Health Care Reform in Indian Country
Self-Governance Communication & Education
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Cumulative Financial Impact of the Senate Health Plan vs. the Affordable Care Act over the Family Cycle of an AI/AN Family

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This brief examines the _cumulative_ financial impact that health insurance legislation recently introduced in the Senate (Senate bill) would have over a "family cycle" on American Indians and Alaska Natives (AI/ANs) who meet the definition of Indian under the Affordable Care Act (ACA), as compared with current law, including the ACA.[1]

The analysis indicates that, for one moderate-income AI/AN family with average health care costs (or for the family's Tribe if the Tribe finances health care for Tribal members), there would be a cumulative negative financial impact of $323,654 over the family cycle if the Senate bill were enacted, versus current law. And the cumulative negative financial impact could total as much as $633,424 over the family cycle if the family were assumed to have chronic health care expenditures up to the full amount of the deductible annually. Ultimately, the Senate bill would result in (a) an increase in required contributions for health insurance premiums and OOP costs for health plan enrollees, (b) a loss of revenues (and increased uncompensated care) for Indian health care providers, and (c) additional demands on the Indian health system Purchased/ Referred Care program.[2]

Background

The ACA includes a number of provisions designed to make comprehensive health insurance more accessible to low- to middle-income individuals, with a number of protections specific to AI/ANs. Under the ACA, for instance, AI/ANs who meet the definition of Indian qualify for comprehensive cost-sharing protections (regardless of household income), meaning they pay no deductibles, co-insurance, or copayments when receiving essential health benefits (EHBs).[3] These Indian-specific protections were designed for and provided in the ACA in recognition of the federal trust responsibility to AI/ANs and Indian Tribes.

The Senate bill, released on June 22, 2017, would repeal the Indian-specific cost-sharing protections, as well as the general cost-sharing protections, provided under the ACA. In addition, the Senate bill would substantially reduce the value of premium tax credits (PTCs) designed to help low- to middle-income AI/ANs and other individuals purchase health insurance on the individual market. The Senate bill also would phase out the Medicaid expansion program that provides comprehensive health insurance coverage to individuals and families with household income under 138% of the federal poverty level (FPL), with the federal government funding more than 90% of the total costs.

The data presented in the attached tables represent the cumulative financial impact of the Senate bill over a family cycle for an AI/AN family with an annual income of $48,600.[4] A "family cycle" consists of various stages at different points along a continuum as a family matures over time. The family cycle example presented is for a two-adult, two-child AI/AN household, beginning with 22-year-old newlywed adults and tracking them as they become parents, raise their children, and finally retire at age 65. These data are drawn in part from a companion analysis that details the financial impact of the Senate bill on AI/AN families with varying household income levels at different points along a continuum of family cycle stages.[5]

Findings

Two tables are attached that present estimated net health insurance-related costs under the Senate bill versus current law for the example family. The tables indicate the net health plan premium paid (after consideration of available PTCs). However, each table incorporates a different assumption pertaining to the OOP health care costs of plan enrollees, as follows:

- Table A assumes plan enrollees will have "average" OOP costs;[6] and
- Table B assumes plan enrollees will pay the "full deductible" amount annually.

The financial impact of enactment of the Senate bill is estimated to be as follows:

- **Assuming "average" OOP costs, a single AI/AN family (and/or a Tribe on their behalf) would pay out (and/or lose in revenues) an additional $323,654 over the family cycle if the Senate bill were enacted, versus current law.**
- **Assuming payment of the "full deductible" amount annually, a single AI/AN family (and/or a Tribe on their behalf) would pay out (and/or lose in revenues) an additional $633,424 over the family cycle if the Senate bill were enacted, versus current law.**

The magnitude of this financial impact on an AI/AN family demonstrates the tremendous strain the Senate bill, if enacted, would place on the ability of AI/AN families to meet basic necessities, as well as prevent them from accumulating savings for a home purchase, college tuition, or retirement needs. Likewise, to the extent that Tribes redirect Tribal funds to meet the newly-unfunded health care costs, the Senate bill could seriously hamper the ability of Tribes to meet these health care needs as well as other critical Tribal priorities.

