Top 10 Changes to Medicaid Under The Graham-Cassidy Bill

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Republican Senators Lindsey Graham (S.C.), Bill Cassidy (La.), Dean Heller (Nev.) and Ron Johnson (Wis.) (hereinafter "Graham-Cassidy") introduced on Sept. 14 a bill to repeal the ACA and eliminate the current financing structure of Medicaid. This bill, extremely similar but in some ways worse than the failed Better Care Reconciliation Act (BCRA 2.0), highlights these Senators' desire to make dismantle Medicaid. This bill, like BCRA and AHCA before it, would strike a death blow to Medicaid as we know it. While the Congressional Budget Office (CBO) has not yet scored the fiscal and coverage impact of the bill, similar bills have been found to result in major coverage and funding cuts. This fact sheet addresses how the Graham-Cassidy bill impacts Medicaid.

1. **Implements a Per Capita Cap (PCC).** Since 1965, Medicaid has operated as a federal-state partnership where states receive on average 63% of the costs of Medicaid from the federal government. The federal share is based on actual costs of providing services, and lower income states receive more federal funding. Graham-Cassidy limits the federal contribution to states, based on a state's historical expenditures inflated at a rate that is projected to be less than the yearly growth of Medicaid health care costs.[1] Beginning January 1, 2020, funding for state Medicaid programs will shrink over time, resulting in states cutting coverage and services for all beneficiaries. And starting in 2025, states would be limited to an even lower growth rate than in the initial PCC years. Graham-Cassidy also imposes a penalty on states that spend above the national mean, starting in 2020 (two years earlier than BCRA). This penalty would be imposed even if a state spends more because care is more costly due to geography or other factors or because enrollees are older or sicker than in another state. If a state spends 25% more than the national mean for a particular eligibility group (e.g. seniors or people with disabilities), it would be lose .5-2% of its aggregate cap amount for the applicable group for that year unless the state is a "low density" state (less than 15 individuals per square mile).

2. **Repeals Medicaid Expansion Option after 2020**. Graham-Cassidy goes a step further than prior Senate bills by reducing the FMAP to 0% for any state that covers Medicaid expansion enrollees after 2020 (except Native Americans who

meet certain "grandfathering" requirements). Even if a state wanted to continue covering Medicaid expansion enrollees, it could not get any federal funding and would have to pay 100% of the costs. Graham-Cassidy creates a new *block grant* for states to help pay for health coverage for consumers who would have been covered by Medicaid expansion, as well as those who would have received tax credits and cost-sharing reductions, among other factors. But the block grant funding is set at 17% less than current funding.

3. **Allows Shorter Eligibility Periods for Medicaid Expansion Enrollees.** While states can continue Medicaid Expansion through December 31, 2019 with a 90% federal match, Graham-Cassidy allows states to require those in the Medicaid expansion population to submit eligibility renewal paperwork every six months just to stay on Medicaid, beginning October 1, 2017. This will certainly result in more eligible enrollees losing their Medicaid coverage.

4. **Allows Work Requirements in Medicaid.** Graham-Cassidy allows states to impose work requirements on people who are not disabled, elderly, or pregnant Medicaid enrollees. Currently, nearly 8 in 10 Medicaid enrollees are part of a working family. Another 14% of Medicaid enrollees are currently looking for work. Yet, Graham-Cassidy would allow states to require work as a condition of eligibility, including enrollees who are caring for a parent or spouse and both parents in a two-parent household. Individuals receiving mental health or substance use disorder services who are eligible through Medicaid expansion (rather than a disability category) would be required to work as a condition of receiving treatment, which could undermine their progress and recovery. Medicaid coverage makes it easier to find and sustain work and should not be denied to those who need care before being able to work.

5. **Allows States to Operate Medicaid as a Block Grant for Certain Populations.** In addition to requiring all states to operate within fixed caps, Graham-Cassidy also gives states the option to operate part of Medicaid program as a block grant as opposed to a PCC for people who are not elderly, disabled, pregnant adults. States would be locked in for a five-year period, and the growth rate would be lower than the initial per capita cap growth rate (although by 2025, both the PCC and block grant growth rates would be the same).

6. **Repeals Presumptive Eligibility for Everyone**. In addition to repealing the Medicaid expansion, Graham-Cassidy prevents states from using "presumptive eligibility" and express lane eligibility after January 1, 2020. This includes repealing the ability of states to permit their hospitals to use presumptive eligibility for pregnant women, children, individuals with breast and cervical cancer, and for family planning services and supplies to obtain immediate

Medicaid coverage when they end up in emergency rooms or hospitalized for treatment without insurance means they will end up with medical debt.

7. **Reduces Retroactive Eligibility to Two Months For Everyone But Seniors and People with Disabilities.** Medicaid currently provides coverage up to three months before the month an individual applies for coverage. This "retroactive coverage" protects individuals from medical expenses they incurred before they apply for Medicaid. An individual may not be able to apply for Medicaid immediately due to hospitalization, a disability, or other circumstances. Retroactive coverage provides that critical coverage and ensures providers get reimbursed for their costs and that low-income individuals do not end up facing severe medical debt or bankruptcy due to these medical expenses. Graham-Cassidy reduces retroactive coverage for most Medicaid beneficiaries to two months starting October 1, 2017. It requires states to maintain three months of retroactive coverage only for seniors and people with disabilities..

8. **Repeals Essential Health Benefits (EHBs) for Medicaid Expansion Beneficiaries**. Under the ACA, states that expanded coverage to non-pregnant childless adults had to provide coverage in at least the 10 "essential health benefit" categories. Graham-Cassidy repeals this requirement, effective December 31, 2019, resulting in beneficiaries losing services such as mental health and substance use disorder services and some no cost preventive health services.

9. **Repeals Enhanced Funding for States for Community First Choice (CFC) Attendant Supports.** Established under the ACA, the "Community First Choice Option" provides states enhanced federal funding for home and community-based attendant services and supports to eligible Medicaid enrollees under their State Medicaid Plan. CFC services assist individuals with Activities of Daily Living (ADLs), habilitative services, and emergency back-up systems like electronic indicators. Some of these services complement the transition services. Effective January 1, 2020, Graham-Cassidy repeals the 6% increase in funds established to cover these services, which CBO predicts will reduce federal supports to participating states by $19 billion.

10. **Reduces Provider Taxes.** Graham-Cassidy reduces states' ability to use provider taxes to help pay the state's share of Medicaid. Cutting or eliminating provider taxes is a substantial cost shift to states and threatens access to care for millions of Medicaid enrollees. It also undermines state flexibility to administer the Medicaid program without doing anything to achieve programmatic efficiencies or improve quality.

Changing the financing of Medicaid from a guarantee (or "entitlement") to a per capita cap and block grant and imposing other cuts and changes to Medicaid threatens

everyone -- enrollees who receive services, health care providers who provide care through Medicaid, families who live and work without the worry of providing expensive care to a child with a debilitating illness or an older adult who needs home care or nursing home care, and all communities which benefit from the jobs created and the federal dollars flowing into our state economies. Not only will these cuts result in millions of low-income and vulnerable people losing Medicaid coverage and services, but these cuts create significant financial hardship for states which they cannot afford. Graham-Cassidy would decimate the Medicaid program.

ENDNOTES

[1] Graham-Cassidy's growth rate from the state's base year through 2019 is the medical component of the Consumer Price Index (CPI-M). For 2019-2025, the growth rate would be CPI-M plus 1% for elderly enrollees and enrollees with disabilities and CPI-M for adults and children. Beginning in 2025, the growth rate would lower to the "regular" CPI which grows even slower than CPI-M and does not include long term care costs.