

Health Care Reform in the Balance: What's at Stake for California?

Repeal of the ACA

Medicaid per capita caps and block grants

Edwin Park

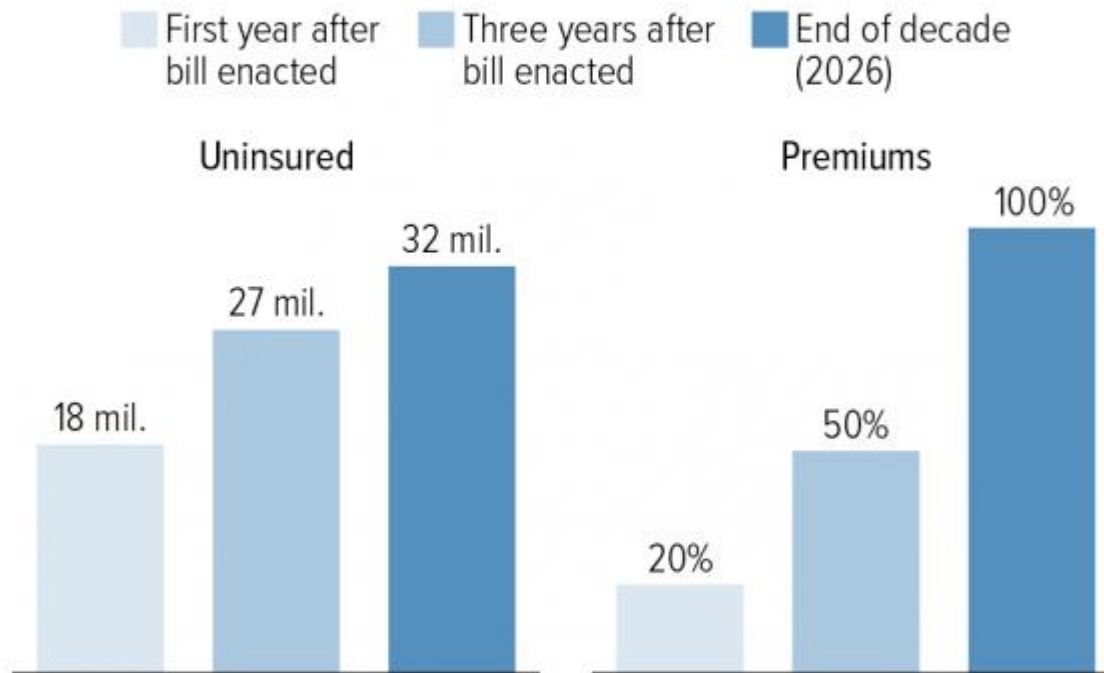
March 2, 2017



CBO Estimates of 2016 Vetoes ACA Repeal Bill

Repealing Affordable Care Act Means Millions More Uninsured, Higher Premiums

Increases in uninsured and individual-market premiums compared to current law



Source: Congressional Budget Office, Jan. 2017

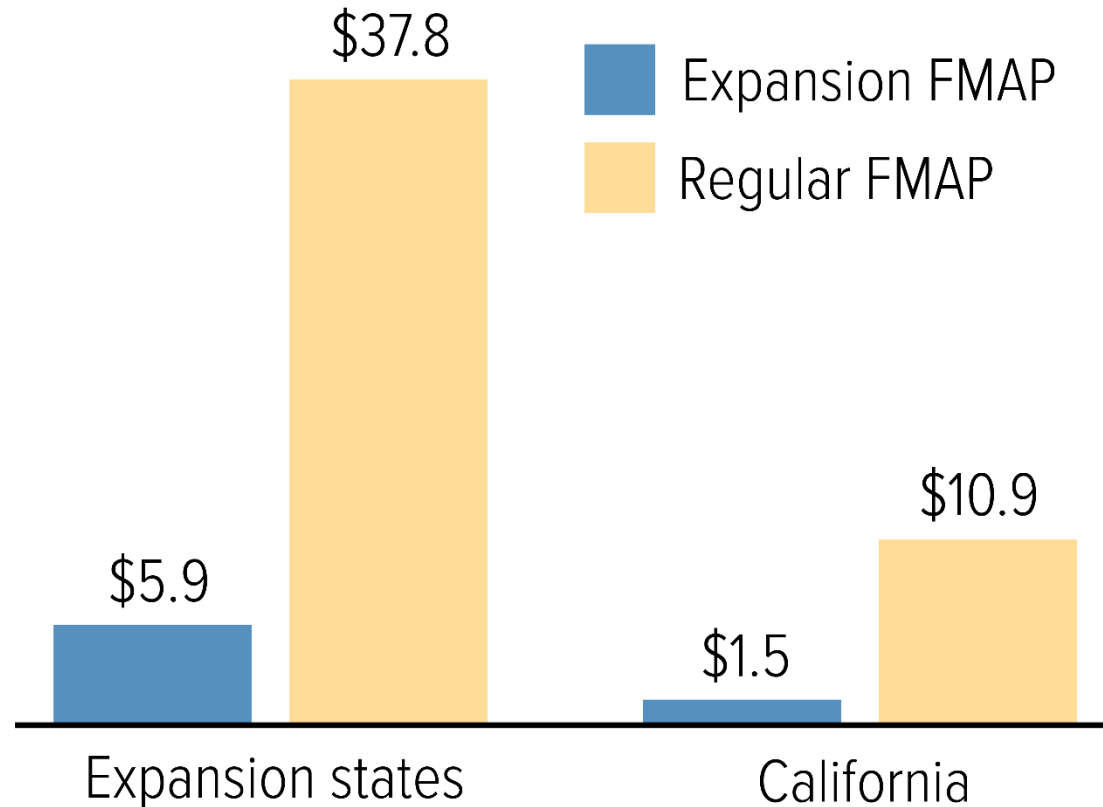
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Likely House GOP ACA Repeal Plan and Update on Timing

