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Revised Version of Cassidy-Graham Proposal Is More of the Same

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With a vote on the Senate floor possibly coming this week, Senators Bill Cassidy and Lindsey Graham, together with co-sponsors Dean Heller and Ron Johnson, today released yet another version of their Affordable Care Act (ACA) repeal plan. The revised version makes some changes to funding formulas, but it retains the core structure — and harmful components — of the original bill,[1] which would ultimately cause tens of millions of people to lose health coverage[2] and weaken coverage for millions more.

The latest version of the bill makes changes to the formula for allocating block grant funding among the states, thereby increasing allotments for some states at the expense of others. It also adds new funding provisions that benefit specific states. But the bill's core features remain unchanged: it still eliminates the ACA's Medicaid expansion and marketplace subsidies and replaces them with an inadequate block grant; still ends block grant funding after 2026, creating a massive federal funding cliff that would result in huge coverage losses; still imposes a Medicaid per capita cap that results in large and growing cuts to Medicaid funding for seniors, people with disabilities, and families with children; still eliminates or weakens protections for people with pre-existing conditions; and still imposes a highly unrealistic implementation timeline that would likely leave many or most states' insurance markets and coverage programs in chaos.

What Hasn't Changed

The key features of the Cassidy-Graham bill remain unchanged:

Elimination of the ACA Medicaid expansion and marketplace subsidies that help people purchase coverage. The plan would still repeal the Medicaid expansion, which has extended

[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] Matthew Fiedler and Loren Adler, "How will the Graham-Cassidy proposal affect the number of people with health insurance coverage?" Brookings, September 22, 2017, https://www.brookings.edu/research/how-will-the-graham-cassidy-proposal-affect-the-number-of-people-with-health-insurance-coverage/.

coverage to 11 million low-income adults, as well as the ACA's marketplace subsidies, which help almost 9 million people afford coverage. Just as in the previous draft, these programs would end after 2019, and would be replaced with a block grant that provides less federal funding — in fact, the same total national funding as the previous version — and that leaves states on the hook for any and all unexpected costs from recessions, natural disasters, public health emergencies, or prescription drug price spikes.

Massive coverage losses and market collapse after 2026. Just as in previous versions, the Cassidy-Graham proposal's block grant funding ends altogether after 2026. As a result, starting in 2027, the bill would be equivalent to the repeal-without-replace bill that the Congressional Budget Office (CBO) previously analyzed (except that, unlike that bill, it also imposes a per capita cap on Medicaid). CBO concluded the earlier legislation would cause 32 million people to lose coverage and lead the individual market to collapse in most of the country, with 75 percent of people living in areas with no insurers.[3]

Deep and growing cuts to Medicaid funding for seniors, people with disabilities, and families with children. The revised plan includes the same per capita cap on Medicaid funding outside of the ACA Medicaid expansion,[4] which would cut traditional Medicaid by more than $1 trillion over two decades, according to estimates from Avalere and the American Association of Retired Persons (AARP).[5]

Elimination or weakening of protections for people with pre-existing conditions. As in prior versions of the bill, the new draft would allow states to eliminate or roll back the ACA's core consumer protections, including its prohibition on charging higher premiums based on pre-existing conditions and its requirements that plans cover essential health benefits such as maternity coverage, and substance use and mental health treatment; offer preventive services without cost sharing; and cap consumers' total annual out-of-pocket costs. In fact, if anything, the new draft is *more* explicit that states are free to establish market rules that conflict with or eliminate these protections. In order to do so, states would merely have to include in their block grant funding application "a description of how the state shall maintain access to adequate and affordable health insurance coverage for individuals with pre-existing conditions." (The revised draft, like the earlier version, offers no definition of "adequate and affordable," nor would states have to prove that they have actually maintained coverage for people with pre-existing conditions to continue to receive their block grant funding.)

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[3] Congressional Budget Office, "Cost Estimate: H.R. 1628 Obamacare Repeal Reconciliation Act of 2017," July 19, 2017, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/52939-hr1628amendment.pdf.

[4] Hannah Katch, "Like Other ACA Repeal Bills, Cassidy-Graham Would Cap and Deeply Cut Medicaid," Center on Budget and Policy Priorities, updated September 25, 2017, https://www.cbpp.org/research/health/like-other-aca-repeal-bills-cassidy-graham-would-cap-and-deeply-cut-medicaid.

[5] 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; Brendan Flinn *et al.*, "Sounding the Alarm: The New Senate Health Care Bill Could Cut $3.2 Trillion from Medicaid by 2036," AARP, 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/.

As the Kaiser Family Foundation's Larry Levitt explained, "This revised bill is tantamount to federal deregulation of the insurance market. If there were any doubt that people with pre-existing [conditions] are at risk of being priced out of individual insurance, this bill removes them."[6]

A deeply unrealistic timeline that would create chaos nationwide. The revised version of Cassidy-Graham would still eliminate marketplace subsidies and Medicaid expansion on January 1, 2020, leaving states to build their own block-grant-funded coverage programs from scratch in just two years. Both state Medicaid directors and state insurance commissioners — the two groups that would be charged with achieving this feat — have said it's impossible.

The bipartisan National Association of Medicaid Directors explained:[7]

> The Graham-Cassidy legislation would require states to operationalize the block grant component by January 1, 2020. The scope of this work, and the resources required to support state planning and implementation activities, cannot be overstated. States will need to develop overall strategies, invest in infrastructure development, systems changes, provider and managed care plan contracting, and perform a host of other activities. **The vast majority of states will not be able to do so within the two-year timeframe envisioned here,** especially considering the apparent lack of federal funding in the bill to support these critical activities [emphasis added].

