



Memo from the Chair

Date: September 25, 2019
To: Democratic Members
From: Matt Bradford, Chair
 House Appropriations Committee (D)
Re: The Affordable Care Act

Signed into law March 23, 2010, the Patient Protection and Affordable Care Act has significantly improved the lives of Pennsylvanians. The ACA increased enrollment in health care coverage and has driven billions of federal dollars into communities across the state – supporting hospitals, pharmacies, physician practices, and related sectors. The federal health care law has driven down uncompensated care costs, sparked job creation in the health care sector, and improved public health.

Beyond the broad economic and health care benefits felt in communities across the Commonwealth, the ACA continues to benefit the state budget. Following is a re-cap that I asked our staff to prepare that highlights the fiscal benefits that the ACA continues to provide to Pennsylvania.

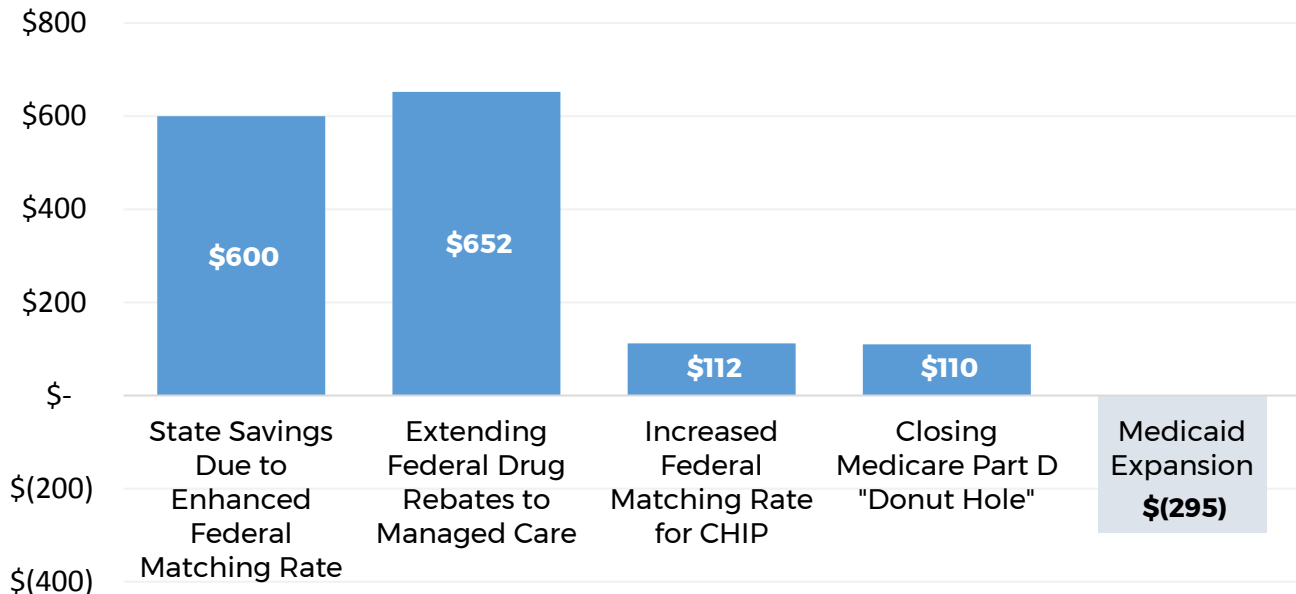
Annual Impact of the ACA on Pennsylvania’s Budget

The ACA has provided a net savings to Pennsylvania every year since it became law – with an increased impact due to the expansion of Medicaid. In 2018/19 the committee estimates that Pennsylvania saw a net state savings of \$1.18 billion – inclusive of \$110 million in savings to the Lottery Fund (closing the Medicare Part D “Donut Hole”). The net savings represents gross savings of \$1.5 billion offset by the state’s share of the cost – roughly \$295 million – for covering 690,000 newly-eligible individuals receiving health care coverage under Medicaid Expansion.

Medicaid Expansion

State Savings from the ACA (Fiscal Year 2018/19)

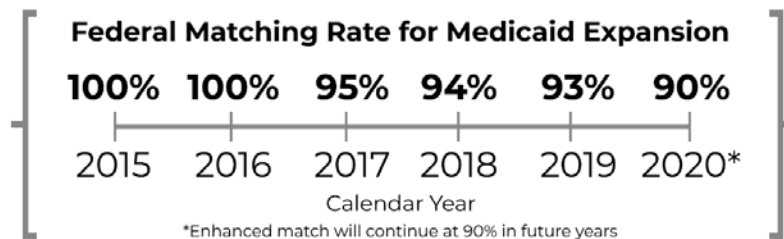
amounts in millions



More than 690,000 newly-eligible adults now have health care coverage under Medicaid Expansion, which has been a major contributing factor in steadily reducing the state's uninsured rate to a historic low of 5.5 percent.