- Eliminate individual and employer mandates immediately
- Phase out enhanced matching rate for Medicaid expansion to regular matching rate
- Delay repeal of marketplace subsidies for 2-3 years, though some immediate changes to existing subsidies
- Repeal all or much of the ACA revenues
- Leave most but not all of the market reforms/consumer protections in place
- Leave ACA Medicare/Medicaid savings in place

Increase in State Expansion Costs

2019, state spending in \$billions



Source: CBPP analysis using CMS historical and projected Medicaid spending data.

GOP Health Plans Won't Replace ACA Coverage

Congressional Republicans want to only ensure “universal access”

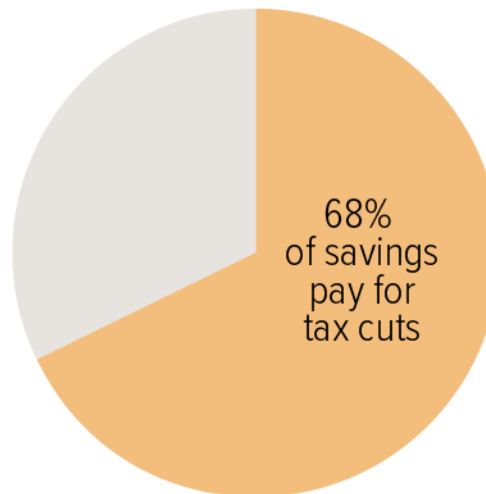
HOW ACA REPLACEMENT PROPOSALS FALL SHORT OF INSURING MORE AMERICANS AND PROTECTING HEALTH CARE					
CREATING STATE HIGH-RISK POOLS	EXPANDING HEALTH SAVINGS ACCOUNTS (HSAs)	ALLOWING INSURERS TO SELL ACROSS STATE LINES	ACCESSING CONTINUOUS COVERAGE	ESTABLISHING NEW TAX CREDITS FOR HEALTH COVERAGE	RESTRUCTURING MEDICAID THROUGH BLOCK GRANTS/PER CAPITA CAPS
WHAT IT DOES:	WHAT IT DOES:	WHAT IT DOES:	WHAT IT DOES:	WHAT IT DOES:	WHAT IT DOES:
Creates special state-based plans for people with pre-existing conditions.	Increases amount individuals can deposit into tax-favored HSAs and/or allows individuals to use the funds for premiums.	Allows insurers licensed in one state to sell insurance in another state.	Ensures access to insurance for people with pre-existing conditions only if they have maintained coverage without a gap.	Replaces ACA tax credits with fixed amounts that don't change or adjust based on income, plan cost, or age.	Restructures Medicaid financing by capping and cutting federal funding.
HOW IT FALLS SHORT:	HOW IT FALLS SHORT:	HOW IT FALLS SHORT:	HOW IT FALLS SHORT:	HOW IT FALLS SHORT:	HOW IT FALLS SHORT:
Leaves states unable to cover costs, leading to unaffordable premiums and benefit cuts.	Benefits go to the wealthy while lower- and middle-income families likely to be uninsured receive little help.	Attracts healthier individuals to poorly regulated states; drives up premiums for older and sicker in states with strong rules.	Rolls back protections by leaving people who have a gap in coverage facing higher premiums or denied coverage.	Reduces people's ability to afford comprehensive coverage.	Impedes enrollment, cuts eligibility and reduces benefits as states face deep cuts to Medicaid funding.
CENTER ON BUDGET AND POLICY PRIORITIES CBPP.ORG					

