



## HEALTH REFORM ADVISORY PRACTICE

### Weekly Legislative Update



March 17, 2017

## GOP ACA Alternative Survives and Advances

It's been a bumpy week for the American Health Care Act (AHCA) – the Affordable Care Act (ACA) repeal and replacement plan championed by Republican leadership in the House. Headlines late Monday exclaimed how the bill would result in higher than expected coverage losses, and the week closed with conservative Republicans joining Democrats to nearly sink the bill in a House committee vote. Nevertheless, the AHCA has survived to see another week.

The week ahead will be crucial, as the legislation is scheduled to be considered by the House Rules Committee. Reports indicate House leadership is working in tandem with the administration to provide the legislation a makeover before advancing it through committee. From there it is on to the House floor, which reports from early Friday morning indicate may happen Thursday of next week.

**Lockton comment:** Speaker of the House Paul Ryan (R-WI) is unlikely to take the bill to the House floor unless he is certain he has enough votes for its passage. It's not expected that amendments will be allowed during the floor debate, so it is especially crucial for Republicans to get the right mixture of changes from the Rules Committee.

The need for changes to the AHCA became even clearer this week in light of a narrow vote in the Budget Committee on Thursday. The Budget Committee vote was dramatic despite it being a merely procedural action – separate pieces of the legislation approved by two other House committees last week were simply combined into one bill. Three members of the Freedom Caucus – a group of like-minded House members who make up the GOP's right flank – bucked leadership and voted against the motion to pass the bill out of committee. One more 'no' vote would have sunk the bill. The complaint? The legislation does not repeal enough of the ACA and establishes a new entitlement in the form of tax subsidies to help people purchase health coverage.

**Lockton comment:** We do not expect the same drama in the Rules Committee we saw in the Budget Committee. Rules is widely seen as an extension of House leadership, and sets the rules for debating and amending legislation on the House floor. Rules is expected to substitute the current version of the AHCA with an updated version that will address concerns of both members of the House and more moderate senators who continue to decry changes to Medicaid and call for more generous subsidies to lower income and older individuals.

The Budget Committee vote came on the heels of a Congressional Budget Office (CBO) report on Monday estimating the AHCA will result in 24 million people losing coverage by 2026. Speaker Paul Ryan and other Republicans were quick to question the CBO's track record of accurately predicting coverage changes. It was pointed out by Republicans that the bill would reduce the deficit by \$337 billion over ten years, and the report explained that most of the coverage losses, at least in the short term, would be due to the elimination of the individual mandate which they argued forced people to purchase coverage they didn't want. Nonetheless, moderates are hopeful amendments to the AHCA will ensure fewer people lose or drop coverage.

**Lockton comment:** The CBO report assumed the bill's elimination of the employer mandate combined with tax subsidies available to employees would result in fewer employers sponsoring health plans. The CBO expects employers will make up the loss in benefits by increasing taxable wages – an assertion Lockton's recent survey data debunks. That survey data will be released next week. The CBO report did caveat its conclusions, saying it expects the risk pool for most employers will stay relatively stable and employer subsidies will continue to make most employer provided coverage more attractive than individual coverage. The stability of the employer group market could change, of course, if the frequently discussed proposal to tax employees and retirees on the value of their health coverage is added to the bill or included in future tax reform measures. See our blog post on that topic [here](#).

Should the legislation pass the House, it is then on to the Senate where Republicans plan to use a special rule called budget reconciliation that fast-tracks passage of the bill with only a simple majority vote. GOP leadership in the Senate has indicated a desire to take the House bill directly to the Senate floor for swift passage. Should additional amendments be necessary in the Senate, the bill's final passage would be delayed until the House can consider and approve those amendments.

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**Lockton Compliance Services**

### Congress and a Tax on Health Insurance

Congress has seriously considered taxing employees (income and payroll tax) and employers (payroll tax) on a portion of their group health plan values. If you are opposed to such action, click here for **model text** you might consider sending to your representative and senators.

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