



STATE OF WASHINGTON

June 28, 2017

The Honorable Patty Murray, U.S. Senator
The Honorable Maria Cantwell, U.S. Senator
The Honorable Suzan DelBene, U.S. Representative, 1st District
The Honorable Rick Larsen, U.S. Representative, 2nd District
The Honorable Jaime Herrera Beutler, U.S. Representative, 3rd District
The Honorable Dan Newhouse, U.S. Representative, 4th District
The Honorable Cathy McMorris Rodgers, U.S. Representative, 5th District
The Honorable Derek Kilmer, U.S. Representative, 6th District
The Honorable Pramila Jayapal, U.S. Representative, 7th District
The Honorable Dave Reichert, U.S. Representative, 8th District
The Honorable Adam Smith, U.S. Representative, 9th District
The Honorable Denny Heck, U.S. Representative, 10th District
United States Capitol
Washington, DC 20510

Dear Members of the Washington State Congressional Delegation:

We write to express significant concerns with the *Better Care Reconciliation Act* (BCRA), pending consideration in the U.S. Senate, and we urge you to oppose this legislation.

This bill, if implemented, would – like its House companion, the *American Health Care Act* – deprive 22 million Americans and hundreds of thousands of Washingtonians of health insurance, undermine choice and significantly increase costs of private health insurance in our state, shift untenable costs onto our state budget, and damage our state’s economy. The BCRA would end Medicaid as we know it, by divesting hundreds of billions of dollars from this essential federal program that provides care for millions of Americans.

Our state implemented the Affordable Care Act (ACA) with bipartisan support, and because of it, Washingtonians now have access to better and more affordable health care. The BCRA threatens to not only reverse this progress, but has the potential to leave our state’s health care system in worse shape than it was in the years preceding the ACA’s passage.

Since the ACA was first implemented, over 750,000 Washingtonians have been able to access health care through the Washington Health Benefit Exchange and our state’s Medicaid expansion – cutting our state’s uninsured rate from 14 percent to just 5.8 percent. And it has been a tremendous boon for our state’s economy, especially in rural areas. Washington hospitals’ uncompensated care costs were cut nearly in half, and 51,000 newly-created jobs in our state have been attributed to the ACA’s implementation.

The BCRA decimates Washington state’s budget, cutting approximately \$4.3 billion annually in Medicaid by 2028. Since our state would be unable to afford these costs shifted upon it by the federal government, we have to assume they will be cut.

Delaying the impact of these reductions, as the bill proposes to do, will not hide the fact that 600,000 people – many of whom live in rural communities – will lose insurance. About 25 percent of low income

seniors and disabled people will lose long-term care services that now allow them to stay in their own homes and communities. Thirty thousand people who suffer from substance use disorder would lose treatment they need to return to work and not go to jail. Twenty-four thousand veterans who now have coverage and care will lose it. And providers throughout the state, who are now able to implement reforms to improve the quality of care and improve health outcomes for everyone, will no longer be able to develop those care systems for the most vulnerable who will be without coverage.

Almost 200,000 people are enrolled in our Health Benefit Exchange. Two-thirds of these currently benefit from advance premium tax credits. More than 70,000 of these also receive cost-sharing reductions to make their out-of-pocket costs more affordable. Under the BCRA, low income and older consumers – many of whom are more likely to live in rural areas – will face higher premiums along with unacceptably high deductibles and out-of-pocket costs for lower value plans. Enrollment in the individual market will drop as young people choose not to buy health plans with thousands of dollars in deductibles, and lower income and older individuals can't find plans that are affordable. This will put Washington's individual market at a high risk of destabilization and threaten access to coverage outside the Exchange as well.

We have enclosed fact sheets detailing some of the most consequential impacts the BCRA would have on our state.

While the ACA is not perfect, it has enabled our state to make enormous progress in health care. It has provided our state with critical tools to further improve the health of Washingtonians. It has allowed us to offer treatment to people struggling with opioid addiction, make preventative care available, improve integration of physical and mental health services, and control the costs of care. The *Better Care Reconciliation Act* would reverse the progress we have made.

By effectively repealing our state's Medicaid Expansion and setting a per-capita cap on the underlying program, and by repealing key ACA provisions and subsidies that make health care more affordable for Americans and provide stability to our health insurance marketplace, the *Better Care Reconciliation Act* would wreak havoc on our state.