Likely House GOP “Replacement” Provisions

- Flat tax credit
- Continuous coverage with late enrollment penalty
- Elimination of EHBs, age rating
- Grants to states for innovation, stability
- HSAs
- Medicaid per capita cap or block grant
- Cap on tax exclusion for ESI

ACA Repeal Places Medicaid at Risk

Total savings, 2016-2025:
roughly \$1 trillion

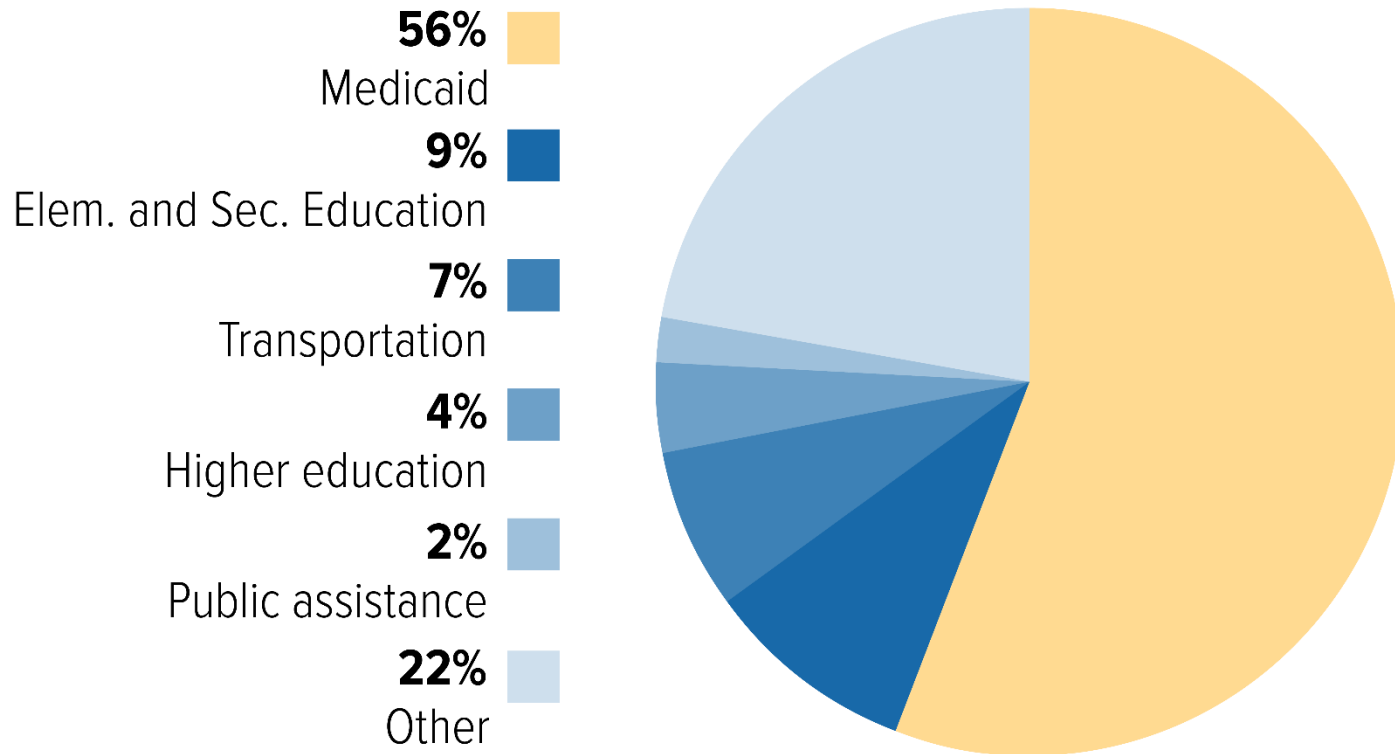


Note: Figure uses Congressional Budget Office definition of coverage provisions except for excise tax on high-premium health plans, which we treat as a revenue provision.

Source: Congressional Budget Office, CBPP calculations

Medicaid is the Primary Source of Federal Funds to States

Share of total federal funds to state budgets, 2015

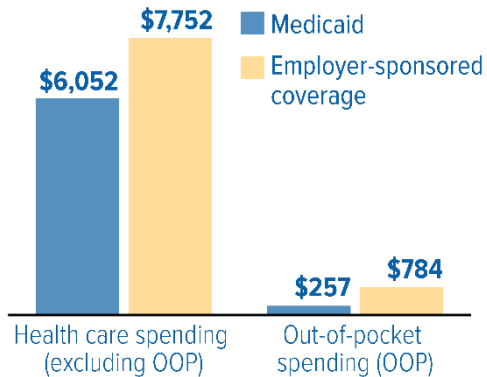


Source: NASBO, 2015.

