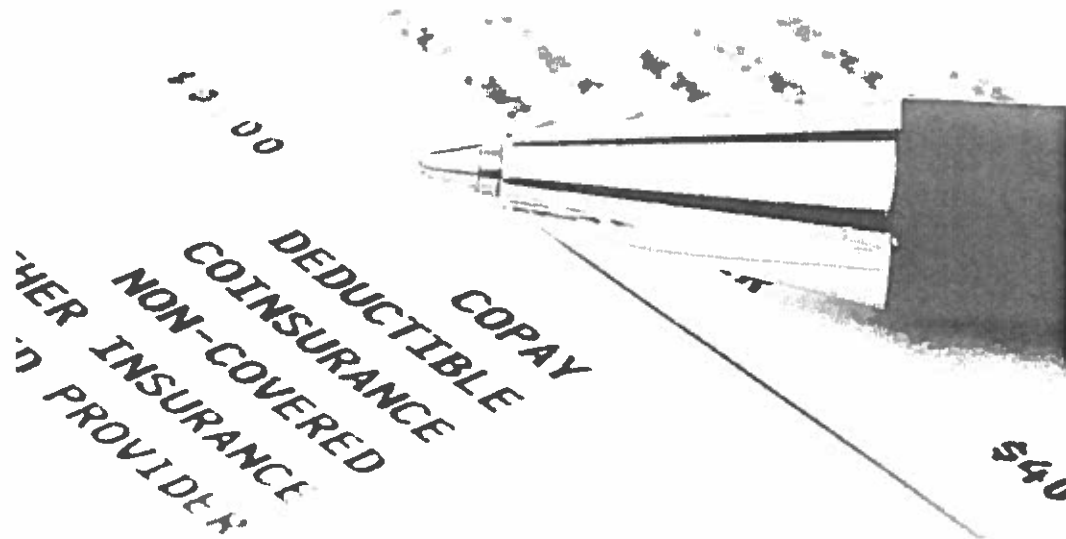


Health Affairs Blog

A Health Care War On The Poor

Kathleen Sebelius and Ron Pollack

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Many criticisms have been leveled against the House-passed American Health Care Act (AHCA) and the Better Care Reconciliation Act- the new Senate health bill offered by Majority Leader Mitch McConnell. The unmistakable hallmark of these bills, however, is that they constitute a very cruel war on the poor. By far, no demographic group would be hurt more by these legislative proposals than low-income people. They are the bulls-eye!

This war on the poor began with the debate about payments for cost-sharing reductions that help low-income people afford health insurance deductibles and co-payments. President Trump won't commit to making such payments, and House Republicans have sued to stop them. The House-passed bill, however, takes the assault to a new level – and, in at least one very significant respect, the Senate bill is much worse after 2025.

As the non-partisan Congressional Budget Office (CBO) found, over the next decade the largest cutback in the Senate and House bills are reductions to the safety-net Medicaid program (a \$772 billion cut in the Senate bill, and an \$834 billion cut in the House bill).

Additionally, there are significant cuts to the subsidies that were designed to make private insurance premiums and cost-sharing affordable for low- and moderate-income families, with \$424 billion cut in the Senate bill and \$276 billion cut in the House bill.

These decreases, which would cause enormous harm to low-income families, are obviously *not* part of an overall scheme to promote fiscal prudence since both the Senate and House bills lavish huge tax benefits to the rich and special interest groups. The Senate provides \$541 billion in such tax benefits, and the House provides \$664 billion.

According to CBO, the proposals in both the Senate and House bills would cause huge numbers of people to become uninsured within a decade. The Senate bill would cause 22 million to lose coverage, and the House bill would force 23 million into the ranks of the uninsured. In total, at least 49 million would be uninsured – more than the aggregate population of almost half (24) the states in our nation.

Changes To Medicaid

The Medicaid cuts in the House and Senate bills are the most unconscionable. Today, the program serves more than 70 million low-income people, including children, people with disabilities, pregnant women, seniors, and low-wage working adults. It provides care for the impoverished frail elderly in their homes and is the largest payer for nursing home services.

CBO estimates that, under the House-passed AHCA, 14.4 million people would be dropped from the program compared to current law, most becoming uninsured. The Senate bill would bring about a reduction of 15.0 million.