Lastly, we are very concerned about the unprecedented way in which the BCRA was developed and drafted. Good and lasting policy requires time for intense public scrutiny in order to improve elements and remove unintended consequences. There have been no hearings on the BCRA. States that will be charged with its implementation have not been given an opportunity to review and comment on the bill. Governors and state officials from both parties and every region in the country have urged the U.S. Senate to slow down and conduct a more transparent legislative process. We stand ready to work with Congress and the Administration on policies that can truly improve the American health care system. But this legislation would do exactly the opposite.

We strongly urge you to oppose the *Better Care Reconciliation Act*.

Sincerely,



Jay Inslee
Governor



Mike Kreidler
Insurance Commissioner

Enclosures



STATE OF WASHINGTON

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Washington State Impact: BCRA of 2017

Costs to Washington State:

1. Overall - When fully implemented in 2028, Washington State will have **\$4.3 billion less per year** to cover ACA and Medicaid related cuts. The two major changes are the ACA reductions and the per capita cap on the Medicaid program. Major components are:
 - a. \$351 million will be needed to reinstate programs that are on books but were supplanted by ACA if the legislature does not fund the below costs.
 - b. \$2.6 billion less for the Medicaid expansion population.
 - c. \$1.3 billion less for aged, blind and disabled.
 - d. \$357 million less for children and other adults.

Note: These are large impacts on home and community based services for elderly and disabled – a cut of about 25%. 13,000 developmentally disabled people would lose services and 22,500 adults – seniors and disabled – would lose services.

Coverage (Assuming the Legislature will not invest \$4.3 billion):

1. Uninsured rate across the state would grow from current 5.8% (lowest ever) to 15% by 2021.
2. Coverage for 600,000 Medicaid people at risk of being discontinued unless the state comes up with \$1.3 billion (see above).
3. 24,000 Veterans and families would lose current coverage.
4. 98,000 people in the state who get services at Planned Parenthood would lose that access to services, and if not otherwise insured with reproductive coverage, would have difficulty affording or accessing care.
5. Uninsured kids will rise from 2.5% (current) to 5.9% (the % prior to expansion). This is a 136% increase. BCRA is not changing eligibility. Recently, the uninsured decreased to 2.5% because their parents were in the expansion population and the kids got covered when the parents got covered. We expect this number to revert to the pre-expansion number.

Insurance Market:

1. Individual market would be at risk of being destabilized. Mandates are removed and CSR subsidy is eliminated in 2020.
2. Older people (50-64 age group) and lower income households, particularly those living in rural areas, would see the biggest drops in affordability and coverage. Younger, lower income people would be likely to drop coverage because of elimination of the individual mandate.

Care:

1. Addressing the opiate epidemic would be severely curtailed as Medically Assisted Treatment would not be available. We have been able to care for 30,000 people with substance use disorder and have treated 10,000 people with opiate use with medically assisted treatments in 2016.
2. Prevention for people in the early stages of mental illness - before they are 'severely mentally ill' - will be markedly limited as most of the target population will be uninsured again. We have been able to treat 168,000 people in 2016, who now will be uninsured,

3. Early detection and treatment for cancer would be imperiled. We have been able to intervene with cancer patients earlier and more effectively. 29,922 women got breast cancer screening in FY16. 33,268 women got cervical cancer screening in FY16. 20,000 people with Cancer have gotten active treatment since the implementation of the ACA.
4. In addition, other gains would be reversed. The 1,100 people who got treatment for Hepatitis C and 147,000 Medicaid expansion adults who received dental services in SFY16 would lose access.
5. Care provided by rural hospitals and Community Health Centers to their communities would be hardest hit.
 - a. Rural Hospitals are overwhelmingly Medicaid and Medicare dependent. Many of their patients will revert to uninsured and the BCRA does not reinstate the DSH payments in WA – a resource that filled needed gaps before the ACA.
 - b. Community Health Centers have converted most of their uninsured patients to Medicaid under the ACA. They will lose that stream of funding but be required to continue to care for all.
6. Private hospitals that provide necessary hospital care for our Medicaid program will be hurt. Essential services like Harborview Medical Center will lose approximately \$600 million due to the proposed cuts over the next ten years. The Providence system's fourteen hospitals will see a \$4.23 billion loss over the same time.

