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KIDS FORWARD

Q&A: Trump's Latest Affordable Care Act Changes

The President recently took more actions that threaten the Affordable Care Act (ACA) by signing an executive order that will likely reduce ACA participation and directing his administration to stop paying cost-sharing reduction payments that help low-income Americans use health care. Here's what you need to know about marketplace coverage and what to expect going forward.

End of Cost-Sharing Reducation (CSR) Subsidies

Will people still be able to get coverage on the ACA marketplace in 2018?
Yes, people can still sign up for coverage at healthcare.gov during the open enrollment period. Open enrollment is shorter than it was last year, November 1 through December 15.

Will low-income people still be able to get cost-sharing reduction subsidies?
Yes. The insurers are still required to provide discounts to people with incomes of less than 250% of the federal poverty level for deductibles, copays, and other out of pocket costs. Because of the President's decision, the funding for the subsidies will come from higher premiums.

Is the decision to stop paying for cost-sharing reductions going to cause the marketplace to collapse?
Not for 2018. Some insurance companies may leave or raise their rates, but most insurance companies' rates for this year factored in the possibility that the administration would stop paying cost-sharing reduction funds. It's less clear what's going to happen in 2019 if Congress does nothing to address this.

Who will be impacted by the President's refusal to pay CSRs?
People who do not qualify for ACA tax credits—approximately 37,000 in Wisconsin—are going to be hurt the most. These individuals, many of whom do not have access to employer-sponsored insurance because they are self-employed or work for a small business, will bear the brunt of increased costs as insurers raise rates. People who do qualify for tax credits will get larger tax credits as their premiums increase.

Is this going to save the federal government money?
No, cutting off CSR payments will create a net cost of $194 billion over the next ten years according to the Congressional Budget Office. More people will be getting bigger federally funded tax credits due to higher

premiums. It costs less money to fund the cost-sharing reduction payments.

How does this affect Wisconsin?

More than 200,000 Wisconsinites are covered through the ACA marketplace and many of them are likely to become uninsured if it collapses in 2019.The marketplace participants include thousands of Wisconsinites who were formerly covered by BadgerCare. Wisconsin has more at stake from a marketplace collapse than some other states because Governor Walker and state legislators reduced eligibility income limits, causing more than 60,000 people to lose BadgerCare benefits.

How does this affect people who qualify for additional savings under the ACA?

This decision does not change ACA tax credits. 81% of people enrolled in ACA plans qualify for tax credits to help pay their premiums, and will still receive them. If someone qualifies for additional savings because of the CSRs, they will still be able to enroll in those plans for 2018 and benefit from the lower deductibles and copays.

How does this affect insurance companies?

It creates more uncertainty for them, but most insurance companies have accounted for this in their 2018 rates. The bigger problem for insurance companies is that a wide range of actions by the Trump administration, including the executive order that we discuss below, will reduce participation in the marketplace. The combination of higher rates and fewer participants is likely to create a smaller, sicker pool of people who buy marketplace plans, which will lead to even higher costs. That's why many experts think the various changes are likely to cause the marketplace to collapse, if Congress does not take action to stabilize it.

Can Congress fix this issue?

Yes, Congress can appropriate the funding for CSRs, as was intended by the ACA.

Cost-Sharing Reductions

Cost-sharing reductions (CSR) are a discount that lowers the amount you have to pay for deductibles, copayments, and coinsurance. Insurers in the marketplace are subsidized through the federal government to pass along these reductions to consumers with incomes between 100% and 250% of the federal poverty level (FPL).

In 2017, approximately 51% of Wisconsin marketplace consumers who selected a health plan were eligible for cost sharing reductions.

Executive Order Allowing Limited Coverage

When would this go into effect?

The EO directs federal officials to pursue these changes through the federal rule-making process within the next 2-3 months. Whether they get done in three months or one year is difficult to say, but either way they may influence insurers' choices in the interim.

The Executive order allows more people to create association health plans—so what does that mean? Association health plans (AHPs) would allow a group of businesses to buy insurance as one group, possibly across state lines. AHPs are not governed by the ACA and don't have to follow some of the law's popular provisions. Plans might exclude people with pre-existing conditions; offer skimpy benefits that don't cover services like prescription drugs, mental health, and hospitalization; and charge people more based on their health status.

How do association health plans affect the marketplace?

Younger, healthier people could leave the marketplace in favor of these less generous plans, which could offer lower premiums. If this happened, ACA plans would get more expensive for the people who need regular healthcare.

What does this mean for people with pre-existing conditions?

People who need to remain in the ACA because they regularly use their health care and need a robust set of benefits would have to stay in the marketplace, which requires insurers to offer comprehensive plans. Their costs would continue to rise as the pool of people in the marketplace shrank and those in it needed more regular care. That cycle might soon make it impossible for insurers to continue offering plans that cover pre-existing conditions.

The executive order allows association health plans to work across state lines—how does this work?

Essentially association health plans could decide to follow the rules of one state that has very few regulations, even though they are selling plans in another state with more regulations.

Would these plans be cheaper than marketplace plans?

Probably. Because insurers could offer skimpier plans and charge based on health status, groups with younger healthier people would pay less for less coverage.

Isn't that a good thing?

Yes and no. It's good for younger healthier people who pay less if they don't get into an accident, become very sick, or have some health needs that their insurance won't cover. But insurance works by distributing the risk over lots and lots of people with different levels of healthcare needs. If you remove healthy people from the pool, rates increase, and people will have a harder time paying for the care they need.

What are the provisions of the executive order relating to short-term insurance plans?

Short-term health insurance plans do not need to meet the minimum requirements under the ACA and currently can only last 90 days. They are designed to provide limited coverage over a short period of time when someone has a lapse in coverage. The order extends those plans for up to one year. Healthier people may choose these short-term plans, again making comprehensive plans more expensive for the people who need them.

How are these parts of the executive order going to affect the broader health care system?

Allowing people to use short-term plans and association health plans is expected to lead to an increase in uncompensated care provided by hospitals, which is a cost that gets spread across other people with insurance. And for the reasons explained above, these less regulated plans will result in segregation of coverage for healthy people and those with pre-existing conditions, which will undo much of the progress made under the ACA in improving access to quality, affordable care for people with pre-existing conditions.

Why is uncompensated care expected to increase?

People who purchase narrower coverage are more likely to end up in the emergency room and need care that their insurance doesn't cover. They would have to pay all those costs, or providers would have to absorb those costs and spread them across other people with insurance. Prior to implementation of the ACA, it was much more common for someone to find out their insurance didn't cover that service or care for a particular illness.

What is a Health Reimbursement Arrangement (HRA)?

HRAs are employer-funded accounts that are tax-favored and can be used by workers to pay premius and other out of pocket costs. The executive order would expand the use of HRAs—including allowing them to be used for non-group coverage costs.