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CBO: Cassidy-Graham Would Increase Uninsured by Millions, Cut Medicaid by \$1 Trillion

By Edwin Park

The Cassidy-Graham bill to repeal the Affordable Care Act (ACA) would result in millions more uninsured and cut federal Medicaid spending by about \$1 trillion over the next ten years, according to preliminary analysis from the Congressional Budget Office (CBO) issued yesterday.¹ While CBO had insufficient time to conduct a comprehensive analysis, its findings confirm that Cassidy-Graham would have the same harmful consequences as prior Senate and House Republican repeal bills. It would likely add many millions more to the ranks of the uninsured, radically restructure and deeply cut Medicaid, eliminate or weaken protections for people with pre-existing conditions, and increase out-of-pocket costs for consumers in the individual market.

In a Sunday television interview, Senator Bill Cassidy claimed that yesterday's CBO analysis would be irrelevant, arguing that CBO did not estimate the latest version of the Cassidy-Graham bill. (Two newer bill versions just became available in the last 24 hours.) This argument, however, doesn't withstand scrutiny. The latest version of the Cassidy-Graham bill has the *same structure as the version CBO analyzed*: elimination of the ACA's Medicaid expansion and marketplace subsidies in 2020, an inadequate block grant that would disappear after 2026, radical restructuring of the rest of Medicaid through a per capita cap, and elimination or weakening of protections for people with pre-existing conditions. Critical bill details also remain unchanged in the latest iteration of Cassidy-Graham, such as the funding levels for the block grant, annual adjustments for the per capita cap, and the market reforms and consumer protections that states could roll back or drop entirely.

The most significant changes to the bill involve the allocation of block grant funding among the states and provisions targeting certain states. Those changes would affect specific states but not CBO's overall analysis of the bill.

Among CBO's key findings:

¹ Congressional Budget Office, "Preliminary Analysis of Legislation That Would Replace Subsidies for Health Care with Block Grants," September 25, 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/53126-health.pdf>.

- “[M]illions of additional people would be uninsured compared with CBO’s baseline projections each year over the 2018-2026 period,” CBO projects. This would reflect three primary factors: substantially lower Medicaid enrollment due to large federal Medicaid funding cuts, lower enrollment in the individual market due to cuts in subsidies for consumers to buy coverage, and lower enrollment in all sources of health coverage due to repeal of the ACA’s individual mandate.
- Cassidy-Graham would eliminate the ACA’s major coverage expansions — the Medicaid expansion and marketplace subsidies — and replace them with a block grant that provides \$230 billion less over the first decade than under current law, CBO finds. By shifting funding away from states that have expanded Medicaid to states that haven’t, the bill would cut funding for expansion states by about 30 percent by 2026, on average, compared to current law. CBO also confirms that after 2026, under Cassidy-Graham, “funding for the new block grants would stop.” CBO states that “the increase in the number of uninsured people compared with the number under current law would be significantly greater after that year.”
- Federal Medicaid spending would shrink by about \$1 trillion between 2017 and 2026, relative to current law, and as a result, Medicaid “would cover millions fewer enrollees.” CBO attributes these spending and enrollment cuts to Cassidy-Graham’s elimination of the Medicaid expansion, its Medicaid per capita cap, and its option for states to impose work requirements on eligible individuals.

CBO also finds that the cuts resulting from the per capita cap would require states to either increase their own spending or cut their Medicaid programs “by cutting payments to health care providers and health plans, eliminating optional services, restricting eligibility for enrollment through work requirements and other changes, or (to the extent feasible) finding more efficient methods for delivering services.” CBO concludes that some Medicaid beneficiaries could see reduced access to care or lose their Medicaid coverage entirely.

- Millions fewer people would be enrolled in the individual market, relative to current law. There are two key factors. First, the bill would effectively cut subsidies to purchase coverage in the individual market. CBO notes that the block grant would provide insufficient federal funding to both maintain coverage for those who’ve gained it through the expansion *and* assist those in the individual market. As a result, expansion states “would be facing large reductions in funding compared with the amounts under current law and thus would have trouble paying for a new program or subsidies” for those formerly receiving marketplace subsidies.

Moreover, states would face significant challenges in establishing a new subsidy program and creating new administrative systems to (among other things) determine eligibility. States would suffer from “insufficient information technology and related infrastructure.” This is likely why CBO expects that at least \$150 billion of Cassidy-Graham’s block grant funding would not be spent by 2026.

- States would have no choice but to eliminate or weaken the ACA’s protections for people with pre-existing conditions, including the prohibition against insurers charging higher premiums based on health status and the requirement that insurers cover the essential health benefits. CBO anticipates “that most states would eventually modify various rules to help

stabilize the nongroup market” as there would no longer be significant subsidies for the individual market or an individual mandate.

As a result, “coverage for preexisting conditions would be much more expensive in some of those states than under current law.” That’s because without those changes, “coverage could become unavailable or more expensive for many more people than it would be under current law” as the individual market heads toward collapse. The services that could be dropped and become much more expensive could include mental health care, rehabilitative and habilitative treatment, and certain very expensive drugs, according to CBO.

In addition, some states would “allow insurers to set premiums on the basis of an individual’s health status.” People with higher expected health care costs would face premiums constituting “a very large share of their income.” As a result, “some people who would have been insured in the nongroup market under current law would be uninsured....”

- Cassidy-Graham would reduce the deficit by at least \$133 billion through 2026 because spending under the block grant would be more than offset by the net reduction in federal subsidies on health coverage resulting from the elimination of the Medicaid expansion and marketplace subsidies and the bill’s Medicaid per capita cap.