American Health Care Act:

(introduced in Congress March 6, 2017)

Impact on Oregonians

A report from the Department of Consumer and Business Services and Oregon Health Authority to Governor Kate Brown

March 16, 2017

Oregon Health Authority

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

March 16, 2017

Dear Governor Brown:

Thank you for the opportunity to analyze the impact of the American Health Care Act (AHCA) on Oregonians. We are pleased to present our preliminary review of this proposed federal budget reconciliation legislation, which will have a profound and largely disruptive impact on health care for Oregonians.

Oregon is a recognized national leader in health care innovation. The Affordable Care Act (ACA) has been key to providing better health, better care and lower costs for Oregonians. Under the ACA, Oregon's uninsured rate dropped from 17 percent to 5 percent. More Oregonians living in rural communities gained access to care and rural hospitals bore lower uncompensated care costs. After the ACA took effect, Oregon gained more than 23,300 health care jobs.

Still, the ACA has room for improvement. Oregon is committed to working with federal policymakers to ensure Oregon's health system is strong and stable. Our priorities for federal reforms are:

- Changes to the ACA and Medicaid should maintain, not reverse, levels of health care coverage in Oregon and other states.
- Oregon health care transformation is a model for federal Medicaid reform. Medicaid cost-savings should be achieved by changing health care delivery, not rolling back eligibility, benefits or funding levels. Oregon has shown that it is possible to improve quality for patients while also reducing costs.
- Federal changes to the ACA should stabilize, not disrupt, Oregon's insurance market. Insurers need clarity about upcoming changes and timelines.
- Changes to the ACA should preserve the state's ability to serve and protect health insurance policy holders.
- Maintain funding to allow innovation and focus on prevention, including core public health services funded in the ACA and community and home-based services for long-term care.

The American Health Care Act fails to meet these priorities. We stand ready to continue our dialogue with Congressional leaders to advance the health of all Oregonians.

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Executive summary

Governor Kate Brown directed the Oregon Health Authority (OHA) and the Department of Consumer and Business Services (DCBS) to analyze the impact of the American Health Care Act (AHCA) on Oregon. OHA is the state Medicaid agency and DCBS regulates commercial insurance companies and manages the Oregon Health Insurance Marketplace.

This legislation, proposed in Congress on March 6, 2017, would change key provisions of the Affordable Care Act (ACA). This report summarizes the effects the proposed AHCA would have on the lives of Oregonians.

The AHCA fundamentally changes the health care reforms that have been implemented through the ACA and through the innovative Oregon Health Plan (OHP), the state's Medicaid program. After analyzing data to determine the impact on Oregon, OHA and DCBS find that this legislation will:

- **Reduce coverage:** As many as 465,000 Oregonians will lose health coverage between 2018 and 2023, including approximately 80,000 next year.
  - Oregon's uninsured rate will triple from 5 percent to more than 15 percent by 2023 and continue to increase through 2026.

Estimated coverage losses in Oregon

Year	Medicaid	Individual	Group	Total
2018	NA*	-60,000	-20,000	-80,000
2019	NA*	-70,000	-20,000	-90,000
2020	-183,000	-90,000	-20,000	-293,000
2026	-375,000	-20,000	-70,000	-465,000

Source: OHA and DCBS analysis of Congressional Budget Office report

* We anticipate loss of coverage for OHP members in 2018 and 2019 will be marginal. However, it is difficult to quantify the impact of these changes at this time. OHA has greater confidence in projections of Medicaid coverage losses after 2019 when major portions of AHCA Medicaid changes and funding reductions are scheduled to occur.

- **Reduce federal funding:** To maintain Medicaid enrollment, we estimate the AHCA would shift $190 million in costs to Oregon starting in SFY 2020, approaching $1 billion in SFY 2023. The cumulative cost shift would be $2.6 billion over the next six years.
- **Reduce economic activity:** The AHCA risks the loss of more than 23,300 health care jobs that were created in Oregon after the ACA was implemented.

The American Health Care Act will impact the lives of Oregonians in 10 areas:

1. Low-income working Oregonians and families:

- Threatens the state's ability to continue serving the approximately 1 million Oregonians currently covered under the OHP – as many as 375,000 members could lose coverage by 2023. It would fundamentally alter the Medicaid system in Oregon by shifting the cost burden to the state. Today, nearly 4 in 10 adults on OHP who are under 65 are working.

2. Oregonians with individual insurance plans:

- Lowers costs for young adults and mid- to high-income earners while increasing costs for older adults and low-income enrollees.
- Repeals the requirement for everyone to have insurance.

3. Older adults and people with serious chronic illness:

- Increases premiums for older adults between 50 and 64. The bill allows insurers to set premiums for older adults five times higher than younger adults for the same coverage in the individual market.

- Eliminates cost-sharing reductions. Many Oregonians with serious chronic illnesses will see higher premium costs and deductibles, putting health insurance out of reach for the many Oregonians who have been able to get health coverage under the ACA.

4. Women and family planning:

- Restricts provider options and threatens access to family planning and preventative and wellness services for more than 51,000 Oregon women who use Planned Parenthood for cancer screenings, contraception, and STD counseling and screening.
- Prevents the use of federal tax credits for plans that cover abortions. Nearly all Oregon individual plans currently provide abortion coverage; there is limited time to establish stand-alone abortion coverage by Jan. 1, 2018.

5. People with disabilities:

- Eliminates the 6 percent in enhanced federal matching funds and $150 million per year in Oregon for home- and community-based long-term care for vulnerable Oregonians who need community-based long-term care services and support. Affects 65,000 Oregonians including approximately 7,500 children and 18,000 adults with intellectual and developmental disabilities.

6. Rural Oregon:

- Rural Oregon is likely most severely affected by losses in coverage. The health care system for rural Oregon, and its infrastructure, will be severely undermined by this legislation – jeopardizing access to care and the ability of many communities to continue to recover from the recession.
- The ACA helped stabilize the finances of many rural Oregon hospitals and helped many of them improve their financial stability.

