



STATE OF WASHINGTON

March 15, 2017

The Honorable Patty Murray
United States Senator
154 Russell SOB
Washington, DC 20510

Dear Senator Murray:

As the Governor and Insurance Commissioner in Washington State, we are writing to express our very serious concerns about the devastating impact the House Republican Affordable Care Act (ACA) repeal and replace legislation – the American Health Care Act (AHCA) – will have on the people of Washington State.

The people of our state will be impacted in the following ways:

- The working families in our rural communities will be hit hardest, but all of our communities will be affected by the huge decreases in coverage and barriers to care for those with cancer, chronic illnesses and high pharmaceutical costs.
- Over 700,000 people in our state will be at risk of losing coverage unless we can find \$1.3 billion in 2023, increasing to \$2 billion in 2028, to continue Medicaid coverage for 600,000 of these people – an unrealistic amount to raise in the current fiscal climate.
- Our long-term and support services system will lose \$90 million immediately – a 6 percent cut.
- Charity care and bad debt decreased by \$1.1 billion due to the ACA and we can expect this to increase, impacting everyone going to a hospital in Washington. The people of our state have entrusted us to improve their well-being, maintain their ability to purchase affordable and meaningful health insurance coverage, and strengthen our state's economy.

As a state that has fully implemented the ACA, we have seen [great improvements in the care provided to people across our communities](#). Our reform effort has been bipartisan and has resulted in impressive improvements. We have:

- Reduced the number of uninsured to 5.8 percent, accomplishing the third steepest proportional reduction in the country.
- Increased choice of health plans for consumers.
- Provided higher value coverage in the individual market.
- Brought down the rate of premium increases in the individual market and leveled the per capita costs of serving Medicaid clients.
- Reduced uncompensated care.
- Brought 51,000 new jobs into Washington State.

For every ACA repeal and replace measure that is introduced in Congress, we evaluate it against four critical criteria. We want to know that, as compared to current law, any new law ensures:

- No Washingtonian loses health insurance coverage.
- No Washingtonian sees a reduction in his or her coverage, with respect to both services covered and affordability.
- No costs are shifted to the state.
- The fundamental stability of our individual insurance market is retained.

The current proposal before the House of Representatives – the AHCA – does not live up to the promises Congress and the President have made and fails to satisfy any of these criteria. Fully implemented, the AHCA will devastate too many Washington families and jeopardize our state budget.

Medicaid

The AHCA proposes to cap Medicaid spending below current national projections of health inflation, starting in 2020. It also effectively phases out Medicaid expansion by ending enhanced federal funding for newly eligible adults who enter or return to the program, starting in January 2020.

Our modeling shows catastrophic results for Washingtonians. Over 600,000 people will likely lose Medicaid coverage – or the state budget will need to increase \$1.3 billion in 2022, and again to \$2.2 billion in 2028. This includes the impact of increasing the state’s funding rate for the expansion population, as well as the impact of the per capita cap. Our model, which estimated the impact of AHCA Medicaid changes due to reduction of the enhanced FMAP, uses more conservative eligibility churn assumptions than the Congressional Budget Office. Even with those more conservative assumptions, there is a far reaching, negative impact of ending federal support for Medicaid expansion and artificially capping spending below health inflation.

If Medicaid expansion were to end today, at least 20,000 people would have their cancer care disrupted and 30,000 would lose critical treatment for substance use disorder. Tens of thousands of people with mental illness would go untreated – a recipe for disastrous outcomes. The outcomes in 2020 would be comparable.

Should Medicaid expansion and its enhanced federal matching rate be repealed, enrollment in individual market coverage will not be a realistic alternative. Eighty-one percent of people who are covered under our Medicaid expansion have income under 100% FPL (annual income less than \$12,000). While most newly eligible adults are employed, it is unrealistic to think that people with income below that level will be able to afford their premiums. This would in turn add significant uncompensated care for providers. In fact, our modeling of the impact of the AHCA on individual market enrollment shows that almost all of the people currently enrolled in our state-based marketplace who have income below 138% FPL would drop their coverage under the AHCA’s age-related tax credits that are not linked to the cost of coverage. Even if they could keep their coverage, the deductibles and cost-sharing these individuals will face would create barriers to accessing needed care.

The AHCA immediately eliminates over \$90 million of annual funding for community-based, long-term care services for our state’s elderly and disabled population. The loss of services such as skills acquisition for developmentally disabled individuals would jeopardize their ability to continue to live in the community and could result in a need for more costly institutional care. Reductions in home and community-based, long-term services and supports will also place elderly and younger individuals with disabilities at risk for nursing home care. As nearly 98 percent of all long-term care

services in Washington are matched with federal Medicaid funds, the elimination of the enhanced federal match that our state currently receives for home and community-based services through the Community First Choice option, along with other Medicaid funding reductions proposed in the ACHA will disrupt community support services and result in our most vulnerable residents being forced into nursing homes or other institutions.

The public health system in Washington will be further degraded. Our public health districts in all parts of the state are underfunded and depend on outside grants and support to carry out basic public health functions. During the 2015-2017 biennium, our public health system has been supported by over \$30 million to fund immunizations, lead poisoning prevention, cancer prevention, tobacco use prevention, infectious disease investigation, health surveillance and nutrition education. The AHCA cuts all funding for these fundamental and essential activities.

Individual health insurance market

The combined impact of the decrease in the generosity of ACA premium subsidies for 2018 and 2019 and the immediate elimination of penalties associated with the individual mandate in the AHCA, as well as the uncertainty that insurers are currently facing, are likely to have a destabilizing impact on our individual market. By excluding potential changes that would take place in 2018 and 2019 from the modeling at this point in time, our projections of the impact of moving to fixed age-based tax credits and elimination of the CSRs likely understate the impact of the AHCA.

We anticipate that between 72,000 and 100,000 people currently enrolled in individual coverage will choose not to continue their coverage and will be added to our state's uninsured population. This impact will be due to the combined impact of repeal of the individual mandate penalties and unaffordability of coverage. Much like the CBO's findings, under the AHCA, Washington State residents who will be harmed the most are:

- From lower-income households (income below 250% FPL).
- Younger, at age 26-30.
- Over age 55 and likely to live in a rural area.

The impacts on individual market enrollment in Washington State are shown in the attached [charts](#). With the repeal of cost-sharing reductions, for lower to lower-middle income families, tax credits – even though they are advanceable – must be sufficient to cover both premiums and deductibles and other cost-sharing.

The true cost of premium reductions and any market stability proposed in the AHCA is far too great. Sacrificing affordable coverage for older people and imposing higher cost-sharing on consumers who have coverage is *not* the way to control premium spending or stabilize the individual insurance market.

In its AHCA cost estimate, the CBO states that, by 2026, average premiums would be roughly 10 percent lower than the estimates under current law. Our findings are that the stability of the individual market comes from older people – probably with higher risk – dropping insurance because of cost.

If Washington State's individual market is able to survive the loss in enrollment in 2020 described above, we must be equally concerned with the long-term stability of our markets – in 2025 and 2030. We are very concerned that the AHCA and its incentives will set off a cycle of sicker people

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keeping their coverage, and thus leading to escalating premiums. In a world of fixed tax credits inflated by the consumer price index, we strongly believe that these credits would not keep up with the steep premium increases that would result.

We urge you, in the strongest terms, to oppose the American Health Care Act. This ill-conceived legislation would have devastating consequences for the health and well-being of the people of our state; it would hurt our economy and cripple our state budget.

Sincerely,



Jay Inslee
Governor



Mike Kreidler
Insurance Commissioner