

EXECUTIVE SUMMARY

This issue brief provides an overview of key 2016 GOP Presidential candidates' healthcare reform-related proposals. It further outlines more comprehensive Affordable Care Act (ACA) alternative policies put forward by both lawmakers and conservative think tanks. In conclusion, we assess the likelihood of ACA repeal (or fundamental reform) and strategic and political considerations in that regard.

REPUBLICAN CANDIDATE PROPOSALS

Much of the messaging from the Republican candidate pool focuses on repeal of the ACA though, in many cases, replacement policy details are limited. Senator Rubio's replacement strategy, which he announced in a March 2015 op-ed just before the oral arguments for the *King v. Burwell* case, is the most comprehensive. Other candidates, like Governor Bush and Ms. Fiorina, have advocated giving more authority to states. Others offer little insight into which policies the candidate would pursue if elected.

Highlights of the policies from GOP candidates include:

Jeb Bush¹

- ☐ Gov. Bush refers to the ACA as a “monstrosity of consolidating power in Washington, D.C.,” saying the law “suppresses wages and adds uncertainty to investment.”
- ☐ He recommends that “[an] effort by the state, by the government, ought to be to try to create catastrophic coverage, where there is relief for families in our country, where if you have a hardship that goes way beyond your means of paying for it, the government is there or an entity is there to help you deal with that.” Gov. Bush further elaborates that the “rest of it ought to be shifted back where individuals are empowered to make more decisions themselves.”

Marco Rubio²

- ☐ In March 2015 Sen. Rubio announced a “three-part plan” that provides an advanceable, refundable tax credit that all Americans can use to purchase health insurance. Credits would be indexed. The tax exemption for employer-sponsored insurance (ESI) would converge with these individual market credits' value by 2020.

¹ See comments made by Gov. Bush in March 2015 as reported by *Politico* and *The Washington Post* available at: <http://www.politico.com/story/2015/03/jeb-bush-talks-alternative-to-obamacare-monstrosity-115913#ixzz3mlP2sZd3> and http://www.washingtonpost.com/posttv/politics/jeb-bush-on-obamacare-weve-created-a-monstrosity/2015/03/07/a8be7488-c4ff-11e4-a188-8e4971d37a8d_video.html.

² See Sen. Rubio's campaign website, featuring a repost of a March 2015 op-ed: <https://marcorubio.com/issues/obamacare/>.

- ☐ Second, Sen. Rubio would reform insurance regulations through the establishment of federally funded state high risk pools, the ability to shop for insurance across state lines, the expansion of HSAs, and repeal of ACA risk corridors.
- ☐ Third, he would establish Medicaid block grants through a “per capita cap system” and transition Medicare to a premium support system.

John Kasich³

- ☐ Citing the underlying fee-for-service system as driving costs and unnecessary care, Gov. Kasich advocates repeal and replacement with “something that actually works in line with America’s market-based principles to help Americans be healthy.”
- ☐ He points to value-based purchasing initiatives in Ohio as a solution, including episode-based payments and patient-centered primary care.

Carly Fiorina

- ☐ Ms. Fiorina advocates repeal of the ACA and replacement with an increase in federal assistance to states for high-risk pools: “I think the answer here is to allow states to administer high-risk pools to help those who are truly needy. Certainly I think the federal government can assist in funding.”
- ☐ She says she would “push decision-making as close to the people as possible” and “try what we have never tried in the health insurance market, which is actually the free market.”⁴
- ☐ Recent reports point to past comments Ms. Fiorina has made supporting an individual mandate.⁵

Donald Trump

- ☐ In a recent interview⁶ Mr. Trump said he “would make a deal with existing hospitals to take care of people.” He said he would repeal and replace the Affordable Care Act with a private plan that would “cover everybody” and “the government’s gonna pay for it.”⁷

ADDITIONAL ACA ALTERNATIVES

Republican lawmakers and conservative think tanks have also proposed alternatives to the ACA. Most plans propose a full ACA repeal, while a few of them would repeal major reforms like insurance market regulations or newer Medicare policies, leaving other aspects of the law in place. A main theme running through these plans is their intent to deregulate many of the consumer protections

³ See comments from Gov. Kasich’s campaign website: <https://johnkasich.com/healthcare/>.

