State of Hawai'i
ACA Position Statement
July 14, 2017

Potential Impacts to Hawai'i - Better Care Reconciliation Act of 2017

- The Better Care Reconciliation Act ("BCRA") would affect the 110,000 individuals that are considered part of the Medicaid expansion group. Not only would the bill reduce how much the federal government pays for that population, it would also dramatically change how Medicaid is funded. It would "cap" federal spending growth overall for all of Medicaid. These two major changes would potentially cost the State of Hawai'i $2 billion in federal funds over 10 years. With that level of cut in federal spending, Medicaid would have to tighten eligibility, cut services and cut reimbursements to providers.

- 16,711 individuals in Hawai'i enrolled and paid for individual plans through healthcare.gov and about 59% of those individuals (9,859) are eligible for Cost Sharing Reductions ("CSR"). If CSRs are not funded, individuals in Hawai'i will lose $9.5 million in subsidies.

- About 82% of the 16,711 individuals enrolled in individual plans through healthcare.gov are eligible for the Advance Premium Tax Credits ("APTC"). The average APTC credit is over $350. If APTC funding is eliminated, citizens of Hawai'i will lose about $58 million in health care subsidies. The CSR and APTC total loss in health care subsidies is about $67.5 million.

- The State of Hawai'i utilizes funding from the Prevention and Public Health Fund ("PPHF") to manage and administer data systems like the Behavioral Risk Factor Surveillance System and Hawai'i's Surveillance and Disease Outbreak Management System. The funding is also used to recognize disease trends, incidence, impact, and develop preventive and response measures as needed. Health care services to those with HIV or Zika will be effected. The PPHF provides about $8 million per year to the State of Hawai'i.

- Many in our Compact of Free Association population would be disqualified from receiving federal subsidies because the Better Care Reconciliation Act proposes to amend the definition of alien citizen.

Lessons Learned from the ACA: Hawaiʻi

Thank you for the opportunity to share our perspective on the Affordable Care Act's (ACA) regulatory controls and effects of a repeal of the Medicaid expansion. Hawai'i has identified the following thirteen areas to address market stability.

CLASS A – TOP PRIORITY

1) Medicaid Expansion & Medicaid Funding

Under the ACA, the number of Hawai'i residents receiving health care coverage under Medicaid has grown to approximately 350,000, which represents about 24% of the total population.[1] About 110,000 adults or one third of our total Medicaid population of 350,000 are defined as part of the Medicaid Expansion population.[2] The Medicaid expansion population faces significant health needs with about one in three struggling with substance misuse or abuse; one in four has diabetes and 30 percent have mental illness. The Better Care Reconciliation Act ("BCRA") changes to the Medicaid Expansion would cost Hawai`i about $240M in federal dollars per year, or $1.54 billion over 10 years.

The BCRA also dramatically changes how Medicaid is financed at the federal level by implementing per capita caps in spending growth. This impact is estimated to be $350 million over five years. The funding shortfall would be expected to worsen over time by creating an arbitrary cap on federal spending tied to the Consumer Price Index, which is unrelated to growth trends for health care expenditures.

The combined impact on Hawai'i over ten years is a loss of $2 billion dollars. Cuts of this significance can only be addressed by restricting eligibility, cutting benefits and services and by cutting reimbursements. All are bad options for community well-being. This would impact all Medicaid populations, all Medicaid providers, and in particular - public hospitals and community health centers.[3]

We strongly recommend that the focus be on the highest priority – stabilizing insurance markets. Any efforts to "reform" Medicaid be done in a thoughtful, bi-partisan way with states at the table to help craft something that works for the people.

2) CSR /APTC

The federal government should fully fund the Cost Sharing Reduction ("CSR") payments, as insurer rates were set according to the expectation of those payments. Furthermore, the Qualified Health Plan agreement should be amended to provide clear safeguards for mid-year changes to include termination provisions and modifications to address the loss of CSR funding. Some 16,711 individuals in Hawai'i enrolled and paid for individual plans via healthcare.gov. About 59% of those individuals (9,859) are eligible for CSRs.[4] If CSRs are not funded, citizens of Hawai'i will lose subsidies in the amount of $9,562,482.[5] See 45 CFR § 155.305.

