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Cuts to Medicaid Eligibility and Funding Imperil Millions of Consumers

The House health care bill, the American Health Care Act (AHCA), proposes cuts to Medicaid eligibility and financing, changing it from an entitlement to a *per capita* cap. This would jeopardize our country's most vulnerable people, including more than 70 million low-income children, pregnant women, adults, seniors, and people with disabilities.[i] The nonpartisan Congressional Budget Office (CBO) estimates that the major changes to Medicaid in the AHCA would result in 14 million individuals losing Medicaid coverage by 2026.[ii] CBO also estimates that the overall increase in the number of uninsured under AHCA to 52 million Americans by 2026 would largely stem from changes in Medicaid enrollment, "because some states would discontinue their expansion of eligibility, some states that would have expanded eligibility in the future would choose not to do so, and per-enrollee spending in the program would be capped."[iii] This radical and unprecedented change in Medicaid would threaten those most in need and ultimately could endanger the financial standing of the entire healthcare system.

Changes to Medicaid funding would force states to make painful cuts

- Under the longstanding federal-state partnership that is the Medicaid program, states receive matching federal funds based on the actual cost of enrollee services incurred by the states. There is no cap to this federal match.[iv] The AHCA would impose a per capita cap, limiting the federal contribution based on a state's average 2016 per enrollee expenditures, and raise this amount in subsequent years a rate less than the yearly growth in Medicaid healthcare costs.[v] If a state spent more than the limit, the federal government would provide no additional funding.
- The effect of this reduced funding would be to transfer an estimated $370 billion in financial risk to the states.[vi] Even this estimate does not reflect the additional costs to states from other changes in the AHCA, such as more frequent eligibility redeterminations and intensified documentation requirements for applicants, which would likely increase coverage interruptions.[vii]
- With less federal funding, states will be forced to cut coverage or care, or both, for their residents.[viii] For example, they may:
    - Restrict eligibility for enrollment, such as by capping the number of enrollees or limiting eligibility;
    - Cut payments to providers, including hospitals, which could exacerbate provider shortages;
    - Face a crisis in care for the aging population, since Medicaid is the nation's primary payer of long-term care and support services;[ix]
    - Target other important statewide programs for budget cuts, such as education, in an attempt to maintain the current program;
    - Find themselves unable to adequately respond to public health crises, like the current opioid crisis.
- Medicaid health plans, which cover over 70 percent of all Medicaid beneficiaries—more than 50 million individuals—are expressing concern that a per capita funding system

"could result in unnecessary disruptions in the coverage and care beneficiaries depend on."[x]

- Any option for states to accept block grants would also make federal financing shortfalls likely, shifting the budgetary burden to the states, and take away the guarantee of coverage even for the otherwise eligible population.[xi]

Severely limiting the Medicaid expansion population in the ACA would leave millions of Americans without coverage and reverse recent critical gains in coverage

- More than 11 million adult Americans have obtained coverage—some for the first time in their lives—in states that adopted the Medicaid expansion.[xii]
- The expansion allowed parents and single adults with lower incomes to obtain Medicaid coverage and needed care, regardless of whether they had a disability or a needy dependent—a huge improvement over the prior limiting approach that allowed eligibility only within narrow categories.
- Effectively repealing this provision as of 2020, by eliminating the enhanced federal match for non-pregnant childless adults, would increase the uninsurance rate by making the expansion population too expensive for most states to cover.[xiii]
- The CBO estimates that just 5% of this enhanced match expansion group would remain covered by Medicaid by 2024.[xiv]

Other changes to Medicaid also would imperil consumers, including children, and threaten the healthcare system

- Children ages 6-18 will lose coverage if eligibility is reduced from 138% FPL to 100% FPL, as is proposed by the AHCA.
- Repeal of presumptive and retroactive eligibility for applicants will leave both individuals and hospitals at risk. Hospitals, especially those in rural areas, facing steep drops in revenues, will likely be forced to close.[xv] When hospitals close, everybody in a community loses access to care, regardless of their insurance status or ability to pay.
- Repeal of the requirement for coverage of "Essential Health Benefits" for the expansion population starting in 2020 may result in people losing necessary medical services such as mental health and substance abuse treatment, as well as some free preventive services.[xvi] Those consumers would, starting in 2020, likely be underinsured before they could potentially lose coverage entirely.
- New enrollment requirements proposed under the AHCA---including the twice-yearly eligibility determinations for Medicaid expansion enrollees---are likely to result in eligible consumers losing their coverage, in many cases due to reasons outside their control. Likewise, amendments to the Act that tie eligibility to work requirements will have the effect of disqualifying otherwise eligible and truly needy Americans from having access to healthcare.

