

HEALTH CARE REFORM UPDATE



Keeping you up to date on health care reform

March 13, 2017

The American Health Care Act – A Milestone Toward Repeal and Replace

AHCA Highlights

While the AHCA may be amended before passage, these are the current main impacts to the ACA:

- **Repeals individual and employer mandate penalties** retroactive to Jan. 1, 2016
- **Expands the individual market age rating band** from 3:1 to 5:1
- **Replaces current income-based subsidies** with age-based tax credits beginning in 2020
- **Repeals most fees and taxes, but maintains Cadillac Tax**, which would be

The next era of U.S. health care reform is underway with a focus on repeal and replace of the Affordable Care Act (ACA). Last week marked the latest milestone in this process with House Republicans introducing two different bills, collectively called the American Health Care Act (AHCA). The bills were developed by Republican leadership and are proceeding through the legislative process in the U.S. House as marked up by the Ways and Means Committee and the Energy and Commerce Committee. The AHCA is the first official piece of draft legislation in the Republican ACA repeal and replace effort.

- **Ends enhanced funding for Medicaid expansion** by end of 2019, then transitions to a state block grant system
- **Makes changes to Health Savings Accounts and Flexible Savings Accounts** (increased limits / OTC permitted again)

While the AHCA legislation is not final, it provides a strong indication of the policy direction Congressional Republicans favor. Here's what we currently know — and don't know — about the upcoming process to help you stay informed.

How to Achieve Repeal and Replace

Without bi-partisan support, Congressional Republicans cannot fully repeal the ACA in one action. Therefore, changes to the law likely will happen through a combination of legislative and regulatory efforts. The AHCA most immediately is expected to advance through a process known as budget reconciliation.

The budget reconciliation process accommodates provisions with direct budgetary impact and only requires 51 votes in the Senate — and there are 52 Republican senators. Because of the reconciliation rules, the AHCA has **no impact** on popular ACA patient protections including:

- Dependent coverage to age 26
- Annual out-of-pocket maximums
- Lifetime and annual limits
- Essential health benefits
- Coverage for preexisting conditions

The AHCA creates a transitional period through the end of 2019 before longer-term changes take effect in 2020. The bill contains provisions intended to stabilize the individual market and encourage continuous coverage during the transition.

The AHCA is only the first step of repealing and replacing the ACA. Additional legislation likely would be required to realize the full Republican vision of repeal and replace, including non-budgetary provisions. That legislation would require 60 votes in the Senate — necessitating support from Democrats. It is expected additional legislation will come by year end or early

2018.

How the AHCA Can Become Law: Budget Reconciliation Process

Budget reconciliation can begin in either chamber of Congress (House or Senate), but identical versions of the bill must pass both chambers before being signed by the President and becoming law.

The AHCA has already gone through the first step in the House: consideration and mark-up by the two authorizing committees that received budget reconciliation instructions. The next step is for the House Budget Committee to combine the two bills and hold its own mark-up, expected on March 15. After the Committee approves the combined bill, the full House must vote and pass the bill before it moves to the Senate. The Senate can choose to either begin consideration of the House bill or substitute its own version of repeal and replace. It is widely anticipated that the Senate will skip the committee process and raise the bill on the floor for debate and eventual vote.

The Congressional Budget Office is expected to release estimates on the overall cost and coverage impacts of the bill any day, which may further impact debate.

If there are differences in the bills approved by the House and Senate, there are two paths forward: 1) the House could pass the Senate bill and send it to the President; or 2) a bicameral conference committee can meet to negotiate a new compromise bill. That negotiated bill would then have to be passed by both chambers, before sending it to the President for signature.

Timeline for Legislative Action

Congress is hoping for action on the AHCA in the next few weeks, including a potential vote on the House floor the week of March 20. The process may slow down to ensure there are enough votes to pass the bill. Outside of deadlines requested by party leadership, there is generally no set legislative timeline. President Trump has expressed strong support of the initial bill.

Reminder: ACA Compliance is Required Until Official Guidance Otherwise

As Congress continues to work on their repeal and replace legislation, it's important to remember that ACA compliance is required until official guidance to the contrary is issued. For a customized timeline and more information about ongoing annual responsibilities and applicable employer deadlines under the ACA, visit YourACARoadmap.com.

Staying Informed

To help you keep up to date on the evolving state of health care reform, Cigna has created a new Repeal and Replace Update webpage. This page offers a snapshot of the latest regulatory and legislative activity. Be sure and bookmark Cigna's reform website at www.InformedOnReform.com.

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