Impact on Alaska of Graham-Cassidy
Preliminary Analysis

September 21, 2017

Prepared by Manatt Health for:

Alaska Department of Health and Social Services

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Executive Summary

Key Takeaways

- **Graham-Cassidy requires sweeping changes that go beyond earlier "repeal and replace" bills and pose unique challenges for Alaska**
- **Major new feature is a block grant that replaces Marketplace subsidies and Medicaid expansion**
  - By 2026, Alaska will see an 65% reduction in federal funding relative to current law
  - In addition, all states are at risk because national allotments are not adjusted for growth in the number of people requiring assistance, higher than expected medical costs, natural disasters or public health emergencies
  - As a high-cost state, Alaska is at particular risk because the block grant aims to provide the same level of federal funding per low-income person across all states
    - Alaska may be able to secure an adjustment based on high costs, but this will be in part at the discretion of HHS and must be offset by cuts to other states
- **Establishes a permanent per capita cap on the rest of Medicaid**
  - Applies to nearly all remaining Medicaid beneficiaries
  - Alaska may be exempt in some years through 2026 due to special treatment for selected states but is at risk in the longer run
- **Eliminates Marketplace subsidies and requires state action to prevent destabilization of the individual market**
  - Guaranteed issue with no mandate and will drive up premiums and reduce enrollment
  - Uncertainty of continued federal services may impose significant administrative burdens on Alaska to stand up its own infrastructure
  - Elimination of tax credits likely requires an overhaul of Alaska's highly effective reinsurance program

Source: H.R. 1628, retrieved from: https://www.cassidy.senate.gov/imo/media/doc/LYN17709.pdf

Impact of Graham-Cassidy on Alaska

Graham-Cassidy Overview

On September 13th, Sens. Lindsey Graham (R-SC), Bill Cassidy (R-LA), Dean Heller (R-NV) and Ron Johnson (R-WI) unveiled ACA repeal and replace legislation* ("Graham-Cassidy") based on a version of the proposal filed on July 27th

- **Retains many features of the Better Care Reconciliation Act of 2017 (BCRA) but also replaces federal funding for the ACA Medicaid expansion, tax credits and cost sharing reduction (CSR) payments with a block grant to states effective 2020**
- **Lowers the bar for waivers of federal rules governing coverage in the individual market**
- **As with BCRA, establishes a per capita cap for all remaining Medicaid populations**

Source: H.R. 1628, retrieved from: https://www.cassidy.senate.gov/imo/media/doc/LYN17709.pdf
*Accessed on September 21, 2017

Market-Based Health Care Grant Program

Graham-Cassidy would eliminate federal funding for Marketplace subsides and Medicaid expansion and replace it with the "Market-Based Health Care Grant Program" in 2020

- **The block grant reduces and caps federal funding; money can be used for coverage, stabilizing the individual market, payments to providers and other health care purposes**
- **Block grant funds are distributed among states in accordance with a new formula**
  - Initially, funds are distributed based on historic spending patterns, but this changes over time
  - By 2026, each state receives the same base payment amount of federal funding per low-income person (45% to 133% of the federal poverty line)
  - Certain adjustments are applied, but must be budget neutral to the federal government
- **In 2020 and 2021, special provisions provide additional block grant funds to five frontier states (including Alaska) and non-expansion states**
- **Provides states with flexibility to waive key individual market rules**
  - Can waive benefit standards and the prohibition against charging higher rates for people with pre-existing conditions
  - Even if Alaska does not exercise this flexibility, the elimination of standard federal rules puts at risk the future of the federally-facilitated Marketplace

Source: H.R. 1628, retrieved from: https://www.cassidy.senate.gov/imo/media/doc/LYN17709.pdf

