Insure the Uninsured Project

Fact Sheet

June 2017

Congressional Budget Office Estimates 22 Million Americans Lose Coverage under the Senate Better Care Reconciliation Act of 2017

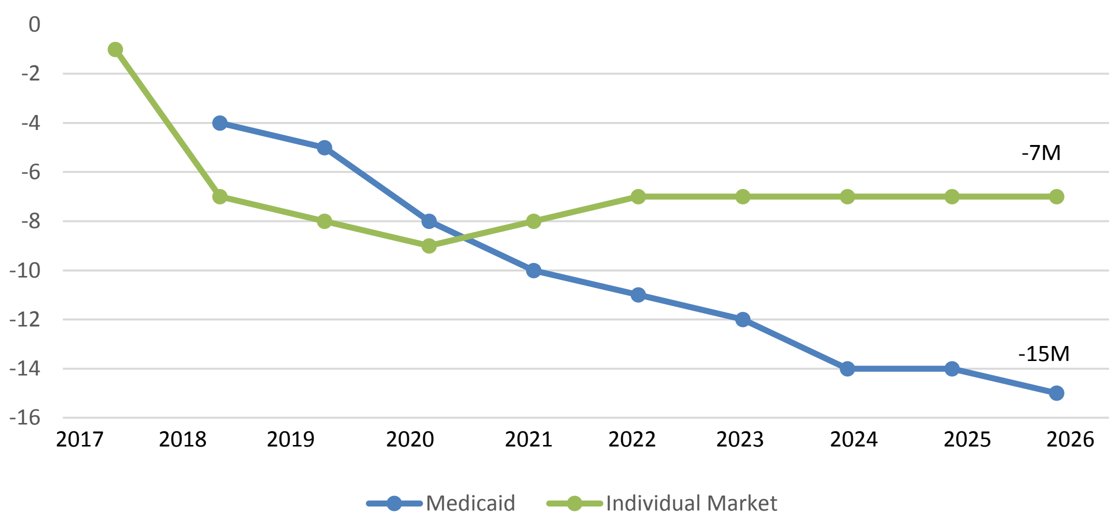
According to the Congressional Budget Office (CBO), the Senate Better Care Reconciliation Act (BCRA) of 2017 strips insurance coverage from 22 million Americans by 2026, a similar result as the House-passed American Health Care Act (AHCA). Figure 1 illustrates the annual drop in coverage under the BCRA and is followed by a Year-By-Year description of the BCRA policies that result in coverage losses.

Figure 1

Estimated Insurance Coverage Losses under the BCRA

People Under Age 65

(in millions)



Source: Insure the Uninsured Project; CBO Cost Estimate, June 26, 2017.

Uninsured Year-by-Year (2018-2026)

2018 – 2019

Medicaid

- Five million individuals lose Medicaid coverage. The CBO estimate anticipates that states that have not adopted the ACA Medicaid adult expansion for childless adults will be discouraged from doing so under BCRA.

Individual Market

- Eight million primarily young and healthy individuals leave the individual market because the penalty for not having insurance is eliminated.

- Premiums increase by 20 percent in 2017, primarily because of the departure of young and healthy individuals from the market. In 2018, premiums are 10 percent higher when compared to ACA.

2020

Medicaid

- Three million more lose Medicaid coverage because BCRA restructures Medicaid. Instead of a state-federal cost sharing program that guarantees federal funding for eligible persons and services, Medicaid shifts to a "per capita cap" model that caps states with fixed per person payments regardless of costs or actual expenditures.

- The per capita cap implementation results in large funding gaps between Medicaid spending under the ACA and under the BCRA. The gap widens year-to-year. As the funding gap grows, and any savings states can achieve through "efficiencies" begin to fall short, states will either need to divert significant state general fund resources to fund Medicaid (including raising more revenues) or make reductions in Medicaid spending. States can reduce payments to providers, benefits or eligibility to cover the shortfall.

Individual Market

- Although by 2020 the CBO projects individual market premiums drop by 30 percent when compared to ACA, one million more lose individual market coverage as premiums increase for coverage that pays less of the costs of care.

- Affordability becomes a significant barrier for many of those currently covered under ACA. According to CBO, the loss of individual coverage occurs primarily because:

  - BCRA tax credits cover less of total premium costs, requiring individuals to pay a higher premium,

- Lower benefit plans increase the consumer share of costs through higher deductibles and copayments,
- BCRA eliminates eligibility for tax credits for individuals between 350-400 percent of the Federal Poverty Level (FPL) requiring them to pay the full premium, and
- States can charge older adults as much as five times more than younger adults.

- CBO estimates coverage that meets the revised benchmark for premium tax credits in BCRA (58 percent actuarial value[1] compared to 70 percent actuarial value in ACA silver level plans) will of necessity require higher deductibles.[2] CBO projects average deductibles will be around $6,000 under the BCRA. The BCRA also eliminates the ACA cost-sharing reductions which otherwise reduce out-of-pocket costs for low-income exchange enrollees.

- These changes will make premiums combined with anticipated cost sharing unaffordable for many low-income individuals who will not purchase coverage.