Medicaid Is Already Efficient

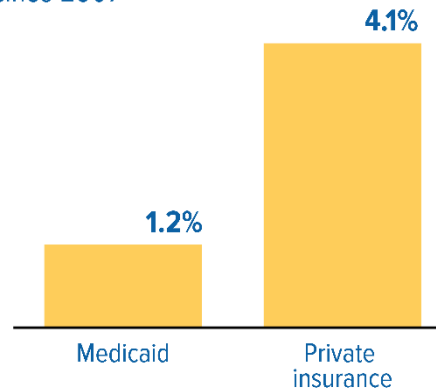
Medicaid costs less than private insurance.

2009 costs per enrollee, adjusted for health status

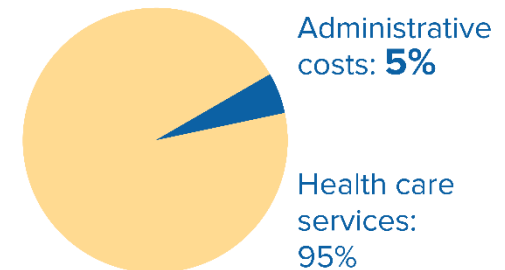


Medicaid spending has grown more slowly than private

Growth in per-enrollee spending since 2007



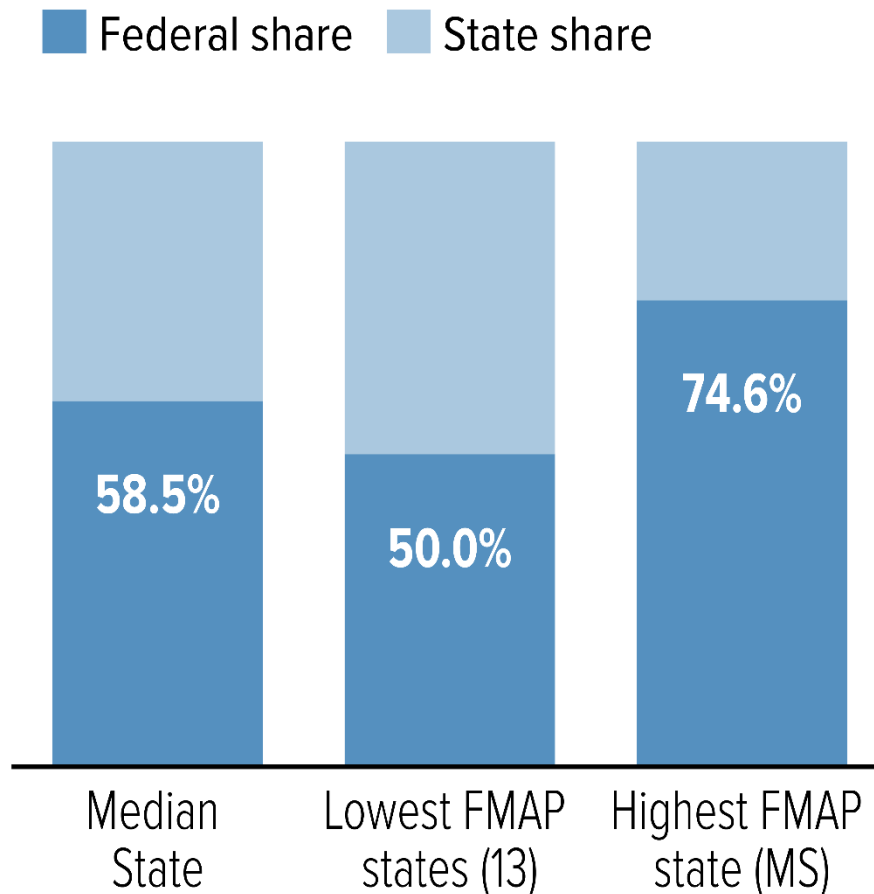
Medicaid's administrative costs are low.



Medicaid's administrative costs are less than half those of private insurers.