Overview of Manatt Financing Model

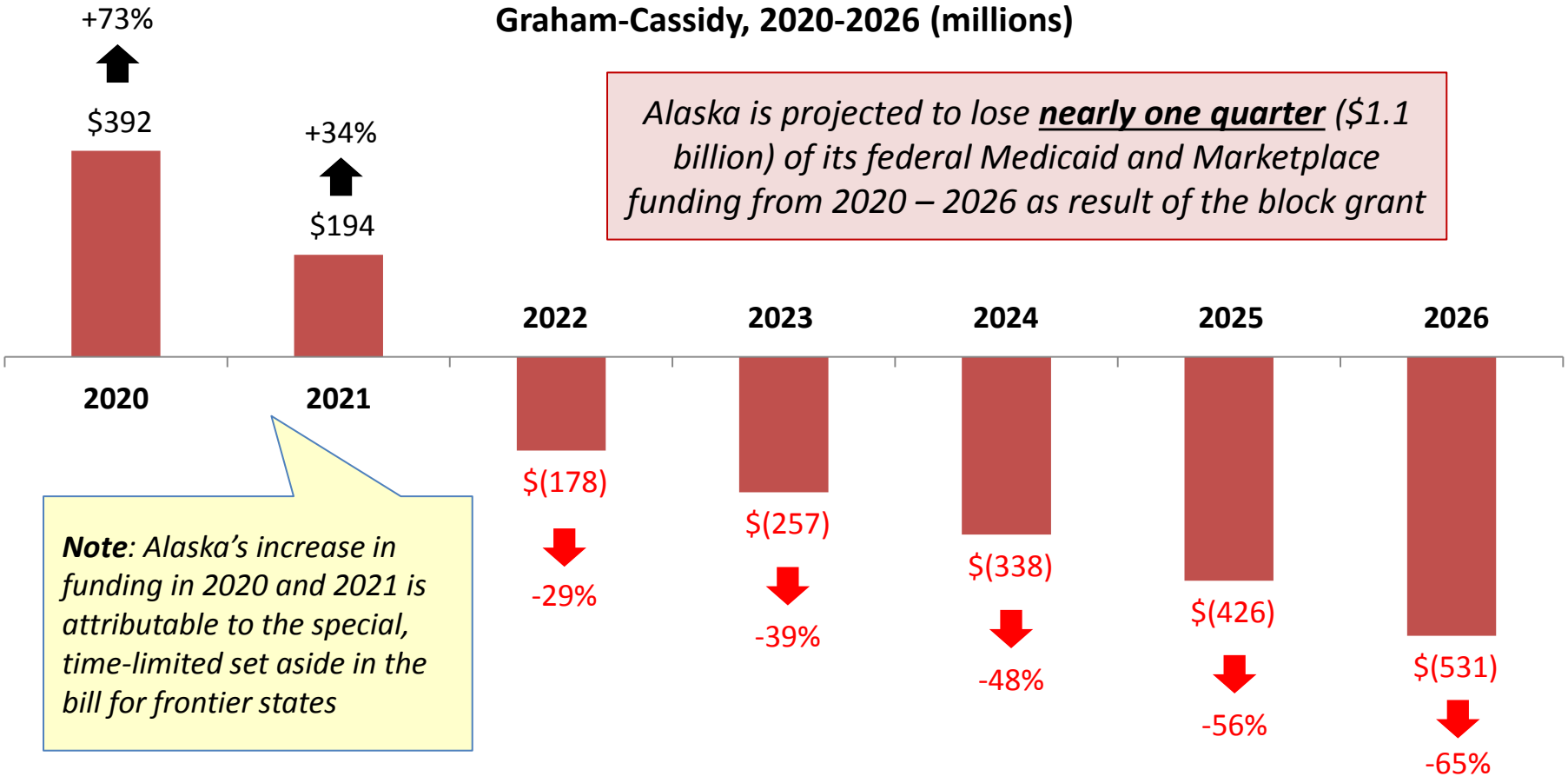
- **Designed to assess state-by-state impact of Medicaid and Marketplace financing changes**
  - Block grant
  - Reductions in federal funding for expansion
  - Reductions in federal funding for Marketplace subsidies
  - Per capita cap (we assume, however, that this does not apply to Alaska)
- **Uses publicly-available data to establish baseline for each state, for example:**
  - CMS-64 and CMS snapshot data on Medicaid and Marketplace expenditures
  - State-specific population growth projections from the Census Bureau
  - CMS and CBO national growth projections by eligibility group
  - CMS and CBO projections of medical CPI
- **Alaska-specific data**
  - Relies on current law Marketplace spending data provided by the Alaska Department of Insurance/Oliver Wyman
- **Substantial uncertainty**
  - Estimates of the impact of the block grant are necessarily uncertain and subject to a range of assumptions
  - Other analyses* have projected a range of impacts**
  - However, all analyses that measure how states fare relative to current law show substantial reductions in federal funding to Alaska from 2020-2026 even if the magnitude of the cut differs