Two additional points are important to consider in reviewing these findings.

- The cumulative cost differential under the Senate bill could be even higher than shown here for two reasons:
    - First, the cumulative cost differential could be even higher if a family has chronic health care needs and, as a result, reaches the annual OOP costs maximum ($7,150 per individual and $14,250 per family) each year.

- Second, the cumulative cost differential could be even higher if a family has a higher or lower income level. In fact, for families at most other income levels shown in the companion analysis, the cumulative cost differential would be higher than shown here.

- A moderate-income family (or a Tribe on their behalf) could incur most of or the entire cumulative cost differential under the Senate bill over the family cycle ($323,654 or $633,424, depending on the assumption of OOP costs) *before the health plan pays any medical claims under the coverage.*

  - This could occur because the value of the PTCs under the Senate bill is tied to a health plan that will have a large deductible (at least $6,100 per individual and $12,200 per family), with enrollee OOP costs needing to reach this level before the plan begins covering health care services.[7]

  - In addition, the Senate bill would eliminate the comprehensive Indian-specific cost-sharing protections that protect AI/ANs from paying the deductible, a provision included in the ACA to satisfy more fully the federal trust responsibility to AI/ANs. (The Senate bill also would eliminate the cost-sharing protections for the general population.)

Conclusion

If enacted, the Senate bill would impose a tremendous financial burden on AI/AN families (or Tribes on their behalf). Rather than more fully fulfilling the federal trust responsibility, the Senate bill would impose on AI/AN families significantly higher net health insurance-related costs than they have under current law at every family cycle stage, with the difference in net costs continuing to grow larger with each successive stage. For an AI/AN family with earnings of $48,600 per year and average OOP health care costs, the increased financial burden imposed by the Senate bill would total $323,654 over the period analyzed. This higher burden results from Senate bill provisions that would terminate the comprehensive Indian-specific cost-sharing protections, significantly lower federal subsidies for health insurance premiums, and phase out the ACA Medicaid expansion.

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[1] This brief is for informational purposes only and is not intended as legal advice. For questions on this brief, please contact Doneg McDonough, TSGAC Technical Advisor, at DonegMcD@Outlook.com.
[2] The Purchased/Referred Care program finances health care services at non-Indian health care providers when services at not readily available within the Indian health care system.
[3] The ACA eliminates cost-sharing for Marketplace enrollees who meet the ACA definition of Indian (*i.e.*, member of an Indian tribe or shareholder in an Alaska Native regional or village corporation). Under sections 1402(d)(1) and (2) of the ACA, Indians can enroll in either a zero or limited cost-sharing plan, depending on their income level, and receive comprehensive cost-sharing protections (*e.g.*, no deductibles, coinsurance or copayments).
[4] The analyses are based on health insurance-related costs for AI/AN families in Big Horn County, Montana.
[5] See "Family Cycle Analysis: Financial Impact of the Senate Health Plan vs. the Affordable Care Act on AI/AN and Other Families," June 29, 2017.
[6] In practice, the out-of-pocket (OOP) costs would result in a combination of (a) increased enrollee OOP costs; (b) foregone revenue by Indian health care providers, and (c) increased PRC payments.
[7] Under current law, some preventive services are fully covered by the health plan before the deductible is reached. This provision might remain in effect if the Senate bill were enacted.

