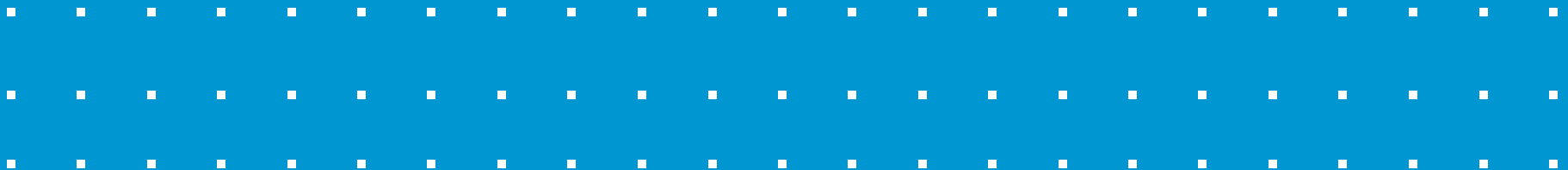




The Health Insurance Policy Simulation Model for Massachusetts (HIPSM-MA): *Overview of the Model and Coverage and Cost Estimates Under the AHCA*

Matthew Buettgens and Linda Blumberg

For the Massachusetts Coalition for Coverage and Care

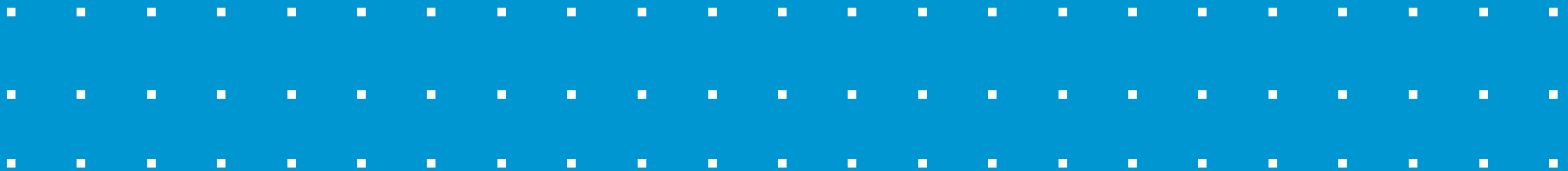


Overview

- HIPSM basics: data sources and calibration to MA
- Coverage and cost implications of the American Health Care Act (AHCA) in MA, 2022



HIPSM: Data Sources and Calibration to MA



HIPSM is a detailed microsimulation model of the US health care system. It estimates the cost and coverage effects of proposed health care policy options, simulating the decisions of employers and households to offer and enroll in health coverage.

HIPSM relies on several national data sources:

American Community Survey (ACS)

Medical Expenditure Panel Survey – Household Component (MEPS-HC)

Medical Expenditure Panel Survey – Insurance Component (MEPS-IC)

Statistics of US Business

For calibrating the model to Massachusetts, the following data sources were also incorporated for estimating Massachusetts-specific coverage and costs:

MassHealth

Health Connector

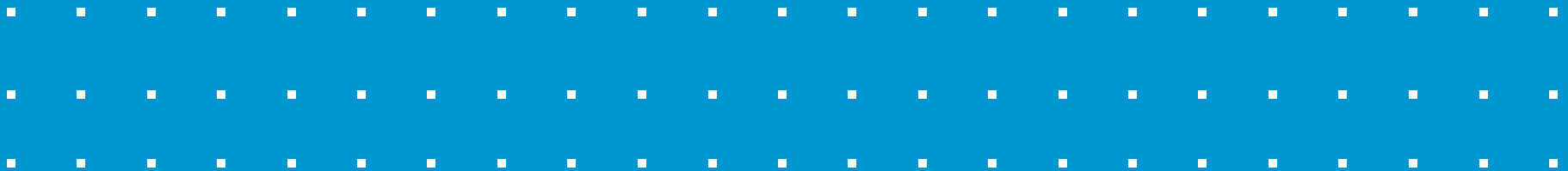
CHIA (for private nongroup coverage)

It is important to note certain items not captured by the model:

- HIPSM-MA does not include funds not directly tied to the health care of MassHealth enrollees, such as safety net pool payments authorized under the 1115 waiver.
- HIPSM-MA does not include home- and community-based waiver spending.
- HIPSM-MA results do include the MassHealth costs associated with those age 65 and over, although the model does not simulate any policy-related behavioral changes for this population.



