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The Financial Consequences of ACA Repeal

New Directions in Health Care: The Commonwealth Fund Podcast

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This is New Directions in Health Care, the Commonwealth Fund's podcast, and today we're exploring what repeal of the Affordable Care Act might mean for individuals and for the nation in general.

Our discussion begins at a large medical center that serves about a million patients a year. It employs more than 750 doctors, 2,000 nurses and 6,700 other people who support the enterprise.

It's easy to imagine how repeal of the Affordable Care Act would ripple through this hospital. With fewer patients able to pay for care, there would likely be layoffs and maybe fewer services, but Leighton Ku says the community around this hospital would also feel the pain. As director of the Center for Health Policy Research at George Washington University, he's projected the economic impact of repeal nationwide.

“Somewhere between 18 and 30 million people would lose health insurance, and there would be lots of harmful impacts for hospitals and safety net providers. So much money is involved. It's more than \$140 billion a year in federal subsidies that are going to buy health care, and health care is now a sixth of the U.S.

economy—actually more than a sixth, so when you take that much money out, there are broader economic consequences.”

For example, in the first year employment would fall.

“About 2.6 million jobs would be lost, and it would rise somewhat to around 3 million a couple of years later and then stay around that level of loss.”

Ku says only a third of the jobs lost would be in health care. The rest would be in construction, real estate, finance, and other fields that supply providers.

“They buy medical equipment, or they buy computer equipment, or they pay rent or mortgages for their space. In addition, we’d see things that I think people in state and local governments would care about. We see reductions in tax revenue, because all this economic activity leads to taxes that people pay, whether it’s income taxes, sales taxes, property taxes, so the net result of that is \$48 billion in state and local tax revenues that are lost.

And he notes those losses would come at a terrible time:

“Revenues are going down by quite a lot at the same time that needs are going up. More people uninsured, more people unemployed, so the need for assistances goes up, just when state revenues go down.”

That would leave political leaders to decide whether to raise taxes or cut services of all kinds.

“One of the big expenditures that state and local governments pay for is education. We might have to reduce what we spend for education, so there could be really broad repercussions in many areas.”

Now much of the expansion in health coverage under the ACA occurred in states that expanded Medicaid, but even in those 19 states that did not—like Texas and Florida—Ku says there will be financial consequences if the Affordable Care Act is repealed.

“That’s because we’re one big country. Funds flow back and forth through interstate commerce. If states like New York, California, or Arkansas or Kentucky, that have Medicaid expansions, if they cut back then there is income loss by people in those states. Now what happens is people in those states buy products that come from Texas and Florida—whether we’re talking about oranges from Florida, oil that comes from Texas, people who take trips to Disney World, there’s contraction in those things.”

Of course, most members of Congress who have threatened to repeal the Affordable Care Act say they will replace it with something better, but no one knows what that will be. The uncertainty will take a toll on the insurance industry, according to Sabrina Corlette at Georgetown’s Center on Health Insurance Reforms. She explains that it takes time for companies to decide what policies to offer and how much to charge.

“Often this process actually starts a full two years before they actually bring a product to market, and that’s because it takes time to figure out what your provider network is going to look like, what the benefit design is going to look like, to set up the kind of vendor contracts you need to manage the plan, the coverage of people in the plan.”

And states, which regulate insurance, need time to review what’s going to be sold.

“In fact if you were going to file or sell a plan in 2018, insurers actually have to submit those plans as early as May 3rd of this year. The bottom line for insurers is

they don't like uncertainty, and the greater the uncertainty, the less likely they are to want to participate in the markets, so some of them may just leave. Those that remain are going to have to—whether they want to or not—they will have to raise their premiums to account for the greater uncertainty, and also the fact that they may not get the same number of healthy people enrolling in their plans, which is critical to balancing out the risk pool and making sure there are affordable premiums.”

She and Leighton Ku agree, uncertainty may be the watchword for months to come.

“President Trump has said it's going to happen fast, repeal and replace will all occur at the same time. I think other people who've been through this before remember how long it took to get the Affordable Care Act ironed out. That was more than a year of debate and big fighting. It could be a similar sort of story here. It could be, in the end, they won't be able to come up with compromises, because again the goals that the administration and Congress have set are in many cases opposite: You want to cut spending, but you want to cover everybody. You want to have generous benefits and make sure that deductibles are lower, but at the same time we want to bring the price of drugs and health care down. There are compromises that have to be made, and this is something that's very painful to do politically. That's why the Affordable Care Act was not perfect. It'll be interesting to see what comes next.”

This is New Directions in Health Care, The Commonwealth Fund's podcast with Professor Leighton Ku of George Washington University and Professor Sabrina Corlette of Georgetown. I'm Sandy Hausman. Thanks for listening.