TABLE A: Comparison of Health Insurance-Related Costs (Individual Market), Annual and Cumulative: Current Law / Affordable Care Act (ACA) vs. Senate Plan[1, 2]						
AI/AN Family in Big Horn County, MT; annual income $48,600[3]						
Year of Coverage	Family Members		Current Law / ACA Net Costs	Senate Plan Net Costs (w/ Average OOP)	Net Costs Difference Under Senate Plan	
	2 Adults at Age:	2 Children at Age:			Annual	Cumulative
1	22	--	$2,697	$4,377	**+$1,680**	**+$1,680**
2	23	--	$2,697	$4,377	**+$1,680**	**+$3,359**
3	24	--	$2,697	$4,377	**+$1,680**	**+$5,039**
4	25	--	$2,689	$4,377	**+$1,688**	**+$6,727**
5	26	--	$2,650	$4,377	**+$1,727**	**+$8,454**
6	27	--	$2,603	$4,377	**+$1,774**	**+$10,227**
7	28	--	$2,526	$4,377	**+$1,850**	**+$12,078**
8	29	--	$2,464	$4,377	**+$1,913**	**+$13,991**
9	30	0	$900	$7,196	**+$6,296**	**+$20,286**
10	31	1	$853	$7,196	**+$6,343**	**+$26,629**
11	32	2	$806	$7,196	**+$6,389**	**+$33,018**
12	33	3	$777	$7,196	**+$6,419**	**+$39,438**
13	34	4	$745	$7,196	**+$6,450**	**+$45,888**
14	35	5	$730	$7,196	**+$6,466**	**+$52,354**
15	36	6	$714	$7,196	**+$6,482**	**+$58,836**
16	37	7	$698	$7,196	**+$6,498**	**+$65,333**
17	38	8	$682	$7,196	**+$6,513**	**+$71,847**
18	39	9	$651	$7,196	**+$6,545**	**+$78,391**
19	40	10	$620	$7,682	**+$7,062**	**+$85,453**
20	41	11	$573	$7,682	**+$7,109**	**+$92,562**
21	42	12	$528	$7,682	**+$7,154**	**+$99,716**
22	43	13	$465	$7,682	**+$7,217**	**+$106,933**
23	44	14	$387	$7,682	**+$7,295**	**+$114,228**
24	45	15	$295	$7,682	**+$7,387**	**+$121,615**
25	46	16	$185	$7,682	**+$7,497**	**+$129,112**
26	47	17	$61	$7,682	**+$7,621**	**+$136,732**
27	48	18	$0	$7,682	**+$7,682**	**+$144,414**
28	49	19	$0	$7,682	**+$7,682**	**+$152,096**
29	50	20	$0	$10,478	**+$10,478**	**+$162,574**
30	51	21	$0	$10,478	**+$10,478**	**+$173,052**
31	52	22	$0	$10,478	**+$10,478**	**+$183,529**
32	53	23	$0	$10,478	**+$10,478**	**+$194,007**
33	54	24	$0	$10,478	**+$10,478**	**+$204,485**
34	55	25	$0	$10,478	**+$10,478**	**+$214,963**
35	56	26	$0	$10,478	**+$10,478**	**+$225,441**
36	57	--	$0	$11,976	**+$11,976**	**+$237,417**
37	58	--	$0	$11,976	**+$11,976**	**+$249,393**
38	59	--	$0	$11,976	**+$11,976**	**+$261,370**
39	60	--	$0	$12,457	**+$12,457**	**+$273,826**
40	61	--	$0	$12,457	**+$12,457**	**+$286,283**
41	62	--	$0	$12,457	**+$12,457**	**+$298,740**
42	63	--	$0	$12,457	**+$12,457**	**+$311,197**
43	64	--	$0	$12,457	**+$12,457**	**+$323,654**

[1] The Senate plan is based on discussion draft released on June 22, 2017.

[2] The analysis does not include adjustments for changes in cost factors over time. Notes on cost factors used in the analysis appear below:

Premiums: Premiums for Blue Cross Blue Shield Basic 103 in 2017 are used in the analysis, with all family members eligible for premium tax credits (PTCs) assumed to enroll in the plan. The plan has an annual deductible of $6,100 per individual/$12,200 per family and an OOP maximum of $7,150 per individual/$14,300 per family. Premiums were not adjusted under the Senate plan to account for an allowable 5:1 age rating (versus 3:1 under current law).