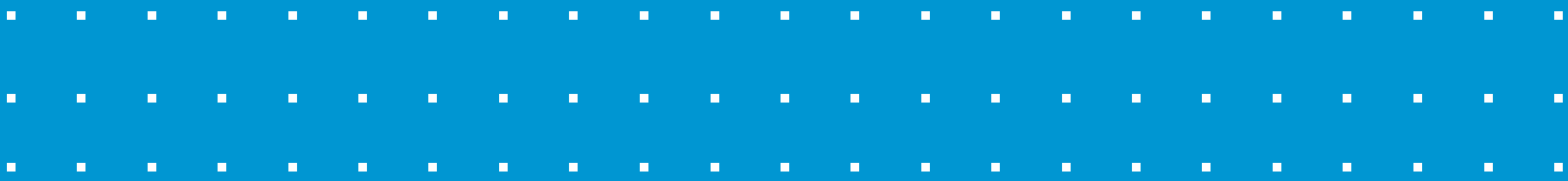
The Implications of the AHCA for Massachusetts Health Coverage and Costs





The Implications of the AHCA for Massachusetts

Overview of the Major Health Insurance
Coverage Components in the AHCA



Major components of AHCA

- Repeals ACA individual and employer mandates (2016), actuarial value standards (2020), and premium and cost-sharing subsidies (2020).
- New premium tax credits – modified version of ACA premium tax credits (2018-2019); flat tax credits adjusted by age instead of income and phased out at high income levels (2020).
- Tax credits can be used inside or outside exchanges (2018).
- Age rating moves to 5:1 unless states adopt different ratio (2018).

Major components of AHCA, continued

- Retains essential health benefits requirements with state option to waive.
- New premium surcharge (30%) for one year for those with gaps in insurance coverage.
- In lieu of premium surcharge, state can opt to implement health status rating for those without continuous coverage.
- Establishes Patient and State Stability Fund to address high risk populations - \$130 billion federal over 9 years, with additional \$8 billion for states waiving community rating. Bulk of funds require state matching.

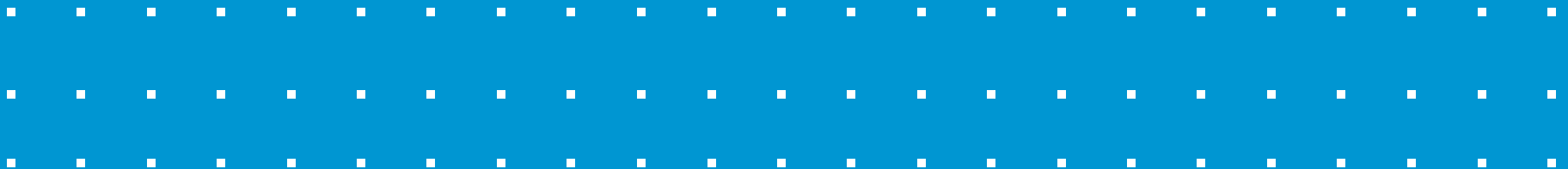
AHCA Medicaid changes

- Limit “expansion state” enhanced match to 80% in 2017.
- Sunset enhanced match as of 2020 (except grandfathered enrollees).
- Provides option for states to implement a work requirement for some Medicaid enrollees.
- Convert federal Medicaid financing to a per capita cap as of 2020.



The Implications of the AHCA for Massachusetts

Assumptions Made to Generate Preliminary
Estimates of AHCA Effects



Modeling Assumptions

- State maintains individual mandate and minimum creditable coverage standards.
- State does not request waivers of EHBs or community rating.
- State maintains maximum of 2:1 age rating.
- State does not provide matching funds to drawn down from Patient and State Stability Fund.
- No employer mandate in place at time of modeling.
- State does not introduce Medicaid work requirements.
- Only remaining financial assistance for those not eligible for Medicaid is AHCA age-related tax credits (i.e., ConnectorCare ends).