If Advance Premium Tax Credit ("APTC") funding is eliminated, individuals in the State of Hawai'i lose a total of $58,181,460 in healthcare subsidies.[6] About 82% of the 16,711 individuals enrolled via healthcare.gov are eligible for the APTC.[7] The average APTC is over $350.[8] See 26 CFR § 1.36B-2.

3) **<u>Multi-State Plans</u>**

Individual states should be granted the authority to determine whether multi-state plans are necessary for market stability. Note that Section 139 of the latest version of the Better Care Reconciliation Act could prevent or inhibit the existing operation of Hawaii's Prepaid Healthcare Act.

4) **<u>Association Health Plans</u>**

Individual states should be granted the authority to determine if Association Health Plans shall be permitted. Association Health plans are not supported in Hawai'i, as the Prepaid Health Care Act provides rich, robust benefits via employer sponsored plans.

5) **<u>Individual Mandate</u>**

The individual mandate is necessary to ensure the individual market does not contain only those who delay the decision to purchase health insurance until coverage is needed, as well as, high-cost utilizers of health care services. The individual market must contain the young and healthy to broaden the risk pool and reduce premium costs. If the federal government is unable or unwilling to enforce this mandate, authority should be granted to individual states to enforce this provision. See 26 U.S. Code § 5000A.

6) **<u>Transitional Plans</u>**

Individual states should be granted the authority to determine whether a yearly or permanent extension for transitional health plans is necessary for market stability.

CLASS B – IMPORTANT, BUT LESSER PRIORITY

1) **Guaranteed Issue**

Health issuers should continue to provide coverage to all individuals, regardless of health status and remain prohibited from charging higher premiums based on health status or gender. This is a consumer protection measure. See 45 CFR §§ 146.152; 148.122; 148.108 and 147.104.

2) **Essential Health Benefits**

Hawai'i urges the federal government to allow states to define the benchmark for Essential Health Benefits. The Prepaid Healthcare Act determines the prevalent plan for employer sponsored health care. Amend 45 CFR § 147.150.

3) **Market Rating Reform**

The ACA limits the rating rules that can be used to determine health insurance premiums. States should have the authority to determine the most suitable rating methodology for consumers. Amend 45 CFR § 147.102.

4) **Compact of Free Association**

Medicaid helps provide members of the Compact of Free Association ("COFA") secure health insurance. The numbers range from a high of 7,500 to 3,500 per year. Currently, Medicaid is providing funding for about 3,500 members of the COFA population and legal immigrants residing in Hawai'i for less than five years. The BCRA proposes to amend the definition of alien citizen and may disqualify the COFA population from eligibility for subsidies. The State of Hawaiʻi would prefer a definition such as, a "resident of the state who is eligible under federal law for unrestricted employment in the United States".

CLASS C – THIRD PRIORITY

1) **Lifetime Limits**

Health insurers should remain prohibited from imposing lifetime limits on coverage and rescinding coverage, except in cases of fraud. See 29 CFR §§ 2590.715-2711.

2) **1332 State Innovation Waiver Requirements**

Flexibility and innovation require loosening of rigorous waiver regulatory provisions. Hawai'i and Alaska are the only states that have been granted 1332 State Innovation Waivers to date. Reporting metrics should be requested annually instead of quarterly because quarterly metrics (such as claims and premiums) are less accurate due to the lag in reporting from provider to insurers. Amend 31 CFR § 33.124(a) and 45 CFR § 155.1324(a).

3) **Young Adults**

The federal regulation should continue, allowing young adults to remain on their parent's health insurance until age twenty-six. See 29 CFR §§ 2590.715-2714.

[1] State of Hawaiʻi Department of Human Services. Letter to the United States Senate, Committee on Finance. February 15, 2017. See Kaiser Family Foundation report: What coverage and financing is at risk under a repeal of the ACA Medicaid expansion. http://www.kff.org/medicaid/issue-brief/what-coverage-and-financing-at-risk-under-repeal-of-aca-medicaid-expansion/

[2] Id.

[3] State of Hawaiʻi Medicaid Data.

[4] Effectuated Enrollment. https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf

[5] Health Insurance Marketplace Cost Sharing Reduction Subsidies by Zip Code and County 2016. https://aspe.hhs.gov/health-insurance-marketplace-cost-sharing-reduction-subsidies-zip-code-and-county-2016

[6] Effectuated Enrollment Snapshot June 12, 2017. https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf

[7] Effectuated Enrollment: https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf

[8] Id.