Federal Government Pays the Majority of Medicaid Costs

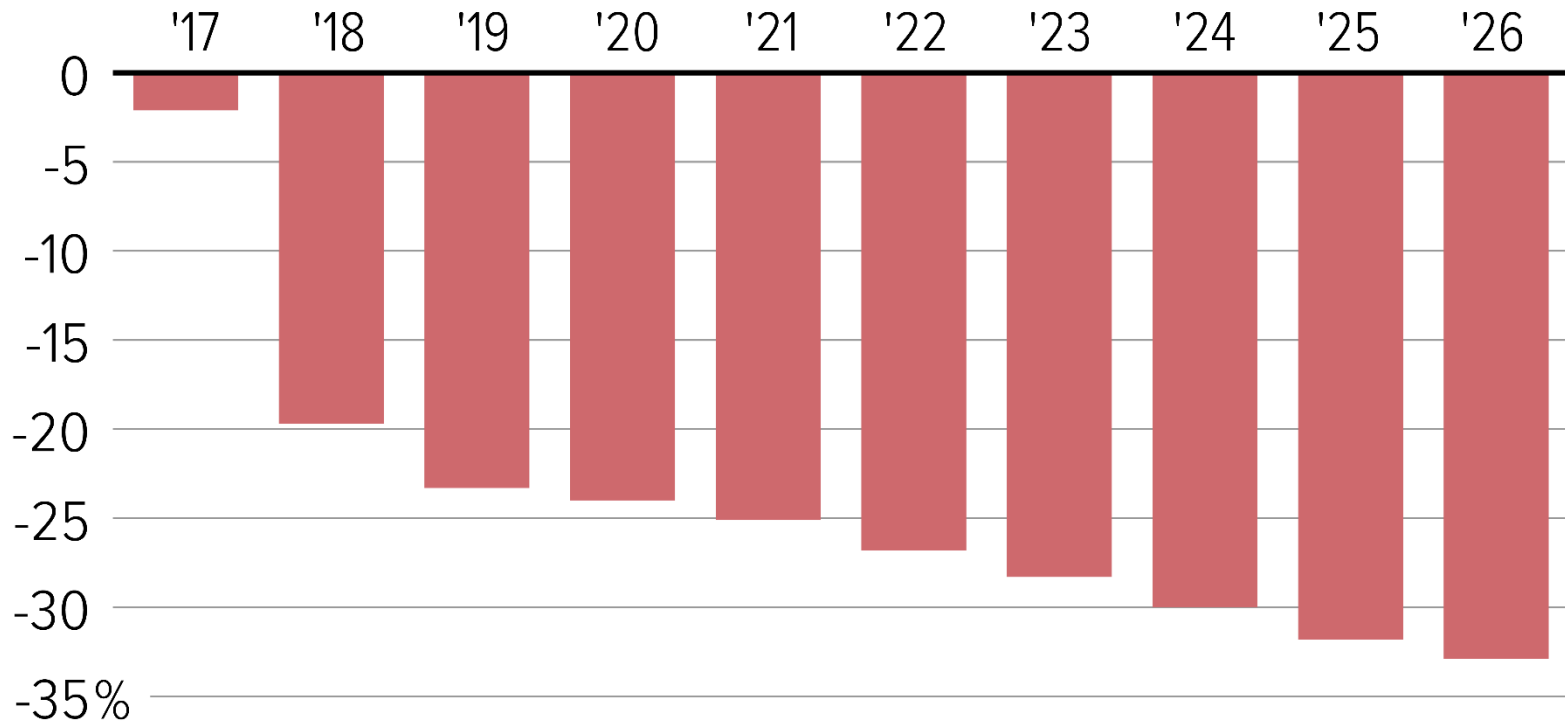
- Federal government pays state-specific share of total Medicaid costs (FMAP).
- FMAP higher for poorer states, lower for wealthier states.
- 50% minimum and 83% maximum.
- Some Medicaid costs not matched at standard FMAP.
- Mandatory entitlement funding.



Source: CMS, 2017

Medicaid Cuts Would Grow Over Time Under Last Year's House GOP Budget Plan Block Grant/Cap