In addition, BCRA eliminates the small business tax credit, providing a disincentive for small employers to cover their employees which may add to the numbers of uninsured.

2021 – 2023

Medicaid

- Four million more lose Medicaid coverage. In addition to the per capita cap funding gaps, starting in 2021, the BCRA reduces by 5 percent the ACA enhanced federal match for low-income childless adults in Medicaid (adult expansion). CBO anticipates some states will begin dismantling coverage for childless adults in 2021 in anticipation of the full elimination of the enhanced federal match in 2023. In 2023, states choosing to continue coverage for childless adults receive their traditional Medicaid match rate under the per capita cap model. Most states will struggle to find the resources to cover funding gaps from both the per capita cap implementation and the loss of federal enhanced matching funds for childless adults.

Individual Market

- According to the CBO, the late enrollment penalty (6-month waiting period on enrollment in the individual market) and improvements in premiums will result in primarily younger individuals coming back to the individual market. By 2023 under the BCRA, the individual market losses in coverage level-out. CBO estimates that the number who will have lost individual coverage by 2023 will be approximately seven million.

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[1] Actuarial value is the percentage of health services covered by the insurer for a specific health plan. Consumers pay the remaining percentage of costs. For example, a 58 percent actuarial value plan covers 58 percent of the costs of services and care and the enrollee pays the remaining 42 percent through deductibles and co-payments at the point of care.
[2] Deductible is the amount the enrollee pays for covered health care services before the health plan starts to pay. With a $2,000 deductible, for example, the enrollee pays the first $2,000 of covered services.

2024 - 2026

Medicaid

- Three million additional Americans lose coverage as the Medicaid per capita cap program and declining federal match for the adult expansion erode funds available for state Medicaid programs. Fifteen million fewer Americans, or 16 percent of what Medicaid enrollment would be under ACA, will have Medicaid coverage by 2026.
- After 2026, Medicaid coverage continues to decline under the BCRA. In 2025, the BCRA replaces the medical component of the consumer price index (CPI) as the inflation adjuster with the less generous CPI for urban areas. The medical component of the CPI is already expected to create widening funding gaps in Medicaid. These gaps will grow in magnitude after 2025. Medicaid coverage for children, parents, caretakers, the elderly, and the disabled are in jeopardy because of the growing funding gaps.

Impact on Affordability (2018-2026)

One reason the BCRA makes it less likely that many lower income individuals will purchase coverage compared to the ACA is that the individual share of premium increases substantially, especially for older adults, as illustrated by Figures 2 and 3. Even though premiums are lower under the BCRA, reduced tax credits mean enrollees will have to pay higher premiums compared to ACA. In addition, under ACA, premium assistance in the form of tax credits are available for individuals at 133-400 percent FPL, regardless of age. BCRA eliminates tax credits for anyone over 350 percent FPL. Figure 3 illustrates the impact by age group on individuals at 375 percent FPL.

In addition to paying higher premiums after tax credits are applied, low-income enrollees will also have significantly higher out-of-pocket costs under the BCRA, according to the CBO, and no cost reduction subsidies to limit those costs. The higher out-of-pocket costs result from the revised benchmark for premium tax credits which will be at 58 percent actuarial value instead of the ACA 70 percent value for benchmark silver plan coverage.

CBO estimates that these BCRA policies, along with the ability to charge older adults up to five times more than younger adults, will force lower income and older individuals out of the individual market.

Figure 2

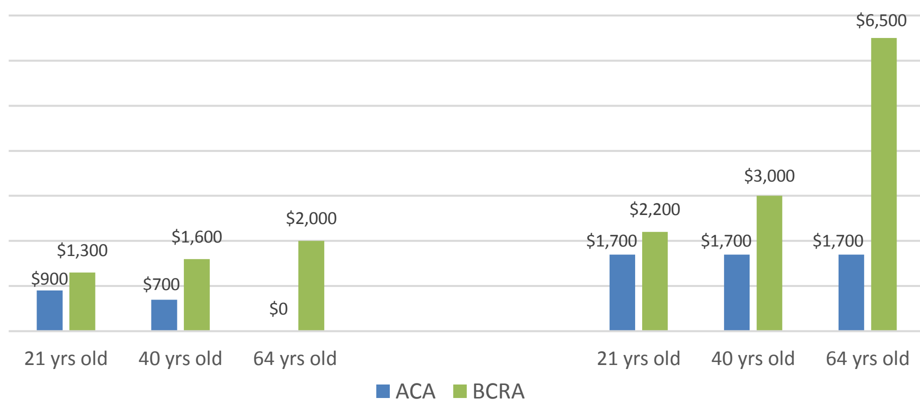
Comparison: ACA and BCRA

Enrollee Premium Share
(Individuals at 175 percent FPL)

Bronze Plan
Enrollee Premium Share, by Age
After Tax Credit is Applied

Silver Plan
Enrollee Premium Share, by Age
After Tax Credit is Applied

Single Individual With Annual Income of $26,500 (175 percent of FPL), 2026



Source: Insure the Uninsured Project; CBO Cost Estimate, June 26, 2017.

