activities in 2019 and 2020. A copy is available at https://www.alexander.senate.gov/public/_cache/files/b1d925b4-df0d-4938-adfa-c6ba83d21c64/3-19-2018-tam18347.pdf.

The Congressional Budget Office has released a report about the "***Bipartisan Health Care Stabilization Act of 2018***."

CBO and the Joint Committee on Taxation estimate that enacting the legislation would increase the deficit by $19.1 billion over the 2018-2027 period relative to CBO's baseline. The agencies estimate that the legislation would increase the number of people with health insurance coverage, on net, by fewer than 500,000 people in each year from 2019 through 2022. Because enacting the legislation would affect direct spending and revenues, pay-as-you-go procedures apply.

Presently, the proposal's adoption is still unkown as Democracts and other Republicans are taking issue with a number of elements, including planned parenthood and abortion.

CBO provides a summary of S.1771 as follows.

4712 Country Club Drive
Jefferson City, MO 65109

P.O. Box 60
Jefferson City, MO 65102

573/893-3700
www.mhanet.com

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STATE INNOVATION WAIVERS

Under current law, states may apply for waivers from some of the rules governing insurance markets or the programs offering health insurance established by the ACA. Those "state innovation waivers" were established by section 1332 of the ACA. Under current law and this legislation, waivers are required to be budget neutral and to provide comparable levels of insurance coverage, measured in terms of covered benefits, perenrollee costs and the number of state residents with health insurance. However, in CBO and JCT's assessment, the actual net budgetary effects of the waiver process are unclear.

CBO notes that under the proposal, states would no longer need to enact legislation before submitting a waiver application, and the standards by which the Departments of Health and Human Services and the Treasury Department evaluate states' applications would be changed. CBO and JCT estimate that those changes would increase the number of applications submitted by states and the likelihood that future waiver applications would be approved. However, the agencies do not expect that the changes made to the standards for evaluating new waivers would significantly alter the net budgetary effect relative to current law.

REINSURANCE AND INVISIBLE HIGH-RISK POOLS

"The proposal would appropriate $10 billion per year over the 2019-2021 period to be used for reinsurance programs or invisible high-risk pools in the nongroup insurance market, plus $500 million to be used for state administrative costs, for a total of $30.5 billion. Generally, in order to receive its share of the money, a state would have to apply for a state innovation waiver and establish a reinsurance program or an invisible high-risk pool. However, for 2019 only, the legislation would establish a federal reinsurance program in any state that did not have a waiver related to reinsurance or an invisible high-risk pool. CBO and JCT estimate that, together, those provisions of the legislation would increase the deficit by $19.6 billion over the 2018-2027 period. That increase in the deficit is composed of a spending increase of $26.5 billion, partly offset by an increase in revenues of $7.0 billion.

Three states already have waivers approved under section 1332 that relate to reinsurance, but the agencies expect that it would be difficult for other states to establish a state-based program in time to affect premiums for 2019. Beginning in 2020, a state would need to establish its own program through a waiver under section 1332 in order to receive federal funds for reinsurance. CBO and JCT expect that about 60 percent of the population would live in a state that received such a waiver for 2020 and that about 80 percent of the country would live in a state that received such a waiver for 2021. The remainder of the population in those years would be without a federally-funded reinsurance program or invisible high-risk pool."

HOW PREMIUMS WOULD BE AFFECTED

"CBO and JCT estimate that premiums for nongroup insurance would be about 10 percent lower in 2019, on average, under the legislation than projected for that year under current law. They also estimate that, in 2020 and 2021, premiums for nongroup insurance would be about 20 percent lower, on average, than estimated for those years under current law in states that applied for a waiver to establish their own reinsurance program or invisible high-risk pool. The reduction in premiums would result in

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less federal spending on premium tax credits and more federal spending on waiver pass-through funding. In states that did not apply for a waiver, premiums would be the same under current law as under the legislation starting in 2020. The reduction in premiums would mainly affect people with income greater than 400 percent of the federal poverty level. Most people with lower incomes purchasing nongroup insurance receive premium tax credits and pay a percentage of their income toward the purchase of the plan in their area used for determining the tax credit (referred to here as a benchmark plan) regardless of the gross premium charged for that plan."

FUNDING FOR COST-SHARING REDUCTIONS

"The legislation would appropriate such sums as may be necessary to make payments for CSRs for the fourth quarter of calendar year 2017, for certain insurers for plan year 2018, and for all of plan years 2019 through 2021. Because such payments are already in CBO's baseline projections (totaling $25 billion for 2019 through 2021 and $76 billion over the 2018-2027 period), CBO and JCT estimate that the appropriation would not affect direct spending or revenues, relative to that baseline."

COPPER PLANS

"Under current law, only certain people, most of whom are under the age of 30, may enroll in a catastrophic plan in the nongroup insurance market. Beginning in 2019, the legislation would allow any nongroup enrollee to choose a catastrophic plan (those plans would be called copper plans). As under current law, subsidies would not be available for that coverage. In addition, the legislation would require that catastrophic plans be included as part of the single risk pool for pricing premiums in the nongroup market, alongside most other plans. (Under current regulations, catastrophic plans are treated separately from other nongroup plans for purposes of the risk-adjustment program.)"

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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