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Like Other ACA Repeal Bills, Cassidy-Graham Would Cap and Deeply Cut Medicaid

By Hannah Katch

Senators Bill Cassidy and Lindsey Graham’s revised bill to repeal the Affordable Care Act (ACA) would still deeply cut Medicaid by ending the ACA’s Medicaid expansion and converting the rest of Medicaid to a per capita cap.¹ Senators Cassidy and Graham have tried to focus attention on their block grant and away from the cap, but the Medicaid cap in their bill is very similar to the cap in the Senate Republican leadership bill (the Better Care Reconciliation Act) that failed to pass the Senate in July,² and even more damaging than the cap in the House-passed American Health Care Act.³ It would cut federal funding for non-expansion Medicaid populations (seniors, people with disabilities, families with children, and pregnant women) by an estimated \$175 billion over ten years and more than \$1 trillion over 20 years, while also making federal Medicaid funding far less responsive to need. As a result, the Cassidy-Graham cap would likely result in millions of low-income seniors, people with disabilities, and children and families ending up uninsured or losing access to needed care.

Notably, Senators Cassidy and Graham have released estimates purporting to show the effects of their revised bill on federal funding for health coverage. As their earlier estimates did, these estimates suffer from serious methodological flaws — including ignoring the federal Medicaid funding cuts that would result from the per capita cap.

Starting in 2020, Cassidy-Graham would replace the existing federal-state financial partnership, under which the federal government pays a fixed percentage of a state’s Medicaid costs, with capped

¹ Jacob Leibenluft *et al.*, “Like Other ACA Repeal Bills, Cassidy-Graham Plan Would Add Millions to Uninsured, Destabilize Individual Market,” Center on Budget and Policy Priorities, revised September 20, 2017, <https://www.cbpp.org/research/health/like-other-aca-repeal-bills-cassidy-graham-plan-would-add-millions-to-uninsured>.

² Center on Budget and Policy Priorities, “Senate Health Care Bill Ends Medicaid as We Know It, With Even Bigger Cuts Than House Bill,” revised July 6, 2017, <https://www.cbpp.org/research/health/senate-health-care-bill-ends-medicaid-as-we-know-it-with-even-bigger-cuts-than-house>.

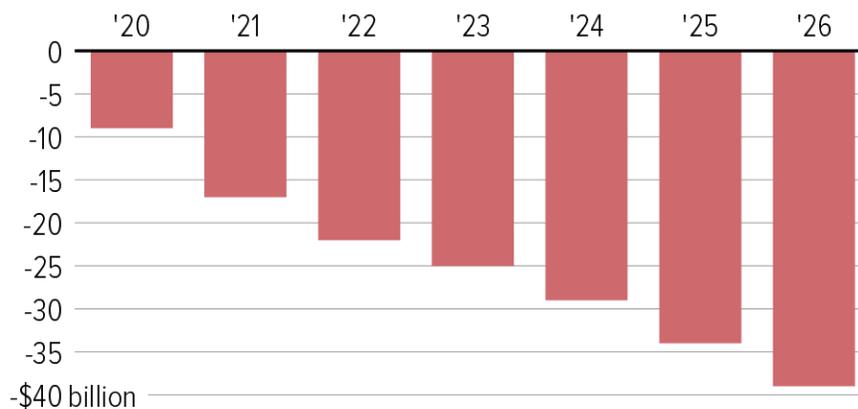
³ Edwin Park, Judith Solomon, and Hannah Katch, “Updated House ACA Repeal Bill Deepens Damaging Medicaid Cuts for Low-Income Individuals and Families,” Center on Budget and Policy Priorities, March 21, 2017, <https://www.cbpp.org/research/health/updated-house-aca-repeal-bill-deepens-damaging-medicaid-cuts-for-low-income>.

federal Medicaid funding at a set amount per beneficiary, irrespective of states’ actual costs. Like the Senate Republican leadership and House-passed repeal bills, Cassidy-Graham would annually adjust the cap amounts at a rate *lower* than projected growth in state Medicaid costs per beneficiary. This would cut states’ federal Medicaid funding relative to current law, with the cuts growing larger each year. Past Congressional Budget Office (CBO) estimates suggest that Cassidy-Graham would cut the rest of Medicaid (outside of the expansion) by \$175 billion between 2020 and 2026, with the cuts reaching \$39 billion (8 percent) by 2026, relative to current law. (See Figure 1.)

