The American Health Care Act, or AHCA, the proposed legislation to repeal and replace the Affordable Care Act was passed by the U.S. House of Representatives on May 4. The bill contained several major changes to the Medicaid program that, if enacted, would directly impact states’ budgets.

Proponents of the AHCA say changes are needed to the current system to create future sustainability. One of the proposed changes, aimed at lowering incurred costs by the federal government, is to adjust the federal matching rate for expenditures under the Medicaid expansion that 31 states have adopted. Under the ACA’s expansion provision, states could raise income eligibility to 138 percent of the federal poverty rate or $15,800 for a single person in 2017. The House AHCA bill would drop the expansion matching rate from 90 percent federal/10 percent state to each state’s regular match rate (states range from 50 percent federal/50 percent state to 75 percent federal/25 percent state) for any Medicaid enrollee not continuously enrolled since Dec. 31, 2019.

The Congressional Budget Office, or CBO, estimates a low percentage of Medicaid enrollees would be continuously enrolled two years later, given the high rates at which enrollees move in and out of income eligibility. “The higher federal matching rate would apply to fewer than 5 percent of newly eligible enrollees by the end of 2024,” the CBO estimates.

Based on this information, CSG estimates the annual state loss of federal Medicaid Funds from the high of $7,210.1 million in California to $16.8 million in Delaware. The median loss is $474.1 million for Connecticut, with half of the expansion states losing less federal funds annually and half of the expansion states losing more federal funds annually. (Note: California Medicaid expansion expenditures were one-third of the expenditures for all expansion states in 2015; California expansion enrollees were also one-third of the total number of expansion enrollees in the same year.) Six expansion states were excluded because their federal fiscal year expenditure data was not available from DHHS.

Total Federal Medicaid Funding Estimated to Drop $880 Billion Between 2017 and 2026

The Congressional Budget Office projected direct federal Medicaid spending (a.k.a. federal Medicaid match) spent within each state will decrease by $880 billion over the 2017-2026 time period...
and culminate in 14 million fewer Medicaid participants by 2026. While the CBO did not revise its March 13 analysis for the last-minute amendments to the AHCA, available analyses of these amendments do not seem to impact the Medicaid provisions. The CBO is expected to deliver a revised analysis of the House-passed version of the AHCA next week. Although the CBO did not provide a state-by-state analysis, the Urban Institute provided additional estimates by state in their report in March 2017.

**Senate Deliberating Over Continuation of Medicaid Expansion**

The NY Times’ Robert Pear reported [6] that the Senate is discussing a compromise that would maintain the Medicaid expansion allowed under the Affordable Care Act. Pear points out that 62 senators come from states that have expanded Medicaid under the ACA.

An earlier article [7] in the Columbus Dispatch said that Ohio Gov. John Kasich had joined forces with other governors in a bipartisan effort to put together ideas for the Senate to consider.

Gov. Kasich, along with governors Rick Snyder of Michigan, Brian Sandoval of Nevada and Asa Hutchinson of Arkansas wrote a letter [7] in March urging Congress to keep the Medicaid expansion. Their plan also proposed an option for per-capita cap or block grants for non-disabled and non-elderly populations. The four governors argued that states need significant flexibility in return for any reduced funding.

"States cannot successfully administer a quality Medicaid program that grants significant flexibility in lieu of adequate funding," they wrote in their letter. "But a new financing structure that limits federal participation in Medicaid will transfer risk from the federal government to the states, so states must be granted meaningful relief from federal regulatory constraints that exist today in order to effectively manage that risk."

**Key Reading:**

- Congressional Budget Office, American Health Care Act Cost Estimate [4], March 13, 2017. A new updated cost estimate is expected the week of May 22, 2017 incorporating all amendments made to the House-passed version of the AHCA.

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