CBO Estimate of American Health Care Act

Easterseals Office of Public Affairs Analysis

On March 13, 2017, the Congressional Budget Office (CBO) shared with Congress its comprehensive cost estimate of the American Health Care Act (AHCA), legislation introduced in the U.S. House of Representatives to repeal and replace portions of the Affordable Care Act (ACA). In its nonpartisan analysis, CBO was tasked to estimate the budgetary effects of the AHCA's key provisions, including proposed changes to Medicaid.

Hundreds of thousands of Easterseals clients rely on the Medicaid program for their health, well-being and independence. Below is Easterseals review of CBO's analysis of the AHCA's policies on the Medicaid program. In summary, the AHCA would

- Shift costs to states and people with disabilities
- Reduce access to home and community based services
- Lead to waiting lists and cuts in provider reimbursement

EASTERSEALS STATEMENT ON THE CBO ESTIMATE OF AHCA

The analysis by the Congressional Budget Office (CBO) reaffirms Easterseals' strong opposition to the American Health Care Act's (AHCA) Medicaid per capita cap provision. CBO estimated that the federal commitment to Medicaid would be cut by 25 percent (or $880 billion) by 2026, as a result of the Medicaid per capita cap change and Medicaid expansion phase-out. This dramatic decrease in federal Medicaid investments jeopardizes the ability of individuals with disabilities to access essential home and community-based services by, in the words of the CBO, "restricting eligibility" or "eliminating optional services" such as attendant care, home health, and other home and community-based services. Easterseals urges Congress to stop this AHCA proposal to cut Medicaid services for people with disabilities.

CBO: FEDERAL MEDICAID FUNDING DRAMATICALLY DECREASES UNDER AHCA

Federal Medicaid investments under the AHCA would decrease by $880 million[i] (or about 25 percent less[ii]) by 2026, compared to current law. CBO attributed the dramatic federal funding decrease to state Medicaid programs to the AHCA provisions that phase-out the Medicaid expansion (where states get a higher federal match for expanding Medicaid eligibility) and that set a strict limit on federal Medicaid payments to a state. Easterseals opposes this Medicaid per capita cap provision included in AHCA, as described in Easterseals' AHCA analysis.

HOW AHCA LIMITS FEDERAL FUNDING FOR STATE MEDICAID SERVICES

Beginning in 2020, the ACHA changes Medicaid from a federal matching guarantee (based on a state's total Medicaid expenditures) to a set reimbursement cap based on the 2016 average per-enrollee cost of Medicaid medical services within five enrollee groups (the elderly, disabled people, children, newly eligible adults, and all other adults). A state's Medicaid reimbursement cap would inflate by the growth in the consumer price index for medical care services (CPI-M).[iii] Under the current Medicaid structure, the federal government matches all state Medicaid

expenditures using a state-specific formula that ranges from 50 percent (ie: New York, California) to as high as 71.44 percent (Alabama) federal match.

- Problems with the Per Capita Cap Limit: CBO concluded that if a state spent more than the limit on federal reimbursement, the federal government would provide no additional funding to match that spending.[iv]

- Problems with the Annual Increase Formula: CBO concluded that the AHCA mechanism (CPI-M) to annually adjust the federal funding cap to a state's Medicaid program will not meet actual medical costs. The CBO estimated that state Medicaid spending would grow on a per-enrollee basis at a faster rate (4.4%) than the AHCA CPI-M formula (3.7%), resulting in further funding cuts to states.[v]

AHCA MEDICAID CUTS LEAVES STATES WITH NO GOOD OPTIONS

States have limited choices in addressing AHCA's reduced federal funding for state Medicaid programs: either commit more state resources to finance the program at current-law levels or reduce Medicaid spending. If the choice is to reduce Medicaid spending given other fiscal realities, CBO outlined four ways for states to achieve those savings:[vi]

1. Cut payments to health care providers and health plans;
2. Eliminate optional Medicaid services (such as the home and community-based services that individuals with disabilities rely on to live, learn and work in the communities);
3. Restrict eligibility for enrollment (making it harder for people with disabilities to quality for essential services); or
4. Find more efficient methods for delivering services.

HBCS FUNDING CUTS FURTHER THROUGH COMMUNITY FIRST CHOICE REPEAL

The ACA included an Easterseals-supported provision (Community First Choice) that gave states a 6 percentage-point increase in their federal Medicaid matching rate if the state provided attendant care and other specified home and community-based services to help individuals with disabilities live in their homes and reduce institutionalization. Eight states (CA, CT, MD, MT, NY, OR, TX, WA) have adopted the Community First Choice option since the passage of the ACA. The AHCA repeals Community First Choice beginning in 2020, eliminating $12 billion in federal funding directed for essential home and community based services for people with disabilities.[vii]

AVAILABLE MEDICAID FUNDING FOR NON-EXPANSION STATES

CBO concluded that $8 billion in increased direct Medicaid spending (between 2017-2026) would be available under the AHCA provision that provides safety net funding to states who did not expand Medicaid eligibility under the ACA. Non-expansion states could use the funding, within limits, to supplement payments to providers that treat Medicaid enrollees. Such payments to providers would not be subject to the per capita caps. Nineteen states (AL, ID, FL, GA, KS, ME, MO, MS, NC, NE, OK, SC, SD, TN, TX, UT, VA, WI, and WY) have not expanded Medicaid eligibility under Medicaid and would be eligible for these AHCA funds.

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[i] CBO AHCA Estimate, March 13, 2017 (Page 6); https://www.cbo.gov/publication/52486
[ii] CBO AHCA Estimate, March 13, 2017 (Page 9); https://www.cbo.gov/publication/52486
[iii] CBO AHCA Estimate, March 13, 2017 (Page 10); https://www.cbo.gov/publication/52486
[iv] CBO AHCA Estimate, March 13, 2017 (Page 10); https://www.cbo.gov/publication/52486
[v] CBO AHCA Estimate, March 13, 2017 (Pages 10-11); https://www.cbo.gov/publication/52486
[vi] CBO AHCA Estimate, March 13, 2017 (Page11); https://www.cbo.gov/publication/52486
[vii] CBO AHCA Estimate, March 13, 2017 (Pages 23-24); https://www.cbo.gov/publication/52486

Key Links:	
AHCA Legislative Text	https://housegop.leadpages.co/healthcare/
CBO AHCA Estimate	https://www.cbo.gov/publication/52486