State of Connecticut
Office of Policy and Management

Graham-Cassidy – Summary of Potential Impacts to Connecticut

The Graham-Cassidy bill is the most detrimental of the repeal and replace proposals due to the immediate elimination of ACA protections and new, more dramatic redistributive provisions, threatening affordable health insurance for tens of thousands of Connecticut residents. Beginning in 2020, the bill:

1. Removes coverage for the Medicaid expansion population and marketplace subsidies, replacing them with an inadequate block grant that states can spend for broad health care purposes;
2. Fundamentally restructures traditional Medicaid financing from an entitlement program to a per-capita allotment; and
3. Eliminates the individual and employer mandate, upending the risk pool and leading to increased out-of-pocket costs for everyone.

Funding for states is based on a complicated formula which ultimately favors rural states with older populations, low per-capita incomes and lower per-capita federal spending. Ultimately, this cost shift could cost Connecticut over $2.2 billion in FY 2026, with total costs projected to reach almost $7.0 billion through FY 2026. A great deal of uncertainty exists for FY 2027 and beyond as there is no authorization to maintain funding for the “Market-Based Health Care” block grant after FY 2026. Authority to serve the Medicaid expansion population with any federal support also ends in FY 2026, leaving over 200,000 single adults without any coverage.

Despite abundant evidence of increases in underlying prices of health care services and pharmaceuticals, Graham-Cassidy does nothing to address these concerns. Under the guise of flexibility, the bill actually denies the necessary resources for states to address these challenges, instead shifting the burden of price and cost increases directly onto consumers and states.

IMPACT OF MARKET-BASED HEALTH CARE BLOCK GRANT:

Beginning in 2020, the bill eliminates marketplace subsidies and coverage for the Medicaid expansion population, replacing them with a “Market-Based Health Care Block Grant.” Connecticut is one of twenty states that is projected to receive 35% to 60% less than under current law[1]. The proponents of the bill claim enhanced “flexibility” provided by the block grant will allow states to support Medicaid expansion costs or cost-sharing assistance. However, for Connecticut, significantly lower funding levels would require a reduction in Medicaid services or eligibility or significantly reduced premium support – all resulting in dramatic numbers of individuals losing coverage or having their coverage reduced. The block grant funding would remain fixed regardless of circumstances. In addition, under the bill, the block grants are slated to end after 2026, providing a cliff that ends any benefits states were able to maintain for the expansion population after the 2020 reductions.

Undermines coverage for low-income adults without children. Additional federal funding enabled Connecticut to expand our Medicaid program to cover low-income adults, greatly reducing the number of uninsured people. The proposed reduction of funding to maintain these services threatens the continued coverage of over 200,000 enrollees.

[1] *Center on Budget and Policy Priorities*, September 18, 2017.

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Increases costs for consumers purchasing plans through Access Health CT. Subsidies, currently paid directly to carriers in the form of advanced premium tax credits (APTCs) and cost-sharing reductions (CSRs) are repealed in 2020 and states may choose to fund them under the block grant. Additionally, the bill does not provide federal funding for the CSR plans for 2018 and 2019. Currently, the administration is making monthly decisions whether to continue funding for CSR payments.

Approximately 75% of Access Health CT enrollees receive financial help in the form of APTCs and CSRs which total approximately $350 million per year. If the bill were to remove the current APTC and CSR structures as proposed, the almost 75,000 enrollees that receive financial help would be responsible for a much larger share of their monthly premiums and out-of-pocket costs. On average, an individual could expect to pay at least $3,300 or more in premiums each year without APTCs, and $1,000 more in out-of-pocket costs per year beginning in 2020. The lack of CSR federal funding will continue to have an annual impact of increasing premiums between 15% and 20%.

Preliminary Estimate of Fiscal Impacts to the State Budget *(in millions)***:**

	SFY 18	SFY 19	SFY 20	SFY 26	Through SFY 26
Loss of Federal Funding for Planned Parenthood	($5.1)	($1.7)	-	-	($6.8)
Repeal of the Prevention and Public Health Fund	-	($5.5)	($7.9)	($16.2)	($86)
Loss of Enhanced Match of Community First Choice	-	-	($3.9)	($12.3)	($65)
Impact of “Baseline” Per Capita with Inflation Cap	-	-	-	Up to ($480)	Up to ($975)
Impact of Limited Funding Pool for Expansion Adults	-	-	$35 - ($35)	($740) - ($1,440)	($2,420) - ($4,910)
DSH Changes	-	-	-	-	-
Phased Provider Tax Reduction to 4%	-	-	-	($260)	($955)
Administrative and Other Costs			TBD	TBD	TBD
Estimated Impact	**($5.1)**	**($7.2)**	**$23 - ($47)**	**($1,028) - ($2,208)**	**($3,533) - ($6,998)**

IMPACT OF PER-CAPITA ALLOTMENT ON THE MEDICAID PROGRAM:

In 2020, the Medicaid program converts from a program where Medicaid is available to any person who meets eligibility guidelines with the federal government covering at least half of the costs to capped federal per capita payments that will likely force Connecticut to make the difficult choice of (1) picking up the costs with state funds, (2) significantly limiting benefits, (3) reducing the number of people served, and/or (4) reducing provider rates. Under a per capita model or block grant model, states also run the risk of arbitrary reductions in federal spending going forward.

By 2026, the redistribution embedded in the proposal envisions that each state will receive the same amount of Medicaid funding on a per-person basis, adversely affecting Connecticut, which is a state with both higher costs and more generous benefits. The anticipated funding reduction by FY 2026 in the proposed bill is equivalent to 80,000 to 170,000 fewer Connecticut residents being served under Medicaid.