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Cassidy-Graham Amendment Would Cut Hundreds of Billions from Coverage Programs, Cause Millions to Lose Health Insurance

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Senators Bill Cassidy and Lindsey Graham have introduced an amendment to the GOP health bill that they describe as focused on state flexibility and equalizing payments across states rather than cuts.¹ But the amendment would make drastic cuts to both Medicaid and marketplace financial assistance.

Senators may be asked to vote on this amendment just hours after text became available, and without the benefit of a Congressional Budget Office (CBO) score or any independent analysis. But the text of the amendment alone makes clear that — contrary to Senators Cassidy and Graham’s claims — the proposal would cut federal funding for Medicaid and marketplace subsidies by hundreds of billions of dollars over ten years, and by trillions over two decades. The proposal would block grant and sharply cut federal funding for Medicaid expansion and marketplace subsidies (with funding ending altogether after 2026), while retaining the Senate bill’s damaging per capita cap on federal funding for the rest of Medicaid. Many millions of people would lose coverage, just as under both the House-passed health bill and the Senate bill (the Better Care Reconciliation Act, or BCRA).

Specifically, the Cassidy-Graham amendment would:

- Eliminate premium tax credits and cost-sharing reductions that help moderate-income marketplace consumers afford coverage and care, and eliminate the ACA’s enhanced match for Medicaid expansion starting in 2020.
- Replace the marketplace subsidies (premium tax credits and cost-sharing reductions) and Medicaid expansion funding with a block grant set at levels well below what would be provided under current law. States apparently could use these funds for a broad range of health care purposes, not just coverage, with essentially no guardrails or standards to ensure affordable, meaningful coverage. *After 2026 block grant funding would end altogether.*

¹ “Cassidy, Graham Announce Amendment to the BCRA,” Senator Bill Cassidy Press Release, July 13, 2017, <https://www.cassidy.senate.gov/newsroom/press-releases/cassidy-graham-announce-amendment-to-the-bcra->

- Maintain the Senate bill's provision to convert virtually the entire Medicaid program to a per capita cap, with large and growing cuts to federal funding for seniors, people with disabilities, and families with children.

As a result of these provisions, the Cassidy-Graham proposal would:

Make deep cuts to federal funding for coverage programs. Block grant funding in 2020 would be \$26 billion, or 16 percent, below projected current law federal funding for Medicaid expansion and marketplace subsidies. The block grant would grow by only 2.0 percent annually, well below medical cost inflation and even general cost inflation. *By 2026, block grant funding would be \$83 billion, or 34 percent, below projected current law federal funding.* States would be forced to sharply scale back coverage as these block grants became increasingly inadequate.

Moreover, the formula for how much states receive under the block grant would move federal funding from expansion states to non-expansion states, deepening the percentage cuts to funding for expansion states. That would punish states that have been most successful at enrolling low- and moderate-income people in coverage since the ACA's major coverage expansions took effect. In fact, Senator Graham said on the Senate floor that funding for California, a state that with a highly effective state-based marketplace and a successful Medicaid expansion, would eventually be cut by *38 percent*. The amendment appears designed to pick winners and losers, rather than guarantee states the funding they need to cover their residents' needs. Also, because the funding is conditional on meeting certain criteria related to states' per capita income, population density, and Medicaid expansion status, some states (such as Florida, North Carolina, and Virginia) would be excluded from between 45 and 70 percent of the funding outright.

Crucially, funding would *end altogether after 2026*, leaving states with massive holes in their budgets and no choice but to further reduce access to coverage.

Meanwhile, states would also face deep cuts to federal Medicaid funding outside expansion, because the bill leaves the BCRA's per capita cap in place. CBO estimates indicate these cuts would equal \$180 billion over ten years, but that they would increase rapidly over time, reaching more than \$40 billion annually by 2026.² In 2026, cuts under the Senate bill would equal nearly 9 percent of total federal Medicaid spending for seniors, people with disabilities, families with children, and other adults outside of the ACA's Medicaid expansion. These large and growing cuts from the per capita cap are the primary reason CBO expects the Senate bill's total Medicaid cuts to increase rapidly after 2026, rising from 26 percent of total federal Medicaid funding in 2026 to 35 percent by 2036, relative to current law.³

Shift additional costs and risks onto states. Under current law, federal funding for Medicaid expansion and marketplace subsidies automatically adjusts based on changes in need and costs. Under the proposed block grant, funding for expansion and subsidies would no longer adjust for

² Edwin Park, "CBO Finds Growing, Harmful Impact of Senate GOP Bill's Medicaid Per Capita Cap," Center on Budget and Policy Priorities, July 22, 2017, <https://www.cbpp.org/blog/cbo-finds-growing-harmful-impact-of-senate-gop-bills-medicaid-per-capita-cap>.

