Federal Actions Could Still Threaten Maryland's Gains Under Affordable Care Act

Testimony of Maryland Center on Economic Policy Executive Director Benjamin Orr to the Maryland Health Insurance Coverage Protection Commission, Aug. 1, 2017.

The effort to repeal the Affordable Care Act failed because the public overwhelmingly rejected the damaging core provisions that were common to all the bills, such as taking health coverage away from millions of Americans, removing protections for people with pre-existing health conditions, and gutting Medicaid. Maryland played an important role in preventing these bad policies from moving forward, including Gov. Hogan joining other governors in speaking out against the repeal, most of our Congressional delegation drawing attention to Marylanders' concerns, members of the General Assembly speaking about the potential harms and forming this commission, and many average Marylanders sharing their concerns and stories about health care.

While it is encouraging to see bipartisan, transparent proposals starting to emerge in Congress, there are still some potential ways Congressional actions could harm Maryland families, our state budget, and our economy.

The Affordable Care Act has helped our economy

The Affordable Care Act is working in Maryland and has had a significant positive impact for many individual Marylanders, as well as our economy. Hundreds of thousands of people gained health coverage, hospitals are seeing fewer emergency room patients without coverage, and businesses are spending less on employee insurance than they would have without the Affordable Care Act.

- The percentage of Marylanders without insurance has been cut essentially in half, dropping from 12.9 percent in 2013 in to 6.7 percent in 2015.
- We saw greater gains in rural areas of Maryland – our rural uninsured rate dropped from 14 percent in 2013 to 6 percent in 2015.[i]
- Almost 300,000 Marylanders gained health care coverage through Medicaid or CHIP as a result of the Medicaid expansion provisions in the ACA[ii]
- The percentage of Marylanders who needed medical care but did not get it because they couldn't afford it fell from 7.0% in 2011 to 2.8% in 2014[iii]
- As the number of uninsured Marylanders has declined, the state has realized savings in the amount of hospital uncompensated care. From fiscal 2013 to 2015, hospital uncompensated care costs declined by approximately $311 million.[iv]
- Average costs for group health insurance are increasing at a slower rate, increasing by 20 percent over the last five years (2011-2016), compared to a 31 percent increase over the prior five-year period.[v]

- Hundreds of thousands of Marylanders have received refunds from their insurers, putting $99.1 million back into our economy since the ACA took effect[vi]
- Medicare recipients in Maryland are saving millions in prescription drug costs due to closing the "donut hole." In 2015 alone, approximately 86,000 seniors and people with disabilities in Maryland saved on average $1,158 on drug costs.[vii]
- In addition, an estimated 2.5 million Marylanders have a pre-existing condition. The ACA protects them from losing health coverage. [viii]

There are still threats to Medicaid

The threats to Medicaid did not end with last month's actions in the Senate. There is at least one major legislative proposal under consideration from Sens. Bill Cassidy and Lindsey Graham that would make drastic cuts to Medicaid and marketplace financial assistance. Specifically, the Cassidy-Graham amendment would:

- Eliminate premium tax credits and cost-sharing reductions that help moderate-income people who purchase insurance through the exchange afford coverage and care. It also would eliminate funding for the Medicaid expansion starting in 2020, which would have a significant impact on Maryland's budget.
- Temporarily replace the marketplace subsidies and Medicaid expansion funding with a block grant set at levels well below what states are receiving under current law. After 2026 block grant funding would end altogether.
- Convert virtually the entire Medicaid program to a per capita cap, which would mean large and growing cuts to federal funding for seniors, people with disabilities, and families with children.

In addition, the budget outlines from the Trump administration and the House Budget Committee doubled down on the Medicaid cuts proposed in the health care repeal bills.

- The Trump and House budget outlines both assumed the $834 billion in cuts to Medicaid from the House-passed American Health Care Act, and then take it a step further. It is unclear what they will do now that repeal effort has failed, but there is certainly still a desire at least in the House to use block grants or caps to fundamentally restructure Medicaid.
- The AHCA would have cut $14 billion in funding for Maryland over 10 years, causing 265,000 Marylanders to lose Medicaid coverage. In addition 10,000 elderly people who receive both Medicare and Medicaid would lose the Medicaid portion of their coverage.[ix]
- The Trump administration budget would cut another 12% from state Medicaid grants over 10 years on top of that.[x]
- The House budget would cut $1.5 trillion over 10 years from Medicaid and other programs – slightly more than the Trump budget but committees will determine how much of that budget cut comes from Medicaid. It also would cut $487 billion over 10 years from Medicare.[xi]
- 1.3 million Marylanders receive their health coverage through Medicaid and CHIP, and the state receives $7.3 billion in federal funds for health care programs. [xii]

Actions by the Trump administration could further destabilize individual insurance markets

A portion of the gains from the ACA were due to the individual insurance market reforms, which prevent discrimination against people with pre-existing health conditions, provide millions of Americans with tax credits that help pay for coverage, and allow all Americans to shop and compare plans in a transparent marketplace. These gains are at risk due to the Trump administration's actions.

- Prices in the individual market were expected to stabilize in 2018 due to the increases approved in 2017, but the uncertainty around the ACA this year has created additional instability.
- The Trump administration has threatened to withhold the cost-sharing reduction payments that insurers rely on to help provide lower deductibles and co-pays for low-income consumers. They have also made it unclear whether they will enforce the individual mandate, have cut the length of the open enrollment period in half, and made a rule change that will increase out-of-pocket costs for millions of consumers.[xiii]
- Actuaries at Oliver Wyman concluded that this uncertainty will add 20 to 29 percent to rate increases for 2018 and that 2018 rate increases would be about two-thirds lower without these factors.[xiv]
- Maryland rate requests for 2018 ranged from a 9 percent increase to a 150 percent increase depending on the plan. The average across all insurers and plans was 38.5 percent. Final rates are expected later this summer. [xv]
- Significant rate increases could mean fewer people can afford coverage on the individual market, or at a minimum it will mean people will have less to spend on other needs.

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[ii] "Assessing the Impact of Health Care Reform in Maryland," Maryland Department of Legislative Services, 2017, http://mgaleg.maryland.gov/Pubs/LegisLegal/2017-Impact-Health-Care-Reform.pdf

[iii] Ibid.

[iv] Ibid.

[v] Ibid.

[vi] "Defending Health Care in 2017: What Is at Stake for Maryland," Families USA, 2016, http://familiesusa.org/product/defending-health-care-2017-what-stake-maryland; "10 ways the Affordable Care Act is making Maryland healthier," Maryland Health Benefit Exchange, 2015. http://www.marylandhbe.com/how-the-affordable-care-act-is-working-in-maryland/

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[viii] Ibid.

[ix] "House Republican Health Plan Would Shift $14 Billion in Medicaid Costs to Maryland," Center on Budget and Policy Priorities, 2017. https://www.cbpp.org/sites/default/files/atoms/files/3-22-17health-factsheets-md.pdf

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[xii] Christopher Meyer, "Federal Aid Supports Essential State and Local Investments in Maryland," Maryland Center on Economic Policy, 2017. http://www.mdeconomy.org/wp-content/uploads/2017/06/Federal-money-brief-June.pdf

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[xv] "Maryland insurers request 38.5 percent rate increase for individual health plans," Baltimore Business Journal, 2017. https://www.bizjournals.com/baltimore/news/2017/05/04/maryland-insurers-request-38-5-percent-rate.html