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A COST TOO HIGH:

The Financial Harm of the Republican Plan to Eliminate Health Care

HEALTH CARE FOR AMERICA NOW!

PEOPLE'S ACTION INSTITUTE

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A Cost Too High: The Financial Harm of the Republican Plan to Eliminate Health Care

Summary

The Republican-led Congress has launched a rapid process of eliminating health coverage for 1,139,000[1] residents of New York by repealing the Affordable Care Act (ACA). This estimate, from the Urban Institute, is considerably lower than Gov. Cuomo's estimate of 2.7 million New Yorkers losing their coverage due to ACA repeal.[2] However, even the Urban Institute's much more conservative estimate points to considerable direct impacts for New Yorkers and for the state as a whole. The cuts made under ACA repeal will severely reduce income to health facilities and result in lost jobs across sectors. The cuts also will come at severe cost to the state economy and budget.

Health insurance eliminated for 1,139,000 New York residents, 2019	
Cost to each New York recipient in eliminated support[3]	$2,869/year
Jobs lost	130,700
Cost to doctors & hospitals	$2,722,000,000
Cost in lost federal dollars (2019–2023)	$16,098,000,000

Despite these costs, Republican leaders in Congress have begun the process of dismantling the ACA, including repealing the ACA Medicaid expansion and tax credits for ACA marketplace coverage. This would eliminate coverage for 1,139,000 residents of New York. It is expected that Republicans would attempt further health care rollbacks focused on Medicaid and Medicare.

Instead of eliminating coverage for 1,139,000 New York residents and 32 million nationwide[4]—as well as causing premiums to double[5]—the President and Congress should ensure affordable health care for all New York residents.

Background

On the first day of the new Congress, Republican leaders began the process of repealing the ACA, which insures millions, bars insurers from discriminating based on preexisting conditions, and

prohibits gender discrimination in health care. Republicans have not put forward a clear replacement plan despite widespread public opposition to such an approach.

The ACA Has Expanded Coverage and Made Health Care More Affordable for Millions

Passed in 2010, the Affordable Care Act provides health insurance to 22 million people,[6] primarily by expanding Medicaid (covering more than 11 million nationwide) and offering income-based subsidies for the purchase of ACA marketplace insurance. In addition, the ACA has lowered prescription drug costs for people enrolled in Medicare[7] and made the Indian Health Care Improvement Act permanent.[8] It has closed the coverage gap between African American and white children, narrowing that gap among adults and delivering the biggest reduction in uninsured rates to Latinos—although serious disparities remain.[9] The ACA also provides states with opportunities to develop public systems as an alternative to private coverage offered through insurance corporations.[10]

Republican Plans to Eliminate Coverage under the ACA

Both the House and Senate have voted to move forward on repealing the ACA through the budget process.[11] Their plan eliminates the Medicaid expansion and coverage subsidies. As of the writing of this report, Republicans have proposed no replacement for the insurance they will eliminate. Additionally, Republican leaders have also put forward proposals to reduce federal Medicaid funding to states by $1 trillion[12] and replace Medicare with a limited, privatized voucher program.[13]

In early January, a number of Republican elected officials began expressing concern with the approach being pursued by congressional leadership. Gov. Rick Snyder of Michigan hailed the success of his state's Medicaid expansion and raised concerns about its possible elimination.[14] Ohio Gov. John Kasich of Ohio expressed concern for "what's going to happen to all those people who find themselves left out in the cold."[15] Additionally, a number of Republican Senators also urged caution about repealing the ACA without a clear replacement plan.[16] Members of the House Freedom Caucus also expressed concern.

