

The ACA: How “Repeal and Replace” Would Impact Seniors and Medicare

Replacing something with nothing is likely to be unsatisfactory, so opponents of the Affordable Care Act, widely known as Obamacare, have been promising for years to repeal it and replace it with a better law. Some of the promises are wildly extravagant, such as assurances that a new law will offer wider and better coverage at lower cost both to enrollees and to the government. Sometimes the promise is to repeal and replace simultaneously, sometimes it is to repeal the ACA now but to delay its implementation for the repeal for several years – maybe until after the midterm election in 2018, or while legislators develop the replacement bill. Another strategy is to chip away at the ACA by repealing one provision at a time over a period of years, thus gradually shrinking costs, benefits, and the number of people covered.

Sometimes the focus is on keeping the ACA features that everyone likes, such as the ban on the exclusion of pre-existing conditions, while discarding unpopular features such as the universal mandate. But these and other features of the ACA are so interwoven that it is impossible to keep only the appealing parts. The mandates, restrictions, and other disliked features make the desirable parts possible. After Congress missed the January 27 deadline that some members had established, there has been talk of “repairing” the ACA, rather than repealing and replacing it.

Since Medicare is a well-established program that predates the ACA by decades, would repeal of the ACA affect Medicare and its beneficiaries? It would indeed, because the ACA made many positive changes in Medicare, which would be lost by repeal. Comparisons between Medicare as improved by the ACA and Medicare without the ACA are tricky, because what might replace the ACA is still unknown. But there are several key points of concern:

- The ACA greatly improved Medicare Part A’s long-term financial outlook. Most workers and employers pay the Medicare payroll tax of 1.45% each, which goes into the Part A trust fund that covers hospital in-patient care and related benefits. The ACA added another 0.9% that is paid by both employers and workers on earnings over \$200,000 (\$250,000 for couples). The Congressional Budget Office estimates that repealing this 0.9% tax would reduce Medicare revenue by \$123 billion between 2016 and 2035, and move the depletion date of the Part A trust fund forward four years, from 2028 to 2024. It would probably also lead to higher premiums, deductibles, and copayments for beneficiaries or to significantly reduced benefits, while giving the wealthy a significant tax break.
- The ACA is phasing out the “doughnut hole,” or coverage gap, in Medicare drug coverage under Part D, which affects 9 million people, about a fourth of all Part D enrollees. Before the ACA, Part D enrollees lost all drug coverage once they reached a certain drug cost (this year it’s \$3,700), so they then had to pay the full cost of all their drugs, while continuing to pay their Part D premium even though they were receiving no benefit. In response, many people stopped taking their prescriptions altogether, or split pills or skipped doses to reduce the cost. The ACA is phasing the doughnut hole out; this year, enrollees receive a discount of 60% on name brand drugs and 49% on generics while in the hole. The discounts increase every year, and by 2020 the doughnut hole will be completely gone. Without the ACA, this most maligned feature of Medicare drug coverage would reappear unless a replacement law continued the phase-out.
- The ACA also greatly improved coverage for a wide range of preventive benefits and wellness coverage under Part B, such as annual wellness visits and screenings for cancer, heart disease, osteoporosis, depression, and diabetes. These benefits are effectively free to

recipients, since they are not subject to the Part B deductible or copayments. Good public policy encourages people to use benefits that are proven to help maintain their health and lower costs. Without the ACA, Medicare beneficiaries would again have to pay for these prevention and wellness benefits.

- Another ACA feature was improved consumer protection for Medicare Advantage enrollees, such as the requirement that these managed care plans spend at least 85% of their premium income on care, and restrictions on increased costs for key services, such as cancer care. If the ACA is repealed, these protections could also be lost.
- The ACA created the Center for Medicare & Medicaid Innovation (CMMI, or Innovation Center) to test and implement new approaches for Medicare to pay doctors, hospitals, and other providers. Its goal was to determine whether changes in the organization and delivery of care could either reduce spending while maintaining the quality of care or improve the quality of care without increasing spending. Related innovations included the creation of Accountable Care Organizations and a package of incentives for hospitals to reduce preventable readmissions and hospital-acquired conditions. The Congressional Budget Office estimates that the CMMI's operations will generate net savings of \$34 billion between 2017 and 2026, so a repeal of the ACA would be costly in this regard, as well as in terms of higher rates of hospital readmissions and hospital-acquired conditions if these programs are discarded.
- About 20% of people aged 55 to 64 could lose their health insurance if the ACA is repealed without an immediate replacement that provides comprehensive and affordable coverage. Others might keep health insurance but be hurt by the loss of the ban on pre-existing condition exclusion. When these people become eligible for Medicare in less than a decade, many of them are likely to be in much worse health than they would have been if they had had uninterrupted comprehensive health insurance. Some of them will have hypertension that went uncontrolled, some will have undiagnosed diabetes, and some will have cancer that has advanced beyond the early stages. Then it will be Medicare's responsibility and expense to try to restore or preserve their health.