Figure 3

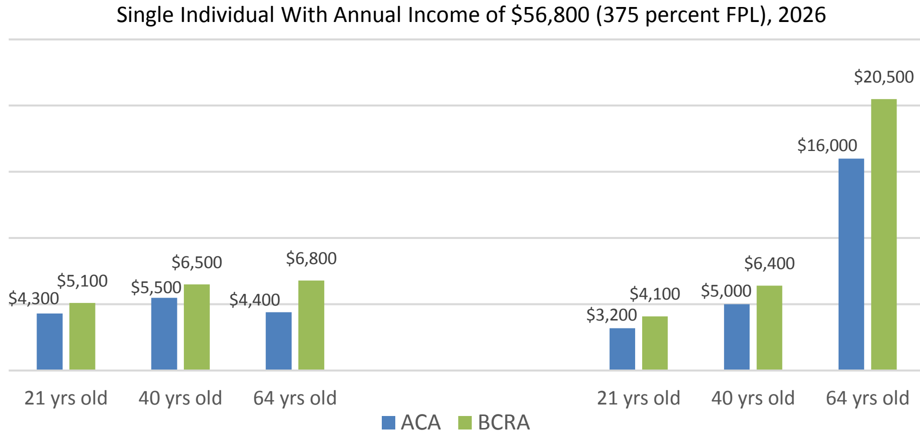
Comparison: ACA and BCRA

Enrollee Premium Share
(Individuals at 375 percent FPL)

Bronze Plan
Enrollee Premium by Age
After Tax Credit is Applied

Silver Plan
Enrollee Premium by Age
After Tax Credit is Applied

Single Individual With Annual Income of $56,800 (375 percent FPL), 2026



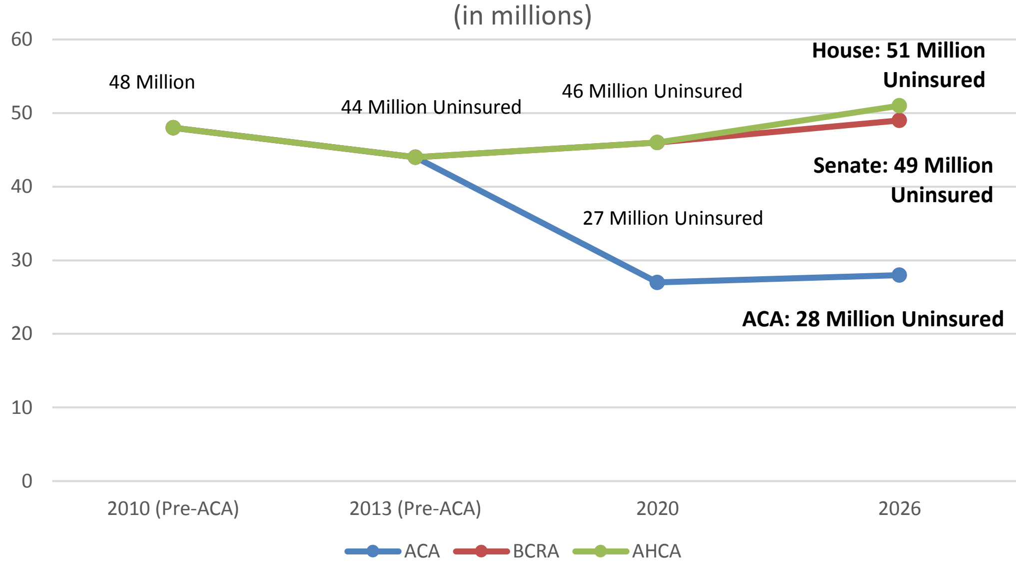
Source: Insure the Uninsured Project; CBO Cost Estimate, June 26, 2017.

Uninsured Americans: Pre-ACA – 2026

Since its inception in 2014, ACA expanded coverage for millions of Americans under age 65. As Figure 4 demonstrates, the pending Senate and House GOP "ACA repeal and replace" proposals not only undo ACA progress, but also increase the number of uninsured Americans to a historic new high. According to the National Health Interview Survey, the 48 million uninsured Americans under age 65 in 2010 was the highest number of uninsured Americans in modern history. CBO estimates suggest that the Republican proposals will result in a new record for the number of uninsured nationally.

Figure 4

Comparsion: ACA and Republican Proposals
Uninsured Americans Under Age 65: 2010 - 2026
(in millions)



Source: Insure the Uninsured Project; Pre-ACA data: National Health Interview Survey; 2020 - 2026 data: Congressional Budget Office

Insure the Uninsured Project (ITUP) is a nonpartisan nonprofit, 501(c)(3) organization, founded in 1996. Based in Sacramento, California, ITUP's mission is to advance creative and workable policy solutions that expand health care access and improve the health of Californians. ITUP conducts policy-focused research and convenes broad-based stakeholders on health policy topics, acting as an honest broker among diverse health care leaders in the state. To assist with implementation of health reform in California, ITUP hosts an annual statewide conference in Sacramento and facilitates regional and statewide workgroups on topics affecting health and health care in the state.

For more information on this report, contact ITUP Executive Director, Deborah Kelch, at 916-226-3899.

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