COLORADO CENTER
on LAW & POLICY
Forging Pathways from Poverty

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The American Health Care Act of 2017

1. The Act will harm Coloradans

The American Health Care Act (AHCA) puts affordability out of reach for seniors: While the AHCA offers variable age based premium tax credits, older people, particularly those ages 50-64 face a stiff penalty under the proposed Act. The ACHA increases the permissible difference based on age of the cost of a health insurance premium from the Affordable Care Act's (ACA's) current 3 to 1 ratio, to 5 to 1. As a result, under the ACHA, a 60-year-old will pay up to five times as much as a 20 year old for coverage.

Low-income Coloradans and those who live in higher cost regions will lose extra help. The ACA is structured to account for variations in geography and income that make it more or less difficult for people to afford health insurance. Individuals who reside in higher cost areas, such as the I-70 mountain corridor or the Eastern Plains, receive higher premium tax credits which are calculated based on the cost of the second lowest cost silver plan in a particular zip code. The proposed AHCA premium tax credits do not take regional variation in cost into account, and as a result, will penalize many residents of Colorado's higher cost rural, frontier and resort communities.

The working poor will not be able to afford to get care: The AHCA does not account for the difficulty the working poor have in paying co-pays and deductibles. Under the ACA, those individuals earning less than 250 percent of the Federal Poverty Level pay less out of pocket, making it easier for them to actually see a doctor or afford medications. The elimination of Cost Sharing Reductions for the working poor will mean that even people with insurance may not be able to afford care.

Eliminating the Medicaid expansion means hundreds of thousands will lose coverage: The AHCA proposes to reduce the federal match for the Medicaid expansion from 90/10 to 50/50 by 2020, preserving the enhanced match until those enrolled before 2020 naturally drop off the program. Estimates are that attrition would happen fairly quickly, with the majority of people dropping off the expansion program by 2023. The Colorado Health

Institute estimates that 600,000 Coloradans will lose Medicaid by 2030 if the expansion is terminated. For an estimate of the percentage of those insured by Congressional District that would lose coverage see: -http://coloradohealthinstitute.org/key-issues/detail/legislation-and-policy/re-aca).

2. **The Act will put unsustainable pressure on our state budget**

Inevitable Medicaid Cuts: The Colorado Health Institute estimates that Colorado will lose $14 billion in Medicaid dollars over 10 years (2020-2030) if the AHCA becomes law. Colorado already runs a very lean Medicaid program. Shrinking federal dollars can only be addressed by cuts to provider reimbursement or to eligibility and/or benefits for vulnerable populations. Given the constraints of TABOR, it is almost certain that Colorado will not be able to maintain Medicaid at current levels of coverage or care. The greatest challenge for the state going forward, however, will be the effect of a per capita cap or a block grant on the state's ability to maintain the core services and supports provided under the Medicaid program.

No Help for the Private Market: While the intent of the Stability Fund proposed under the AHCA is to support a functional health insurance market, Colorado will not be able to afford to participate. Access to the fund requires a state match which, as proposed, increases from a minimum of 7 percent in 2020 to 50% in year 2026. Given Colorado's significant budget constraints it is highly unlikely the state will be able to appropriate the required amount. Without access to the stability fund, Colorado would not be able to establish a high risk pool, help individuals with cost sharing or address other factors that contribute to high insurance costs.

3. **The Act will undermine the health insurance market place**

Medicaid is a core support for the private market place*:* People without insurance coverage typically forgo preventive care and wait longer to seek care when they become ill. Low level illness and injury often turn into emergencies when care is delayed. This pattern becomes a burden on the system of emergency care and on hospitals that provide uncompensated care. That uncompensated care then drives up the cost of private health insurance as hospitals seek to make up the losses incurred by providing uncompensated care by increasing costs to private insurers. In the first year after ACA implementation in Colorado, uncompensated care to hospitals was reduced by more than $1 billion.

Rural hospitals will be at risk: The Colorado Hospital Association and the Colorado Rural Health Care Association estimate that twelve small rural hospitals, including some critical access hospitals, will be at risk of closing if the Medicaid expansion is lost. Colorado already faces significant issues of provider shortages and access to care in rural areas. The AHCA compounds that problem.

The penalty of 30% for lapses in coverage will hurt the market: The AHCA proposes to increase premiums by 30 percent for twelve months if someone experiences a lapse in coverage lasting more than 63 days. First, this is an extraordinary penalty on someone who may not be able to afford insurance because, for example, they lost their job due to a recession based layoff or because they are unable to work due to illness. Second, the reality is that the people most motivated to get back into coverage in the face of such a penalty are those who are ill. This kind of adverse selection has the effect of driving increases in health insurance premiums.

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