Percent cut in federal Medicaid funds, relative to current law



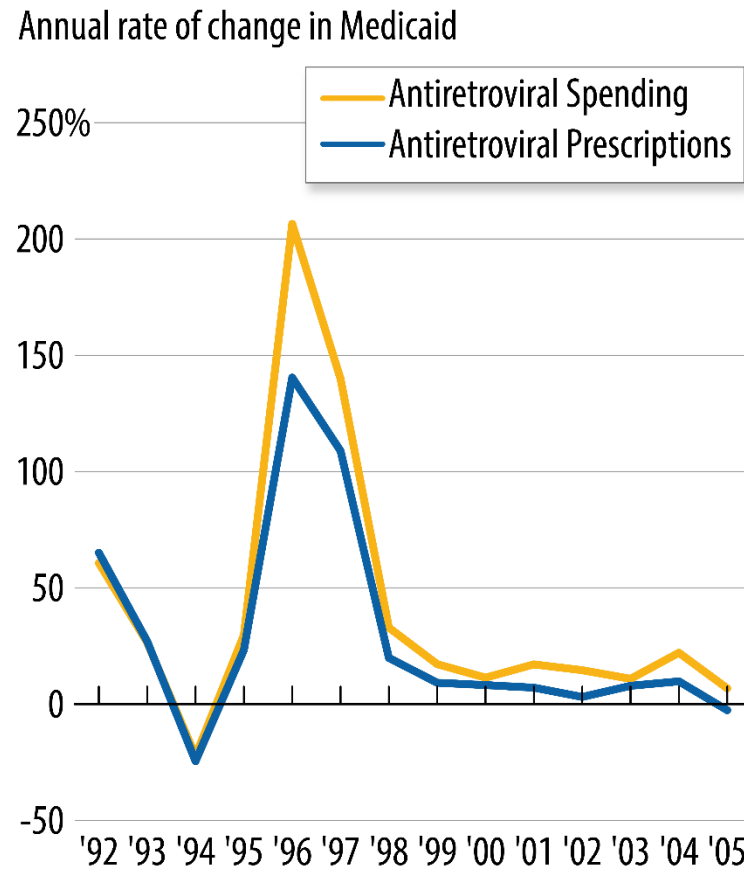
Source: CBPP analysis using Jan. 2016 Congressional Budget Office Medicaid baseline and House Budget Committee documents.

Impact of Unanticipated Costs and Aging

- Overall health care cost growth
- Unanticipated health care costs
- Demographic changes, aging of the population

Medicaid Anti-Retroviral Drug Spending and Use More Than Doubled in 1996

- The onset of the HIV/AIDS epidemic in the 1980s and early 1990s led to unexpected Medicaid costs.
- Anti-retroviral prescriptions increased from 170,000 to 3 million from 1991 to 2005.
- Anti-retroviral prescription spending increased from \$31 million to \$1.6 billion.



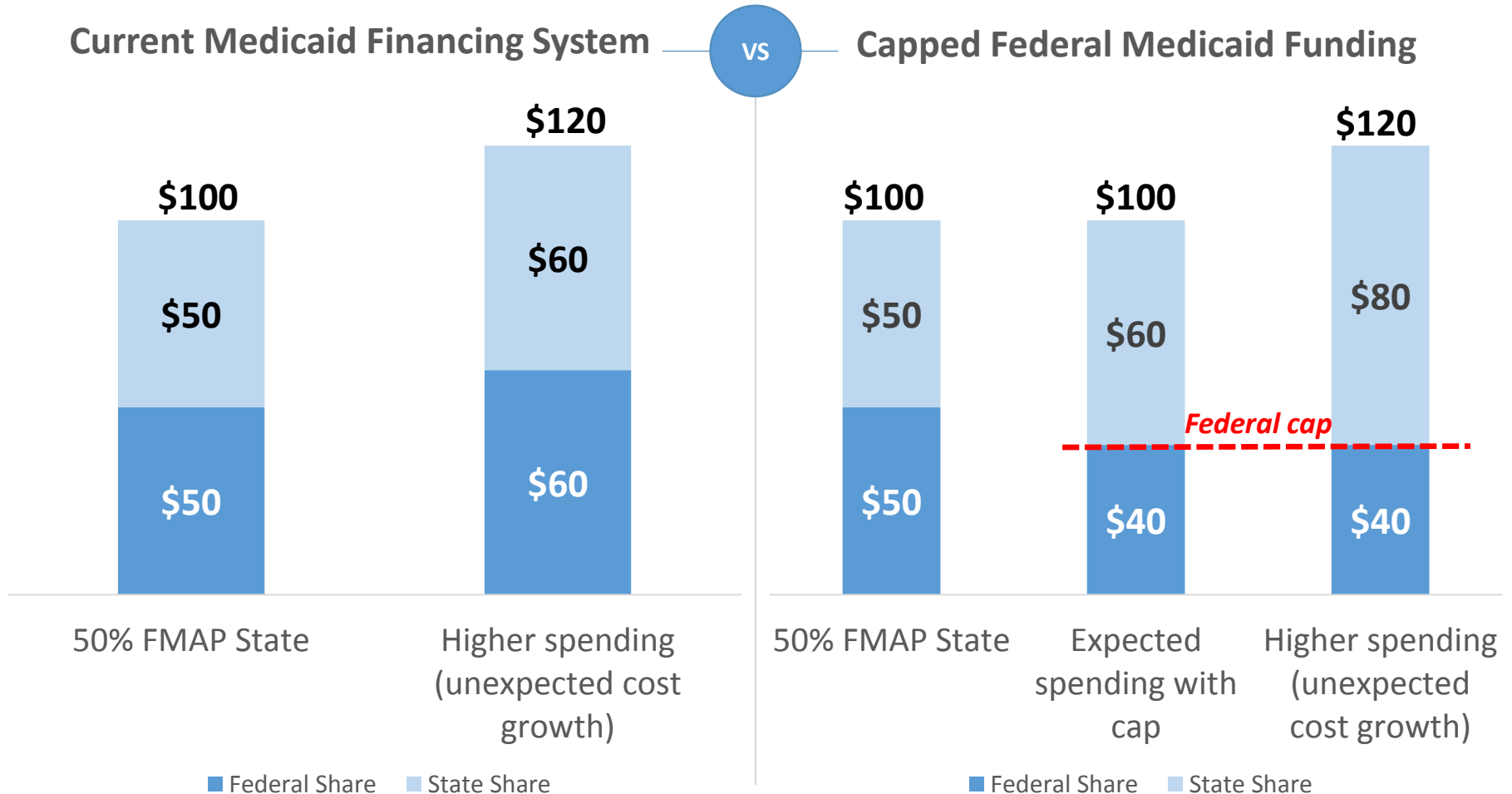
Source: Yonghua Jing, et.al, Utilization and spending trends for antiretroviral medications in the US Medicaid program from 1991 to 2005, AIDS Research and Therapy, October 2007.

