Cassidy-Graham ACA Repeal Bill Would Cause Millions to Lose Coverage

The plan from Senators Bill Cassidy, Lindsey Graham, Dean Heller, and Ron Johnson to repeal the Affordable Care Act (ACA) was the final repeal bill that Congress considered last year. President Trump's 2019 budget calls for adopting Cassidy-Graham, which is reportedly also the starting point for discussions among prominent conservatives and Administration officials about reviving ACA repeal efforts.

Like the other repeal bills that Congress considered and rejected last year, Cassidy-Graham would eliminate the ACA's expansion of Medicaid to low-income adults; make individual market coverage unaffordable for many moderate-income consumers; cap and cut federal Medicaid funding for seniors, people with disabilities, and families with children; roll back nationwide protections for people with pre-existing conditions; and cause millions of people to lose coverage. Health policy experts at the Brookings Institution called Cassidy-Graham "the most harmful ACA-repeal bill yet." And a new version of Cassidy-Graham would likely leave even more Americans uninsured, because it would likely provide even less federal funding for health coverage than the earlier bill.

Eliminating Medicaid Expansion and ACA Subsidies

Today, about 12 million people in 31 states plus the District of Columbia (DC) are covered under the ACA's expansion of Medicaid to low-income adults, and about 10 million people across all states get help paying for individual market coverage from the ACA's premium tax credits and cost sharing reductions.

The Cassidy-Graham bill would eliminate both programs as of 2020 and substitute an inadequate and flawed block grant.

- **The block grant would substantially reduce total resources for coverage, especially in states that have achieved the largest coverage gains under the ACA.** Cassidy-Graham would not only cut total federal funding for coverage but also redistribute it across states, using a formula that would impose deep cuts on states that expanded Medicaid or achieved high take-up of marketplace coverage, as well as states with high health care costs. That means the states likely most motivated to try to maintain current coverage levels would receive the fewest resources to do so.

- **Federal funding would no longer respond to need, making it far too risky for states to maintain current coverage programs even if they wanted to.** A state that tried to use block grant dollars to offer Medicaid-like coverage to all low-income adults or offer individual market subsidies that (like the ACA's) kept pace with both need and insurance premiums would expose itself to massive financial risk. The federal block grant would *not* adjust for enrollment increases due to recessions or per-person cost increases due to public health emergencies, breakthrough treatments, or demographic change; states would be on the hook for 100 percent of such costs.

- **States could simply use federal block grant dollars to replace ("supplant") their own health care spending.** Cassidy-Graham includes few guardrails to prevent states from using the federal funding to replace current state health care funding, such as state programs that provide mental health or substance use treatment or fund public hospitals and other safety net providers. As the Congressional Budget Office (CBO) concluded, "states could fund some of their programs that they would have operated under current law" with block grant dollars, and some states (especially current non-expansion states) would choose to do so. Using federal funds to supplant state funds for existing health programs would do nothing to mitigate the coverage losses from eliminating Medicaid expansion and marketplace subsidies.

Disrupting States' Individual Markets

Replacing the ACA coverage provisions with a flawed block grant would not only cause large coverage losses among Medicaid and marketplace enrollees. In some states, it could cause the individual market for health insurance to collapse altogether. CBO concluded that most states couldn't replace the ACA's subsidies and "would choose to provide little support to people in the nongroup [individual] market." With neither subsidies nor an individual mandate (see below) to draw healthier consumers into the risk pool, markets in some states could unravel.

Even more states would likely experience very large premium increases or insurer exits, especially in the near term. Eliminating federal subsidies would create massive uncertainty for insurers, who would have to predict how the individual markets in 50 states and DC would function and how risk pools would evolve. As 36 current and former insurance commissioners wrote, Cassidy-Graham would "severely disrupt states' individual insurance markets, with sharp premium increases and insurer exits likely to occur in the short term and over time."

Moreover, the Cassidy-Graham block grant would simply end as of 2027. At that point, Cassidy-Graham would amount to repealing the ACA's Medicaid expansion and subsidies with no replacement, an approach that would leave about 75 percent of Americans with no individual market coverage options, according to CBO.

Restructuring and Cutting the Rest of Medicaid

Like other ACA repeal bills, Cassidy-Graham would also impose an arbitrary cap on per-enrollee federal Medicaid funding for seniors, people with disabilities, and families with children. This "per capita cap" would cut federal funding for these populations by nearly 9 percent by 2026, and the cuts would keep growing over time, CBO estimates suggest.

To absorb these large and growing cuts, states would have to limit eligibility, cut benefits, or both. Certain services would likely be especially vulnerable to cuts: for example, home- and community-based services for seniors and people with disabilities, an optional benefit that most states already limit based on available funds. And the per capita cap, like the proposed block grant, would also make it harder for states to respond to public health crises like the opioid crisis, since federal Medicaid funding would no longer respond automatically to growing need.

Eliminating Nationwide Protections for People with Pre-Existing Conditions

Cassidy-Graham would give states expansive waiver authority to eliminate or weaken ACA protections that prohibit insurers from charging higher premiums to people with pre-existing conditions and require plans to cover essential health benefits. Before the ACA, when these decisions were left to states, only seven states prevented insurers from charging higher premiums based on health status, and large fractions of individual market plans excluded services like maternity coverage, mental health care, substance use treatment, and prescription drugs.

Causing Millions to Lose Coverage

Because CBO was asked to analyze Cassidy-Graham so rapidly, it was unable to estimate the magnitude of its effects on coverage but concluded the bill would cause "millions" to become uninsured. Drawing on CBO analyses of earlier bills, independent analysts at the Brookings Institution estimated last year that a version of Cassidy-Graham would cause about 21 million people to lose coverage in the years when its block grant was in full effect. That would result in a non-elderly uninsured rate of about 18 percent (about 50 million people), versus 10.6 percent (29 million people) in 2017.

Cassidy-Graham would likely cause a smaller *increase* in the uninsured if enacted this year, since Congress has already enacted one part of last year's bill: repeal of the ACA's mandate that most people have health insurance or pay a penalty, which will reduce the number of people with coverage. But the final result would be the same: almost 1 in 5 non-elderly Americans would be uninsured, similar to pre-ACA levels.

In fact, new versions of Cassidy-Graham might result in *higher* uninsured rates than the prior version. That's because the 2017 tax law, by repealing the mandate and reducing the number of people with federally subsidized coverage, cut about $300 billion from health coverage programs but then used those dollars to help pay for tax cuts, whereas the original Cassidy-Graham bill relied on the savings from mandate repeal to help fund its block grant.

With the mandate already repealed, a revised version of Cassidy-Graham that aimed to avoid increasing the deficit would likely need to either cut Medicaid outside of expansion even more deeply or provide even less federal block grant funding than the original Cassidy-Graham bill did. All else equal, that suggests a new version of Cassidy-Graham might leave *even more Americans without health insurance* than last year's proposal.

For a version of this fact sheet with links to sources, see https://www.cbpp.org/research/health/cassidy-graham-aca-repeal-bill-would-cause-millions-to-lose-coverage .