Public Priorities for Addressing Health Care Needs

According to a recent Kaiser Health Tracking Poll, the public's top priority for the new Congress involves reducing out-of-pocket costs for health care, followed by lowering the price of prescription drugs. More than six in 10 rate these as the highest priorities for Congress.[17] Sixty-two percent also prefer a federal guarantee of coverage compared to thirty-one percent preferring a more limited federal role. Only 20 percent believe Congress should repeal the ACA without providing the details of a replacement.[18]

Despite considerable political partisanship surrounding the ACA, repeal of health reform will strip people of health care regardless of party affiliation, as will capping Medicaid or privatizing Medicare. Indeed, the ACA cut uninsured rates in West Virginia and Kentucky—both red states—by more than 50 percent, placing them among those states with greatest gains under reform.[19] The ACA cut uninsured rates by almost half in Michigan and Ohio, states that went red in the recent presidential election.

In focus-group research conducted by the Kaiser Family Foundation, voters who had supported Donald Trump in the 2016 election "expressed animosity for drug and insurance companies," while those covered by Medicaid were most satisfied with their coverage.[20] These voters were concerned about health and prescription drug costs, including deductibles and surprise billing,[22] and want any changes to come with lower costs. They said they fear "chaos" if repeal results in a gap in coverage. Those who had been uninsured before the ACA did not want to go without health insurance again.[22]

The Costs of Gutting Health Care

Voters are right to be concerned. Eliminating health care for 1,139,000 people in New York will come with substantial human and economic costs for jobs, state budgets, and hospitals. As of 2019, ACA repeal would eliminate $61 billion nationally in tax credits from those who currently depend on these subsidies to afford health insurance.[23] Repeal also would cut $78.5 billion in federal grants to states for the expansion of Medicaid, potentially wreaking havoc on state budgets.

The Cost to People

In New York, 123,830 people receive subsidies toward coverage available in ACA insurance exchanges.[24] Many families also receive support to cover cost-sharing, such as co-payments. The loss of this combined support will cost each recipient an average of $2,869 in 2019.[25]

Additionally, Medicare enrollees in New York benefit from lower prescription drug costs thanks to the ACA. The elimination of this price protection will cost those Medicare enrollees an average of $1,195 a month.[26]

The Jobs Cost

Researchers estimate a loss of approximately 2.6 million jobs nationwide in 2019.[27] The job loss will first hit the health care sector, then ripple out to other sectors as a result of lost wages and purchasing of goods and services.

The job loss in New York will be 130,700.

The Cost to Health Care Providers and Hospitals

Eliminating the health insurance provided by the ACA will reduce revenue to hospitals, community health centers, physician practices, and other providers. In 2019 alone, these providers will lose $146 billion nationwide.[28] Meanwhile, they will be expected to deliver $88 billion in care to people no longer able to pay their bills.[29] The only way for hospitals and doctors to avoid such costs would be to deny care. Both urban and rural hospitals expect to be especially hard hit, with some hospitals facing possible closure.[30]

New York's hospitals and physician practices will see their income reduced by $2,722,000,000.

New York's hospitals would see an increase of $1,007,000,000 in uncompensated care. Physician practices would see an increase of $495,000,000 in uncompensated care.

The Cost to States

Repealing the ACA would eliminate significant infusions of federal dollars into state economies and budgets (which also support schools, roads, and other services), while loss of business output resulting from the withdrawal of ACA funds would additionally depress state and local tax revenues.

Between 2019 and 2023, the loss of these funds will cost New York residents $16,098,000,000 in federal funds. It will cost $3,550,000,000 in state and local tax revenue.[31]

Recommendations

Eliminating the Affordable Care Act will cost New York residents dearly when it comes to jobs, the state budget, the stability of hospitals, and family finances. These economic costs will add to the severe human cost of depriving so many New York residents of health care. Instead of eliminating health coverage by repealing the ACA, Congress should:

- Expand coverage to ensure that everyone in New York gets the health care they need
- Ensure affordability of care through public investment and price reduction
- Reduce drug and health insurance corporations' profiteering and control of our health care system
- Open access for all to Medicare to provide an alternative to private health insurance corporations

Notes

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