⁴ Ms. Fiorina made these comments in a March 2015 Bloomberg article. See <http://www.bloomberg.com/politics/articles/2015-05-04/carly-fiorina-s-obamacare-replacement-plan-hasn-t-fared-well-with-house-republicans>.

⁵ Available at <http://www.cnn.com/2015/09/24/politics/carly-fiorina-obamacare-health-insurance-mandate/>.

⁶ CBS *60 Minutes* available at: <http://www.cbsnews.com/news/donald-trump-60-minutes-scott-pelley/>.

⁷ See a September 2015 article in *Forbes* available at: <http://www.forbes.com/sites/brucejapsen/2015/09/27/trumps-health-plan-revealed-on-60-minutes-sounds-like-obamacare/>.

established under the ACA, such as guaranteed issue and the ban on pre-existing condition exclusions. Furthermore, many of the proposals seek to eliminate the individual and employer mandates.

Introduced by Lawmakers

The Patient CARE Act⁸

- ☐ Repeals all ACA provisions except Medicare changes (including cuts);
- ☐ Offers premium assistance through fixed tax credits for up to 300% FPL adjusted based on age and income (e.g., at 200% FPL, \$4,290 for families ages 18-34 and \$11,110 for families ages 50-64);
- ☐ Caps the ESI tax exemption at \$12,000 for an individual and \$30,000 for a family;
- ☐ Enacts a 5:1 ratio for premium age bands;
- ☐ Includes guaranteed issue and community rating if the individual maintains continuous coverage;
- ☐ Sustains dependent coverage up to age 26; and
- ☐ Block grants certain Medicaid services allowing eligible patients to opt out and use a tax credit to buy private coverage.

Health Care Choice Act⁹

- ☐ Removes state boundaries from insurance markets; and
- ☐ Repeals Title I of the ACA.

Empowering Patients First Act¹⁰

- ☐ Creates individual health pools, expands HSAs, offers premium assistance through tax credits, and advances medical malpractice reform; and
- ☐ Allows for opt-out of Medicare and Medicaid; can receive tax credits instead

American Health Care Reform Act¹¹

- ☐ Provides standard individual and family deduction for specified percentage of health insurance costs regardless of itemization;
- ☐ Allows use of HSA funds for HSA-qualified insurance and LTC insurance premiums;

⁸ Introduced by Sens. Richard Burr (R-NC) and Orrin Hatch (R-UT) and Rep. Fred Upton (R-MI). Full text available at: <http://www.finance.senate.gov/download/?id=11CE2E81-031F-4559-9FF3-C54BD52A2EAF>.

⁹ Introduced by Sens. Ted Cruz (R-TX), John Barrasso (R-WY), Mike Crapo (R-ID), Marco Rubio (R-FL) and David Vitter (R-LA). Full text available at:

http://www.cruz.senate.gov/files/documents/Bills/20150302_Healthcare_Choice.pdf. Press release available at http://www.cruz.senate.gov/?p=press_release&id=2251.

¹⁰ Introduced by Rep. Tom Price (R-GA). Full text available at:

<http://tomprice.house.gov/sites/tomprice.house.gov/files/HR%202300%20Empowering%20Patients%20First%20Act%202015.pdf>.

¹¹ Introduced by Rep. Phil Roe (R-TN) et al. Full text available at:

http://rsc.flores.house.gov/files/Initiatives/roe_007_xml.pdf. A press release may be found at:

<http://scalise.house.gov/bill/american-health-care-reform-act>.

