

The AHCA Reduces Healthcare Coverage and Increases Financial Instability for Millions of Americans

The American Health Care Act (AHCA), recently passed by the House of Representatives, would jeopardize the financial stability and health of American families. Millions of consumers would lose health coverage, out-of-pocket costs would rise, and the coverage of millions who rely on Medicaid would be endangered. The AHCA also would eliminate key protections that have contributed to a decrease in personal bankruptcies, explained in a May, 2017 *Consumer Reports* article, [How the ACA Drove Down Personal Bankruptcies: A look at how expanded healthcare helped cut the number of filings by half](#). Moreover, while cutting health coverage for millions, this legislation would provide tax breaks for the wealthiest Americans.

As a nonpartisan, independent organization that, for more than 80 years, has advocated for products, marketplace practices, and policies that best protect consumers, we believe that any changes to our healthcare system must satisfy the following requirements (detailed more fully in our [Principles](#)):

- 1) Protect and preserve the current structure and financing of Medicaid;
- 2) Protect and maintain the Medicaid expansion;
- 3) Maintain or increase the number of people with health coverage;
- 4) Ensure that consumers do not experience higher out-of-pocket costs or reduced benefits.

Coverage Losses and Increased Consumer Costs

- The May CBO score stated that, under the AHCA, a total of 14 million fewer consumers would have coverage by 2018, rising to 23 million by 2026.ⁱ
- The May CBO score determined the AHCA would cause premiums in the individual market to increase by an average of 20 percent in 2018 and 5 percent in 2019.ⁱⁱ Most premium reductions over the next decade would be due to skimpier plans on the market, particularly in states that opted to obtain the waiver.ⁱⁱⁱ
- The CBO explained that out-of-pocket costs are likely to rise because of higher deductibles than under the ACA and the repeal of cost-sharing subsidies.^{iv} In addition, in states that choose to narrow the Essential Health Benefits, the AHCA would cause individuals' to "experience a substantial increase in what they would spend on health care," and for some consumers, the ACA's ban on annual and lifetime limits on covered benefits would no longer apply.^v
- **Older Americans** could be charged five (or more) times more than younger. Age-based tax credits are unlikely to make up the difference.
- **Children** are the largest group of Medicaid enrollees and would be among the largest group hit by the cuts in AHCA, especially children living in or near poverty, with disabilities or other special healthcare needs, or in the foster care system.
- Consumers with **pre-existing conditions** will see premiums skyrocket and will also be subject to a surcharge that is kept by the insurers. Programs proposed by the AHCA to help these consumers are grossly under-funded.

- **Employees** who continue to access insurance through an employer—roughly 56 million Americans, or 49% of the country’s population^{vi}—could find that their benefits have annual or lifetime coverage caps due to the elimination of Essential Health Benefits.
- **Veterans** who enrolled through Medicaid expansion—numbering about 340,000—would likely lose coverage.^{vii} The 1.75 million veterans enrolled through traditional Medicaid would see their coverage weakened.^{viii}
- **Small business owners** will struggle to offer health insurance to their employees once the Small Business Tax Credit is repealed, especially if premium rates return to being 18%^{ix} more per employee than larger firms. Without the ability to offer comprehensive insurance, the productivity of the small business’ workforce will likely diminish, along with their ability to recruit and retain top talent.
- Consumers in **rural or high-cost regions** will face much higher premium costs, due in part to reduced tax credits, making insurance out of reach for many.

Increased Financial Instability for Families

- No one plans for or expects a devastating diagnosis like cancer or a sudden serious accident. If [Essential Health Benefits \(EHB\)](#) categories are eliminated, consumers will likely face annual and lifetime caps in key categories like hospitalization, emergency and ambulatory services. Additionally, medically necessary services may not be covered or may be capped.
- Eliminating the cost-sharing reductions that guarantee consumers will not face excessive out-of-pocket costs would cause hard working families to struggle to meet their financial obligations, and also lead to increased premiums.
- Consumers will be more likely to have skimpy insurance plans that do not cover unanticipated needs, [as prior to the ACA](#), leaving them financially vulnerable and reversing the post-ACA downward [trend in medical bankruptcy](#).

Per Capita Caps or Block Grants End Medicaid Program ([more on Medicaid here](#))

- It is impossible to maintain the Medicaid expansion **without** preserving the financing and structure of the program.
- Under capped or block granted financing, states will not be able to continue providing the same level of benefits to the same number of beneficiaries.^x As the population ages, or if there is an economic downturn in which a greater number of people need Medicaid, states will likely be faced with rationing care.
- Medicaid is the largest payer of mental health and substance use services in the U.S. and plays a crucial role in combatting the **opioid epidemic**.^{xi} As state Medicaid costs have risen with the increased demand for opioid abuse treatment and care, federal funds rose to help states meet the needs of their residents. If the opioid crisis had occurred under a per capita cap or block grants, as outlined in AHCA, states would have had to make untenable choices, such as weighing whether to skim on services for those battling addiction or to cut other medically necessary benefits for children and seniors.
- Medicaid is the **primary funder of long-term care** and support services for the aged.^{xii} Setting caps on per-enrollee spending for low-income seniors, when the cost of their care is sure to increase substantially in future years as they age and need more intensive

services, will leave states in an untenable position and seniors at grave risk to their health and financial security.