Similarly, a bipartisan group of 36 current and former insurance commissioners said in a letter:[8]

> All 50 states and the District of Columbia would have to set up their own coverage programs and make significant changes to insurance market rules by January 1, 2020 – an unreasonable timeline that hampers states' review of premium rates and insurers' efforts to price and plan for the future.

What Has Changed

While leaving the plan's structural features and its aggregate cuts to federal funding for coverage essentially unchanged, the new version does make changes that have the effect of transferring funding among the states.

Block grant formula. Where the prior version of the plan drastically redistributed resources across states beginning in 2021, the new version phases in its redistribution more slowly — resulting in somewhat smaller and more gradual funding losses for Medicaid expansion states and states with higher-than-average marketplace subsidy enrollment. But as noted above, there's no change in the

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[6] Rachana Pradhan and Dan Diamond, "Graham, Cassidy revise Obamacare repeal bill, appealing to holdouts," Politico, September 24, 2017, http://www.politico.com/story/2017/09/24/obamacare-graham-cassidy-repeal-243079?lo=ap_e1.

[7] National Association of Medicaid Directors, "NAMD Statement on Graham-Cassidy," September 21, 2017, http://medicaiddirectors.org/namd-statement-on-graham-cassidy/.

[8] "Letter to Senate Majority Leader McConnell, Senate Minority Leader Schumer, House Speaker Ryan, and House Democratic Leader Pelosi," September 25, 2017, http://static.politico.com/09/67/bfc8d40345cab2adb732ea053801/cassidy-graham-signon-final.pdf.

total block grant funding levels — meaning that any gains for some states would come at the expense of others.

Targeted benefits for specific states. Several new provisions in the bill seem to be intended to benefit Alaska, although they have collateral impacts on a handful of other states. (There is also a provision effectively increasing the block grant for Louisiana.) The most significant of the special provisions is a permanent increase in Alaska's federal Medicaid matching rate, for which the bill's sponsors have offered no policy rationale. As we noted last week, these changes cannot undo the harm that would result for Alaskans from the bill's elimination of Medicaid expansion and marketplace subsidies; its replacement of these programs with a capped federal funding stream in the short term, and no federal funding at all in the long term; its unrealistic and unworkable timeline for states to implement alternative programs; and its removal of protections for people with per-existing conditions. There is also no guarantee that special deals enacted today won't be overturned in the future.

A note on new Cassidy-Graham numbers: Senators Cassidy and Graham have also released a new set of numbers to accompany the new bill draft.[9] The Senators released widely debunked numbers[10] with earlier drafts of the bill that appeared to show states like Alaska, Arizona, and Kentucky would see increased funding, even as analysis by a range of organizations — including Avalere, the Kaiser Family Foundation, Manatt, and the Office of the Actuary at the Centers for Medicare & Medicaid Services — disagreed.[11] While outside organizations have not yet had time to produce estimates for the revised funding formula, it is already clear that the new numbers are, again, deeply misleading about the impact of the revised bill: they do *not* include the Medicaid per capita cap — ignoring its large and growing cuts to federal funding for state Medicaid programs.

For expansion states, the Cassidy-Graham estimates add in a "state savings" column which is actually an additional health coverage funding *cut*. Effectively, the estimates assume that states will cut their own spending on coverage, on top of the loss of the federal funding.

The estimates end after 2026 — ignoring the huge funding cliff under the bill in 2027.

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[9] "Illustrative State-by-State Impact of Graham-Cassidy-Heller-Johnson (GCHJ) Market-Based Health Care Grant Program (Section 106), Calendar Years 2020-2026," https://www.cassidy.senate.gov/imo/media/doc/GCHJ%20State-by-State%20Impact%20(002).pdf.

[10] Aviva Aron-Dine, Edwin Park, and Matt Broaddus, "Cassidy-Graham State Estimates Irrelevant to Assessing Their Health Bill's Effects," Center on Budget and Policy Priorities, September 17, 2017, https://www.cbpp.org/research/health/cassidy-graham-state-estimates-irrelevant-to-assessing-their-health-bills-effects; Jonathan Cohn, "The Sponsors Of Obamacare Repeal Are Trying To Fool America — And Fellow Republicans," Huffington Post, September 19, 2017, http://www.huffingtonpost.com/entry/graham-cassidy-obamacare-repeal_us_59c16c28e4b0f22c4a8d3c77.

[11] Carpenter and Sloan; Rachel Garfield *et al.*, "State-by-State Estimates of Changes in Federal Spending on Health Care Under the Graham-Cassidy Bill," Kaiser Family Foundation, September 21, 2017, http://www.kff.org/health-reform/issue-brief/state-by-state-estimates-of-changes-in-federal-spending-on-health-care-under-the-graham-cassidy-bill/; Patricia M. Boozang, Jocelyn A. Guyer, and April Grady, "Impacts of New Graham-Cassidy Repeal and Replace Proposal," Manatt, September 20, 2017, https://www.manatt.com/Insights/White-Papers/2017/Impacts-of-New-Graham-Cassidy-Repeal-and-Replace-P; Office of the Actuary, "Estimated State Funding Amounts under Current Law compared to Graham-Cassidy," Centers for Medicare & Medicaid Services, https://www.documentcloud.org/documents/4058669-CMS-Graham-Cassidy.html.