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The American Health Care Act – Summary by Subtitle

The [American Health Care Act](#)⁽¹⁾ is a 123-page Committee Print: Budget Reconciliation Legislative Recommendations Relating to Repeal and Replace of the ACA (Patient Protection and Affordable Care Act).

[Subtitle A—Public Health Programs, page 1]. Ends funding after 2018 for the ACA’s [Prevention & Public Health Fund](#)⁽²⁾ of \$900 million/year (\$9 billion over 10 years) from the CDC to states for public health preparedness (e.g., to prevent Zika virus) and education (e.g., to address the opioid epidemic). Arizona loses \$9 million per year.

[Subtitle B—Medicaid Program, page 4]. Repeals the ACA’s Medicaid Expansion starting January 1, 2020. There have been [11 million Medicaid expansion](#)⁽³⁾ enrollees in the 31 states + D.C. that expanded Medicaid as allowed by the ACA, including 16 states that currently have Republican governors. Since the first open enrollment period that started in October of 2013, [Medicaid/CHIP enrollment grew by 17 million individuals, to total 74 million currently](#).⁽⁴⁾ The ACA has the federal government covered 100% of the costs of Medicaid expansion for the first three years, then decreased to 95% in 2017, and to 90% by 2020 and beyond. The American Health Care Act discontinues coverage for individuals with a break in eligibility for more than one month, incentivizes states to perform eligibility redeterminations ‘no less frequently than once every 6 months,’ and decreases the federal share by one-third for new enrollees in the Medicaid expansion population (to the state’s FMAP – see below).

[Subtitle C—Per Capita Allotment for Medical Assistance, page 25] Amends Title XIX of the Social Security Act (Medicaid) to per capita-based cap on federal payments to states. This is a **dramatic** change in the financing of Medicaid. Under Social Security Act law, the federal statutory minimum covers 50% of the costs of a state’s Medicaid program, through the [Federal Medical Assistance Percentage or FMAP](#),⁽⁵⁾ based on a state’s per capita income compared to the national average. Currently 74 million Americans are covered by Medicaid (69 million) and CHIP (5 million). Children account for half of the enrollees.

The American Health Care Act uncouples statutory minimum federal requirements to fund a state’s Medicaid program. Instead, the Secretary of Health Services caps federal payment based on the state’s fiscal year 2016 expenditures, divided by the number of state enrollees for the five Medicaid coverage categories: 1) children, 2) elderly, 3) blind and disabled, 4) pregnant women and parents, and 5) childless adults (i.e., the Medicaid expansion population). As [Canada’s block grant experience](#)⁽⁶⁾ showed, uncoupling a federal statutory minimum shifts costs and risks to states. Facing declining federal support, states are forced to curtail enrollee benefits, impose higher enrollee co-pays and deductibles, and cut payment to hospitals, physicians, and other health providers.

[Title XXII—Patient and State Stability Fund, pages 45-66]. Adds Title XXII to the Social Security Act to create state [high risk pools](#).⁽⁷⁾ Historically state high risk pools had to cap enrollment, create waiting lists, impose annual or lifetime dollar limits, charge high premiums, exclude conditions, impose high deductibles, co-pays, and cost sharing.

[Repeal of ACA Subsidies and Taxes, pages 67-123]. The proposed American Health Care Act repeals ACA [advance premium tax credit](#) APTC⁽⁸⁾ and cost reduction subsidies based on income to help low-income individuals purchase health insurance plans. It replaces them with modest tax credits based on age bands. It increases the age banding premium ratios from the ACA’s [3:1 to a 5:1 age rating structure](#),⁽⁹⁾ allowing insurers to charge older enrollees five times as much as younger people. The ACA’s APTC tax credits shield low-income (<250% FPL) individuals from these premium differentials, the American Health Care Act’s modest tax credits, although based on age bands, do not. The Act repeals the individual tax mandate, small and large business mandate taxes, tanning tax, medical device tax, health insurance tax, prescription and over-the-counter medication taxes.

REFERENCES

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