State Budgets Stretched; Funding Redirected

- States that expanded Medicaid have realized budget savings, revenue gains, and overall economic growth from increased employment; increased revenues to hospitals, physicians, and other providers; decreases in uncompensated care; and savings in other state programs, such as state-funded behavioral health or corrections.^{xiii}
- States are legally obligated, under the Americans with Disabilities Act and the Supreme Court's *Olmstead* decision, to provide certain care to those in need. With Medicaid funding slashed, states will have to increase state revenue (most likely through taxes increases), or pull the funds from elsewhere, such as education or state infrastructure,^{xiv} to meet their obligation, or find themselves defending lawsuits for failing to adequately care for citizens. One recent study estimates that the median state cuts to aid for K-12 funding could reach 23.3%, with cuts as high as 33.2% in New Mexico.^{xv}
- As federal premium and cost-sharing support are drastically reduced, states will be pressured to make up the difference (an impossible task), or accept waivers and reduce consumer protections in a quest for affordability.

The Healthcare System Will Be Critically Undermined

- Analysts broadly agree that the proposals in the AHCA would adversely impact hospital revenues. According to Moody's Investors Service, the AHCA would "cause an increase in uncompensated care and not-for-profit hospitals' bad debt."^{xvi}
- In January, 2017, analysts predicted that over a short period of time, the combination of tax cuts and spending cuts likely to be included in an ACA repeal would reduce national job growth by over a million by 2019.^{xvii} Experts estimated California could lose about 209,000 jobs in that state alone.^{xviii}

Financial Trade-offs in the AHCA are Bad Math for Consumers

- The AHCA would forego \$992 billion^{xix} in revenue, \$663 billion^{xx} of which would be tax cuts to industry and the highest income Americans; at the same time, it would cut subsidies for lower-income consumers and \$834 billion^{xxi} from Medicaid, which serves lower-income children, seniors, disabled, and working Americans.
- Without containing the exponential cost growth of healthcare, this bill would lower premiums only by cutting benefits and increasing out-of-pocket costs, increasing financial struggles for middle class Americans.

Consumers Union is the policy and advocacy arm of Consumer Reports. Consumer Reports is the world's largest independent product-testing organization. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications. Its advocacy division, Consumers Union, works for health reform, food and product safety, financial reform, and other consumer issues in Washington, D.C., the states, and in the marketplace.

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- ⁱ Congressional Budget Office Cost Estimate, American Health Care Act — Budget Reconciliation Recommendations of the House Committees on Ways and Means and Energy and Commerce, as passed by the House of Representatives on May 4, 2017, released May 24, 2017, at p. 4.
- ⁱⁱ Congressional Budget Office Cost Estimate, released May 24, 2017, at p.6.
- ⁱⁱⁱ *Id.*
- ^{iv} Congressional Budget Office Cost Estimate, American Health Care Act — Budget Reconciliation Recommendations of the House Committees on Ways and Means and Energy and Commerce, March 9, 2017, dated March 13, 2017, at p.14, as confirmed by the CBO Estimate dated May 24, 2017 at 10.
- ^v Congressional Budget Office Cost Estimate, released May 24, 2017, at p.7.
- ^{vi} Kaiser Family Foundation, Health Insurance Coverage of the Total Population for 2015, <http://kaiserf.am/2rnQ1Yh>.
- ^{vii} Families USA, *Fact Sheet: Cutting Medicaid Would Hurt Veterans*, May 2017.
- ^{viii} *Id.*
- ^{ix} The Commonwealth Fund, *Realizing Health Reform's Potential*, November 2012.
- ^x It is estimated that these caps will cut federal funding to Medicaid by \$116 billion over ten years, on top of the expansion cuts. Center on Budget and Policy Priorities. *House Republican Health Plan Shifts \$370 Billion in Medicaid Costs to States*. March 8, 2017.
- ^{xi} Letter to Senate Majority Leader McConnell from Senators Capito, Portman, Gardner, and Murkowski, March 2017; <https://www.capito.senate.gov/news/press-releases/capito-gop-senators-say-house-health-care-draft-lacks-key-protections-for-medicaid-expansion-population>
- ^{xii} Kaiser Family Foundation, “Medicaid and Long-Term Services and Supports: A Primer,” December 2015; <http://kff.org/medicaid/report/medicaid-and-long-term-services-and-supports-a-primer/>
- ^{xiii} Kaiser Commission on Medicaid and the Uninsured, *The Effects of Medicaid Expansion under the ACA: Findings from a Literature Review*, June 2016.
- ^{xiv} Kaiser Family Foundation, *Implications of Reduced Federal Medicaid Funds: How Could States Fill the Funding Gap?* March 22, 2017.
- ^{xv} *Id.*
- ^{xvi} Advisory Board, *Hospital Finances Could Take a Hit Under House GOP's ACA Replacement, Credit Rating Agencies Warn*, March 13, 2017. Similarly, S&P Global reported that the AHCA would increase “hospital sector’s level of bad debt and charity care expenses,” and Fitch Ratings stated that AHCA would “‘expose states and hospitals to new fiscal’ risks.”
- ^{xvii} Economic Policy Institute, *Repealing the Affordable Care Act Would Cost Jobs in Every State*, January 31, 2017.
- ^{xviii} UC Berkeley Labor Center, *UC Berkeley Center for Labor Research and Education*, December 2016.
- ^{xix} Congressional Budget Office Cost Estimate, released May 24, 2017, at p.12.
- ^{xx} Joint Committee on Taxation, *Estimated Revenue Effects Of The Tax Provisions Contained In Title II Of H.R. 1628, The "American Health Care Act Of 2017," As Passed By The House Of Representatives*, dated May 24, 2017.
- ^{xxi} Congressional Budget Office Cost Estimate, released May 24, 2017, at p.13.