



American Health Care Act

Summary of Key Provisions, as introduced on March 6, 2017

On March 6, the House Republican leadership introduced the American Health Care Act (AHCA), legislation that would repeal and replace several major provisions of the Affordable Care Act (ACA). The bill was introduced in two parts—one that will be marked up by the House Energy & Commerce Committee and one that will be marked up by the House Ways & Means Committee. Both markups will occur on Wednesday, March 8. Below is a top-line summary of the key provisions in the legislation, as introduced.

Top-line Summary of Key Provisions in the AHCA, as introduced

- Effectively repeals both individual and employer mandates retroactively for years beginning with 2016 (by zeroing out the penalties). Individuals would no longer have to pay a tax penalty if they did not have health insurance coverage (i.e., “minimum essential coverage”). *This is inconsistent with AMA policy on individual responsibility that supports requiring individuals and families who can afford health insurance to be required to obtain it, using the tax structure to achieve compliance. The AMA supports the continuation of employment-based coverage as an option to the extent that the market demands it.*
- Imposes a late enrollment penalty of 30% of premium, in lieu of the individual responsibility requirement, on individuals buying individual coverage who have had a lapse in continuous coverage for 63 consecutive days or longer during a 12-month look back period prior to the date of enrollment in new coverage. The penalty is effective for special enrollments during the 2018 plan year (and lasts for the remainder of the plan year) and for all other enrollments beginning with the 2019 plan year. *The AMA does not have policy on imposing penalties as a way to encourage continuous coverage. The AMA supports an individual responsibility requirement to maximize coverage gains, as well as help ensure healthy individuals enroll in coverage and stay covered. The AMA supports health insurance coverage of pre-existing conditions with guaranteed issue within the context of an individual mandate, in addition to guaranteed renewability, and supports continued health insurance for patients with pre-existing medical conditions transitioning between medical products.*
- Repeals ACA tax credits (effective 2020) and replaces them with advanceable, refundable flat tax credits adjusted for age. Annual credit amounts begin at \$2,000 up to age 29, and go up to \$4,000 per individual age 60 and older. Families can claim credits for up to 5 oldest members, up to a limit of \$14,000 per year. Credits grow by CPI+1%, and eligibility phases out starting at income above \$75,000 per year (\$150,000 for joint filers). The credit can be applied to state-certified individual policies sold on or off the exchange. *This is inconsistent with AMA policy, which supports tax credits that are advanceable, refundable, inversely related to income, and large enough to ensure that health insurance is affordable for most people.*
- Repeals cost-sharing subsidies effective 1/1/20 to help low-income individuals pay for out-of-pocket costs. *This is inconsistent with AMA policy that states that provisions must be made to assist individuals with low-incomes or unusually high medical costs in obtaining health insurance coverage and meeting cost-sharing obligations.*
- Modifies age-rating limit of 3:1 to allow 5:1 ratio, unless states adopt different ratios. *AMA policy supports modified community rating or rating bands; some degree of age rating is acceptable. AMA policy does not endorse a specific age-rating ratio.*
- Repeals Medicaid expansion program effective 12/31/19 and eliminates the enhanced match rate as of 1/1/20 (except for individuals who were enrolled through the expansion as of 12/31/19 and who do

not have a break in eligibility of more than one month). Also limits the expansion state enhanced match rate transition percentage to CY 2017 levels of 80%. In non-expansion states, repeals DSH cuts beginning in 2018, and provides \$10 billion over 5 years for such states for safety net funding. For expansion states, DSH cuts would be repealed in 2020. Converts federal Medicaid financing to a per capita model starting in FY2020, using FY2016 as the base year for expenditures; sets targeted spending for each enrollee category, to increase by medical CPI from 2019 to the next fiscal year. Beginning in FY2020, any state with spending higher than their specific target would receive reductions to their Medicaid funding for the following year. Provides incentives for states to re-determine eligibility for Medicaid more often. *AMA policy supports Medicaid maintaining its role as a safety net for the nation's most vulnerable populations and supports the ability of states to develop and test alternatives for improving coverage for patients with low incomes without incurring new and costly unfunded federal mandates or capping federal funds.*

- Adds a patient and state stability fund, which could be used to help high-risk individuals enroll in coverage and to help reduce costs for high-utilizer patients through reinsurance or high-risk pools; promote access to preventive services, dental care and vision care services, and mental health and substance use disorder services; and help lower out-of-pocket costs. *AMA policy supports health insurance coverage of high-risk patients being subsidized through direct risk-based subsidies such as high-risk pools, risk adjustment, and reinsurance, rather than through indirect methods that rely heavily on market regulation. AMA policy supports investments and incentives for quality improvement and prevention and wellness initiatives as a key component of health system reform, and strongly supports insurance coverage for mental health and substance disorder services.*
- Repeals small business tax credits. *AMA policy supports requiring state and federally facilitated Small Business Health Options Program (SHOP) exchanges to maximize employee choice of health plan and allow employees to enroll in any plan offered through the SHOP.*
- Provides incentives for the use and expansion of HSAs, including increasing the basic contribution limit. *This is consistent with AMA policy supporting the establishment and use of HSAs and allowing the tax-free use of such accounts for health care expenses, including health insurance premiums and long-term care costs.*
- Repeals the ACA tax provisions starting in 2018, except for the Cadillac tax, which would not apply for any period beginning after December 31, 2019 and before January 1, 2025. *The AMA does not have policy on these taxes.*
- Prohibits federal funding to Planned Parenthood for one year beginning with the law's enactment. *This is inconsistent with AMA policy that supports freedom of choice to receive covered services at an otherwise qualified health care provider and that supports access to preventive and reproductive health services for all patients and opposes legislative and regulatory actions that utilize federal or state health care funding mechanisms to deny established and accepted medical care to any segment of the population.*
- Eliminates the Prevention and Public Health Fund after 2018 and rescinds all remaining unobligated funds as of that date. *This is inconsistent with AMA policy that opposes further cuts to the Prevention and Public Health Fund and supports prevention and wellness initiatives as a key component of health system reform.*