Medicaid Block Grants and Per Capita Caps: Shift Costs and Risks to States

Current Medicaid Financing System

vs

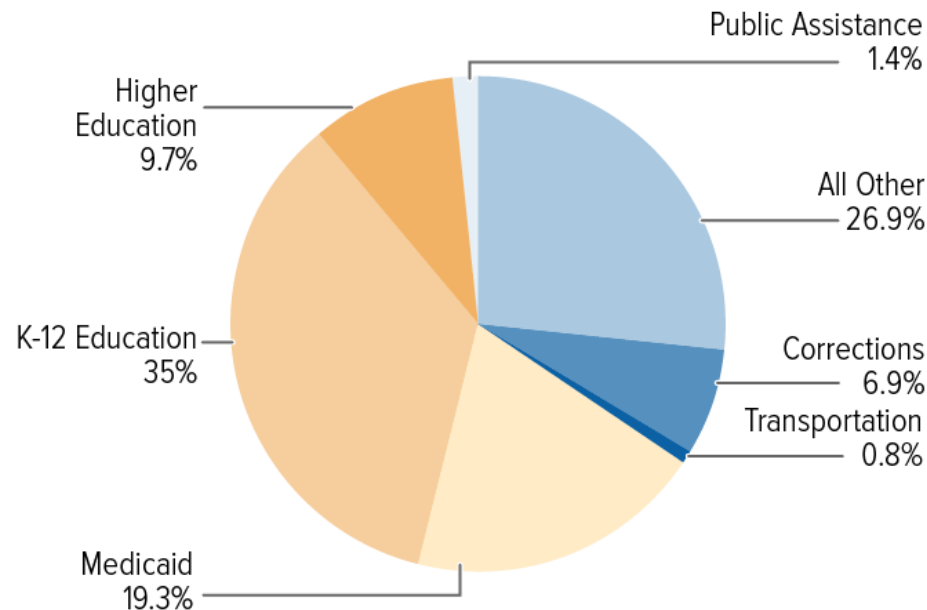
Capped Federal Medicaid Funding



State Choices to Compensate for Federal Cuts

- Raise taxes and contribute more state general revenues
- Cut education, social services, other parts of budget
- Cut Medicaid spending

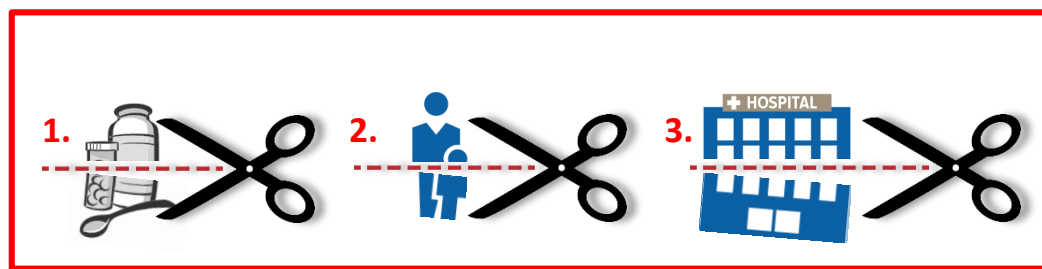
State General Fund Expenditures



Source: NASBO State Expenditure Report, FY 2014.