7. Oregon taxpayers and the state budget:

- Converting Medicaid to per-capita caps and eliminating Medicaid expansion will lead to a massive transfer of cost from the federal government to the states, on top of the existing state budget shortfall due to reductions in federal funding under the ACA and other factors. The federal reductions proposed by the AHCA would cost Oregon $2.6 billion in revenue by 2023. Oregon is already contending with a budget gap, resulting from the planned reduction in the federal match under the ACA. Additional cuts would force the state to pull back on coverage and benefits.

8. Oregon's health system:

- Oregon's Medicaid system currently contains costs to a growth rate of 3.4 percent. This proposal disrupts decades of Oregon's innovative reforms and undermines rural health, hospitals, and public health. This will lead to more complexity and uncertainty for a health system that is just beginning to stabilize from the last round of national health reform – without ensuring better care, better health or lower costs to state taxpayers.
- With the uninsured rate likely to triple in Oregon, hospitals will see higher rates of uncompensated care, which have fallen to historic lows since the ACA was implemented.
- The AHCA eliminates the Prevention and Public Health Fund, which helps local communities address unexpected health emergencies like the Zika virus, provides immunization to children, addresses teen suicide, and helps prevent chronic diseases.

9. Oregon's insurance market:

- Uncertainty about who will enroll under the AHCA may further disrupt the individual market. Any disruptions are likely to lead to higher premiums.

10. Economic impact:

- Following implementation of the ACA, Oregon added 23,300 health care jobs, which are at risk under the AHCA. The loss of $2.6 billion in federal Medicaid funding between 2020 and 2023 would slow economic activity in Oregon. We expect these losses to drain more than $500 million in direct health spending from the Oregon economy.

Health care in Oregon before the Affordable Care Act (ACA)

Health care is fundamental to thriving and productive people, families, and communities. Data show that people who have health coverage are, on average, healthier than people who are uninsured. However, before the ACA, many Oregonians faced challenges in accessing health care. Lack of coverage took a physical, emotional, and financial toll on thousands of Oregon individuals and families who could not get needed health care for themselves or a loved one. The large numbers of Oregonians with limited access to care increased the burden on social service programs, prevented people from returning to work, disrupted school attendance, and slowed the state economy.

Pre-ACA uninsured rate: Before the ACA was fully implemented in Oregon in 2014, nearly 17 percent lacked health insurance coverage – and more than 440,000 children and adults spent a full year uninsured.

Like many states, Oregon struggled with a high uninsured rate because of a variety of barriers, including:

- **People with pre-existing conditions** could be turned down for individual insurance plans.
- **The Oregon Medical Insurance Pool – the high-risk pool for people turned down for insurance – was expensive** for enrollees. Those who could afford to enroll in the pool were given only one plan option.
- **The state's Medicaid program was not accessible to many low-income Oregonians.** Eligibility was primarily targeted at children, people with disabilities, low-income seniors, and pregnant women.
- **Premiums for individual plans were rising by double-digit percentage points**; there was no help available for people who could not afford coverage.
- **Many plans did not cover basic needs** such as preventive care, birth control, and mental health services.

The high uninsured rate before ACA increased costs across health care system

People and families without health coverage delayed health care and often relied on emergency rooms for medical treatment. Many uninsured state residents could not pay for their care, forcing hospitals to bear the cost. The effect of these costs rippled through Oregon's health system in higher rates for payers and higher health insurance premiums for employers and individuals.

- **Uncompensated care:** In 2013, hospitals shouldered $1.3 billion in total uncompensated costs (bad debt and charity care).

Created in 1994, the Oregon Health Plan (OHP), Oregon's Medicaid program, is recognized as a national leader in health care innovation and Medicaid cost-containment.

- **Unmet need for OHP coverage:** In 2008, Oregon used a limited pool of state funds to extend coverage to 10,000 Oregonians below the poverty line, which was only a fraction of those who applied for coverage.

In 2013, Oregon leaders transformed the way health care was delivered to people and families on OHP to improve care and health and lower Medicaid costs. Under a new Medicaid waiver granted by the federal government, Oregon received $1.9 billion in federal funding to establish 16 coordinated care organizations (CCOs) to deliver integrated behavioral, physical, and oral health care. Oregon holds CCOs accountable for providing OHP members greater access to primary and preventive care, and improving their health outcomes. In exchange, Oregon agreed to hold Medicaid cost growth to no more than 3.4 percent per year for five years – and share the savings with the federal government. This federal investment enabled Oregon to achieve dramatic gains on key health measures for more than 900,000 OHP members and deliver on the state's cost-savings commitments.

Impact of the Affordable Care Act in Oregon

Congress passed the ACA in 2010. Oregon dramatically expanded health coverage after the ACA took effect. Through the Marketplace and Medicaid expansion, more than half a million Oregonians gained health coverage. Although there is more work to do to improve the ACA, the law has brought important benefits to Oregon.

The ACA, combined with Oregon's state Medicaid reforms, achieved the following:

Reduced uninsured rate: Today, 95 percent of Oregonians, including 98 percent of children, have health coverage. Since Oregonians began enrolling in coverage under the ACA and Medicaid expansion took effect, Oregon's uninsured rate dropped from 17 percent to 5 percent.

- Approximately 136,000 Oregonians are enrolled in health insurance through the Marketplace.
- The ACA allowed states to expand Medicaid coverage to people and families making 138 percent of federal poverty level ($16,394 annually for an individual and $33,948 a year for a family of four). Under the ACA, Oregon extended OHP coverage to approximately 400,000 Oregonians who lacked health insurance. Today, OHP covers more than 1 in 4 Oregonians, including nearly 4 in 10 residents in some rural parts of the state.

Consumer protections: The ACA reformed common commercial insurance practices that imposed barriers to care in the past for millions of Oregonians.

- **Health plans cannot deny coverage based on pre-existing conditions.** The ACA protects about 654,000 Oregonians with medical conditions from being denied coverage or charged higher premiums by insurers.
- **Insurers cannot discriminate** based on a person's race, color, national origin, sex, gender identity, age, individual health status, or disability.
- **Commercial insurers must cover essential health benefits**, such as maternity care, prescription drugs, mental health, and preventive services including birth control coverage at no cost.
- **Lifetime and annual limits:** The ACA made it illegal for insurance companies to place dollar limits on how much they will pay for essential health benefits.
- **The 80/20 rule:** To help bring down premium costs, the ACA requires that at least 80 cents of every premium dollar collected in the individual market be spent on patient benefits and care improvements.
- **Young adults can stay** on their parents' plans until they are 26.