* Leibenluft et al. "Like Other ACA Repeal Bills, Cassidy-Graham Plan Would Add Millions to Uninsured, Destabilize Individual Market". *Center on Budget and Policy Priorities*. 20 Sept. 2017. Accessed at: https://www.cbpp.org/sites/default/files/atoms/files/9-13-17health.pdf
* "Graham-Cassidy-Heller-Johnson Bill Would Reduce Federal Funding to States by $215 Billion". *Avalere Health*. 20 Sept. 2017. Accessed at: http://avalere-health-production.s3.amazonaws.com/uploads/pdfs/1505909381_Avalere_CAP_Graham_Cassidy_Analysis_.pdf
** Using Alaska-specific Marketplace data causes the results contained in this presentation to differ from Manatt's publicly available figures, available here: http://www.statenetwork.org/wp-content/uploads/2017/09/SHVS_Graham-Cassidy-Sept-2017_Final.pdf

Estimated Impact of Block Grant in Alaska

Alaska is estimated to lose *nearly two thirds* of its federal funding for Medicaid expansion and Marketplace subsidies in 2026

Estimated Federal Spending for Marketplace and Medicaid Expansion Under Current Law Versus Graham-Cassidy, 2020-2026 (millions)



*Alaska is projected to lose **nearly one quarter** ($1.1 billion) of its federal Medicaid and Marketplace funding from 2020 – 2026 as result of the block grant*

***Note**: Alaska's increase in funding in 2020 and 2021 is attributable to the special, time-limited set aside in the bill for frontier states*

Sources: H.R. 1628, retrieved from: https://www.cassidy.senate.gov/imo/media/doc/LYN17709.pdf
Manatt Financing Model

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Appendix

Per Capita Cap

As with BCRA, Graham-Cassidy establishes a per capita cap on Medicaid for all populations beginning in FY 2020

- **The cap is "built up" from per capita limits on five different eligibility groups**
  - Spending on IHS beneficiaries who receive services through an IHS facility are excluded from cap calculations
  - Excludes spending for children enrolled based on disability
- **The per capita limit for each eligibility group will be set based on the State's historic spending per enrollee increased by a national trend rate**

Categories	FY 2020 – FY 2024	FY 2025+
Adults, Children	Medical CPI	CPI
Aged, Disabled	Medical CPI + 1	Medical CPI

- **All spending over the cap would be fully at state cost. States that spend in excess of cap will face a federal "claw back" of overpayments in the next year**
- **A special provision exempts selected states from the per capita cap for years in which they meet specified criteria**
  - Applies to "low-density" states with fewer than 15 people per square mile, including Alaska
  - Exempts these states if their block grant amount for a given year is: 1) less than the state's 2020 block grant amount indexed by medical CPI; or, 2) determined by the Secretary of HHS to be insufficient
  - Since the exemption criteria are based on the block grant, which is not authorized beyond 2026, the low-density states presumably would be subjected to the per capita cap in 2027 and beyond even if exempt in earlier years

Source: H.R. 1628, retrieved from: https://www.cassidy.senate.gov/imo/media/doc/LYN17709.pdf

Other Key Medicaid Provisions

- **Medicaid expansion terminated:** Beginning in 2020, the option to cover expansion adults is eliminated
  - Unlike under BCRA, the regular matching rate is not available
  - Limited exception for grandfathered Native American populations who remain enrolled in coverage
- **DSH:** Medicaid DSH reductions go into effect in FY 2018
  - States with grant shortfalls in any year from FY 2021 – FY 2025 (when a state's allotment grows by less than medical CPI relative to the state's 2020 allotment) are eligible for a decrease in the state's DSH cut for that year by the amount of the shortfall up to the full amount of the cut
  - States with block grant shortfalls in FY 2026 are eligible for increases in their DSH allotments for that year by the lesser of: the state's total cut from FY 2018 – FY 2025 minus any reductions described above; or, the state's grant shortfall for that year
- **Provider taxes:** Permanent one-third reduction (from 6% to 4% phased in between FY 2021 and FY 2025) in the amount of funds that states can generate through lawful provider taxes
- **Hospital presumptive eligibility** is eliminated
- **Retroactive eligibility** can only be provided for 2 months prior (not 3) for most enrollees; 3-month retroactive eligibility continues to apply for the aged and disabled