FIGURE 1

Cassidy-Graham Medicaid Per Capita Cap Would Cut \$175 Billion in Federal Funding Through 2026

Compared to current law



Note: The Cassidy-Graham proposal would cut federal Medicaid spending by capping federal funding on a per-beneficiary basis, which would be adjusted annually at a rate below currently projected increases in Medicaid per-beneficiary spending.

Source: CBPP calculations based on Congressional Budget Office estimates

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The cuts would grow deeper in coming decades. The Cassidy-Graham per capita cap would cut federal Medicaid spending by *\$1.1 trillion* from 2020 to 2036 (outside of the expansion), according to new estimates from Avalere.⁴ Similarly, the AARP Policy Institute projects that the Cassidy-Graham cap would cut about *\$1.1 trillion* from federal Medicaid spending through 2036 (under AARP’s middle-case scenario).⁵

That’s because Cassidy-Graham — similar to the Senate Republican leadership bill — would further *lower* the annual adjustment of the per capita cap amounts starting in 2025 and institute even

⁴ Elizabeth Carpenter and Chris Sloan, “Graham-Cassidy-Heller-Johnson Bill Would Reduce Federal Funding to States by \$215 Billion,” Avalere, September 20, 2017, <http://avalere.com/expertise/life-sciences/insights/graham-cassidy-heller-johnson-bill-would-reduce-federal-funding-to-sta>.

⁵ Brendan Flinn *et al.*, “Sounding the Alarm: The New Senate Health Care Bill Could Cut \$3.2 Trillion from Medicaid by 2036,” AARP Public Policy Institute, September 19, 2017, <http://blog.aarp.org/2017/09/19/sounding-the-alarm-the-new-senate-health-care-bill-could-cut-3-2-trillion-from-medicaid-by-2036/>.

more severe Medicaid funding cuts over the long run than the House-passed bill. For example, the cap on Medicaid spending for children and non-disabled, non-elderly adults would rise each year only by the general inflation rate, which is about 2.5 percentage points lower than projected increases in per-beneficiary costs for those groups. This would drive deeper federal Medicaid spending cuts over the long run as the gap between the per capita cap and states' actual Medicaid spending needs continued to widen, as CBO found with the Senate Republican leadership bill.⁶ The only difference between Cassidy-Graham and the Senate Republican leadership bill is that the annual cap adjustment for seniors and people with disabilities starting in 2025 would be modestly higher in Cassidy-Graham than in the Senate Republican bill.

To compensate for these deep cuts, states would have to raise taxes, cut other budget priorities like education, or make increasingly severe cuts to eligibility, benefits, and provider payments.⁷ And these per capita cap cuts would come on top of the cuts to Medicaid expansion funding and marketplace subsidies under the Cassidy-Graham block grant.

Moreover, under the per capita cap, irrespective of which annual adjustments are used, states would be on the hook for 100 percent of unanticipated cost increases like new breakthrough treatments or prescription drug price spikes. They'd also have to pick up the cost increases that the per capita cap doesn't account for, like the aging of the population as the baby boom generation gets older and requires more health care.⁸

Home- and community-based services (HCBS), which are critical to seniors and people with disabilities, would be at particular risk under the cap. Unlike most Medicaid services, which states must cover, most HCBS are optional, so states can cut them when they face funding shortfalls. States would likely curtail these services, and some states could eliminate their HCBS programs altogether.⁹

No group covered by Medicaid could be protected under the per capita cap.¹⁰ Seniors, people with disabilities, families with children, and pregnant women all would be exposed to severe cuts. That's because the Cassidy-Graham per capita cap operates as an overall limit on federal Medicaid funding. Even if spending falls below the cap for a particular group in a particular year (or even if a group is exempt from the cap), states' total federal Medicaid funding would be cut, and they would

⁶ Congressional Budget Office, "Longer-Term Effects of the Better Care Reconciliation Act of 2017 on Medicaid Spending," June 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52859-medicaid.pdf>.