More affordable coverage: In Oregon, approximately 136,000 residents are enrolled in coverage through the Marketplace; 77 percent of those enrollees receive subsidies that make their health insurance premiums more affordable. In 2016, Oregonians who purchased coverage through the Marketplace and received a subsidy were granted an average subsidy of $349 per month. For example, in central and eastern Oregon counties, residents received average subsidies from $415 per month (Deschutes) to $593 per month (Baker). In addition, American Indian/Alaska Natives (AI/ANs) can access coverage with no cost-sharing under the ACA.

Reduced health care costs for state and federal taxpayers: By enrolling members in Oregon's new coordinated care system, Oregon has:

- **Held down cost growth in Medicaid** to less than 3.4 percent annually, below the national average of 5.5 percent nationally.
- **Avoided $1.3 billion in Medicaid costs** for state and federal taxpayers since 2012.
- **Been projected to save Oregon $600 million for 2017-2019 biennium.**

Reduced the burden of uncompensated care costs on hospitals: The ACA's coverage expansion has saved Oregon hospitals millions in uncompensated care costs, dropping from $1.3 billion in 2013 to $315 million in 2015.

Improved quality of care: Today, more than 900,000

Oregonians in OHP are enrolled in locally governed coordinated care organizations that are focused on prevention and eliminating avoidable costs. Results include:

- Hospital readmissions among OHP members have been cut by one-third in the past five years.
- Fewer OHP members are forced to rely on emergency rooms for medical care. Avoidable emergency room visits have dropped 50 percent in Oregon since 2011.

Economic growth: Oregon gained 23,300 health care jobs since the ACA was implemented. On average, the state's rate of job growth has outpaced rates of job gains in states that did not expand Medicaid coverage, according to Oregon's Office of Economic Analysis. The state budget received $6.4 billion in federal funding for Medicaid expansion from 2014 to 2016. With the AHCA, this funding will decline.

Public health: Oregon received a total of $10.4 million in federal funds in 2016 through the ACA for vital public health services, such as immunization programs, teen suicide prevention, and chronic disease management. Public health services benefit all 4 million Oregonians.

Challenges in the individual market

The influx of enrollees – many of whom did not have coverage before the ACA – has created some challenges in the individual market.

- Medical claims have been higher than expected, resulting in insurer losses.
- Federal programs aimed at limiting risk for insurers are ending or were underfunded.
- As a result, insurers have significantly increased premium rates. These increases have been offset for many consumers by subsidies available under the ACA; however, many people do not qualify and have struggled to afford coverage.
- Many insurers have chosen to shrink their presence in some areas of the state, particularly in rural areas. As a result, a number of Oregonians who buy their own coverage are faced with fewer, more expensive options.

Oregon priorities for reform

1. Changes to the ACA and Medicaid should maintain, not reverse, levels of health care coverage in Oregon and other states.
2. Oregon's health care transformation is a model for federal Medicaid reform. Medicaid cost-savings should be achieved by changing health care delivery, not rolling back eligibility, benefits, or funding levels. Oregon has shown that it is possible to improve quality for patients while also reducing costs.
3. Federal changes to the ACA should stabilize, not disrupt, Oregon's insurance market. Insurers need clarity about upcoming changes and timelines.
4. Changes to the ACA should preserve the state's ability to serve and protect health insurance policyholders.
5. Maintain funding to allow innovation and focus on prevention, including core public health services funded in the ACA and community and home-based services for long-term care.

What the American Health Care Act means for Oregon

The AHCA was introduced into the U.S. House of Representatives on March 6, 2017. The bill, as proposed, would change much of the ACA. In Oregon, it would:

- **Undo Oregon's gains in health coverage and potentially triple the uninsured rate.** Beginning in 2020, the AHCA will substantially reduce financial assistance available to Oregonians through the Marketplace and the Oregon Health Plan, likely causing many to lose coverage.
  - As a result, the AHCA threatens coverage for as many as 465,000 Oregonians by 2026.
- **Slash federal funding for Medicaid:** The AHCA would enact devastating cuts to the Oregon Health Plan. This would shift an estimated $2.6 billion in costs to state taxpayers over the next six years, or force Oregon to reduce benefits and/or eligibility for approximately 1 million residents covered by Medicaid.
- **Make coverage less affordable for vulnerable Oregonians:** The AHCA would have direct financial effects on low-income working families, middle class families purchasing individual coverage, older adults, people with chronic illness, and the individuals with disabilities.
- **Lower premiums for young people** who buy coverage on the individual market, while raising premiums for older adults.
- **Make premium tax credits available to a broader range of Oregonians**, including those with higher incomes, while reducing the value of tax credits for those who currently receive them.

The AHCA does not change several important reforms that were in the ACA, including:

- Requirement for insurers to cover all applicants for individual coverage, even if they have pre-existing conditions.
- Prohibitions on charging more based on gender or health conditions.
- Allowing children to stay on their parents' plans until age 26.
- Health insurance marketplaces, annual open enrollment periods, and special enrollment periods.
- Enhancements to Medicare benefits and provider/ Medicare Advantage plan payment savings.
- Prohibition on lifetime and annual dollar limits.
- The requirement for plans to cover 10 essential health benefits.
- The requirement for plans to cover preventive services with no cost sharing.
- The requirement that insurers spends at least 80 cents of every premium dollar collected on patient benefits and care improvements.

The AHCA would have major impacts on nearly all Oregonians, including:

1. Low-income working Oregonians and families

Oregon was one of 31 states (as well as Washington, D.C.) that expanded Medicaid coverage to low-income working individuals and families (138 percent of FPL – approximately $34,000 for a family of 4) under the ACA. In the past, people in this group accounted for a disproportionate percentage of Oregonians who lacked health care coverage. Many were self-employed or employed in low-wage jobs that did not offer employer-sponsored coverage. At the same time, their incomes were too high to qualify for Medicaid, but too low to afford commercial coverage. Under the ACA, more than 375,000 Oregon adults and children qualified for coverage under Medicaid expansion.