Cuts to Medicaid will Harm many States, Hospitals and the Overall Economy

- States that expanded Medicaid have realized budget savings, revenue gains, and overall economic growth from increased employment; increased revenues to hospitals, physicians, and other providers; decreases in uncompensated care; and savings in other state programs, such as state-funded behavioral health or corrections.[xvii]

- Analysts broadly agree that the proposals in the AHCA would impact hospital revenues. According to Moody's Investors Service, the AHCA would "cause an increase in uncompensated care and not-for-profit hospitals' bad debt."[xviii]
- In January, 2017, analysts predicted that, over a short period of time, the combination of tax cuts and spending cuts likely to be included in an ACA repeal would reduce national job growth by over a million by 2019.[xix] Experts estimated California could lose about 209,000 jobs in that state alone.[xx]

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[i] Kaiser Family Foundation, *5 Key Questions: Medicaid Block Grants & Per Capita Caps*, January 31, 2016.
[ii] Congressional Budget Office Cost Estimate, American Health Care Act -- Budget Reconciliation Recommendations of the House Committees on Ways and Means and Energy and Commerce, March 9, 2017, released March 13, 2017, p. 6.
[iii] CBO Cost Estimate, p. 2.
[iv] National Health Law Program, *Evaluating Medicaid Block Grant & Per Capita Cap Proposals*, March 6, 2017.
[v] CBO estimates that the AHCA inflator, the consumer price index for medical care services ("CPI-M") for the period 2017-2026 will grow at an annual rate of 3,7%, while the actual cost in Medicaid will grow at an annual rate of 4.4%. CBO Estimate pp. 10-11.
[vi] Center on Budget and Policy Priorities, *House Republican Health Plan Shifts $370 Billion in Medicaid Costs to States*, March 8, 2017.
[vii] Health Affairs, *The American Health Care Act and Medicaid: Changing a Half-Century Federal-State Partnership*, March 10, 2017.
[viii] CBO Cost Estimate, p.11.
[ix] Kaiser Family Foundation, *Medicaid and Long-Term Services and Supports*, December 15, 2015.
[x] Letter from Marilyn Tavenner, President and CEO of America's Health Insurance Plans (AHIP) to Committee Chairs Kevin Brady and Greg Walden, dated March 8, 2017.
[xi] Kaiser Family Foundation, *5 Key Questions: Medicaid Block Grants & Per Capita Caps*, January 31, 2016.
[xii] Kaiser Family Foundation, *What Coverage and Financing is at Risk Under a Repeal of the ACA Medicaid Expansion?*, December 6, 2016.
[xiii] *Id.*
[xiv] CBO Estimate, p. 10.
[xv] Kaiser Health News, *Hospitals, Both Rural and Urban, Dread Losing Ground with Health Law Repeal*, February 28, 2017.
[xvi] National Health Law Program, *Top 10 Changes to Medicaid Under House Republicans' ACA Repeal Bill*, March 15, 2017.

[xvii] Kaiser Commission on Medicaid and the Uninsured, *The Effects of Medicaid Expansion under the ACA: Findings from a Literature Review*, June 2016.
[xviii] Advisory Board, *Hospital Finances Could Take a Hit Under House GOP's ACA Replacement, Credit Rating Agencies Warn*, March 13, 2017. Similarly, S&P Global reported that the AHCA would increase "hospital sector's level of bad debt and charity care expenses," and Fitch Ratings stated that AHCA would "'expose states and hospitals to new fiscal' risks."
[xix] Economic Policy Institute, *Repealing the Affordable Care Act Would Cost Jobs in Every State*, January 31, 2017.
[xx] UC Berkeley Labor Center, *UC Berkeley Center for Labor Research and Education*, December 2016.