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## Updates to Cassidy-Graham Plan Would Not Shield Alaskans From Harm

By Aviva Aron-Dine and Jesse Cross-Call

A revised version of Senators Bill Cassidy and Lindsey Graham’s Affordable Care Act (ACA) repeal plan adds a series of special provisions designed to increase federal funding for Alaska. But these changes do not alter the fact that the Cassidy-Graham proposal would harm Alaskans — as well as people in every other state.

During the debate over earlier ACA repeal bills, Senator Lisa Murkowski expressed her discomfort with special carve-outs for Alaska. “This is like a really big deal to get this right for the country. Let’s just say they do something that’s so Alaska-specific just to quote ‘get me.’ Then you have a nationwide system that doesn’t work. That then comes crashing down and Alaska’s not able to kind of keep it together on its own,” she said.<sup>1</sup>

Senator Murkowski’s assessment is correct: special carve-outs can’t fix Cassidy-Graham’s harmful impacts on Alaska. The state still stands to lose — in the short term, medium term, and long term — because of the way the bill is designed.

### Special Provisions Affecting Alaska

The latest version of the Cassidy-Graham plan includes a number of special provisions affecting Alaska.

- **Block grant provisions.** The Cassidy-Graham plan eliminates the ACA Medicaid expansion and marketplace subsidies and replaces them with block grants to states. The revised version of the plan changes the formula for block grant funding so that states (like Alaska) that expanded Medicaid would generally see smaller cuts through 2026 than under the earlier version of the bill. It also adds some additional resources for states (like Alaska) with low population density and for states (Alaska and Hawaii) with approved “Section 1332” waivers under the ACA. Except for the funds linked to 1332 waivers, these changes come at the expense of other states, since total resources for the block grant are nearly unchanged. In addition, block grant funding would still end altogether after 2026.

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<sup>1</sup> Laura Litvan, “GOP Health Bill Kept Secret From Senators Assigned to Write It,” Bloomberg, June 20, 2017, <https://www.bloomberg.com/news/articles/2017-06-20/senate-republicans-haven-t-seen-their-secret-health-bill-either>.

- **Medicaid provisions.** The Cassidy-Graham plan cuts funding for the Medicaid program, outside expansion, by imposing a “per capita cap” on federal expenditures. The revised version of the plan *drops* a provision in the earlier version that would have exempted Alaska from that cap through 2026. However, it adds a provision increasing Alaska’s (and Hawaii’s) federal Medicaid matching rate. Alaska’s federal match rate would increase from 50 percent to about 64 percent. Both the revised and the earlier plan also raise the matching rate states receive for American Indians and Alaska Natives with Medicaid coverage.<sup>2</sup>

Senators Cassidy and Graham’s own estimates show that Alaska would see reduced federal funding under the block grant by 2026, even under the revised plan.<sup>3</sup> And the end of the block grant after 2026, combined with growing cuts from the per capita cap, means that Alaska would likely see significant cuts to total federal funding for coverage starting in 2027, with these cuts growing deeper over time. However, Alaska would likely see an increase in its total federal funding through 2026, largely due to the special increase in the federal Medicaid matching rate.<sup>4</sup> Nonetheless, the Cassidy-Graham plan would still harm Alaskans in the near term, the medium term, and the long term.

## Massive Disruption in the Near Term

The Cassidy-Graham plan would cause major near-term disruption to Alaska’s health care system, with the state left to pick up the pieces. Since Cassidy-Graham’s block grant provisions would take effect in 2020, Alaska would have just two years to create new coverage programs for low-income adults *and* completely restructure its individual market for health insurance. The result would be severe disruption, probably including large premium increases and insurer withdrawals for individual market consumers, as well as coverage losses and coverage gaps for low-income people now covered through the Medicaid expansion.