States such as Oregon were able to extend coverage to low-income working families because, under the ACA, the federal government pays an enhanced match rate (which started at 100 percent in 2014 and is scheduled to decline to 90 percent by 2020).

- **Scheduled reduction in ACA match:** For the 2017-2019 biennium, the scheduled reduction in the Medicaid expansion match rate under the ACA would require Oregon to backfill approximately $270 million in lost federal funds.

AHCA Proposal: Phase out Medicaid expansion coverage for low-income families after 2020.

Impact on Oregon: The AHCA bars states from receiving the enhanced federal Medicaid expansion match for Oregonians who enroll after Dec. 31, 2019. This change reduces the federal match from what would have been a 90 percent federal reimbursement to a lower federal match rate. The AHCA would require Medicaid expansion enrollees to renew coverage every six months (instead of annually) and eliminates retroactive and presumptive eligibility (e.g., a low-income family without coverage has a parent admitted to the hospital).

- **375,000 OHP members would lose coverage under AHCA:** The AHCA phases out Medicaid expansion beginning in 2020 and eventually shifts as much as $750 million in Medicaid costs annually to Oregon if the state maintains current coverage levels.
  - OHP coverage would remain stable prior to Dec. 31, 2019, with some expected attrition due to the acceleration of eligibility renewals.
  - 183,000 OHP members would lose coverage in 2020 if the state is unable to backfill lost federal funding.
  - 375,000 OHP members would lose coverage by 2023 if Oregon does not backfill lost federal funding.

How much an OHP member on Medicaid expansion would pay for an individual market plan
Example: A single-member household, 40 years old, earning 101 percent of FPL, and living in Pendleton

The AHCA offers flat age-based tax credits to help people purchase insurance (income restrictions start above $75,000 to $115,000 per year). At proposed levels, these tax credits would increase costs for the typical Medicaid expansion enrollee.

In this example:

- The member's deductible would be equal to 59 percent of her gross income.
- The member's Bronze plan would offer less coverage than her Oregon Health Plan coverage.

	OHP	AHCA
Income at 101% federal poverty level	$12,181	$12,181
AHCA tax credit	-	$3,000
Annual premium costs with tax credit	$0	$1,080 (standard bronze plan, 2017 marketplace, including AHCA tax credits)
Annual cost-sharing for three primary care doctor visits	$0	$210 ($70 for each visit in network)
Annual cost-sharing for one emergency department visit	$0	Subject to $7,150 deductible
Total member responsibility	**$0**	**$1,290 in premiums and co-pays in addition to a $7,150 deductible ***

* Maximum out-of-pocket for this plan is $7,150.

AHCA tax credits will increase out-of-pockets costs for low-income working families: Under the AHCA, Oregonians who previously qualified for OHP under Medicaid expansion would be able to purchase commercial coverage using fixed, age-based tax credits. However, the AHCA would add significant new out-of-pocket costs for families already struggling to make ends meet, including premiums, deductibles, and co-pays that would consume (in some cases) more than 50 percent of their gross income.

2. Oregonians with individual insurance plans

The ACA makes individual commercial insurance available through the health insurance marketplace. Premium subsidies make coverage more affordable for middle-income policyholders.

Today, more than 2 million Oregonians receive health coverage through an employer-based plan. The ACA requires Oregon employers with more than 50 full-time equivalent (FTE) employees to cover 95 percent of their workforce (and their dependents to age 26).

AHCA proposal: Replace income-based tax credits with a new tax credit that provides a fixed dollar amount that increases with age.

Impact on Oregon: The new tax credit would allow more taxpayers to access tax credits, making coverage more affordable for middle-class Oregonians who are not offered health insurance through work. Credits start to phase out at $75,000 household income for single tax filers and $150,000 for joint tax filers. This would have a beneficial impact for many people who are self-employed or own small businesses. Lower-income Oregonians, however, would see their tax credits reduced, sometimes dramatically, relative to the ACA. The impact varies with age and income, with older, low-income Oregonians experiencing the largest reductions.

AHCA proposal: Allow insurers to set premiums five times higher for older adults than younger adults for the same coverage in the individual market. The ACA limited this ratio to 3 to 1.

Impact on Oregon: Coverage will become more affordable for younger Oregonians. However, older enrollees will see corresponding (and, in some cases, even larger) premium increases.

AHCA proposal: Require insurers to charge an additional 30 percent premium surcharge to enrollees who cannot demonstrate continuous coverage (no gap exceeding 63 days) during the previous 12 months.

Impact on Oregon: The surcharge will help prevent individuals from waiting for an illness before enrolling, but it may not be a sufficient substitute for the individual mandate and could prevent some Oregonians who experience a loss of coverage from accessing affordable coverage. The surcharge may also provide little or no incentive for healthy individuals to enroll once they experience a gap, which could increase costs for others who remain insured. The surcharge would be mandatory for Oregon insurers and would place the burden of proof on the consumer.

- **Higher premiums for coverage gaps:** The most vulnerable Oregonians, who already struggle to navigate the health insurance system, could lose coverage unexpectedly and then be required to pay an additional premium if they cannot provide the required documentation.

AHCA proposal: End the requirement for large employers to provide health coverage to employees.

Impact on Oregon: The requirement for large employees to provide coverage has not had a major impact on the employer insurance market in Oregon. The percent of Oregonians enrolled in plans sponsored by large employers declined from 16.6 percent in 2013 to 14.7 percent in 2014 and has remained steady since.

- **Nationwide projections:** The Congressional Budget Office estimates that 2 million Americans would lose employer-sponsored coverage as a result of the AHCA in 2018 and 7 million could lose employer coverage by 2026. Some of those enrollees may be able to afford plans in the individual market with the changes in tax credits and age rating.

Impact of AHCA tax credit and age rating changes on average Oregonians

The examples below compare the cost of plans on the individual market for Oregonians under the current ACA law with the cost if the AHCA becomes law. The examples are based on 2017 premiums and cost-sharing for a standard silver plan purchased on the Marketplace. These examples do not include any yearly rate increases that may occur. In general, young and high-income enrollees would see reduced costs and older, low-income enrollees would see increased costs.