Source: H.R. 1628, retrieved from: https://www.cassidy.senate.gov/imo/media/doc/LYN17709.pdf

Side-by-side: Graham-Cassidy vs. BCRA

Policy	BCRA	Graham-Cassidy
Replacement for Marketplace subsidies and Medicaid expansion funding	N/A	Block grant funding for states beginning in 2020: • Funding capped; no adjustment to national funding level based on costs/enrollment • Allocations to states aimed at equalizing funding to all states based on relative size of low-income population • Special provision provides $6 billion in 2020 and $5 billion in 2021 to five low-density states (25% of funds) and non-expansion states(75% of funds) • State allotments subject to adjustment, including at discretion of HHS, but must be budget neutral to federal government (i.e., increase for one state must be offset by cuts to others)
Medicaid Expansion	• Enhanced match phases down beginning in 2021, with states reverting to their regular FMAP starting in 2024 • States retain authority to cover expansion population (but at reduced match)	• Enhanced match ends 12/31/19 (except for certain Native Americans) • Removes authority for states to cover expansion population, in Medicaid even at regular match (states may elect to use block grant dollars to cover this group)
Per Capita Cap		
Populations covered	• Imposed on most groups and services covered in Medicaid • Excludes those receiving any Medicaid-funded services through an Indian Health Service or Tribal facility, children enrolled based on disability, CHIP-financed children, and partial benefit enrollees	No change from BCRA

Trend rates	• FY 2020 – FY 2024
	  • Adults, Children: medical CPI
	  • Aged, Disabled: medical CPI + 1
	• FY 2025+
	  • All groups: CPI
		• FY 2020 – FY 2024
		  • No change from BCRA
		• FY 2025+
		  • Adults, Children: CPI
		  • Aged, Disabled: medical CPI

Special provisions	N/A	Special provision exempts certain states that have low block grant allocations from cap, based on year-by-year analysis

Side-by-side: Graham-Cassidy vs. BCRA

Policy	BCRA	Graham-Cassidy
Individual/Small Group Markets		
Mandates	Eliminates individual and employer mandate tax penalties, effective 1/1/2016	No change from BCRA
Premium subsidies and CSRs	• Advanceable and refundable tax credits available for individuals between 0-350% FPL, but adjusted for age and benchmarked to a 58% AV qualified health plan • CSRs paid through 2019 and then eliminated	Beginning in 2020, tax credits and CSRs eliminated (states may elect to use block grant dollars to assist individuals in purchasing coverage at their discretion)

Consumer protections	• Guaranteed issue maintained for individuals holding continuous coverage
	• Individuals with coverage gaps may face waiting periods
	• Allows 5:1 age rating
	• Retains ACA metal-level requirements
	• Loosens standards for Section 1332 state innovation waivers
	• Allows states to set Medical Loss Ratio (MLR) requirements
		Beginning in 2020:
		• Guaranteed issue maintained but with no continuous coverage requirement
		• States provided with significant latitude to change other protections through waivers, including:
		  • Eliminating essential health benefit or any other benefit rule
		  • Varying premiums by any factor (including health or age) except for sex or protected class
		  • Modifying or eliminating the MLR requirement
		• Waivers do not include any coverage "guardrails", but instead require states to describe how individuals with pre-existing conditions will have "adequate" and "affordable" coverage
		• If a state does not seek a waiver, the ACA rating rules and requirements for qualified health plans (e.g., metal levels) still apply

Source: H.R. 1628, retrieved from: https://www.cassidy.senate.gov/imo/media/doc/LYN17709.pdf