

July 2017

## Summary of the Health Care Freedom Act

This summary describes key provisions of the Health Care Freedom Act, proposed in the Senate as an amendment in the nature of a substitute to HR 1628, a bill passed by the House of Representatives to repeal elements of the Affordable Care Act (ACA).

	Health Care Freedom Act H.R. 1628
Date plan announced	July 27, 2017
Overall approach	<ul style="list-style-type: none"> <li>• Repeal ACA individual mandates (2016) and suspend employer mandate from 2016 until January 1, 2025</li> <li>• Retain private market rules including requirement to guarantee issue coverage, set premiums based on modified community rating, prohibition on pre-existing condition exclusions, requirement to cover essential health benefits, requirement to extend dependent coverage to age 26.</li> <li>• Retain health insurance marketplaces, annual Open Enrollment periods (OE), and special enrollment periods (SEPs).</li> <li>• Modify certain provisions regarding ACA 1332 state innovation waivers to expedite the approval process and to permit waivers to be in effect for longer periods; current law requirements regarding scope of what States can waive and “guard rails” limiting impact of state waivers are not changed</li> <li>• Retain the Medicaid expansion.</li> <li>• Prohibit federal Medicaid funding for Planned Parenthood clinics for one year</li> <li>• Increase FY 2017 funding for community health centers by \$422 million</li> <li>• No change to Medicare benefit enhancements or provider/Medicare Advantage plan payment savings</li> <li>• Eliminate the Prevention and Public Health Fund and rescind any unobligated balances of the fund</li> <li>• Suspend imposition of the medical device tax for three years</li> <li>• Increase the maximum tax-free annual contribution amount for health savings accounts (HSAs) for three years</li> </ul>
Individual mandate	<ul style="list-style-type: none"> <li>• Tax penalty for not having minimum essential coverage is eliminated effective January 1, 2016</li> </ul>
Premium subsidies to individuals	<ul style="list-style-type: none"> <li>• Premium subsidies to individuals are not changed</li> </ul>
Cost sharing subsidies to individuals	<ul style="list-style-type: none"> <li>• ACA cost sharing subsidies not changed</li> </ul>
Individual health insurance market rules	<ul style="list-style-type: none"> <li>• ACA private health insurance market rules are retained</li> </ul>
Benefit design	<ul style="list-style-type: none"> <li>• ACA requirement to cover essential health benefits is not changed.</li> <li>• ACA requirement for maximum out-of-pocket limit on cost sharing is not changed</li> </ul>

	<ul style="list-style-type: none"> <li>• ACA requirement for plans to be offered at specified actuarial values/metal levels is not changed</li> <li>• Prohibition on lifetime and annual dollar limits is not changed</li> <li>• Requirement for group plans and compliant individual market plans to cover preventive benefits with no cost sharing is not changed.</li> <li>• Requirement for all plans to apply in-network level of cost sharing for out-of-network emergency services is not changed</li> </ul>
Women's health	<ul style="list-style-type: none"> <li>• ACA essential health benefit requirement for individual and small group health insurance policies is not changed</li> <li>• Requirement for individual and group plans to cover preventive benefits, such as contraception and cancer screenings, with no cost sharing is not changed.</li> <li>• Prohibition on gender rating is not changed</li> <li>• Prohibition on pre-existing conditions exclusions, including for pregnancy, prior C-section, and history of domestic violence, is not changed.</li> <li>• Prohibit federal Medicaid funding for Planned Parenthood clinics for one year, effective upon date of enactment. Specifies that federal funds to states including those used by managed care organizations under state contract are prohibited from going to such entity. (CBO estimates at least one other provider may also be affected).</li> </ul>
Health Savings Accounts (HSAs)	<ul style="list-style-type: none"> <li>• Increase the annual amount of tax-free contributions to health savings accounts to equal the amount of the annual out-of-pocket limit under qualified high deductible health plans. Provision effective from January 1, 2018 through December 31, 2020.</li> </ul>
High-risk pools	<ul style="list-style-type: none"> <li>• No provision</li> </ul>
Selling insurance across state lines	<ul style="list-style-type: none"> <li>• No provision</li> </ul>
Exchanges/ Insurance through associations	<ul style="list-style-type: none"> <li>• State exchanges continue</li> <li>• Single risk pool rating requirement for plans first sold on or after January 1, 2014 is not changed</li> </ul>
Dependent coverage to age 26	<ul style="list-style-type: none"> <li>• Requirement to provide dependent coverage for children up to age 26 for all individual and group policies is not changed</li> </ul>
Other private insurance standards	<ul style="list-style-type: none"> <li>• Minimum medical loss ratio standards for all health plans are not changed</li> <li>• Requirement for all health plans to offer independent external review is not changed.</li> <li>• Requirements for all plans to report transparency data, and to provide standard, easy-to-read summary of benefits and coverage are not changed.</li> </ul>
Employer requirements and provisions	<ul style="list-style-type: none"> <li>• Tax penalty for large employers that do not provide health benefits is reduced to zero, retroactive to January 1, 2016 and until January 1, 2025</li> <li>• Wellness incentives permitted under the ACA are not changed</li> <li>• Tax credits for low-wage small employers are not changed</li> </ul>
Medicaid	<ul style="list-style-type: none"> <li>• Prohibit federal Medicaid funding for Planned Parenthood clinics for one year</li> </ul>
Medicare	<ul style="list-style-type: none"> <li>• No changes</li> </ul>
State role	<ul style="list-style-type: none"> <li>• Modify provisions related to Section 1332 state innovation waivers. <ul style="list-style-type: none"> <li>- Clarifies that state waivers may end or reduce federal subsidy payments to individuals and employers. Such payments that would otherwise have been made may still be passed through to states under a waiver program</li> <li>- Limits Secretary's authority to disapprove state waiver applications. The Secretary shall approve waivers that meet ACA requirements. No change to</li> </ul> </li> </ul>

current law requirements that approvable waivers must cover at least as many state residents, at least as comprehensively and affordably

- Require that the Secretary must complete consideration of waiver applications within 45 days, instead of 180 days
- Waivers will be in effect for 8 years unless State requests a shorter duration; waivers may be renewed for an unlimited number of times and may not be canceled by the Secretary before the end of the 8-year period
- Provides new grant funding of \$2 billion, available until the end of fiscal year 2019, to help states develop and implement waiver proposals

Financing

- Excise tax on sale of medical devices is suspended, effective January 1, 2018 through December 31, 2020
- Annual amount of tax free contributions to HSAs is increased, effective January 1, 2018 through December 31, 2020

Sources of information

<https://www.budget.senate.gov/imo/media/doc/HealthCareFreedomAct.pdf>