Example: A single member household, 60 years old, earning 306% FPL, living in Medford

	ACA	AHCA
Income at 306% federal poverty level	$36,976	$36,976
Tax credit	$6,597	$4,000
Annual premium cost estimate without subsidy	$11,328	$13,670
Annual premium with tax credit	$4,730	$9,670
Annual cost-sharing for three primary care doctor visits	$105 ($35 for each visit in network)	$105 ($35 for each visit in network)
Member responsibility *	**$4,835**	**$9,775**

*Costs will be increase if the enrollee accesses additional services.

Example: A single member household, 33 years old, earning 702% FPL, living in Portland

	ACA	AHCA
Income at 702% federal poverty level	$84,692	$84,692
Tax credit	–	$1,531
Annual premium cost estimate without subsidy	$3,996	$3,296
Annual premium with tax credit	$3,996	$1,766
Annual cost-sharing for three primary care doctor visits	$105 ($35 for each visit)	$105 ($35 for each visit in network)
Member responsibility *	**$4,101**	**$1,871**

*Costs will be increase if the enrollee accesses additional services.

Example: A single member household, 33 years old, earning 386% FPL, living in Bend

	ACA	AHCA
Income at 386% federal poverty level	$46,532	$46,532
Tax credit	$618.36	$2,500
Annual premium cost estimate without subsidy	$5,136	$4,237
Annual premium with tax credit or PPACA subsidy	$4,517	$1,737
Annual cost-sharing for three primary care doctor visits	$105 ($35 for each visit in network)	$105 ($35 for each visit in network)
Member responsibility *	**$4,622**	**$1,842**

*Costs will be increase if the enrollee accesses additional services.

AHCA proposal: Expanding the potential use of Health Savings Accounts by increasing the maximum annual contribution and relaxing certain rules.

Impact on Oregon: HSAs are a type of savings account that allows people to set aside money on a pre-tax basis to pay for qualified medical expenses if they have a high-deductible health plan. They are a popular tool for middle and high-income earners to save money for out-of-pocket health expenses and reduce their taxable income – these Oregonians may benefit from the changes in the AHCA. HSAs are not as useful for lower-income enrollees who would not have discretionary income to contribute. Tax-free contributions to an HSA also require enrollment in a high-deductible health plan. These plans provide little opportunity for comprehensive medical management and are generally not attractive to people with high-health needs.

3. People with serious chronic illness

In addition to premium tax credits, the ACA provided some Oregonians help with other out-of-pocket costs, such as deductibles and co-pays. The AHCA eliminates cost-sharing reductions. Many Oregonians with serious chronic illnesses will see higher premium costs and deductibles, putting health insurance out of reach for the many Oregonians who have been able to get health coverage under the ACA.

AHCA proposal: Cost-sharing reductions for marketplace plans repealed at the end of 2019.

Impact on Oregon: Oregonians received an estimated $25 million in cost-sharing reductions for Marketplace plans in 2016. This assistance is for out-of-pocket costs, such as deductibles and co-pays, and is critical for Oregonians with high-cost chronic conditions to afford the services and prescription drugs they need. Nearly 55,000 Oregonians were in cost-sharing reduction plans as of March 2017. Those with the lowest incomes will be affected the most by the repeal of this assistance. American Indian/Alaska Natives will also be greatly impacted as they currently can access Marketplace coverage with no cost sharing.

4. Seniors and older adults

Although most Oregonians 65 years old and older enroll in Medicare, there are a small number of seniors who have not worked enough hours throughout their lives to qualify for free Part A coverage and choose to buy a plan in the individual market. If they are low income, they can get premium tax credits and cost-sharing reductions through the ACA.

- **About 700 Oregon seniors 65 and older** were enrolled in the Oregon Health Insurance Marketplace in 2016. With the changes to tax credit amounts and age rating rules, these Oregonians could see dramatic price increases under the AHCA.

Impact of repeal of cost-sharing reductions
Example: A single-member household, 45 years old, with Type 2 diabetes earning 150 percent FPL, and living in Pendleton, Oregon

	ACA	AHCA
Income at 150% Federal Poverty Level	$18,090	$18,090
Annual Premium Cost Estimate without tax credits	$6,648	$6,000
Annual Premium with tax credit	$773	$3,648
Annual cost-sharing for three primary care doctor visits	$45 ($15 for each visit in network)	$105 ($35 for each visit in network)
Annual cost-sharing estimate for diabetes coverage	$1,450	$3,310
Annual member estimated costs	$2,268	$7,063

As stated earlier, older Oregonians will also be impacted by the change in the "age rating band" from 3 to 1 to 5 to 1. And although the tax credit amounts increase with age, they are not enough to offset the higher premiums that an older person would face.

- **Tax credit change affects older, low-income Oregonians:** The Kaiser Family Foundation estimates that a 60-year-old living in Pendleton who makes $20,000 a year would see the tax credit reduced from $13,760 under the ACA to just $4,000 under the ACHA, a reduction of more than 70 percent (or $9,760 per year).

5. Women and family planning

Each year in Oregon, more than 60,000 women (including 51,000 women who have access through federally funded programs), men and teens access health care services from Planned Parenthood. The ACHA calls to restrict funding to Planned Parenthood would limit access to providers for women in Oregon and threaten timely access to family planning and wellness services.

ACHA proposal: Prevents Medicaid and other federal programs from covering services delivered at Planned Parenthood.

Impact on Oregon: The AHCA includes provisions designed to prevent federal funding from paying for any services delivered at Planned Parenthood, including contraception, cancer screenings, STD counseling and screening and more. (Federal law already prevents federal funding from being used to pay for elective abortions.)

As a result, more than 51,000 Oregon women, nearly two-thirds of those served through the state's Contraceptive Care (CCare) program would have to find a new provider. It is unlikely the provider infrastructure in place could accommodate the loss of such a substantial service provider in a short time.

AHCA proposal: Deny the use of federal tax credits to Oregonians who purchase individual health plans that cover abortions.

Impact on Oregon: Nearly all Oregon individual carriers currently provide abortion coverage. The AHCA's prohibition on tax credits for plans that provide abortion coverage would take effect Jan. 1, 2018, which would leave little time for the state to establish an adequate market for stand-alone abortion coverage. In the worst case scenario, Oregon insurers will need to exclude abortion coverage in order to ensure their plans will be eligible for the tax credit, which will greatly limit access to those services.

