

House Health Care Bill Ends Medicaid as We Know It



The American Health Care Act (AHCA), which the House passed on May 4, would radically restructure Medicaid's federal financing and effectively end the Affordable Care Act's (ACA) Medicaid expansion, reducing enrollment by 14 million people by 2026 and cutting federal spending by \$834 billion over ten years. The bill's other Medicaid changes would cut another \$19 billion over ten years. All told, the AHCA would have a devastating impact on health care for over 70 million people who rely on Medicaid, including over 30 million children and millions of seniors, people with disabilities, pregnant women, and low-income adults.

Capping Federal Medicaid Funding, With Cuts Growing Each Year

The AHCA would end Medicaid's federal-state financing partnership in which the federal government pays a fixed percentage of state Medicaid costs — on average, 64 percent today. Instead, beginning in 2020, federal funding would be [capped](#) at a set amount per beneficiary. The cap would equal federal Medicaid spending per beneficiary in 2016, rising each year by a *slower* rate than the Congressional Budget Office's (CBO) current projection for Medicaid per beneficiary spending. That would cut federal Medicaid spending, with the cuts growing each year.

States would also have the option of converting Medicaid to a [block grant](#) for children, adults (other than seniors and people with disabilities), or both. States taking this option would no longer have to cover the comprehensive pediatric benefit that federal law now requires known as EPSDT (Early and Periodic, Screening, Diagnostic and Treatment), which ensures children — especially those with complex health care conditions and special health care needs — get regular check-ups and treatment. States could also charge unlimited premiums, deductibles, and copayments and likely impose waiting lists or caps on the number of children or adults who could enroll.

To compensate for these cuts, states would have to raise taxes, cut other budget areas like education, or as is far likelier, cut Medicaid spending. But Medicaid is highly efficient, with per-beneficiary costs that are lower than (and growing more slowly than) private insurance. So states would likely have to make cuts that seriously harm beneficiaries, like restricting eligibility, reducing services, cutting payments to providers, or a combination of all three approaches to rationing care.

Funding shortfalls would be even greater if health care costs grow more quickly than anticipated due to a public health emergency, costly new prescription drug, or changing demographics. And the certain increase in seniors' per beneficiary costs as the baby boomers age and more seniors move from "young-old age" to "old-old age" will deepen the shortfalls. All [32 states](#) with available projections estimate that the share of their seniors who are 85 and older will rise between 2025 and 2035, in most cases by at least 25 percent. People in their 80s or 90s have more serious and chronic health problems and are likelier to require nursing home and other long-term services and supports. For example, seniors aged 85 and older incurred average Medicaid costs in 2011 that were more than 2.5 times higher than those aged 65 to 74. But under the AHCA, each state's funding per senior beneficiary would be based on the state's spending per senior beneficiary in 2016, so federal funding wouldn't adjust to reflect the rise in seniors' per beneficiary costs.

Faced with these cuts, many states would have to cut [home- and community-based services](#), an optional benefit in Medicaid that enables people with serious health problems (including children with disabilities) to remain in their homes instead of a nursing home by helping them with daily living activities like bathing and getting dressed. Over half of state spending on optional services is for home- and community-based services, making them a likely target for cuts.

Ending the Medicaid Expansion

Under the AHCA, starting on January 1, 2020, the federal government would pay only the regular matching rate (which averages 57 percent) rather than 90 percent for any new expansion enrollees. States that want to continue enrolling low-income adults in expanded Medicaid coverage after 2019 would have to pay 2.8 to 5 times their current-law cost for each new enrollee. The higher cost would also apply to current enrollees who leave Medicaid for a month or more, then seek to return when they fall on hard times. Most adult Medicaid enrollees use the program for relatively short spells, so the higher cost would apply to the large majority of a state's expansion program within just two or three years. Moreover, the AHCA requires states to redetermine eligibility for expansion adults every six months starting in October 2017, which

would accelerate the cuts in enrollment. More frequent eligibility redeterminations lead many *eligible* people to experience coverage gaps if, for example, they move and don't receive their redetermination paperwork in time.

CBO estimates that more than two-thirds of those enrolled at the end of 2019 would fall off the program by the end of 2021 and fewer than 5 percent would remain on Medicaid by the end of 2024. Seven states have laws that effectively require their Medicaid expansions to end if federal financial support for the expansion falls; most or all other states would ultimately have to freeze enrollment of new enrollees, with their expansions virtually disappearing within a few years. The expansion now covers 11 million low-income adults who would have been ineligible for Medicaid, and likely uninsured, under pre-ACA rules.

Worsening Coverage for Children, Seniors, and People with Disabilities

The AHCA's [other Medicaid changes](#) haven't gained much notice but would cut an additional \$19 billion over ten years and significantly affect coverage and financial security for millions of children, seniors, and people with disabilities, while also increasing uncompensated care for hospitals. These changes would:

- **Roll back Medicaid coverage for children ages 6-18.** The ACA raised Medicaid's minimum income limit for these children from 100 to 133 percent of the poverty line, allowing all children with family incomes below 133 percent of poverty, regardless of age, to receive Medicaid. That's a better coverage option than the Children's Health Insurance Program (CHIP), which has narrower coverage and higher out-of-pocket costs. AHCA would lower eligibility back to 100 percent of poverty, potentially affecting about 1.5 million children in 21 states.
- **Make it harder for seniors and people with disabilities to qualify for Medicaid and get health care in their homes and communities.** The AHCA would require ten states and the District of Columbia to lower the amount of home equity they disregard when determining Medicaid eligibility for seniors and people with disabilities. This would threaten people's ability to stay in their homes and get care. The AHCA also would remove a financial incentive in the ACA for states to provide home- and community-based services, a lower-cost alternative to institutional care.
- **Increase the likelihood of medical bankruptcy for low-income people and increase uncompensated care for safety net hospitals.** The AHCA would repeal an ACA provision requiring state Medicaid programs to help people pay medical bills incurred in the three months before enrolling in Medicaid if they were Medicaid-eligible during that period. It would also remove an ACA option enabling states to enroll uninsured adults in Medicaid immediately if they need acute medical care. These changes would harm beneficiaries and raise uncompensated care costs for hospitals, particularly safety net hospitals that treat a disproportionate share of the most vulnerable people.

Harming Kids, Local Communities, and State Budgets

Many children receive Medicaid-covered health care at [school](#). For students with disabilities, schools must provide medical services necessary for them to get an education as part of their special education plans; Medicaid pays for these services. Medicaid also pays for health services all children need, such as vision and dental screenings that schools provide to Medicaid-eligible children. Schools can also help enroll eligible but unenrolled children in Medicaid or CHIP and connect them to other health care services and providers.

In 2015, Medicaid paid for nearly \$4 billion in school-based health care services. Medicaid funding helps schools pay the salaries of their health care and ancillary staff who provide important services and support to many students, not just those with Medicaid coverage. In 2017, 68 percent of school superintendents reported using Medicaid funding to keep school nurses, school counselors, speech therapists, and other health professionals on staff. Radically restructuring and cutting Medicaid funding would jeopardize schools' ability to purchase needed medical equipment, connect children to other health care services, and implement health monitoring programs that help keep all children, not just those enrolled in Medicaid, healthy and successful in school.

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