It’s noteworthy that state Medicaid directors and state insurance commissioners across the country — the state officials who would be charged with implementing much of the Cassidy-Graham plan’s structure — have described its timeline as wholly unworkable. As the bipartisan National Association of Medicaid Directors explained last week:

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*

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<sup>2</sup> Benefits of this provision would be largely undone by other cuts affecting coverage for Alaska Natives. See Jessica Schubel, “Like Prior Repeal Bills, Cassidy-Graham Puts Coverage for American Indians, Alaska Natives at Risk,” Center on Budget and Policy Priorities, updated September 25, 2017, <https://www.cbpp.org/blog/like-prior-repeal-bills-cassidy-graham-puts-coverage-for-american-indians-alaska-natives-at>.

<sup>3</sup> These estimates are available at <https://www.cassidy.senate.gov/download/updated-graham-cassidy-heller-johnson-state-by-state-impact-table>.

<sup>4</sup> Exclusive of this provision, Avalere estimates that Alaska would lose \$1 billion in federal funding through 2026 under the revised Cassidy-Graham plan. See Chris Sloan and Richard Kane, “Updated Analysis: Revised Graham-Cassidy Bill Would Reduce Federal Funding to States by \$205B,” Avalere, September 26, 2017, <http://avalere.com/expertise/managed-care/insights/updated-analysis-revised-graham-cassidy-bill-would-reduce-federal-funding-t>.

*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].*<sup>5</sup>

Similarly, a letter authored by 36 current and former state insurance commissioners from 24 states notes, “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.” In part as a result, the plan would “severely disrupt states’ individual insurance markets, with sharp premium increases and insurer exits likely to occur in the short term and over time.”<sup>6</sup> Or as Becky Hultberg, the President and CEO of the Alaska State Hospital and Nursing Home Association, put it more simply: “It would be 50 states of chaos.”<sup>7</sup>

## **Major Obstacles to Maintaining Coverage in the Medium Term**

Even if Alaska does not face net cuts to federal funding through 2026, the Cassidy-Graham block grant structure would still make it difficult or impossible for the state to maintain its current coverage programs. The block grant would cap Alaska’s federal funding for coverage. That means the state would bear the full cost of any increases in the number of people needing coverage — for example, during a recession — as well as the full cost of premium spikes, public health emergencies, or excess health care cost growth in Alaska compared to the rest of the country.

Particularly given the state’s persistent budget problems due to low oil prices and declining oil production, Alaska would be highly unlikely to assume this much risk. That means it probably couldn’t continue offering Medicaid coverage to all low-income adults who need it. Nor could it likely continue offering tax credits that adjust as needed to shield most individual market consumers from premium increases.

## **Ending Protections for Alaskans with Pre-Existing Conditions**

The latest version of Cassidy-Graham still lets states override the ACA’s consumer protections, including those preventing insurers from charging higher premiums to people with pre-existing conditions and requiring all plans to cover a set of “essential health benefits” such as maternity care and mental health treatment.

Alaska didn’t adopt these protections before the ACA, and it would be under significant pressure to revert to its pre-ACA rules due to Cassidy-Graham’s disruption of the individual market and the difficulty of replacing the ACA’s premium tax credits. By eliminating these protections, Alaska might be able to at least keep premiums manageable for young, healthy people, but at the expense of putting coverage out of reach for many older and sicker people.

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<sup>5</sup> National Association of State Medicaid Directors, “Statement on Graham-Cassidy,” September 21, 2017, [http://medicaiddirectors.org/wp-content/uploads/2017/09/NAMD-Statement-on-Graham-Cassidy9\\_21\\_17.pdf](http://medicaiddirectors.org/wp-content/uploads/2017/09/NAMD-Statement-on-Graham-Cassidy9_21_17.pdf).

<sup>6</sup> Letter to Congressional leadership, September 25, 2017, <http://static.politico.com/09/67/bfc8d40345cab2adb732ea053801/cassidy-graham-signon-final.pdf>.

