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Federal Updates

Major Tax Reform Bill Signed, Repealing the ACA Individual Mandate

On Friday December 22, President Trump signed the tax reform bill, Tax Cuts and Jobs Act, into law. The bill repeals the Affordable Care Act's (ACA) individual insurance mandate, making it the most significant change to health care legislation enacted since the ACA in 2010. According to the Congressional Budget Office (CBO), the mandate's repeal will result in decreased government expenditures due to lower government spending on subsidies to help people afford coverage. It is estimated 13 million fewer people in the U.S. will have health insurance in 2027 without the mandate and premiums will rise by 10 percent.

The bill is expected to impact the overall federal deficit, which will increase by an estimated \$1.45 trillion after allowing for predicted economic growth. This expected deficit increase is already leading to renewed calls to reduce entitlement spending, with some Republican leaders specifying federal spending reductions to social and health programs as a legislative priority in the upcoming year. As part of the continuing resolution to fund the federal government that was passed in December, language was included that waived the pay-as-you-go rule requiring spending cuts to Medicare and other programs that would be triggered by the added debt from the tax bill.

The tax plan will lead to a number of changes next year, though the impact will not be clear to San Francisco immediately. San Francisco's current uninsured rate, at 3.3%, is among the lowest in the country and includes about 29,000 uninsured residents. Due to our local laws (the Health Care Accountability Ordinance and the Health Care Security Ordinance) and because of Covered California's strong consumer protections and outreach efforts, the City may not see drastic drops in insurance rates. However, we do anticipate some reductions in coverage and increases in premiums as the individuals and insurance markets adjust to the new landscape. We will continue to monitor activity at the state and federal level to understand policy developments and work with local leaders and our partnerships to protect our City's advancement in health as a result of previous years' health care reform.

Continuing Resolution for Federal Budget Passed, Extend Funding into January

On December 22, President Trump signed another temporary spending bill known as a Continuing Resolution (CR). The current CR expires on January 19 and if another short term CR or longer term spending package is not passed by then the government will face a partial shutdown. The new bill does not address long-term funding for the Children's Health Insurance Program (CHIP), but does include funds to continue CHIP through March while waiving automatic cuts to Medicare and other programs, which would have been triggered due to the tax reform bill's big deficit increase. To offset the cost of CHIP's short-term extension, the bill specifies \$750 million in cuts to the Prevention and Public Health Fund for FY 2019 - FY2022. The funding bill also provides temporary relief to other health programs through the first two quarters of FY 2018, including community health centers (the CR allocates \$550

million to health centers), National Health Service Corps, and the teaching health centers program. The bill did not include disaster relief funding for the 2017 wildfires and hurricanes, which continues to face obstacles in congress.

ACA Stabilization Bills Delayed Until 2018

Two bipartisan bills designed to stabilize insurance premiums for the Affordable Care Act were left out of the year-end spending bill, but are planned to be taken up at the start of 2018. The bills include the Collins-Nelson bill, which would provide \$4.5 billion in federal reinsurance funding over 2018 and 2019 to help lower insurance premiums, and the Alexander-Murray bill, which would restore cost-sharing payments to insurers. Health care experts estimate that the bills would only partially mitigate the impact to insurance markets caused by repealing the individual mandate and would not fully offset expected premium increases or prevent the number of uninsured people from growing. While the bills currently have the support of the White House and Republican leaders in the Senate, support in the House is less clear. These bills are expected to be included as part of a deal to pass legislation later this month to fund the federal government passed January 19.

Judge Temporality Blocks Federal Rollback of ACA Contraception Mandate

Federal courts in Pennsylvania and California issued orders to temporality block the Trump administration from enforcing new nationwide rules that make it easier for employers to deny insurance coverage of contraceptives for women. The Affordable Care Act (ACA) requires employers to cover birth control with no cost sharing, with narrow exemptions. The Trump administration issued new rules in October 2017 to allow virtually any employer to claim a religious or moral objection to the ACA's birth control coverage mandate. The court decision temporarily blocks these rules and reinstates the Obama era contraceptive rule pending a final court decision. These court orders are a first steps in what is expected to be lengthy litigation. More than 55 million women have access to birth control without co-payments because of the ACA contraceptive coverage mandate. Under the now enjoined Trump Administration regulations, hundreds of thousands of women could lose those benefits.

State Updates

Proposition 64 Goes into Full Effect

On January 1, 2018 California started allowing for the commercial sale of recreational cannabis. Sales will be allowed in cities across the state, including Los Angeles, West Hollywood, San Francisco, San Diego, Oakland, Santa Cruz and San Jose, but many proposed retailers in these cities are still working to obtain the state license necessary to operate. In San Francisco, businesses with necessary licenses will start operating on January 6. State analysts predict legalization could add up to \$1 billion annually to state revenue. In November 2016 California passed Proposition 64, legalizing the recreational use of cannabis and allowing for the sale of recreational cannabis. The proposition allows Californians who are 21 and older to possess, transport, buy and use up to an ounce of cannabis for recreational purposes and allows individuals to grow as many as six plants.