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July 11, 2017

U.S. Representative Paul Ryan
Speaker of the House of Representatives
H-232, The Capitol
Washington DC 20515

U.S. Senator Mitch McConnell
Majority Leader of the U.S. Senate
317 Russell Senate Office Building
Washington DC 20510

Dear Speaker Ryan and Senate Majority Leader McConnell:

I am writing today to offer an alternative approach to replacing the Affordable Care Act (ACA). I believe we all share a common objective of making health care more affordable and accessible for all Americans and I submit this proposal to refocus us all on that goal. I propose rather than tying everything up in one massive bill, such as the American Health Care Act (AHCA), that we break our effort up into three separate parts. These parts are:

1. Address only Medicaid Expansion through budget reconciliation while also repealing the individual and employer mandates and those ACA taxes and penalties that impact working class and middle class families,
2. Consider the other ACA taxes that impact higher income earners in the pending comprehensive tax reform bill, and
3. Reform the health insurance exchanges and access to health insurance through a separate bipartisan process.

Medicaid Expansion Reform through Reconciliation

The core promise of the ACA was to provide private health insurance at a lower cost with greater access. This simply never happened. Instead, the vast majority of the increase in coverage has occurred not through private insurance but under the ACA's Medicaid Expansion program. This expansion in Medicaid enrollment has led to an explosion of federal Medicaid spending.

To address these core issues we should take an approach that does not impact those Medicaid services unrelated to the ACA's expansion, such as skilled nursing for seniors, services for children, and for the disabled. The Administration, through the Centers for Medicare and Medicaid Services (CMS), can address improving those programs through its rule-making and waiver authority, allowing states to lower the costs of Medicaid while improving patient outcomes.

The Medicaid Expansion is for abled-bodied adults, without dependent children, who earn up to 138% of the poverty line. The Medicaid bill should focus exclusively on this, and only this

aspect of Medicaid that was created under the ACA. As passed in the ACA, this expansion was initially a mandate but that was overturned through a court challenge. As a result the expansion became a discretionary program with 19 states opting to decline it. To me, the core of the problem with the Medicaid Expansion is that while the Federal Medicaid Assistance Percentages (FMAP) for all other Medicaid programs is roughly equally divided between the federal and state governments. The Medicaid Expansion started out as a 100% federal responsibility, is now at 95%, and is scheduled to incrementally drop by 2020 to 90%.

To me, this means the Medicaid Expansion effectively treats those enrolled as a higher federal priority than it does those who meet the traditional Medicaid standards. This simply makes no sense. I think we should continue the Medicaid Expansion program as an optional Medicaid program, but only if it has a cost share no different than the standard FMAP for each respective state. To manage the transition, we can use a phase-in formula that would allow those who enroll in the program by 2020 to remain on the rolls at their current 90/10 split while requiring the Medicaid Expansion states to cover 50% of the cost for all new enrollees from January, 2020 forward. Again, it makes no sense to me for the federal government, under the ACA, to pay 90% or more for an able-bodied adult without dependent children, but 50% for a disabled child. Further, since the Medicaid Expansion program is state-administered, the fact that the states do not share a greater percentage of the costs means they have less incentive, even if given the flexibility, to innovate and find means to save tax dollars.

We should also take this opportunity to provide the states greater flexibility to lower the cost of care so long as doing so does not impact the quality of care. I suggest writing the bill to require states to transition to either a capitated rate or a block grant model solely for those in the Medicaid Expansion population. Doing so would allow states an opportunity to devise means to deliver care at a lower cost while benefitting from those savings in their budgets. This would help move the system away from its archaic fee-for-service structure toward models that are more innovative and are based upon health care outcomes using results-based treatment plans.

We should also expect all abled-bodied working-age individuals, seeking public assistance, to demonstrate that they are affirmatively taking steps to become self-sufficient. This means a "mandatory work requirement" where the enrollees in the Medicaid Expansion program are working, are actively seeking a job, or are participating in a job training program in exchange for receiving public assistance.

Finally, this initial bill should, to the extent it can do so under the budget reconciliation rules, end the most egregious of the 21 taxes and penalties incorporated in the ACA. In particular, the savings from moving the Medicaid Expansion program to the standard FMAP should be used, in this bill, to eliminate those ACA taxes and penalties that hit working class and middle class families the hardest.

ACA Tax Reform through Reconciliation

The remaining taxes and penalties, created in the ACA, that impact higher income earners should be addressed as a part of the pending comprehensive tax reform legislation subject to the budget reconciliation rules. The American people rightfully expect Congress to address tax reform and

create a tax code that will create the pro-growth economic conditions that will increase employment and raise wages. We can best reform the tax code in its totality by looking at these remaining ACA-related taxes at the time we consider all the other taxes in current law. This will allow for striking a balance with other tax code provisions, such as reducing individual rates or increasing the standard deduction, while meeting the required budget reconciliation result of deficit neutrality.

Bipartisan Reform of the Health Insurance Exchanges

The ACA's plan to extend subsidized private health insurance to all who need it through the government-run health insurance exchanges is failing. The third bill would address this accelerating crisis by addressing the health insurance aspects of the ACA. I am confident that we can come to a bipartisan solution to this issue that can attain the support needed to get past the 60-vote cloture rule in the Senate.

Under the ACA, the health insurance exchanges are the backbone of the system. They provide the mechanism through which the federal government extends income-adjusted subsidies to help cover the cost of premiums and deductibles for those who otherwise do not have access to health insurance. Currently, insurance carriers are abandoning the individual health insurance exchanges at an accelerating rate. More and more counties across the country are either down to one health insurance carrier or without any carriers. The State of Connecticut does not have a single health insurance carrier applying to serve the residents on its health insurance exchange next year. Absent an exchange approved health insurance carrier under the ACA, the residents of that state or county cannot get subsidized health insurance coverage and the program collapses. Today, a third of the counties in the United States have only one health insurance carrier, an increasing number are without any, and the prices of policies offered through the exchanges are skyrocketing. This is clearly unsustainable and I am sure that we can work with our colleagues on the other side of the aisle to end this crisis.

I put forward these ideas not to further complicate the ongoing conversation in both the House and Senate regarding the ACA, but to ensure we are able to work on behalf of the American people to make health care more affordable and accessible for all.

Sincerely

Mike Coffman
U.S. Representative
6th District of Colorado