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Commentary: House Health Bill Would End ACA's Medicaid Expansion, Leaving Most Enrollees Uninsured

By Aviva Aron-Dine, Matt Broaddus, Edwin Park, and Tara Straw

Two new CBPP analyses confirm that the House health bill (the American Health Care Act) would effectively end the Affordable Care Act's (ACA) expansion of Medicaid and likely cause the overwhelming majority of those currently covered by the expansion to become uninsured. The first analysis shows that states almost certainly could not afford to continue the expansion when faced with the House bill's cuts in federal funding.[1] It also debunks claims that delaying these cuts or phasing down federal funding more slowly, as the Senate is reportedly considering,[2] would enable states to continue their expansions. The second analysis rebuts claims that those losing their Medicaid expansion coverage would be able to obtain private insurance in the individual market. It finds that many of these poor- and near-poor adults would face premiums exceeding a quarter or half of their income, for coverage inadequate to their needs.[3]

The ACA's Medicaid Expansion Has Produced Dramatic Coverage Gains

Before the Affordable Care Act, low-income adults without disabilities, including millions of people working in low-wage jobs, often lacked access to affordable health insurance. State Medicaid programs generally covered only the very lowest-income parents, and they mostly didn't cover low-income adults without children at all. That's why more than 40 percent of poor, non-elderly adults were uninsured in 2010. The ACA changed that, by giving states enhanced federal funding to expand Medicaid to everyone with income below 138 percent of the federal poverty line (about $16,000 for a single adult).

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[1] Matt Broaddus and Edwin Park, "House Republican Health Bill Would Effectively End ACA Medicaid Expansion," Center on Budget and Policy Priorities, June 6, 2017, http://www.cbpp.org/research/health/house-republican-health-bill-would-effectively-end-aca-medicaid-expansion.

[2] Stephanie Armour and Kristina Peterson, "GOP Leaders to Present Senate Republicans with Proposals to Shape Health-Care Bill," *Wall Street Journal,* June 5, 2017, https://www.wsj.com/articles/gop-leaders-to-present-senate-republicans-with-proposals-to-shape-health-care-bill-1496691943.

[3] Tara Straw, "People Losing Medicaid Under House Republican Bill Would Face High Barriers to Coverage," Center on Budget and Policy Priorities, June 7, 2017, http://www.cbpp.org/research/health/people-losing-medicaid-under-house-republican-bill-would-face-high-barriers-to.

The benefits have been dramatic. In the 31 states and DC that took up the ACA's expansion of Medicaid, the uninsured rate among non-elderly adults has been *cut in half* since 2013, the year before the Medicaid expansion took effect. And these gains in coverage are translating into gains in access to care, health, and financial security. One recent study found that the Medicaid expansion increased the share of low-income adults getting check-ups, getting regular care for chronic conditions, and who say they're in excellent health, and decreased the share relying on the emergency room for care, skipping medications due to cost, and struggling with medical bills.[4]

Medicaid expansion is also benefiting state budgets and helping small and rural hospitals stay afloat. In expansion states, uncompensated care costs have dropped by half as a share of hospital budgets since 2013.[5]

What the House Bill Does, and What the Senate May Do

But in spite of this track record, the health bill that the House passed on May 4 would effectively end the Medicaid expansion, by ending the ACA's enhanced federal matching rate for new Medicaid expansion enrollees. That means states would have to pay *three to five times more* than under current law for anyone they enroll in the Medicaid expansion starting January 1, 2020.

And, despite initial claims that the Senate would "start over," Senate Republicans' health care working group seems to be headed in the same direction. Majority Whip John Cornyn told reporters, "the practical matter is that 80 percent of what the House did we're likely to do."[6] That statement apparently applies to the Medicaid expansion. The Senate working group is reportedly considering "compromises" that would phase out funding more slowly or delay the end of the expansion for several years — but the group does not appear to be considering any approach that would actually maintain the expansion over the long run.

This is partly a matter of math: the Republican health bill can't add up without hundreds of billions in savings from ending the Medicaid expansion to help offset the cost of its tax cuts, which go mostly to high-income households and corporations.

Delaying the Phaseout of Expansion Won't Change the Consequences

CBPP's new analysis of the cost to states of maintaining their expanded Medicaid programs under the House bill finds:

- States' costs for the expansion population would more than triple by 2021, increasing by an estimated $20.6 billion across the 31 expansion states and the District of Columbia.
- By 2023, states would see a four-fold increase in costs relative to current law: state expansion costs would increase by $35 billion across the expansion states.

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[4] Benjamin D. Sommers *et al.,* "Three-Year Impacts of the Affordable Care Act: Improved Medical Care and Health Among Low-Income Adults," *Health Affairs*, May 2017.

[5] Council of Economic Advisers, "The Economic Record of the Obama Administration: Reforming the Health Care System," December 2016.

[6] Kerry Dooley Young, "CBO Estimate of Revised House Health Care Bill Changes Little," *Roll Call*, May 24, 2017.

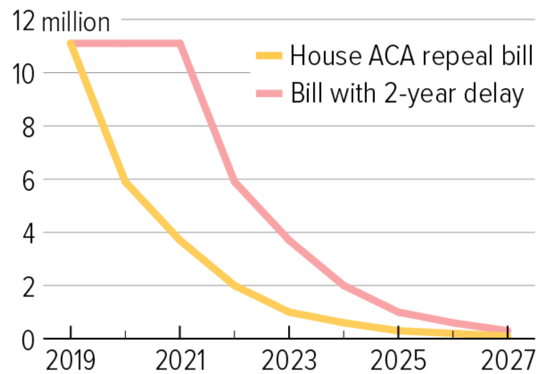
Few if any states could absorb cost shifts this large, and so most if not all would freeze enrollment in their expanded Medicaid programs starting in 2020, as the House bill permits. Because the income of low-income adults eligible for the expansion tends to fluctuate, most expansion individuals tend to be enrolled only for a relatively short period. As a result, within just a few years, expansion enrollment would fall dramatically.

