POLICY & ACTION FROM CONSUMER REPORTS

U.S. House of Representatives
Washington, D.C. 20515

March 22, 2017

Dear Representative:

On behalf of Consumers Union, the policy arm of nonprofit Consumer Reports, we write to express our opposition to the repeal of the Medicaid eligibility expansion and to the fundamental changes to the financing and structure of the Medicaid program in the American Health Care Act (AHCA). These proposed changes would reduce the scope and quality of coverage for the most vulnerable Americans and eliminate coverage altogether for millions more. The nonpartisan Congressional Budget Office (CBO) estimates that the proposed reductions in federal matching contributions to the program will result in "14 million fewer Medicaid enrollees by 2026, a reduction of about 17 percent relative to the number under current law."[1] As an organization whose founding principles include ensuring access to quality, affordable health coverage and care for all Americans, Consumers Union opposes these broad changes to Medicaid, which will imperil the health and financial well-being of those most in need.

***Per Capita* Funding Is a Cut to Medicaid**

The proposed fundamental change to a *per capita* cap funding scheme is actually a **cut** to Medicaid and threatens the program's very existence.

Currently, the federal government pays a fixed share of states' Medicaid costs, regardless of the number of enrollees and the care they need. Under a *per capita* cap, the federal government would give states a set amount per beneficiary, leaving the state responsible for all costs above that set amount. The proposed funding formula would be set based on the average cost per enrollee in 2016 for medical services in each state, with states responsible for all costs above that set amount. The proposed funding formula allows for an annual inflation factor based on the medical care part of the Consumer Price Index (CPI-M). However, the CBO estimates that the CPI-M is *below* the projected rate of growth for Medicaid beneficiary spending.[2] It is likely that the revised bill, which would increase this cap for seniors and people with disabilities from CPI-M to CPI-M plus 1%, is not enough; without an updated CBO score it is impossible to know how short this funding would fall from the actual costs to states of serving these populations. As a result, the caps will not give states enough funding to cover the actual cost of care that their beneficiaries need, forcing deeper cuts on top of the cuts to the expansion, discussed below, to either benefits or enrollment, or both.

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[1] Congressional Budget Office, March 2017; https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact_0.pdf (p. 8)

[2] CBO estimates that the consumer price index for medical care services for the period 2017-2026 will grow at an annual rate of 3.7% while the actual cost in Medicaid will grow at an annual rate of 4.4%; https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact_0.pdf (p. 10-11)

States simply will not be able to keep providing the same level of benefits to the same number of beneficiaries.[3] As the population ages and a larger portion of Medicaid beneficiaries become seniors with more complex and costly needs, or if there is an economic downturn in which a greater number of people need Medicaid, states will have to ration care or make difficult choices in other areas, like cutting funding for public education and social services.

Furthermore, the rigidity of *per capita* allowances means that, in the event of an unexpected healthcare occurrence—such as an outbreak of Zika, a public health crisis like the opioid epidemic, or the discovery of a new and costly cure for a serious disease—states will be solely responsible for unexpected costs. It is hard to predict when a costly healthcare event will occur, but it is almost guaranteed that states will face an unexpected event like this, and most likely multiple events, over the next decade.

It is worth underscoring that as the largest payer of mental health and substance use services in the U.S., Medicaid programs play a crucial role in combating the opioid epidemic. [4] They have been able to do so because of the way Medicaid is structured: as states' Medicaid costs have risen with the increased demand for treatment and care, federal funds rose as well to help states meet the needs of their residents. If this crisis had occurred under a *per capita* cap, states would have had to make excruciating choices, such as, for example, weighing whether to skimp on services for those battling addiction or to cut benefits for senior Medicaid enrollees.

Moreover, Medicaid is the *primary funder of long-term care* and support services for the aged.[5] This includes both community- and home-based critical health care and long-term services and supports (LTSS), which provides assistance with daily activities such as eating, bathing, dressing, managing medications, and transportation. Setting caps on per-enrollee spending for low-income seniors, when the cost of their care is sure to increase substantially in future years as they age and need more intensive services, will leave states in an untenable position and seniors at grave risk to their health and financial security.

Repealing the Medicaid Expansion Threatens Consumers' Health

Eleven million adult Americans have obtained coverage through the Medicaid expansion, some getting coverage and access to ongoing medical services for the first time in their lives.[6] States adopting the expansion are permitted to allow single adults and parents of Medicaid children with lower incomes to obtain Medicaid coverage and needed care, regardless of whether they

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[3] It is estimated that these caps will cut federal funding to Medicaid by $116 billion over ten years, on top of the expansion cuts. Center on Budget and Policy Priorities. *House Republican Health Plan Shifts $370 Billion in Medicaid Costs to States*. March 8, 2017.

[4] Letter to Senate Majority Leader McConnell from Senators Capito, Portman, Gardner, and Murkowski, March 2017; https://www.capito.senate.gov/news/press-releases/capito-gop-senators-say-house-health-care-draft-lacks-key-protections-for-medicaid-expansion-population

[5] Kaiser Family Foundation, "Medicaid and Long-Term Services and Supports: A Primer," December 2015; http://kff.org/medicaid/report/medicaid-and-long-term-services-and-supports-a-primer/

[6] Kaiser Family Foundation, "What Coverage and Financing is at Risk Under a Repeal of the ACA Medicaid Expansion?," December, 2016; http://kff.org/medicaid/issue-brief/what-coverage-and-financing-at-risk-under-repeal-of-aca-medicaid-expansion/

have a disability or dependents. This was a notable improvement over the prior approach, which required applicants to fit into narrow categories such as pregnancy, disability or having minor dependents.

The expansion also set the eligibility level for the population at 138% of the Federal Poverty Level (roughly $16,400 for an individual in 2017), with an allowance for states to go higher, providing essential coverage for those with very limited means. States have been able to achieve these coverage gains because of an enhanced federal match of 100% through 2016, and 90% thereafter, for the expansion population.

The AHCA threatens these gains by effectively repealing the Medicaid expansion on January 1, 2020, by eliminating the enhanced federal funding for states to enroll non-pregnant childless adults. Thus, the federal match for states to cover the expansion population will be reduced from 90% to an average of 57% in 2020.[7] While states could still opt to cover the expansion population, the severe reductions in federal funding makes it unlikely they will do so. The CBO projects that some states that adopted the Medicaid expansion would no longer offer coverage, and that no additional states would exercise the option to do so.[8] In fact, CBO estimates that just 5% of the enhanced-match expansion group would remain covered by Medicaid by 2024, and that some states may begin to take action to reduce eligibility or other program features prior to 2020 in anticipation of reduced funding. [9]

In closing, Consumers Union strongly urges you to oppose this bill's significant structural changes to the financing of the Medicaid program, including the possibility of block grants, repeal of the Medicaid expansion, and additional features of the bill which together—along with other unnecessary hurdles to enrollment, such as work requirements—pose a threat to the Medicaid program and millions of consumers. Instead, we ask you to make protection of this critical program that provides necessary coverage to health care services for so many consumers across the country a top priority.

Sincerely,

Laura MacCleery
Vice President
Consumer Policy and Mobilization
Consumer Reports

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[7] Congressional Budget Office, March 2017; https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/costestimate/americanhealthcareact_0.pdf (p. 9)
[8] Id.
[9] Id.,(p. 10).