

Publications

Client Alert: Republicans Release Plan to Replace Affordable Care Act

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Update: Republicans Release Plan to Replace Affordable Care Act: A Deeper Look into the Proposal

Since this *Labor and Employment Alert* was published there has been a development. On March 15, 2017, a more in-depth look at the proposed changes has been published. To learn more read this *Labor and Employment Alert*.

Original Alert:

On March 6, 2017, House Republicans released their proposed legislation (the proposal) to repeal and replace the Patient Protection and Affordable Care Act (ACA). If enacted as proposed, the bill would implement the following changes:

- The proposal would eliminate both the individual mandate requiring most Americans to maintain health insurance and also remove the tax penalty imposed on those who are uninsured.
- The proposal would allow insurers to impose a surcharge of 30 percent on people who have a gap in health coverage of at least 63 continuous days in the last 12 months.
- The proposal creates a system of tax credits to incentivize people to purchase either unsubsidized COBRA insurance or insurance offered in the individual health insurance market within a state. The income-based tax credits provided under the ACA would be replaced with credits that would rise with age as people's need for medical care generally increases as they age. The proposed tax credits would start at \$2,000 a year for a person under 30 and would rise to a maximum of \$4,000 for a person 60 or older. A family could receive up to \$14,000 in credits.
- The proposal would repeal subsidies that the federal government currently provides to low-income individuals to assist in the payment of deductibles and other out-of-pocket costs for insurance purchased through the public exchange marketplaces.

- Large employers (50 or more full-time employees) would no longer be subject to pay or play penalties for failing to offer healthcare coverage to full-time employees.
- Under the new plan, states can continue to enroll individuals under the Medicaid expansion through January 1, 2020. At that point, enrollment would “freeze,” and states could no longer add to the rolls. Legislators expect that enrollment would shrink as enrollees’ incomes change and people fall off the rolls.
- The proposal would transition Medicaid funding to a per-capita allotment, whereby each state would receive a fixed allotment of federal funding for each person on Medicaid, rather than amounts that fluctuate with Medicaid claims for services rendered to individual beneficiaries. The federal government would pay distinct amounts for different beneficiary categories, including older Americans, children, and people with disabilities.
- The proposal would cut all federal funding to Planned Parenthood clinics through Medicaid and other government programs for one year.
- The proposal does not change the most popular aspects of the ACA, including: the prohibition on insurers denying coverage to those individuals with pre-existing conditions; the provision allowing children to remain on their parent’s health insurance plans until age 26; and, the ban on lifetime coverage caps.

House Republicans have not yet released the official budget detailing the cost of the proposal and the estimate of how many people would gain or lose insurance should the proposal become law in its current form. The House Ways and Means and Energy and Commerce Committees will begin review of the proposal on March 8, 2017. Supporters of the proposal have expressed their hope that the committees will move quickly to approve the proposal, allowing for the full House to vote prior to a Congressional break scheduled to begin on April 7, 2017. The future of the proposal in the Senate is uncertain, as four Republican Senators from states that have expanded Medicaid under the ACA (Rob Portman, OH; Shelley Moore Capito, WV; Cory Gardner, CO; and Lisa Murkowski, AK) have already published a letter opposing the proposal, expressing, among other things, concern that it fails to adequately protect people in their states.

Vorys will provide a more complete analysis of the proposal, including a more detailed analysis of its various provisions, later this week.