The costs associated with providing health care coverage to this population of newly-eligible adults are overwhelmingly borne by the federal government. The federal government paid 100 percent of Medicaid Expansion costs through 2016, with the federal share gradually phasing down to 90 percent in 2020 and moving forward.



A source of significant savings from Medicaid Expansion is the generous federal matching rate that Pennsylvania can now claim for certain populations in the state's Medical Assistance program. This includes many individuals previously covered by General Assistance formerly - funded entirely with state dollars - that now qualify as newly-eligible adults under the ACA. Another population that sees improved federal support under the ACA are "medically needy only" adults, who have high health care costs and were previously reimbursed at the traditional Medicaid matching rate of approximately 52 percent. The Department of Human Services has diligently worked to ensure that individuals that make up these groups are appropriately categorized to maximize federal matching funds.

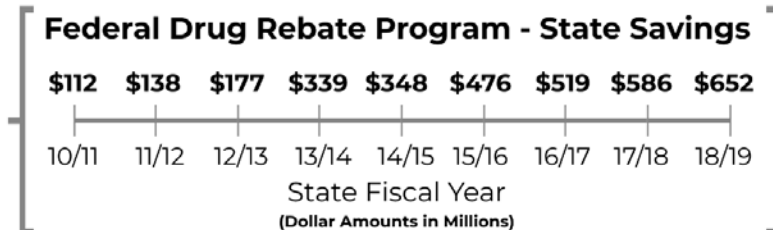
Since 2015, the ACA's enhanced federal matching rate for these populations has saved Pennsylvania hundreds of millions of dollars annually. In 2018/19, the enhanced federal matching rate saved an estimated **\$600 million**.



Extending Federal Drug Rebates to Managed Care

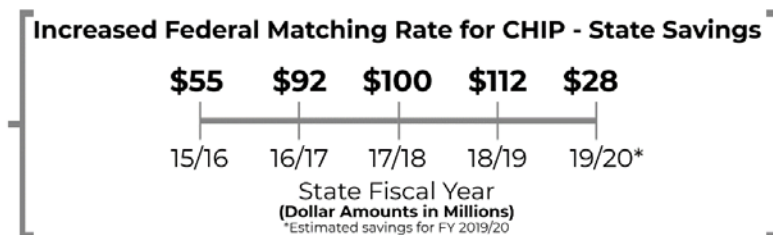
Beginning in 2010, the ACA extended the federal drug rebate program to apply to managed care, which has allowed the state to claim substantial rebates from pharmaceutical manufacturers.

- From 2010/11 to 2018/19, this provision of the ACA has saved the state **\$3.35 billion**.
- In 2019/20, the state is expected to save an additional **\$671.5 million**.



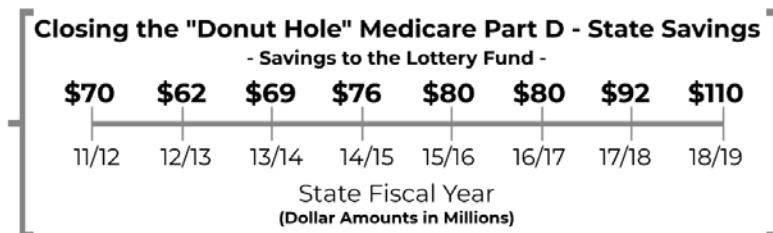
Enhanced Matching Rate for CHIP

Under the ACA, the federal matching rate for the Children’s Health Insurance Program (CHIP) increased by 23 percentage points from October 1, 2015 through September 30, 2019. This temporary increase to the enhanced federal matching rate for CHIP has yielded substantial state savings: **\$359 million** from 2015/16 through 2018/19.



Closing the “Donut Hole” in Medicare Part D

The ACA includes provisions that close the “donut hole” in Medicare Part D through increased federal drug rebates. Cumulatively, this has saved the PACE program – and the state’s Lottery Fund – **\$638.6 million** since 2011.



State Insurance Exchange

The Affordable Care Act has brought about significant changes to the private health insurance market through its exchange. Most notably, insurers must provide coverage for a list of minimum essential health benefits and not exclude individuals from accessing coverage due to pre-existing conditions. This has affected health care coverage on and off the exchange, as well as state programs like CHIP.



Presently, Pennsylvania participates on the federal exchange utilizing IT infrastructure and support services furnished by the federal government. Under this arrangement, the state collects a user fee from insurers participating on the exchange that is then passed to the federal government for providing administrative support.

The recent enactment of Act 42 directs the Pennsylvania Insurance Department to create a state-based exchange and reinsurance program to draw upon funds collected from the existing user fee to run the exchange at a reduced rate. Surplus funds generated by the exchange would go towards a state reinsurance program for insurers participating in the exchange. State funds will leverage federal funds in the program, which will offset and reduce rate increases for consumers receiving coverage through the exchange.