⁷ Fitch Ratings, "Fitch: Senate AHCA Includes Medicaid Repeal and Replace Provisions for States," June 22, 2017, <https://www.fitchratings.com/site/pr/1025562>.

⁸ 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>.

⁹ Judith Solomon and Jessica Schubel, "Medicaid Cuts in House ACA Repeal Bill Would Limit Availability of Home- and Community-Based Services," May 18, 2017, <https://www.cbpp.org/research/health/medicaid-cuts-in-house-aca-repeal-bill-would-limit-availability-of-home-and>.

¹⁰ Hannah Katch, "House GOP Health Bill's Per Capita Cap Threatens Everyone's Medicaid Coverage," Center on Budget and Policy Priorities, June 5, 2017, <https://www.cbpp.org/blog/house-gop-health-bills-per-capita-cap-threatens-everyones-medicaid-coverage>.

look across their Medicaid programs to make needed cuts to address the federal funding shortfalls they would face.

These harmful consequences are why AARP; governors across the country; the American Hospital Association; patient advocates including the American Heart Association, American Diabetes Association, and American Cancer Society; and numerous groups that speak for seniors and people with disabilities have warned against converting Medicaid to a per capita cap. (See box.)

The Cassidy-Graham per capita cap would radically restructure Medicaid and cause irreversible damage, threatening coverage and access to care for the tens of millions of low-income people who rely on Medicaid today.

Opposition to Capping Federal Medicaid Funding Is Widespread

A number of policymakers and stakeholder organizations have issued statements opposing the Medicaid per capita cap included in the Cassidy-Graham bill or opposing earlier repeal bills that included similar or less severe cuts:

AARP^a

AARP — together with doctors, hospitals, and patient groups — strongly opposed the Medicaid per capita cap and block grant funding proposals that were previously rejected by a majority of Senators. . . . We are deeply concerned these cuts will endanger the health, safety, and care of millions of individuals who depend on the essential services provided through Medicaid. In addition, these cuts will be an overwhelming cost shift to states, taxpayers, and families, and will only compound over time.

Ohio Gov. John Kasich (responding to the Senate’s prior ACA repeal bill)^b

You have a loss of coverage of millions of people. The amount of funding they’re putting into Medicaid, just Medicaid as a whole, is even less than what the House had and what the House had was really not adequate.

Massachusetts Gov. Charlie Baker (discussing Medicaid caps generally) ^c

We are very concerned that a shift to block grants or per capita caps for Medicaid would remove flexibility from states as a result of reduced federal funding. States would most likely make decisions based mainly on fiscal reasons rather than the health care needs of vulnerable populations and the stability of the insurance market.

Democratic Governors (statement on Medicaid caps generally)^d

Proposals to radically restructure Medicaid with block grants or per capita caps would flood states with new costs. Such plans would severely damage the ability of states to provide quality health care, inhibit innovative cost-control reforms, and devastate communities fighting opioid and substance abuse. Block grants or per capita caps would throw state finances into disarray.

National Governors Association Bipartisan Health Reform Learning Network^e

[The NGA Health Reform Learning Network comprises Republican Governors Bevin (KY), Daugaard (SD), Haslam (TN), Herbert (UT), and Mead (WY) and Democratic Governors Brown (CA), Carney (DE), Dayton (MN), Bullock (MT), Inslee (WA), McAuliffe (VA), and Wolfe (PA).]

