ConsumersUnion®
POLICY & ACTION FROM CONSUMER REPORTS

The BCRA Reduces Healthcare Coverage and Financial Security for Millions of Americans

The Better Care Reconciliation Act of 2017 (BCRA), recently put forward in the Senate, 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 BCRA 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.

Coverage Losses and Increased Consumer Costs

- The June 26, 2017 CBO score stated that, under the BCRA, a total of 15 million fewer consumers would have coverage by 2018, rising to 22 million fewer by 2026.[i] Factoring in the anticipated 16% drop in Medicaid enrollment, CBO estimates a total 49 million people will be insured by 2026.[ii]
- The CBO determined the AHCA would cause premiums in the individual market to increase by an average of 20% in 2018 and 10% in 2019.[iii] According to CBO, lower cost premiums under the BCRA would be achieved, in part, from "the smaller share of benefits paid for by the benchmark plans."[iv]
- The BCRA worsens the so-called "subsidy cliff" by lowering the income cap from 400% of the federal poverty level to 350%. It also reduces the value of the premium tax credits by tying them to lower Bronze level plans rather than Silver under the ACA, meaning that consumers who want or need comprehensive health insurance coverage will have to pay the difference themselves.
- The CBO explained that, under the BCRA, out-of-pocket costs are likely to rise because "nongroup insurance would pay for a smaller average share of benefits."[v] In addition, in states that choose to narrow the Essential Health Benefits, the BCRA would substantially increase out-of-pocket spending on healthcare for some consumers, and the ACA's ban on annual and lifetime limits on covered benefits would no longer apply.[vi]
- **Older Americans** could be charged five times more than younger Americans for insurance in the same geographic area.[vii] Age-based tax credits are unlikely to make up the difference. In fact, a 60-year old with income between 300 and 350 percent of the federal poverty level would have to spend 16.2 percent of household income on premiums before becoming eligible for a premium tax subsidy, while under the ACA they would have had to pay 9.5 percent of household income.[viii]
- **Children** are the largest group of Medicaid enrollees and would be among the largest group hit by the healthcare cuts under the BCRA. This is especially so for children living in or near poverty, who have disabilities or other special healthcare needs, or for children in the foster care system.
- In states that opt to waive Essential Health Benefits (EHB) requirements, consumers with **pre-existing conditions** may not be able to afford health plans that cover the full scope of services they need.

- **Employees** who continue to access insurance through an employer--roughly 156 million Americans, or 49% of the country's population[ix]--could find that their benefits have annual or lifetime coverage caps due to the elimination of Essential Health Benefits under the BCRA.
- **Veterans and military families** benefitted directly from the ACA and Medicaid expansion; between 2011 and 2014, the uninsured rate among veterans declined from 11.9% to 6.8%.[x] The uninsurance rate among spouses of veterans dropped 2.3% and uninsurance dropped by 1%.[xi, xii] If Medicaid expansion is phased out, many veterans and their families will lose an important avenue for coverage. Those who remain in the traditional Medicaid program would see their coverage weaken as the program responds to competing demands for funds.
- **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%[xiii] more per employee than larger firms. Without the ability to offer comprehensive insurance, the productivity of the small business workforce could diminish, along with the sector's ability to recruit and retain top talent. Additionally, under the BCRA, small businesses may be lured into association health plans or products licensed in other states, which could provide skimpy coverage and sidestep traditional individual and small group insurance standards and other state-based consumer protections.

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 categories of services are eliminated or capped, consumers may find needed services for their conditions eliminated and will likely face annual and lifetime caps in key categories like hospitalization, emergency and ambulatory services.
- 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 likely end up with skimpier 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 As We Know It

- 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.[xiv] 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 plays a crucial role in combatting the opioid epidemic[xv] as the largest payer of mental health and substance use services in the U.S. 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 BCRA, states would have had to make untenable choices, such as weighing whether to cut back 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.[xvi] 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 put

pressure on states to make cuts and put seniors at grave risk to their health and financial security.

- Specific "carve-outs" for target populations are not a solution. Carve-outs force states to chip away coverage in other ways, such as by scaling back benefits for others or narrowing them in other ways for the target population.[xvii]
- It cannot be overstated: enrollment in Medicaid *saves lives.* According to an early analysis of states that expanded Medicaid against states that did not, the expansion states had a significant 6% decrease in deaths over five years. A more recent study reported one life saved for every 239 to 316 adults gaining coverage.[xviii] To learn more, our Medicaid fact sheet is available here.