- **Deny tax credits or restrict choice:** As a result, carriers would have to eliminate abortion coverage in their policies, restricting access to abortion services, and restrict health plan choices for nearly all Oregonians who would otherwise be eligible for the AHCA's tax credits to purchase individual health coverage.

6. People with disabilities

AHCA proposal: Reduces funding for community-based long-term care services and supports..

Impact on Oregon: Would eliminate 6 percent in federal matching funds and $150 million per year in Oregon for home and community-based long-term care for vulnerable Oregonians who need long-term care. Affects 65,000 Oregonians including approximately 7,500 children and 18,000 adults with intellectual and developmental disabilities.

7. Oregon's health system (including rural Oregon)

The financial stability of Oregon's health care system improved after the passage of the ACA. Hospital costs to treat people who were unable to pay because they lacked coverage decreased, particularly at rural hospitals. Oregon launched a patient-centered primary care home (PCPCH) initiative, which improved access to primary care for Oregon Health Plan and commercially insured members (and saved $13 for every $1 invested). Coordinated care organizations integrated physical, behavioral, and dental care, especially in rural communities where distance and low population density creates barriers to care.

Financial indicators for Oregon's 32 rural hospitals	2013	2015
Hospitals with negative operating margins	23	14
Hospitals with negative total margins (profit)	16	8
Median operating margin percent	-3.70%	1.60%
Median operating margin	($1,100,000)	$900,000
Median total margin percent	0.56%	4.41%
Median total margin (profit)	$209,000	$1.7 million
Median uncompensated care charges	$5.1 million	$2.5 million
Median uncompensated care as percent of gross revenue	7.07%	2.93%

As described in previous sections, the AHCA proposes changes that would destabilize key components of Oregon's health system. At the same time, the AHCA includes provisions to blunt the impact of lost health coverage for Oregonians by restoring funds to hospitals for uncompensated care and establishing a grant program to help states restore high-risk pools.

AHCA Proposal: Restores disproportionate-share hospital funding

Impact on Oregon: The AHCA would repeal the ACA's cuts to disproportionate-share hospital payments in 2020. This program was one funding mechanism to help hospitals absorb uncompensated care costs before the passage of the ACA.

- **Disproportionate share funds would not offset new uncompensated care costs for Oregon hospitals under AHCA.**

After the ACA was implemented, Oregon hospitals saw uncompensated care costs drop by more than 60 percent (approximately $500 million) between 2013 and 2015, after implementation of the ACA. As more Oregonians gained coverage under the ACA, more people had the resources to pay for care.

Rural hospitals were the primary beneficiary. Fewer rural hospitals operated at a loss and margins improved.

AHCA proposal: Eliminate the Prevention and Public Health Fund, which focuses on prevention and core public health services.

Impact on Oregon: The AHCA eliminates the Prevention and Public Health Fund which helps local communities address outbreaks like the Zika virus, provide immunization to children, address teen suicide and help prevent chronic diseases.

- Oregon received $10.4 million from the Prevention and Public Health Fund in 2016.

Here are a few examples of what is at risk if these dollars are lost:

- Approximately 279,000 children under age six will lose protection from lead poisoning prevention.
- Oregon may see an increased risk of healthcare acquired infections and multi-drug resistant organisms, as a result of a reduction in overall statewide capacity to detect and respond to disease outbreaks, such as the recent meningococcal outbreaks at the University of Oregon and Oregon State University.

- Oregon's ability to provide vaccines to children, adolescents and adults will be greatly diminished.

The Prevention Fund accounts for 12 percent of total funding for the U.S. Centers for Disease Control and Prevention (CDC).

8. Oregon taxpayers and the state budget

If passed, the AHCA would mark the largest federal entitlement reform in decades and result in a massive withdrawal of federal funding to states. It would force states to decide whether to backfill billions in health care cost shifted by the federal government or deny access to existing programs, benefits, and services to hundreds of thousands of the state's most vulnerable residents, including children, seniors, and the individuals with disabilities.

These cost shifts would either jeopardize access to health care for nearly 40 percent of Oregon Health Plan members, or put tremendous pressure on state general fund dollars for K-12 schools, higher education, public safety, environmental protection, and other services.

AHCA proposal: Fundamentally change Medicaid as an entitlement in Fiscal Year 2020. Converts federal funding to a per-capita cap.

The AHCA fundamentally alters the Medicaid partnership between the states and the federal government. Currently, the federal government assumes approximately two-thirds of the cost of benefits under the Federal Medical Assistance Percentage (FMAP), while Oregon contributes the remaining one-third. This percentage fluctuates, with federal help increasing or decreasing based on the economic conditions of the state. (Under current Medicaid law, the federal government is projected to pay approximately 63 percent of Oregon's Medicaid costs through FMAP in 2017.)

The AHCA adds a cap to the amount of money the federal government will contribute per-enrollee, starting in 2020. Medicaid remains an income-based entitlement program. States remain obligated to provide services for people who meet eligibility requirements. However, the federal government would no longer be required to meet its current share of funding. In other words, over time the AHCA becomes an unfunded mandate for states. Under the AHCA:

- **Per capita caps set for enrollee groups:** The federal government would set different per capita caps for 5 categories of enrollees: children, expansion adults, seniors, blind and individuals with disabilities and low-income adults.
- **Cap nearly the entire Medicaid program:** The per capita cap would apply to a state's total Medicaid program, including long-term care programs and other services outside the Oregon Health Plan.
- **Set 2016 funding level as baseline:** The amount each state receives in its per capita rate would be calculated based on a baseline of expenditures in federal fiscal year (FY) 2016.
- **Annual limits:** Caps would set limits on the amounts of federal dollars states can expend in each federal fiscal year.
- **Increases indexed to inflation factor:** States would receive increases based on the Medical Consumer Price Index (CPI-M).