And phasing in or delaying the cuts would make little difference. For example, even if the end of enhanced federal funding for the expansion were delayed by two years, the cost shift to states by 2026 would be almost as large as under the current House bill. In states that froze their expansion enrollment, enrollment would fall by more than 66 percent by 2023 and by more than 90 percent by 2025. (See Figure 1.)

FIGURE 1

Delaying End of Higher Federal Funding for ACA Medicaid Expansion Enrollees Wouldn't Mitigate Eventual Harm

ACA Medicaid expansion enrollees who are eligible for continued enhanced federal funding rate



Note: ACA = Affordable Care Act. The ACA provided enhanced federal funding to cover the costs of Medicaid enrollees under the ACA's Medicaid expansion. The House-passed ACA repeal bill would lower that federal funding rate for expansion enrollees in 2020. Some Senate Republicans are considering delaying that provision for two years.

Source: CBPP analysis, Based on Centers for Medicare & Medicaid Services data and Congressional Budget Office assumptions about enrollment

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Whenever Expansion Ends, Millions of Low-Income Adults Will Lose Coverage

Some Republican policymakers have claimed that people losing Medicaid expansion coverage could instead purchase private insurance in the individual market, with assistance from the House bill's refundable tax credits. But in reality, low-income adults would face out-of-pocket premiums (after accounting for tax credits) too high for them to realistically afford coverage, and deductibles and other cost-sharing too high for them to realistically obtain needed care.

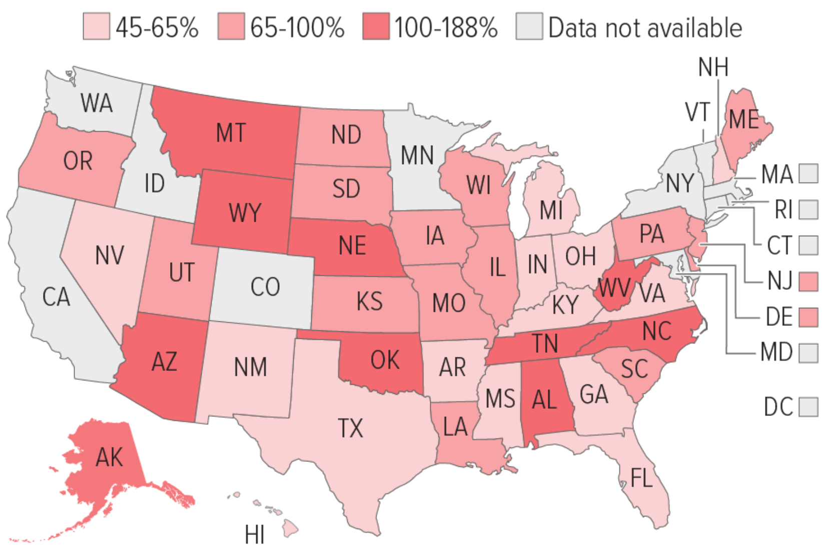
- **For people age 60 or older with income at or below the poverty line, individual-market premiums would consume at least 45 percent of their income.** The share would be even higher in higher-cost states and for people at lower incomes, sometimes exceeding total income. (See Figure 2.)
- **For middle-aged people (age 45) with income at the poverty line, premiums would consume more than one-fifth of income in most states.** For those with incomes equal to half of the poverty line, premiums would consume more than half of their income in 14 states.
- **Even for younger people, who would fare the best under the House bill, premiums would still be unaffordable for many.** In most states, premiums for a 30-year-old would exceed $100 a month, while in six states, they would exceed $200 — unaffordable premium burdens for young adults with incomes at or below the poverty line of $1,050 per month.

And that's *before* taking into account the House bill's provisions that would weaken consumer protections. The bill would let states waive requirements that plans cover key services like substance use treatment, mental health care, and prescription drugs, or let plans go back to charging people with pre-existing conditions exorbitant premiums. Nearly 30 percent of the low-income adults eligible for coverage through the Medicaid expansion have a mental illness or substance use disorder, and lower-income people have higher rates of heart disease, diabetes, stroke, and other chronic conditions that resulted in high premium surcharges and coverage denials before the ACA.

FIGURE 2

60-Year-Old With Income at Poverty Line Would Face High Premiums Under House Health Bill

Premiums after counting tax credits as share of income in 2020



Note: Based on a projected poverty line of $12,600 in the lower 48 states, $15,750 in Alaska, and $14,500 in Hawaii. Data cover the 39 states that use the HealthCare.gov enrollment platform. Assumes individuals face their state average benchmark premium.

Source: CBPP analysis

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Maintaining Gains From Expansion Requires Keeping Expansion in Place

Just last week, new polling found that the Medicaid expansion is extremely popular, with its popularity crossing party lines. 84 percent of the public, including 71 percent of Republicans, support continuing current federal funding for the expansion.[7]

The expansion's overwhelming popularity may be part of the reason that a number of Senate Republicans say they want to find a way to maintain the gains from expansion in their states. But, as CBPP's new analyses show, the only way to do that is to reject the House bill's approach and leave the Medicaid expansion as is.

[7] Kaiser Family Foundation, "Kaiser Health Tracking Poll May 2017: The AHCA's Proposed Changes to Health Care," May 31, 2017.