PTCs: The PTCs shown for the ACA were generated by HealthCare.gov and capped at the amount of the total plan premium. As under the ACA, the Senate plan would base the value of PTCs on a reference plan. However, rather than using the second-lowest-cost silver plan, which has an actuarial value (AV) of 70%, the Senate bill would use the "applicable median cost benchmark plan," which has an AV of 58%, as the reference plan (the lowest AV allowed for a bronze plan under the ACA). All available bronze plans in Big Horn County, MT, in 2017 have an AV of 60%; the PTCs for the Senate plan were calculated using the premium for one of these plans. The Senate plan also would revise the ACA "applicable percentage" schedule, which determines the percentage of household income Marketplace enrollees must contribute when calculating PTCs, to provide more financial assistance for younger enrollees and less for older enrollees; the PTCs calculated for the Senate plan reflect this change. The ACA does not adjust the applicable percentage by age.

OOP Costs: The ACA eliminates cost-sharing for Marketplace enrollees who meet the ACA definition of Indian (i.e., member of an Indian tribe or shareholder in an Alaska Native regional or village corporation). Estimated average out-of-pocket costs shown are derived from average payments made in 2016 by HHS to Marketplace health plans in Montana to compensate for cost-sharing protections provided for policies with at least one AI/AN enrollee. A conservative estimate of the average value of the cost-sharing protections is shown; the average benefit likely is greater. Figures are adjusted to reflect changes in the ages of family members and the number of enrollees.

[3] In Montana, Medicaid covers all adults up to 138% FPL, and CHIP covers children ages 0-18 up to 266% FPL.

[4] Figures are based on the family incurring average OOP costs.

TABLE B: Comparison of Health Insurance-Related Costs (Individual Market), Annual and Cumulative: Current Law / Affordable Care Act (ACA) vs. Senate Plan[1, 2]						
AI/AN Family in Big Horn County, MT; annual income $48,600[3]						
Year of Coverage	Family Members		Current Law / ACA Net Costs	Senate Plan Net Costs (w/Full Deductible)	Net Costs Difference Under Senate Plan	
	2 Adults at Age:	2 Children at Age:			Annual	Cumulative
1	22	--	$2,697	$14,267	**+$11,570**	**+$11,570**
2	23	--	$2,697	$14,267	**+$11,570**	**+$23,139**
3	24	--	$2,697	$14,267	**+$11,570**	**+$34,709**
4	25	--	$2,689	$14,267	**+$11,578**	**+$46,287**
5	26	--	$2,650	$14,267	**+$11,617**	**+$57,904**
6	27	--	$2,603	$14,267	**+$11,664**	**+$69,567**
7	28	--	$2,526	$14,267	**+$11,740**	**+$81,308**
8	29	--	$2,464	$14,267	**+$11,803**	**+$93,111**
9	30	0	$900	$14,776	**+$13,876**	**+$106,986**
10	31	1	$853	$14,776	**+$13,923**	**+$120,909**
11	32	2	$806	$14,776	**+$13,969**	**+$134,878**
12	33	3	$777	$14,776	**+$13,999**	**+$148,878**
13	34	4	$745	$14,776	**+$14,030**	**+$162,908**
14	35	5	$730	$14,776	**+$14,046**	**+$176,954**
15	36	6	$714	$14,776	**+$14,062**	**+$191,016**
16	37	7	$698	$14,776	**+$14,078**	**+$205,093**
17	38	8	$682	$14,776	**+$14,093**	**+$219,187**
18	39	9	$651	$14,776	**+$14,125**	**+$233,311**
19	40	10	$620	$15,262	**+$14,642**	**+$247,953**
20	41	11	$573	$15,262	**+$14,689**	**+$262,642**
21	42	12	$528	$15,262	**+$14,734**	**+$277,376**
22	43	13	$465	$15,262	**+$14,797**	**+$292,173**
23	44	14	$387	$15,262	**+$14,875**	**+$307,048**
24	45	15	$295	$15,262	**+$14,967**	**+$322,015**
25	46	16	$185	$15,262	**+$15,077**	**+$337,092**
26	47	17	$61	$15,262	**+$15,201**	**+$352,292**
27	48	18	$0	$15,262	**+$15,262**	**+$367,554**
28	49	19	$0	$15,262	**+$15,262**	**+$382,816**
29	50	20	$0	$15,748	**+$15,748**	**+$398,564**
30	51	21	$0	$15,748	**+$15,748**	**+$414,312**
31	52	22	$0	$15,748	**+$15,748**	**+$430,059**
32	53	23	$0	$15,748	**+$15,748**	**+$445,807**
33	54	24	$0	$15,748	**+$15,748**	**+$461,555**
34	55	25	$0	$15,748	**+$15,748**	**+$477,303**
35	56	26	$0	$15,748	**+$15,748**	**+$493,051**
36	57	--	$0	$17,246	**+$17,246**	**+$510,297**
37	58	--	$0	$17,246	**+$17,246**	**+$527,543**
38	59	--	$0	$17,246	**+$17,246**	**+$544,790**
39	60	--	$0	$17,727	**+$17,727**	**+$562,516**
40	61	--	$0	$17,727	**+$17,727**	**+$580,243**
41	62	--	$0	$17,727	**+$17,727**	**+$597,970**
42	63	--	$0	$17,727	**+$17,727**	**+$615,697**
43	64	--	$0	$17,727	**+$17,727**	**+$633,424**