Needed System Improvements:

1. Ongoing system improvements are at risk from the BCRA barriers to care for the most vulnerable people in our communities. The ACA supported SIM grant (funded through an ACA Innovation award) helped Washington establish the “Healthier Washington” program. This program has enabled Washington to develop:
 - a. Common performance measures,
 - b. Pay for quality contracting - pays for quality and not just more services,
 - c. Engagement by every region in the state to identify health needs, and
 - d. Assistance to local providers to better addressing behavioral health and community needs.
2. Public Health has been enhanced at \$10 million/year from the ACA Prevention fund for immunization, lead poisoning prevention, cancer and tobacco prevention, disease investigation and surveillance and other essential services.
3. The SIM grant supported the development of the Medicaid 1115 Demonstration waiver that supports Healthier WA and brings \$1.5 billion to the providers of the state to improve the quality of the services provided.

Employment:

1. We are at risk of losing the entire 51,000 employment bump and thousands more people who support the other Medicaid cuts.

Impacts of the Proposed Senate Better Care Reconciliation Act (BCRA) on Washington State's Individual Market

Developed by the Washington State Office of the Insurance Commissioner and the Washington Health Benefits Exchange

Summary

The cumulative effect of BCRA will be to decrease enrollment in the individual market and increase premiums, putting the Washington individual market at high risk of destabilization.

Elimination of the personal mandate will lead to decreased enrollment, particularly among healthy, younger consumers. This will result in increased premiums for consumers who need coverage (older and less healthy people), because carriers will need to compensate for a smaller, sicker risk pool.

This will be compounded by the fact that BCRA provides lower levels of financial help to purchase leaner health insurance. Consumers who continue to need care – particularly low income and older consumers, many of whom are more likely to live in rural areas – will face higher premiums and higher deductibles and out-of pocket spending, for lower value plans. This will result in decreased enrollment as more people find plans unaffordable.

In addition, the significant reduction in Medicaid coverage could result in the immediate shift of currently fully insured individuals to the individual market or to the uninsured population. This shift would almost necessarily produce adverse selection into the individual market as only the sickest people would be motivated to enroll in the higher deductible, lower coverage value plans subsidized under the Senate bill.

These factors will continue to discourage carriers from offering individual insurance, resulting in less competition, less choice and higher prices.

Repeal of individual mandate

This repeal automatically drives many of the healthiest individuals from the market. These individuals tend to be younger and would pay more in premiums than they receive in benefits. The removal of this population will likely lead to increases in overall premiums.

- We have previously estimated that this impact would be ~30,000 individuals barring any other changes.

Loss of Cost Sharing Reductions (CSRs) for over 70,000 Residents

Perhaps the biggest impact on the individual market in Washington of the Senate bill would result from the elimination of CSR's in 2020. CSRs significantly reduce out of pocket expenditures for many of the lowest income enrollees in the Exchange. Without CSRs individuals receive very little benefit from premium assistance through advance premium tax credits (APTC's) (even for the lowest level insurance plan) because few would be able to afford the out of pocket costs to reach their deductible. This would cause thousands of current consumers to disenroll.

- In 2016, Washington carriers received ~\$64M in CSR payments from the federal government.
- Over 70,000 Washington residents are currently receiving CSRs
 - These residents are in households with income less than 250% FPL and are enrolled in a silver plan.
- For lowest income consumers, loss of the CSR is catastrophic – Based upon health plans offered in 2017, deductibles would increase by over 1000% (from \$600 to \$7,050) -- an amount equaling 45% of the consumer's annual income (up from 4%).

Example: King County - lowest cost silver plan		
	Deductible with CSR	Deductible without CSR
133% FPL (\$15,800/yearly income)	\$600	\$7,050
200% FPL (\$23,760/yearly income)	\$2,000	\$7,050
300% FPL (\$35,640/yearly income)	N/A	\$7,050

Lowers Tax Credit - Change in Benchmark from Silver to Bronze Level Plan

The Senate bill gives lower income and older residents less assistance to buy insurance that covers less, by increasing the share of income that older people must pay toward the cost of their premiums and pegging the tax credit (APTC) to a bronze benchmark plan that has a median actuarial value (AV) of 58%. The bronze benchmark plan will have higher deductibles and lower coverage value than the current silver benchmark plans (68%-72% AV). This change effectively reduces the APTC subsidy, which will cause price sensitive enrollees to drop coverage entirely, or switch from a silver plan to a bronze plan.

- Over 115,000 residents currently receive the APTC; 72% are enrolled in a silver plan; 60% are over age 45; 56% are under 200% FPL. Affordability barriers will be more challenging for low income, elderly enrollees.

