Older, poorer Americans take a hit under Ryan health plan

By Editorial Staff *Wed, Mar 15, 2017*

"The increase would be disproportionately larger among older people with lower income… People between 50 and 64 years old with income under 200% of the federal poverty level would make up a larger share of the uninsured," the CBO report said.

If "Obamacare" was meant to redistribute federal health insurance subsidies toward low-income people, the new American Health Care Act (AHCA) clearly reverses that effort, either ending the subsidies or directing them toward higher-income Americans. The difference in political philosophies behind the two plans could not be more stark.

Poor people ages 50 to 64 would fare the worst under the new plan. In its March 13 **analysis** of the American Health Care Act (AHCA)—the proposal to repeal and replace the Affordable Care Act (aka Obamacare)—the Congressional Budget Office identified several points where the proposed law would adversely affect lower-income Americans who are over age 50 but younger than 65, the age when eligibility for Medicare begins.

The current version of the proposed law, which will likely be amended in the House before moving to the Senate, generally aims to repeal the taxes that the ACA levied on affluent Americans. In doing so, it would cut off the revenue stream that subsidized the cost of health insurance for Americans closer to the federal poverty level.

A switch from the ACA to the AHCA would also result in a large increase in the numbers of uninsured people in the U.S., according to both the CBO and Congress' Joint Committee on Taxation, and low-income older people would suffer most.

"The increase would be disproportionately larger among older people with lower income; in particular, people between 50 and 64 years old with income of less than 200% of the FPL (federal poverty level) would make up a larger share of the uninsured," the report said.

The CBO estimated that 48 million people under age 65, or roughly 17% of the nonelderly population, would be uninsured in 2020 if the AHCA were enacted as it is currently written. In 2026, that figure would reach 52 million: Roughly 19% of the nonelderly population, or almost double the 10% projected under the ACA. (That figure is currently about 10% and is projected to remain at that level in each year through 2026 under current law.)

Because older people tend to need more medical care than younger people, the new legislation would allow insurers to charge older people five times more than younger ones,

beginning in 2018, unless state set a different limit, the CBO's report said. Under the ACA, insurers could not charge older people more than three times as much as younger people in the individual and small-group markets.

The CBO and the JCT both expect that this change would have to wait until 2019 in order to give the federal government, states, and insurers enough time to incorporate the changes and set new premiums.

The number of people enrolled in coverage through the non-group market because of these changes would increase by less than 500,000 in 2019, probably more younger people and fewer older would enroll, the CBO and JCT estimated. This increase, described by the CBO as small, "would mostly stem from net changes in enrollment among people who had income high enough to be ineligible for subsidies and who would face substantial changes in out-of-pocket payments for premiums," the report said. Currently, people eligible for subsidies in the non-group market are largely insulated from changes in premiums.

In 2020, instead of the receiving tax credits or cost-sharing subsidies, people who bought insurance in the non-group market would receive refundable tax credits, based on their age. For instance, the credit would be $4,000 for those age 60 or older and $2,000 for those under 30. The full tax credit would be available to those with adjusted gross income of $75,000 ($150,000 for joint filers) who weren't eligible for certain other types of insurance. It would phase out gradually for people with income above those thresholds.

A tax credit would be refundable to the extent that it exceeded a person's tax liability. The credits could be advanced to insurers on a monthly basis on behalf of an enrollee. Alternately, enrollees could apply the tax credits to the purchase of most health insurance plans, either through a marketplace or directly from an insurer.

The change in age-rating rules, effective in 2019, would change the premiums faced by different age groups. Premiums for young adults would go down and premiums for older people would go up. By 2026, CBO and JCT project, premiums in the non-group market would be 20% to 25% lower for a 21-year-old and 8% to 10% lower for a 40-year-old—but 20% to 25% higher for a 64-year-old.

According to a *New York Times* report this week, "By 2026, the uninsured rate for those 50 to 64 earning less than about $30,000 would more than double, from around 12% to around 30%."

The change to age-rating rules would allow older adults to be charged five times as much as

younger adults in many states. This is expected to change the mix of enrollees in 2019 relative to 2018. A one-year change to the premium tax credits would "somewhat increase enrollment among younger adults and decrease enrollment among older adults," the CBO expects.

Winners under the new legislation would be higher-income young people. CBO and JCT estimated that a "21-year-old with income at 450% of the FPL in 2026 would be newly eligible for a tax credit of about $2,450 under the legislation but ineligible for a credit under current law." Those lower out-of-pocket payments would "tend to increase enrollment in the non-group market among higher-income people."

The new tax credits are "designed primarily to be paid in advance on behalf of enrollees to insurers," the CBO pointed out. The Internal Revenue Service and the Department of Health and Human Services would have to verify that the credits were being paid to eligible insurers who were offering qualified insurance, as defined under federal and state law on behalf of eligible enrollees.

According to the CBO, Congress would therefore need to appropriate enough money to those agencies to make sure that systems were put in place to make the payments to insurers in a timely manner. "To the extent that they were not, enrollment and compliance could be negatively affected," the CBO report said.