<sup>7</sup> Erin Granger, “Alaska hospital official on GOP health bill: ‘50 states of chaos,’” *Fairbanks Daily News-Miner*, September 26, 2017, [http://www.newsminer.com/news/alaska\\_news/alaska-hospital-official-on-gop-health-bill-states-of-chaos/article\\_d61635ea-9f3d-11e7-b73b-57c39018c386.html?utm\\_medium=social&utm\\_source=twitter&utm\\_campaign=user-share](http://www.newsminer.com/news/alaska_news/alaska-hospital-official-on-gop-health-bill-states-of-chaos/article_d61635ea-9f3d-11e7-b73b-57c39018c386.html?utm_medium=social&utm_source=twitter&utm_campaign=user-share).

## Large and Damaging Long-Term Funding Cuts

While the latest version of the Cassidy-Graham plan would likely increase the amount of money Alaska would receive from 2020–2026 compared to previous versions, no special deal can change the fact that Cassidy-Graham’s block grant ends altogether after 2026. At that point, Alaska — like all other states — would be left without *any* federal funding to cover low-income adults or moderate-income families who don’t get coverage through their employer. This enormous funding cliff is why a Brookings Institution study projects that nationwide coverage losses under the bill would jump from 21 million people from 2020–2026 to 32 million in 2027.<sup>8</sup>

Over the long run, Alaska would also be hit hard by the Cassidy-Graham bill’s per capita cap on Medicaid funding for seniors, people with disabilities, pregnant women, and families with children. Nationwide, the per capita cap would cut Medicaid, outside expansion, by over \$1 trillion through 2036.<sup>9</sup> By 2027, the combination of the end of the block grant and growing cuts from the per capita cap mean Alaska would likely see reduced federal funding for coverage — even taking into account all the special provisions in the latest version of the bill. These cuts would grow over time.

The block grant funding cliff in 2027 would likely also have near-term implications. For example, Alaska policymakers may be wary of establishing a new coverage program using block grant funds given the block grant’s scheduled end after six years.

## Risks Associated with Special Deals

On top of all this, special funding deals often don’t last forever. They attract criticism from policymakers from other states and so, even if enacted into law, they can easily become targets for repeal in future bills, especially if policymakers are looking for ways to save money to finance other priorities. As Senator Susan Collins noted, “If Senators can adjust a funding formula over a weekend to help a single state, they could just as easily adjust that formula in the future to hurt that state.”<sup>10</sup>

Most important, as Senator Murkowski correctly observed, Alaska’s health care system is intertwined with the rest of the country’s. The only way to ensure that coverage programs work well for Alaskans in the long run is to establish a system that works for the rest of the nation as well. Like all previous versions, the latest Cassidy-Graham plan fails that test, causing tens of millions of people to lose coverage and making coverage worse or less affordable for millions more.<sup>11</sup>

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<sup>8</sup> Matthew Fiedler and Loren Adler, “How will the Graham-Cassidy proposal affect the number of people with health insurance coverage?” Brookings Institution, September 22, 2017, <https://www.brookings.edu/research/how-will-the-graham-cassidy-proposal-affect-the-number-of-people-with-health-insurance-coverage/>.

<sup>9</sup> 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/managed-care/insights/graham-cassidy-heller-johnson-bill-would-reduce-federal-funding-to-sta>.

<sup>10</sup> “Senator Collins Opposes Graham-Cassidy Health Care Bills,” September 25, 2017, <https://www.collins.senate.gov/newsroom/senator-collins-opposes-graham-cassidy-health-care-bills>.

<sup>11</sup> Jacob Leibenluft, Aviva Aron-Dine, and Edwin Park, “Revised Version of Cassidy-Graham Proposal Is More of the Same,” Center on Budget and Policy Priorities, September 25, 2017, <https://www.cbpp.org/research/health/revised-version-of-cassidy-graham-proposal-is-more-of-the-same>.