Loss Tax Credit for 10,000 Residents

The Senate bill also eliminates the premium tax subsidy for 10,000 current Exchange enrollees earning 350%-400% FPL (~\$40,000 - \$50,000/year). More than one-third of this population (36%) is over 55 years old.

- For older residents, this impact will be notable - see example below using 2017 data, which shows that even in a bronze plan, the premium for a 60-year-old would increase by 128% (from \$285 to \$649).

Example: Grays Harbor - Bronze Plan

350% FPL (\$42,210/yearly income)				
Age	Avg Bronze Plan Rate	Current APTC	Current Rate after APTC	Rate after BCRA
40	\$305.54	\$0.00	\$305.54	\$305.54
50	\$427.00	\$123.00	\$304.00	\$427.00
60	\$648.86	\$364.00	\$284.86	\$648.86

- Affordability issues for older enrollees will be exacerbated by the age rating changes described below.

Age Banding 1:5

This change would allow older residents to be charged more for their coverage (Washington has a maximum age band of 1:3.75 enumerated in statute). Increases in price for 50+ individual market enrollees would likely disproportionately burden this population compared to the positive impact on enrollment of reduced costs for younger individuals, as older enrollments outnumber young enrollments more than 2:1 in the Exchange. Under the ACA, some of the price increase for age 50+ individuals is typically offset by increased APTC subsidies that are tied to plan costs. But the lower APTC under BCRA will mean this 50+ group will generally incur higher costs.



Washington State Examples: Consumer Impacts of the Proposed Senate Better Care Reconciliation Act (BCRA)

Increased Deductibles

- Kara, 40, works in Yakima. She is currently enrolled in the lowest cost silver plan through the Exchange.
 - Making \$16,000/year, she is eligible for a cost-sharing reduction (CSR) that reduces her deductible to \$600. Elimination of CSRs under BCRA will result in her deductible increasing from \$600 to \$7,050 (an increase of 1075%). She would need to spend nearly half of her income (45%) on her deductible before she received any significant benefit, other than preventive services, from her health insurance coverage.
 - If she is promoted to \$12/hour or \$24,000/year, she is eligible for a CSR that reduces her deductible to \$2,000. Elimination of CSRs under BCRA will result in her deductible increasing from \$2,000 to \$7,050 (an increase of 253%). She would need to spend a third of her income (33%) on her deductible before she received any significant benefit, other than preventive services, from her health insurance coverage.

Higher Premiums

- Damon, 60 works in King County. He is currently enrolled in the lowest cost silver plan through the Exchange.
 - Making \$16,000/year, his premium will increase 5 times to \$50/month or \$600/year. More significantly, his deductible will increase from \$600 to \$7,050.
 - Making \$12/hour (\$24,000/year) – his premium will increase 3 times to \$187/month or \$2,244/year. His deductible will increase from \$2,000 to \$7,050.
 - Making \$35,000/year – his premium will increase by nearly \$100 to \$365/month or \$4,380/year. He will have a \$7,050 deductible.

Combined Impact for Lower-Income & Older Enrollees – Particularly in Rural Areas

- James, 60, works in Cowlitz County and earns \$16,000/year. He is currently enrolled in the lowest cost silver plan through the Exchange – a cost of \$24/month after the tax credit. Under BCRA, his tax credit will be reduced – resulting in his monthly premium going from \$24/month to \$202/month (an increase of 742%). Said differently, the percent of his annual income he would need to spend on just his health insurance premium would rise from 1.8% to 15%.

Because cost-sharing reductions will be eliminated under BCRA, his deductible will increase from \$100 to \$3,000 (an increase of 2900%).

To meet his new premium and deductible obligations, James would need to spend over one-third of his total annual income (35%) on health care.

- Jane, 40, works in Grays Harbor and earns \$16,000/year. She is currently enrolled in the lowest cost silver plan through the Exchange – a cost of \$21/month after the tax credit. Under BCRA, her tax credit will be reduced – resulting in her monthly premium increasing from \$21/month to \$114/month (an increase of 443%). Said differently, the percent of her annual income she would need to spend on just her health insurance premium would rise from 1.6% to 9%.

Because cost-sharing reductions will also be eliminated under BCRA, her deductible would increase from \$250 to \$3,000 (an increase of 1100%).

Jane would need to spend almost one-third of her total annual income (28%) on premiums and her deductible before she received any significant benefit, other than preventive services, from her health insurance coverage.