State Budgets Overstrained

- States that expanded Medicaid have realized budget savings, revenue gains, and overall economic growth from increased employment; increases in revenue to hospitals, physicians, and other providers; decreases in uncompensated care; and savings in other state programs, such as state-funded behavioral health or corrections.[xix]
- 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 (possibly through taxes increases), pull funds from elsewhere, such as education or state infrastructure,[xx] to meet their legal obligation, or find themselves defending lawsuits for failing to adequately care for residents. 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.[xxi]
- 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 passed by the House 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."[xxii] Given its similarities to the AHCA, the BCRA is certain to have a similar impact on hospitals. It is therefore not surprising that the American Medical Association (AMA) and the American Hospital Association (AHA) both oppose the BCRA.
- 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 ACA repeal like the BCRA would reduce national job growth by over a million by 2019.[xxiii] Experts estimated that 209,000 jobs would be lost in California alone.[xxiv]

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

- The BCRA, like the AHCA, eliminates a substantial number of revenue-generating taxes. The CBO estimates that the foregone taxes in the BCRA will cost $701 billion[xxv] in revenue, $563 billion[xxvi] of which would be tax cuts to industry and the highest income Americans; at the same time, the BCRA would cut subsidies for lower-income consumers and $772 billion[xxvii] from Medicaid, which serves lower-income children, seniors, disabled, and working Americans.

- Instead of containing the exponential cost growth of healthcare, the BCRA would lower premiums only by cutting benefits and increasing out-of-pocket costs, increasing financial struggles and insecurity 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.

Posted: June 27, 2017

---

[i] Congressional Budget Office Cost Estimate, *H.R. 1628 Better Care Reconciliation Act of 2017; An Amendment in the Nature of a Substitute [LYN17343] as Posted on the Website of the Senate Committee on the Budget on June 26, 2017*, released June 26, 2017, at p.4.
[ii] *Id*.
[iii] Congressional Budget Office Cost Estimate, released June 26, 2017, at p.7.
[iv] *Id.* at 8.
[v] *Id.* at 9.
[vi] Congressional Budget Office Cost Estimate, released May 24, 2017, at p.9.
[vii] Better Care Reconciliation Act of 2017, as amended June 26, 2017, Section 204.
[viii] Better Care Reconciliation Act of 2017, as amended June 26, 2017, Sec. 102.
[ix] Kaiser Family Foundation, Health Insurance Coverage of the Total Population for 2015, http://kaiserf.am/2rnQ1Yh.
[x] Urban Institute, *Veterans and Their Family Members Gain Coverage Under the ACA, But Opportunities for More Progress Remain*, September 2016, at 5.
[xi] *Id.*
[xii] There was a similar decline in veterans reporting an unmet healthcare need or problems paying or inability to pay medical bills. (Urban Institute, Table 1). Based on experience in the early years of Medicaid expansion, the gap between uninsurance rates in expansion versus non-expansion states widened over time. (*Id*. at p.6.)
[xiii] The Commonwealth Fund, *Realizing Health Reform's Potential*, November 2012.
[xiv] 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.
[xv] 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
[xvi] 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/
[xvii] American Academy of Pediatrics press release dated June 22, 2017.
[xviii] New England Journal of Medicine, *Health Insurance Coverage and Health -- What the Recent Evidence Tells Us*, DOI: 10.1056/NEJMsb1706645 (2017), available at http://www.nejm.org/doi/pdf/10.1056/NEJMsb1706645.
[xix] Kaiser Commission on Medicaid and the Uninsured, *The Effects of Medicaid Expansion under the ACA: Findings from a Literature Review*, June 2016.
[xx] Kaiser Family Foundation, *Implications of Reduced Federal Medicaid Funds: How Could States Fill the Funding Gap?*, Mar 22, 2017.
[xxi] *Id.*
[xxii] 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."
[xxiii] Economic Policy Institute, *Repealing the Affordable Care Act Would Cost Jobs in Every State*, January 31, 2017.
[xxiv] UC Berkeley Labor Center, *UC Berkeley Center for Labor Research and Education*, December 2016.
[xxv] Congressional Budget Office Cost Estimate, released June 26, 2017, at p.4.
[xxvi] *Id.* at p.14.
[xxvii] *Id.* at p.5.