³ Congressional Budget Office, "Longer-Term Effects of the Better Care Reconciliation Act of 2017 on Medicaid Spending," June 29, 2017, <https://www.cbo.gov/publication/52859>.

increased enrollment due to recessions, public health emergencies, premium increases, new breakthrough treatments, prescription drug price spikes, demographic changes, or other cost pressures outside of states' control. Faced with a recession, for example, states would have to either dramatically increase their own spending on health care (likely impossible) or deny help to people losing their jobs and their health insurance.

Moreover, it's not clear all states would even accept the block grant funding, because it requires a state match starting at 3 percent in 2020 and increasing to 5 percent by 2025. States that haven't expanded Medicaid have cited the state match as the reason, so at least some of these states could balk at providing a state match not only for expansion but for private coverage, which is now fully federally funded.

Likewise, under the per capita cap, federal Medicaid funding for seniors, people with disabilities, and families with children would no longer adjust for new breakthrough treatments, prescription drug price spikes, other unexpected costs, or rising per-enrollee costs resulting from an aging population.⁴ States would be responsible for 100 percent of all costs above the cap.

Leave low- and moderate-income people with no guarantee of affordable or adequate coverage. Under current law, moderate-income individual market consumers are guaranteed tax credits to help them pay for meaningful coverage meeting certain standards, and low-income adults in expansion states are guaranteed the ability to enroll in Medicaid, which ensures a comprehensive array of benefits and financial protection. The Cassidy-Graham amendment would eliminate these guarantees and allow states to spend their federal funding on virtually any health care purpose.

Faced with large federal funding cuts and exposed to enormous risk, most if not all states would be forced to use this "flexibility" to eliminate or cut coverage and financial assistance for low- and moderate-income people. In particular, many states would likely do one or more of the following: cap total enrollment; offer very limited benefits; charge unaffordable premiums, deductibles or copayments; redirect federal funding from providing coverage to other purposes like reimbursing hospitals for uncompensated care; and limit assistance to fixed dollar amounts that put coverage out of reach for most low- and moderate-income people. As a result, many millions of people would lose coverage.

On top of that, the amendment maintains provisions of the Senate bill that would allow states to waive important consumer protections in the individual insurance market.⁵ Under these waivers, which would be subject to near-automatic approval by the federal government, insurers could exclude crucial services such as maternity and mental health care from their plans, impose annual and lifetime limits, and dramatically raise deductibles and other out-of-pocket charges for consumers. With dwindling federal resources available, states would be under heavy pressure to apply for the waivers.

⁴ Matt Broaddus, "Population's Aging Would Deepen House Health Bill's Medicaid Cuts for States," Center on Budget and Policy Priorities, March 24, 2017, <https://www.cbpp.org/blog/populations-aging-would-deepen-house-health-bills-medicaid-cuts-for-states>.

⁵ Sarah Lueck, "Senate Health Bill Waivers Would Undermine Key Consumer Protections for People with Pre-Existing Conditions," Center on Budget and Policy Priorities, July 19, 2017, <https://www.cbpp.org/research/health/senate-health-bill-waivers-would-undermine-key-consumer-protections-for-people-with>.

Create significant near-term uncertainty and disruption in the individual market. For insurers, the Cassidy-Graham amendment would have much the same consequences as proposals to repeal the ACA with no replacement. With 50 states and the District of Columbia left to devise their own market rules and financial assistance programs — absent any federal guidance, guardrails, or administrative infrastructure — insurers would have no idea how the individual market would operate in 2020 and beyond. It could be years before they had clarity about market rules, and years more before they knew what their risk pools would look like under those rules. In the interim, insurers would most likely impose very large rate increases and, in some cases, exit the market. That could lead to large coverage losses even among individual market consumers not directly affected by the amendment's large cuts to individual market financial assistance.