Future Medicaid Cost Growth

For this analysis, we used Medicaid cost trend projections from the 1115 waiver agreement.

Eligibility group	Per capita cost growth rate used in HIPSM-MA	AHCA per capita cap growth rate**
Disabled	4.0%	4.7%
Families	3.8%	3.7%
ACA expansion	4.3%	3.7%
Elderly*	4.6%	4.7%

*Cost growth for the elderly was not in the waiver agreement, so we used CBO's projected growth rate.

** AHCA trend rate is based on CPI-M for families and ACA expansion population; CPI-M + 1% for disabled and elderly.

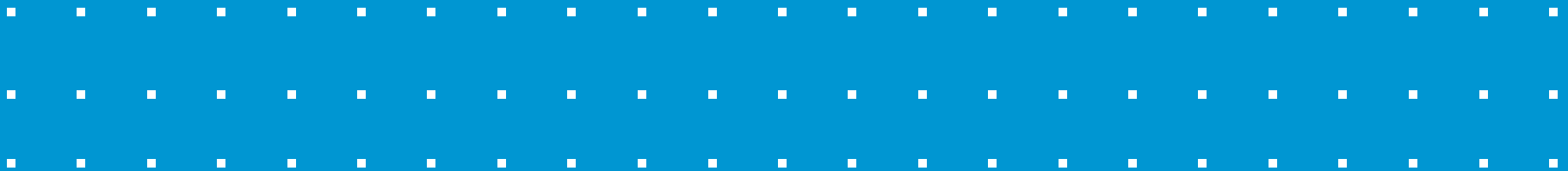
Model Output

- Two scenarios modeled:
 - State maintains ACA Medicaid expansion at lower federal match rate (results in funding gap state must fill)
 - State does not maintain ACA Medicaid expansion (results in coverage gap)
- Target year for output is 2022 when AHCA is fully implemented.



The Implications of the AHCA for Massachusetts

HIPSM-MA Findings
2022



Near-term Impact of AHCA

- The reduction in the federal matching rate for the ACA expansion population starting in 2017 through 2021 would result in a total of \$2.2B less in federal funds coming into MA.
 - The current federal matching rate is 86% and under the ACA is expected to increase to 93% by 2019 and then go down to 90% starting in 2020.
 - Under the AHCA, the federal matching rate is reduced to 80% starting in 2017 and is further reduced to 50% starting in 2020.

Scenario 1: State maintains ACA expansion with lower federal match rate – 90,000 MA residents lose coverage

MA Health Insurance Coverage Changes – ACA v. AHCA All Nonelderly, 2022

All Nonelderly	ACA		AHCA		Change	Percentage-Point Change
Insured	5,294,000	95.7%	5,203,000	94.0%	-90,000	-1.6%
Employer	3,087,000	55.8%	3,125,000	56.5%	38,000	0.7%
Non-Group	344,000	6.2%	220,000	4.0%	-123,000	-2.2%
• AWSS	33,000	0.6%	10,000	0.2%	-23,000	-0.4%
• ConnectorCare (ACA)	141,000	2.5%	--	--	-141,000	--
• Other Marketplace (ACA)	72,000	1.3%	--	--	-72,000	--
• Other non-group	98,000	1.8%	211,000	3.8%	112,000	2.0%
MassHealth	1,785,000	32.3%	1,779,000	32.2%	-5,000	-0.1%
• Disabled	303,000	5.5%	303,000	5.5%	0,000	0.0%
• Nondisabled child	625,000	11.3%	620,000	11.2%	-5,000	-0.1%
• Nondisabled adult	501,000	9.1%	501,000	9.1%	0,000	0.0%
• Medicaid expansion	355,000	6.4%	355,000	6.4%	0,000	0.0%
Other (including Medicare)	78,000	1.4%	78,000	1.4%	0	0.0%
Uninsured	239,000	4.3%	329,000	6.0%	90,000	1.6%
Total	5,532,000	100.0%	5,532,000	100.0%	0,000	0.0%

Source: The Urban Institute, HIPSMA-MA 2017.