Supporting vulnerable populations is a shared responsibility between the federal government and states. It is critical that Congress continue to maintain a meaningful federal role in this partnership and not shift costs to states. Significant cuts to Medicaid will impact coverage for millions of low-income individuals and could impede state efforts to address the underlying factors driving health care costs, such as pharmaceuticals, long-term care and the social determinants of health.

American Medical Association^f

Unfortunately, the Graham-Cassidy Amendment . . . violates the precept of “first do no harm.” Similar to proposals that were considered in the Senate in July, we believe the Graham-Cassidy Amendment would result in millions of Americans losing their health insurance coverage, destabilize health insurance markets, and decrease access to affordable coverage and care. . . . We are also concerned that the proposal would convert the Medicaid program into a system that limits federal support to care for needy patients to an insufficient predetermined formula based on per-capita-caps. Per-capita-caps fail to take into account unanticipated costs of new medical innovations or the fiscal impact of public health epidemics, such as the crisis of opioid abuse currently ravaging our nation.

Rick Pollack, President and CEO of American Hospital Association (statement on the importance of Medicaid)^g

Redesigning Medicaid, such as through block grants or per capita caps, could lead to substantial changes in benefits and payments and limit the availability of care for patients.

Center for Medicare Advocacy and the Medicare Rights Center^h

We also strongly oppose the Medicaid per-capita caps included in the Graham-Cassidy bill. Eleven million people with Medicare rely on Medicaid to cover vital long-term home health care and nursing home services, to help afford their Medicare premiums and cost-sharing, and more. Federal cuts to Medicaid brought about by per-capita caps would drive states to make hard choices, likely leading states to scale back benefits, impose waiting lists, implement unaffordable financial obligations, or otherwise restrict access to needed care for older adults and people with disabilities.

Consortium for Citizens with Disabilitiesⁱ

The proposal's imposition of a per capita cap and the elimination of the adult Medicaid expansion would decimate a program that has provided essential healthcare and long term services and supports to millions of adults and children with disabilities for decades.

Consensus letter from ALS Association, American Cancer Society Cancer Action Network, American Diabetes Association, American Heart Association, American Lung Association, Arthritis Foundation, Cystic Fibrosis Foundation, Family Voices, JDRF, Lutheran Services in America, March of Dimes, National Health Council, National Multiple Sclerosis Society, National Organization for Rare Diseases, Volunteers of America, and WomenHeart^k

[Cassidy-Graham] would limit funding for the Medicaid program, roll back important essential health benefit protections, and potentially open the door to annual and lifetime caps on coverage, endangering access to critical care for millions of Americans. Our organizations urge senators to oppose this legislation.

^a <http://www.aarp.org/content/dam/aarp/politics/advocacy/2017/09/graham-cassidy-letter-final-september-2017-aarp.pdf>

^b <https://www.c-span.org/video/?430551-1/governor-kasich-gop-health-care-bill-sometimes-party-asks-much&start=66>

^c http://www.masslive.com/politics/index.ssf/2017/01/baker_defends_parts_of_obamaca.html

^d <https://democraticgovernors.org/news/democratic-governors-to-congress-dont-shift-medicaid-costs-to-states/>

^e <https://www.nga.org/files/live/sites/NGA/files/pdf/2017/1706HealthReformPriorities.pdf>

^f <https://www.ama-assn.org/ama-urges-senate-oppose-graham-cassidy-legislation>

^g <http://blog.aha.org/post/170224-preserving-medicaid-is-a-priority>

^h <http://www.medicareadvocacy.org/wp-content/uploads/2017/09/Medicare-Rights-CMA-Letter-GC-091917.pdf>

ⁱ http://c-c-d.org/fichiers/GCJH-Letter-to-Senate_9-18-17_FINAL.pdf

^j <http://newsroom.heart.org/news/sixteen-patient-and-provider-groups-oppose-grahamcassidy-bill>