- ☒ Allows for guaranteed issue only for continuous coverage;
- ☒ Provides \$25B in funding for state-run high-risk pools (plan does not provide for community rating);
- ☒ Premiums are limited to 200% of state average premium; and
- ☒ Allows individuals to contribute tax deductible funds to a Medicare Medical Savings Account (MSA).

Crafted by Think Tanks/Policy Experts

The Universal Exchange Plan¹²

- ☒ Keeps basic structure of ACA individual market reforms, with some changes to eligibility thresholds and assistance amounts;
- ☒ Repeals individual and employer mandates, medical loss ratio and other ACA taxes (except Cadillac tax); and
- ☒ Phases out Medicare fee-for-service to have seniors eventually enrolled in reformed exchanges with federal means-tested premium assistance, with a similar reform for Medicaid.

A Winning Alternative to Obamacare¹³

- ☒ Provides fixed tax credits that increase on an annual basis;
- ☒ Provides guaranteed issue and community rating for those who maintain continuous coverage;
- ☒ Allocates \$7.5B per year for high risk pools for states to administer;
- ☒ Caps individual premiums at 150-250% of market rate; and
- ☒ Allows Medicaid beneficiaries to opt for a tax credit for private coverage.

When Obamacare Fails¹⁴

- ☒ Provides fixed risk-adjusted tax credits for everyone under 65;
- ☒ Allows guaranteed issue and community rating only for those who maintain continuous coverage;
- ☒ Provides capped appropriations to states to fund high risk pools, with potential future transfer of financial responsibility to state;
- ☒ Converts Medicare to a premium support (“voucher”) system; and
- ☒ For Medicaid, converts the program to a defined contribution state block grant for non-disabled individuals.

¹² Introduced by Avik Roy, The Manhattan Institute. Available at: http://www.manhattan-institute.org/pdf/mpr_17.pdf.

¹³ Introduced by James Capretta, 2017 Project. Available at: <http://2017project.org/2014/01/paving-way-full-repeal/#.VdK9fruFOW8>.

¹⁴ Introduced by Thomas P. Miller, American Enterprise Institute. See full text at: http://www.aei.org/wp-content/uploads/2012/12/-when-obamacare-fails-the-playbook-for-marketbased-reform_140559609210.pdf.

OUTLOOK

Election of a Republican candidate in 2016 with the continuation of GOP control of both houses of Congress would create a viable pathway to fundamental ACA reform. However, full repeal, based on the alternative plans available now, remains unlikely. As ACA policies become more entrenched in the U.S. healthcare system, proposals for a full repeal would likely incite pushback from industry and stakeholders who have spent considerable resources to comply with ACA policies. Furthermore, there is strong potential for pushback from consumers if a replacement plan has less generous premiums and cost-sharing assistance than the current policy.

Any replacement plan will likely need to reckon with the cost of ACA repeal. A June 2015 CBO estimate found that full ACA repeal would increase the federal deficit over the next ten years by between \$137 billion and \$353 billion.¹⁵ Of the plans highlighted above, only the Patient CARE Act provides a clear funding mechanism; it leaves the ACA-implemented Medicare payment reductions in place.

Even with a Republican administration in 2016, the strategy more likely will be to repeal the most unpopular parts of the law, as has been the case recently with efforts to repeal the “Cadillac” and medical device taxes. Notably, some of the more sophisticated plans to replace the ACA were introduced in advance of the Supreme Court’s dispensation of the *King. v. Burwell* case, when pressure on lawmakers to demonstrate a viable alternative to the ACA may have been at its peak.

CONCLUSION

While ACA repeal raises a host of political questions, it remains popular with the GOP’s political base. As such, consideration of replacement strategies is likely to continue to be a key element of the Presidential race.

In our opinion, wholesale repeal of the ACA is not a viable option at this point, even if Republicans control both chambers of Congress and the White House. Under that scenario, however, fundamental reforms to the law are likely, with these proposals serving as the best indication of where such an effort would lead.

¹⁵ See http://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50252-Effects_of_ACA_Repeal.pdf.