

SUMMARY OF “ THE AMERICAN HEALTH CARE ACT” – REPUBLICAN “ REPEAL AND REPLACE” PROPOSAL

March 10, 2017

Although this bill is characterized as an “ACA Repeal and Replace” proposal—it more accurately would fundamentally alter the current Medicaid program. The American Health Care Act (AHCA) would retain many of the insurance market reforms that were put into place under the ACA. It would retain the ban on pre-existing conditions, allow young adults to remain on their parents’ plan until age 26 and ban lifetime limits in health insurance. It would eliminate the mandate that all Americans purchase health coverage or pay a fine but individuals that do let their health insurance lapse would be subject to a 30% surcharge for premiums should they decide to purchase health insurance again.

The bill technically retains the requirement that private insurers cover “essential health benefits”- including prescription drugs. However, there is a significant loophole to this—because in 2020, the bill would eliminate the “actuarial value” requirement that currently requires that insurers pay for a certain amount of an individual’s care. Ultimately this means that after 2020, insurers would be able to unilaterally decide how much they will pay for/cover the ten essential health benefits.

For individuals who wish to purchase insurance, this bill provides much lower subsidies for those who buy coverage on the individual market—particularly for low-income individuals. The subsidies in this plan are 36% lower than those in current law.

This proposal would end Medicaid expansion in 2020 and would shift Medicaid funding to a per capita basis. Current Medicaid funding matches state Medicaid expenditures with federal funding on a one for one basis. Under this proposal the federal government would provide a limited amount of money for each Medicaid enrollee—increasing the likelihood that states would not have adequate funds to cover high cost patients. The bill would also remove the requirement that Medicaid cover the ten essential health benefits.

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