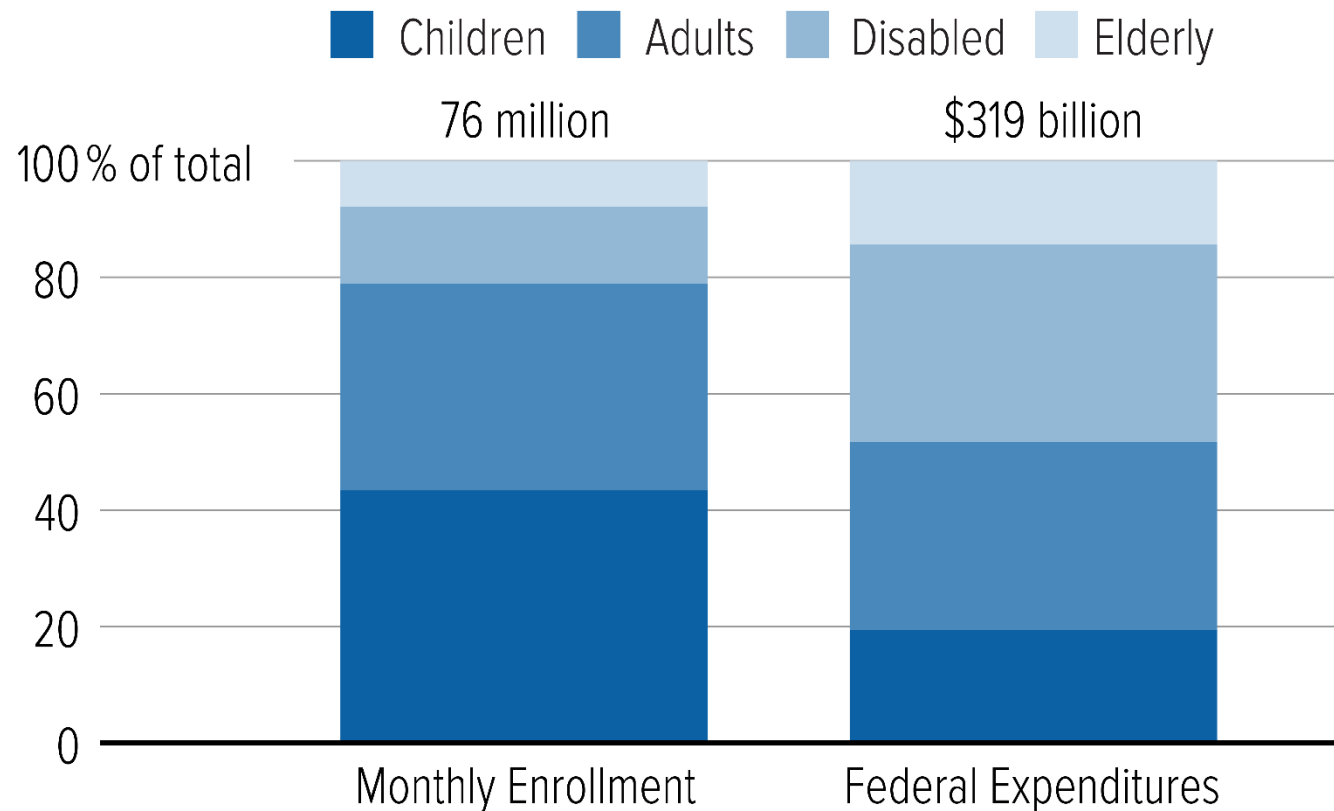
Most Likely: Medicaid Cuts

- Cut Medicaid benefits, eligibility and provider payment rates.



Distribution of Medicaid Spending Means No Groups Can Be Protected

- About 20 percent of Medicaid enrollment is among seniors and people with disabilities.
- But they account for 50 percent of federal spending.



Source: Congressional Budget Office.

New Medicaid Flexibility: Flexibility to Cut

- Individual entitlement
- Eligibility
- Benefits
- Work requirements
- Premiums and cost-sharing

Caps Impede Innovation

- Innovation, delivery system reforms, transition to HCBS all require upfront investment
- Blunt cuts vs. reforms that may improve quality and lower costs over time

Long-Term Harm from Medicaid Cuts

- Research shows long-term benefits of Medicaid coverage for children



do better in school,



miss fewer school days due to illness or injury,



are more likely to finish high school, attend college, and graduate from college,



have fewer emergency-room visits and hospitalizations as adults, and



earn more as adults.

Edwin Park

park@cbpp.org

@EdwinCBPP

www.cbpp.org