Two changes cause this cutback. The first one rolls back the Medicaid expansion in the Affordable Care Act (ACA) that allows states to set program eligibility at 138 percent of the federal poverty line. Thirty-one states, including 16 headed by Republican governors, have expanded their Medicaid programs to include low-income workers.

This expansion was targeted to people who are clearly needy. For a person living alone, eligibility extends to annual incomes below a meager \$16,643. For a family of three, it is \$27,180. Between their costs for rent, utilities, food, clothing, transportation to jobs, and other necessities, people with incomes below these thresholds cannot afford to pay for private insurance, but both the House and Senate bills phase out the Medicaid expansion.

The second Medicaid change significantly alters the federal-state funding partnership in existence since 1965. Instead of guaranteeing federal support for comprehensive health coverage to all low-income people applying for Medicaid, both bills create artificial caps in federal program funding. In so doing, federal support is substantially diminished; huge holes are created in state budgets; and very vulnerable Americans are left without critical health care services.

In the long run, however, federal funding cutbacks would be considerably worse under the Senate bill. This is because, starting in 2025, updates to these artificial caps would be more miserly than the formula used in the House bill. Instead of re-calibrating annual caps based on *medical inflation*, the caps in the Senate bill would be updated by the lower *overall inflation* rate. Ultimately, federal Medicaid funding in the Senate bill would be hundreds of billions less than the penurious amounts provided in the House bill.

Due to their own fiscal situations, most states would be unable to make up for the large drop in federal funding. As a result, low-income children, adults and seniors seeking Medicaid coverage would be subjected to waiting lists, coverage reductions, and/or unaffordable costs for premiums, deductibles, and co-pays, which would effectively destroy the health safety-net for the poorest Americans.

As harmful as these changes are, the onslaught on low-income people extends beyond the proposed Medicaid cuts. They also include very harmful changes to people seeking private coverage through the new marketplaces. The House and Senate bills differ in how they would cause that harm.

Changes To Private Insurance Markets

For low-income individuals in the new marketplaces, the House bill includes huge reductions in subsidies for people needing help affording private insurance premiums. Instead of continuing to

provide subsidies on a means-tested basis — with people needing the greatest help receiving it — the AHCA creates flat subsidies that no longer provide additional help for low-income people.

It especially hurts low-income 50-64-year-olds whose premiums escalate to five times the amounts paid by young adults. CBO illustrates this for a 64-year-old with an income of \$26,500. Currently, that person's annual premium is \$15,300, but she receives a subsidy of \$13,600. Under the AHCA, her premium would rise to \$21,000 while the subsidy would be reduced to \$4,900. In effect, her net out-of-pocket premium cost would increase from \$1,700 to \$16,100 — an unaffordable nine-fold increase.

CBO also projects that younger individuals, with similarly limited incomes, would also see their premiums grow. For a 21-year-old, the net out-of-pocket premium cost would increase by a relatively modest three percent; for a 40-year-old, however, it would climb by 71 percent.

The Senate bill harms the poor in different ways than AHCA, but it nevertheless results in a double whammy. *First*, it would reduce insurance plans' coverage, requiring people to pay much more out-of-pocket than they do today. Most notably, it would substantially increase coverage deductibles. For the poor, this harm would be significantly compounded because, starting in 2019, relief from high deductibles and co-payments, now available for people with incomes below 250 percent of the federal poverty level (annual incomes below \$30,015 for individuals), would be terminated.

Second, the Senate bill reduces premium subsidies. Although the Senate bill, unlike the AHCA, provides subsidies tied to income, those subsidies would be of lesser value than they are today. As a result, low-income people would pay more in premiums and much more for needed care.

According to CBO, the result is uninsured rates for people with incomes below twice the federal poverty level (\$24,120 in annual income for a person living alone) would double compared to current law. For 50-64-year-olds, the uninsured rate would increase from 11.2 to 25.6 percent in the Senate bill and 29.3 percent in the House bill. For 30-49-year-olds, it would increase from 19.8 percent to 36.7 percent in the Senate bill and 36.9 percent in the House bill. For 19-29-year-olds, it would increase from 17.6 percent to 34.8 percent in the Senate bill and 33.9 percent in the House bill.

The bottom line is clear: While both the House and Senate bills provide unneeded tax help for wealthier people, the Republicans' war on the poor would cause many and very severe casualties on people with greatest needs. Hopefully senators of good will call for an immediate and complete cease fire.

FOLLOWING THE ACA

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