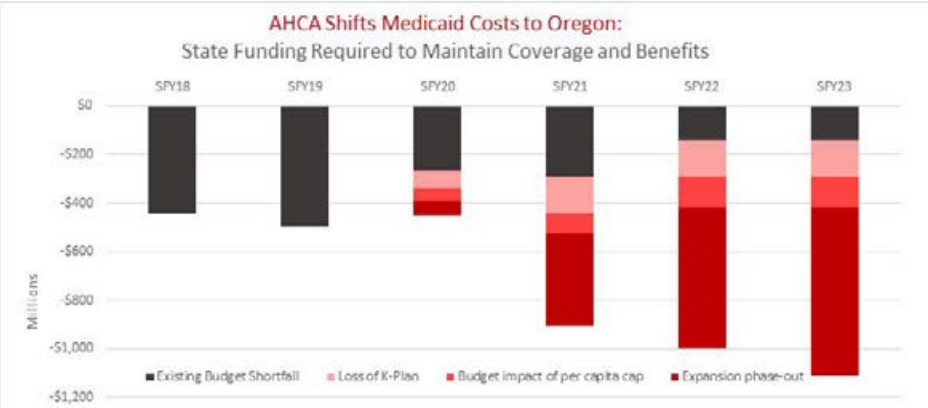
Impact on Oregon: Over time, the AHCA's federal funding cap would shift a greater share of Medicaid costs to the state. The nature of the new caps mean that even small impacts in any given year compound over time and could dramatically cut federal Medicaid funding for Oregon in the future.

AHCA would expose Oregon to a total of $2.6 billion in Medicaid costs over the next five years: As a result, Oregon would be forced to either backfill this loss of federal revenue or significantly reduce coverage and/or benefits in the Oregon Health Plan, community-based long-term care services and supports, and other Medicaid programs.

The factors that drive the reduction in federal funding to Oregon include:

- **No increases to states based on actual costs:** Under the AHCA, states would receive an annual per-

capita cap based on the growth of the Medical Consumer Price Index (projected to be 3.7 percent over the coming decade), not actual costs.



This chart shows the projected budget shortfall based on current federal law with additional shortfall attributable to the AHCA. The current budget shortfall for 2017-19 is due to several factors including the decrease in regular Medicaid match rate, the loss of one-time revenue sources, and the step down ACA match rate (which accounts for $270 million in the 2017-2019 biennium). These costs are carried forward and compounded by deep reductions of federal funding under the AHCA including the loss of the K-Plan, expansion phase-out, and per capita caps.

- **Costs grow faster than Medical CPI for many programs:** Oregon's entire Medicaid program would be subject to the medical CPI increase – including Medicaid funding for high-dollar programs for seniors and the individuals with disabilities such as long-term care, which tend to grow faster than the medical CPI.
  - A cap is different from OHP's 3.4 percent cost saving target: OHA and its coordinated care organization partners have contained OHP costs to a 3.4 percent annual growth rate. Despite Oregon's cost-savings effectiveness, the AHCA's per capita cap will have a negative financial impact.
  - Oregon contains costs through innovative strategies such as global budgeting, incentives and value-based payments. These strategies are different than the hard cap the AHCA imposes on states, based on Medical CPI.
  - Oregon's overall Medicaid program has grown at a higher rate than OHP's 3.4 percent cost growth and Medical CPI.
- **No increases to states based on health emergencies:** Capped federal payments to states would inhibits states' ability to absorb costs for cutting edge medical treatments and new prescription drugs (which can be costly). The AHCA's funding caps will limit states' ability to provide these services to Medicaid enrollees.
- **Reduced flexibility:** The AHCA sets annual spending caps on enrollee categories. These categories would limit state flexibility to manage the program as a whole, because the bill does not explicitly allow states to shift federal funds for one group of enrollees who have had lower costs (e.g., low-income adults) to another group whose costs grew higher than the federal per capita rate (e.g., seniors).

ACHA penalizes Oregon for saving costs: The AHCA punishes Oregon and other states that implemented cost control strategies in the way it sets baseline funding rates:

- **In the past, Oregon agreed to be accountable for cost savings:** In 2012, Oregon received a new federal Medicaid waiver that approved a transformation of Oregon's health care delivery system and established a five-year cost-savings agreement with the federal government. As part of this cost-saving agreement, Oregon agreed to hold annual costs to 3.4 percent or lower, 2 percentage points below the 5.4 percent cost growth rate at the time.
- **Oregon succeeded in avoiding Medicaid costs:** Since the waiver took effect, Oregon has avoided $1.4 billion in Medicaid costs as of 2016.
- **As a result, Oregon receives a lower baseline for payment than states that did not control costs (if AHCA is passed):** Under the AHCA, states receive a per-capita cap based on their expenditures in 2016. If Oregon had not successfully committed to controlling costs, the state's baseline payment under the AHCA would be $1.4 billion higher.

AHCA proposal: Eliminate enhanced federal funding for Medicaid expansion population in 2020, but continue

enhanced for members who maintain coverage. Deny federal enhanced match rate for any individual whose coverage lapses after Jan. 1, 2020, and for Oregonians applying for coverage after that date.

Impact on Oregon: The AHCA would eliminate the enhanced federal Medicaid match rate for most of the Medicaid expansion population starting in 2020. Any Medicaid expansion member who loses more than one month of coverage would no longer qualify for the enhanced match. These changes put coverage at risk for 375,000 people currently covered through Medicaid expansion due to:

- Medicaid members cycle on and off OHP regularly. (For example, an OHP member obtains a job that results in higher income and lost OHP eligibility, only to experience a loss of income that returns them to OHP.)
- The AHCA requires more frequent eligibility renewals, which will cause temporary disruptions in coverage for a portion of OHP members each renewal cycle.

Costs to Oregon to maintain Medicaid expansion coverage: This change would shift more of the cost of continuing coverage for individuals and families up to 138 percent FPL to states, forcing Oregon to make up the difference in lost federal funding, or cut eligibility.

- **2020 costs:** In the first six months of 2020, the AHCA would cost Oregon $60 million, to maintain OHP coverage for the expansion population. This is based on projected numbers of Medicaid expansion members who would cycle on and off OHP coverage, jeopardizing their enhanced rate. The costs grow rapidly to $380 million in fiscal year 2021.
- **2023 costs and beyond:** It would cost Oregon as much as $700 million per year by the end of 2023 to backfill reduced federal funding for the expansion population and maintain coverage for eligible members.