[1] The Senate plan is based on discussion draft released on June 22, 2017.

[2] The analysis does not include adjustments for changes in cost factors over time. Notes on cost factors used in the analysis appear below:

Premiums: Premiums for Blue Cross Blue Shield Basic 103 in 2017 are used in the analysis, with all family members eligible for premium tax credits (PTCs) assumed to enroll in the plan. The plan has an annual deductible of $6,100 per individual/$12,200 per family and an OOP maximum of $7,150 per individual/$14,300 per family. Premiums were not adjusted under the Senate plan to account for an allowable 5:1 age rating (versus 3:1 under current law).

PTCs: The PTCs shown for the ACA were generated by HealthCare.gov and capped at the amount of the total plan premium. As under the ACA, the Senate plan would base the value of PTCs on a reference plan. However, rather than using the second-lowest-cost silver plan, which has an actuarial value (AV) of 70%, the Senate bill would use the "applicable median cost benchmark plan," which has an AV of 58%, as the reference plan (the lowest AV allowed for a bronze plan under the ACA). All available bronze plans in Big Horn County, MT, in 2017 have an AV of 60%; the PTCs for the Senate plan were calculated using the premium for one of these plans. The Senate plan also would revise the ACA "applicable percentage" schedule, which determines the percentage of household income Marketplace enrollees must contribute when calculating PTCs, to provide more financial assistance for younger enrollees and less for older enrollees; the PTCs calculated for the Senate plan reflect this change. The ACA does not adjust the applicable percentage by age.

OOP Costs: The ACA eliminates cost-sharing for Marketplace enrollees who meet the ACA definition of Indian (i.e., member of an Indian tribe or shareholder in an Alaska Native regional or village corporation). Estimated average out-of-pocket costs shown are derived from average payments made in 2016 by HHS to Marketplace health plans in Montana to compensate for cost-sharing protections provided for policies with at least one AI/AN enrollee. A conservative estimate of the average value of the cost-sharing protections is shown; the average benefit likely is greater. Figures are adjusted to reflect changes in the ages of family members and the number of enrollees.

[3] In Montana, Medicaid covers all adults up to 138% FPL, and CHIP covers children ages 0-18 up to 266% FPL.

[4] Figures are based on the family meeting the full plan deductible.