



POLICY & ACTION FROM CONSUMER REPORTS

June 20, 2017

Dear Governor:

On behalf of Consumers Union, the policy arm of nonprofit Consumer Reports, we write to you to express our concern regarding the fundamental changes to the financing and structure of the Medicaid program in the Senate version of American Health Care Act (AHCA) and the harmful effects it would have on consumers in your state. Implementing per capita caps would leave states unable to provide coverage and high quality healthcare while continuing to fully fund other public priorities like education and infrastructure investments. This plan would also make it nearly impossible to quickly address unexpected public health crises, and leave states unable to adequately respond to an aging population and their long-term care needs. We urge you to oppose the fundamental restructuring of Medicaid as proposed in the AHCA.

The proposed change to how Medicaid is financed — from a fixed federal *percentage* of costs to a fixed *amount* of federal dollars under a per capita cap — is actually a **deep cut** to Medicaid that threatens healthcare for seniors, people with disabilities, veterans, military families and 30 million children, among others. Although recent discussion has centered on finding the right formula for a capped growth rate, the structural change to the funding of Medicaid, not the formula itself, is the key problem. There is no growth rate that can mitigate the harms that per capita caps would cause, both to consumers in your state and your state budget.

Restructuring Medicaid will not eliminate the cost of care; rather, it would shift billions of dollars of healthcare costs onto states and consumers. Under a capped financing structure, states will not be able to keep providing the same level of benefits to the same number of beneficiaries.¹ Not only will state budgets and services be undermined, but once Medicaid adopts a capped formula structure, nothing prevents additional federal funding cuts in the future. Medicaid funding will hang in the balance, making it even more difficult for states to accurately budget for the future.

As the primary funder of long-term care and support services for the aged, Medicaid will see a demand for these services rise as the baby boomers age.² This includes both community- and home-based critical healthcare and long-term services and supports (LTSS), which provide assistance with daily activities, such as eating, bathing, dressing, managing medications, and transportation. Medicaid also pays for two out of three nursing home beds and, like LTSS, demand for nursing home care will rise as the population ages. Setting caps on per-enrollee spending for low-income seniors, at a time when the cost of their care is sure to increase as their

¹ 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.

² 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/>

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need for more intensive services grows, will leave states in a precarious position and put seniors at grave risk.

It is worth underscoring that as the largest payer of mental health and substance abuse services in the U.S., the Medicaid program plays a crucial role in combatting the opioid epidemic.³ If the opioid crisis continues to unfold under a per capita cap, states will no longer have the resources needed to combat it effectively. Furthermore, it is impossible to predict the scope and cost of this type of crisis, making a one-time solution, such as specific carve-outs to states or for specific populations, ineffective.

The same inadequacy would be true in the event of a public health crisis, such as a Zika outbreak, where states could be solely responsible for a new, costly treatment for a devastating disease. While it is hard to predict when a costly healthcare event will occur, there is little doubt that one will occur during the next decade.

Additionally, the 31 states that expanded Medicaid under the ACA stand to lose even more.⁴ These states realized budget savings, revenue gains, and overall economic growth from increased employment; increased revenues to hospitals and other providers, especially safety net and rural providers; decreases in uncompensated care; and savings in other state programs, such as state-funded behavioral health or corrections.⁵ Repealing the expansion and instituting further cuts through per capita caps would reverse these gains and leave millions uninsured.

As a nonpartisan, independent organization that, for more than 80 years, has advocated for products, marketplace practices, and policies that best protect consumers, Consumers Union urges you to oppose this fundamental restructuring of Medicaid that threatens the health and financial well-being of millions of Americans. As Governor, you know firsthand the critical role that Medicaid plays in your state for your residents' health, as well as for the state's budget and overall economy. We urge you to stand up for consumers in your state by fighting to preserve Medicaid.

Sincerely,



Elizabeth Imholz
Special Projects Director

³ 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-medicare-expansion-population>

⁴ 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-medicare-expansion/>

⁵ Kaiser Commission on Medicaid and the Uninsured, *The Effects of Medicaid Expansion under the ACA: Findings from a Literature Review*, June 2016.

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