Scenario 1: Changes in MassHealth spending under AHCA

- Under the AHCA, federal Medicaid funding would fall by \$1.4 billion, from \$11.0 billion to \$9.6 billion in 2022.
 - This includes the loss of federal 1115 waiver funds for ConnectorCare.
- In order to maintain current eligibility and benefits, state Medicaid funding would have to increase by \$1.1 billion.
 - The state would no longer spend funds on ConnectorCare.
 - To the extent the state is able to perform better than these trends (e.g., as a result of its delivery system reform efforts) the funding gap could be mitigated.

MassHealth Program Spending (in millions) – ACA v. AHCA, 2022

	ACA	AHCA	Change	Percentage-Point Change
State	8,127	9,199	1,072	13.2%
Federal	11,020	9,644	-1,376	-12.5%
Total	18,876	18,843	-33	0.1%

Source: The Urban Institute, HIPSM-MA 2017.

*Program spending does not include administrative costs/spending. MassHealth totals do not include spending not directly tied to the health care of MassHealth enrollees, such as safety net pool payments and does not include spending on home- and community-based waiver services.

Scenario 1: Changes in other federal spending under AHCA

Premium Tax Credits and Cost-Sharing Reductions (2022)

- Under the AHCA, federal spending on advance premium tax credits and cost-sharing reductions would fall by \$384 million, from \$586 million to \$202 million.

Federal Spending on Advance Premium Tax Credits and Cost-Sharing Reductions in Massachusetts (in millions) – ACA v. AHCA, 2022

	ACA	AHCA	Change	Percentage-Point Change
APTCs	453	202	-251	-55.4%
CSRs	133	0	-133	-100.0%
Total	586	202	-384	-65.5%

Source: The Urban Institute, HIPSM-MA 2017.

Scenario 1: Changes in private spending under AHCA

Employer and Household Spending (2022)

- Under the AHCA, health care spending by employers would increase by \$296 million, increasing from \$24.8 billion to \$25.1 billion.
 - E.g., As some who lose ConnectorCare and APTCs take up employer offers deemed “unaffordable” under the ACA.
- Health care spending by non-elderly households would increase by \$253 million, from \$13.5 billion to \$13.8 billion.
 - E.g., as some lose ConnectorCare and now have to pay higher premiums and out-of-pocket spending

Employer and Non-Elderly Household Spending on Health Care in Massachusetts (in millions) – ACA v. AHCA, 2022

	ACA	AHCA	Change	Percentage-Point Change
Employers	24,842	25,139	296	1.2%
Households	13,544	13,798	253	1.9%

Source: The Urban Institute, HIPSM-MA 2017.

Scenario 2: State does not maintain ACA expansion

- Eliminating the expansion population would save \$1.3 billion in 2022 and lead to up to **355,000** Massachusetts residents losing coverage.
- In addition to the 90,000 who already lose coverage with the end of ConnectorCare, this would result in up to **445,000** Massachusetts residents losing coverage.

Ten Year Projected Changes in Spending under AHCA

- Under the AHCA, federal Medicaid funding would fall by \$9.6 billion over 10 years (2017 – 2026).
 - The biggest share of the decrease (\$7.8 billion) is the result of the lower federal match for the expansion population under the ACA.
- In order to maintain current eligibility and benefits,* state Medicaid funding would have to increase by \$7.8 billion over the 10 years.

*with the exception that the ConnectorCare program would end without the APTCs and CSRs, resulting in the state having to spend less than the loss in federal Medicaid revenues.

Source: The Urban Institute, HIPSM-MA 2017.

*Program spending does not include administrative costs/spending. MassHealth totals do not include spending not directly tied to the health care of MassHealth enrollees, such as safety net pool payments and home- and community-based waiver services.