



On March 6, House Republicans released a bill intended to repeal and replace the Affordable Care Act. The new legislation, the American Health Care Act, has passed three key House committees – Ways and Means, Energy and Commerce, and Budget – and is expected to be considered by the House Rules Committee during the week of March 20. Speaker Paul Ryan is planning a final vote by the entire House later in March. The House is expected to make changes to the legislation before it votes. If approved, the legislation then goes to the Senate.

What is the potential impact on our members?

No matter how events in Washington unfold, our company will continue to remain focused on doing what we always do - serving our members. This particular legislation is in its early stages. The House and Senate both need to pass the legislation, and President Trump needs to sign it, before any changes could take effect. Even then, it's unlikely our members would see changes overnight. Our policy team at BCBSTX is closely monitoring the progress of the bill to determine the potential effects on our members.

What are the key proposals in the American Health Care Act?

The 123-page bill proposes major changes to the current health care system. We've highlighted a few of the major provisions:

- **Eliminates individual mandate and employer mandate penalties.** Individuals without insurance would not have to pay a penalty on their tax returns for 2016 and future years. However, the bill would encourage people to stay insured by putting a 30 percent surcharge on premiums for one year for people who buy individual or small group coverage if they have not been continuously covered. In addition, the employer mandate penalty would be eliminated starting with 2016.
- **Keeps some popular private market rules.** The new bill would not affect certain ACA reforms such as requiring insurers to cover pre-existing conditions, extending dependent coverage to age 26, and prohibiting premiums from varying based on members' medical history. However, the bill would increase the adult "age band" from 3:1 to 5:1, unless states adopt different age bands. This means insurers could not charge seniors more than five times what younger patients pay in premiums, an increase from the current limit of three times what younger patients pay. This change is intended to attract more young people to the risk pool.
- **Creates new stability fund.** The legislation would provide new federal funds that states would be expected to use to stabilize and reduce premiums in the individual and small group markets and promote more competition among insurers, among other purposes.
- **Modifies tax credits and eliminates subsidies.** For 2018 and 2019, the current income-based premium tax credit structure would continue to help lower-income individuals afford coverage. For 2019 only, there would be an additional age adjustment to help younger individuals afford coverage. Starting in 2020, the current marketplace premium tax credits would be replaced by a flat, age-based premium tax credit, which would be available for use with a broader set of individual market plans. Eligibility would be phased out for single filers with incomes of \$75,000 to \$115,000. The bill also would eliminate the ACA's cost-sharing subsidies in 2020, which pay deductibles, co-payments and other costs for the lowest-income people covered by marketplace policies.
- **Encourages the use of health savings accounts.** The bill would nearly double the contribution limits for HSAs and offer consumers more flexibility in how they spend the money in these tax-friendly medical savings accounts. The new limit would match the annual deductible and out-of-pocket expenses allowed under federal law.

- **Phases out Medicaid expansion and caps Medicaid spending.** The ACA had a provision that permitted states to expand Medicaid eligibility and receive funding for that expansion. After the ACA was passed, 31 states (including Illinois, Montana and New Mexico) began offering Medicaid to some adults who were previously ineligible for the program. To address federal budget concerns, the legislation would phase out the federal financial incentives that these states have been receiving for covering these adults. Beginning in 2020, the American Health Care Act would convert Medicaid to a new financing system in which the federal government would give states per-capita amounts based on the number of Medicaid enrollees in different eligibility categories.

What does BCBSTX think about some of the major changes outlined?

BCBSTX continues to work closely with members of Congress to improve coverage and affordability for our members. We are particularly focused on stabilizing the insurance market and ensuring there is a smooth transition for our members. In the individual market, it will be crucial to ensure that people have the right incentives to maintain continuous coverage, so premiums are more affordable for everyone. With respect to Medicaid, we are working with our states to ensure a sustainable funding model that meets the states' needs.

Is this bill likely to pass?

It is very difficult to predict the final outcome of any piece of legislation. In this case, the American Health Care Act faces Democratic opposition, as well as criticism from within the Republican Party. Some Republicans say it doesn't go far enough in repealing the ACA, while other Republicans are concerned about the impact of the Medicaid changes on their states and the new tax credit structure for 2020. The Congressional Budget Office, the agency charged with providing objective, nonpartisan analysis of budgetary proposals, said the bill would reduce the federal deficit over the long term, but likely would increase the number of uninsured people.