These costs are accounted for in OHA's estimate that Oregon would lose an approximate total of $2.6 billion in federal Medicaid funding by 2023. This total reduction reflects the combined impact of the AHCA's per capita caps, the elimination of Medicaid expansion and reduced federal funding for community-based long-term care services and supports.

9. Impact on stability of Oregon's commercial insurance market

Oregon's commercial insurance market is already experiencing challenges. Rates have increased by double digits in the past two years. Also, several statewide carriers have either left the Oregon market entirely or reduced their presence.

Under the AHCA, significant changes in individual market subsidies and market rules would occur each year for the first three years following enactment, which might cause uncertainty for insurers in setting premiums. Any disruptions in the market would likely lead to an increase in premiums. Funding available under the AHCA may help the state offset some of these increases.

AHCA proposal: Repeal the requirement for all individuals to have insurance.

Impact on Oregon: Repealing the requirement to have insurance will remove an important incentive for healthy individuals to enroll, especially those who will pay more under the new plan. Keeping popular ACA reforms in place while repealing the mandate could further destabilize the individual market and will create more uncertainty about who will enroll. This uncertainty may cause insurers to limit plan offerings, or decide not to participate in some or all areas of the state. This would disproportionately affect rural Oregon.

- **Impact to rates:** The Congressional Budget Office estimates the AHCA will increase premiums in the individual market in 2018 and 2019, but then lower premiums starting in 2020. Repealing the individual mandate could cause some healthy people to drop coverage, increasing prices for others who need it most. However, young healthy people may have more affordable options under this plan, which could offset the coverage losses due to the mandate. DCBS will analyze rate filings when they are submitted later this spring, and at that time will have a better picture of the impact on Oregon rates.

AHCS proposal: Sunsets federal requirement that insurers provide plans with levels of coverage (bronze, silver, gold, platinum plans) at the end of 2019.

Impact to Oregon: The ACA required plans to be labeled as one of four metal levels, according to the percent of a person's expected costs the plan would cover. By phasing out this requirement, healthier people may choose plans that are more affordable but cover less. Insurers would have little incentive to offer plans with rich benefits.

AHCA proposal: Establish a federal Patient and State Stability Fund that will provide grants to states from 2018 to 2026.

Impact on Oregon: States can use the funds for purposes such as providing financial assistance to high-risk individuals, stabilizing individual market premiums, reducing out-of-pocket expenses, or providing payments to health care providers. Oregon could receive approximately $187 million through the program.

10. Economic impact

As described above, the AHCA would eliminate coverage for 250,000 to 500,000 Oregonians and result in the loss of $2.6 billion in federal funding by 2023. Reductions in coverage and funding of this magnitude will ripple throughout Oregon's economy, especially in rural communities where health care accounts for a disproportionate number of well-paying jobs.

Like the Congressional Budget Office (CBO), OHA and DCBS staff have not had sufficient time to analyze the full economic effects of the AHCA. However, reductions in coverage and federal funding pose several potential risks to Oregon's economy, including significant reductions in health care-related spending and employment.

Impact of federal Medicaid funding on Oregon's economy

Oregon's Medicaid program provides health insurance coverage for over 1 million Oregonians and is funded by both state and federal funds. The addition of federal

Direct Economic Impact of Federal Medicaid Spending

	SFY 2014	SFY 2015	SFY 2016
Total Federal Dollars, Excluding Admin ($ mil)	3,316	5,081	5,274
Economic activity generated by Health Care (Direct) spending ($ mil)	860	1,317	1,367

State Tax Revenue from Federal Spending for Medicaid

		SFY 2014	SFY 2015	SFY 2016
Health Care (Direct)	Personal Income Tax revenue generated ($mil)	15.0	22.9	23.8
	Corporate Profits Tax revenue generated ($mil)	0.3	0.5	0.5
	Total	15.3	23.4	24.3

The tables to the left summarize these economic effects based on actual federal Medicaid funds received in the state fiscal years 2014 to 2016.

The increase from SFY 2014 to SFY 2015 is due to the expansion of the Medicaid program and the related increase in federal support as a result of the ACA.

dollars to Oregon's economy results in economic activity beyond the dollar amount from the federal government.

- **Federal Medicaid spending generated $1.3 billion in economic benefits for Oregon in 2016:** Last year, federal Medicaid funds generated $1.3 billion in direct health spending in the Oregon economy. (This estimate does not include additional indirect and household spending).
  - Federal Medicaid funds generated more than $3.5 billion in direct health care spending for the Oregon economy between 2014 and 2016.
  - Direct health spending effects are generated in the following way: In state fiscal year 2016 Oregon received $5.274 billion from the federal government. As federal funds moved through the state economy and led to direct health-care related economic activity: they paid CCOs, which paid hospitals and clinics to treat patients, who paid suppliers for medical goods and products, then to other suppliers for the raw materials, etc.
- **Federal Medicaid spending generated a $24 million state tax revenue in 2016:** Last year, federal Medicaid funds generated $24.3 million in personal and corporate tax revenue. (This estimate does not include additional indirect and household spending.)
  - Federal Medicaid funds generated $53 million in a personal and corporate taxes between 2014 and 2016.

Impact of AHCA on Oregon's economy

- **Reductions in direct economic activity due to federal Medicaid spending:** The loss of $2.6 billion in federal Medicaid funding between 2020 and 2023 would slow economic activity in Oregon and would be expected to eliminate more than $500 million in direct health spending from the Oregon economy. This estimate does not account for lost indirect and household spending.
- **Potential job losses due to AHCA:**
  - **Health care employment:** The Office of the State Economist estimates 23,300 health care jobs were created in Oregon after the ACA was implemented.
  - **Rural health employment:** Oregon's 12 Type A hospitals (hospitals more than 30 miles from the next closest hospital) added 435 jobs between 2011 (prior to ACA implementation) and 2015 (after ACA implementation).
  - **Total potential job losses in Oregon:** The Economic Policy Institute estimates that Oregon would lose approximately 42,000 jobs if the ACA is repealed. This figure accounts for health care jobs and other jobs supported as a result of health care spending in the economy.

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