September 25, 2017

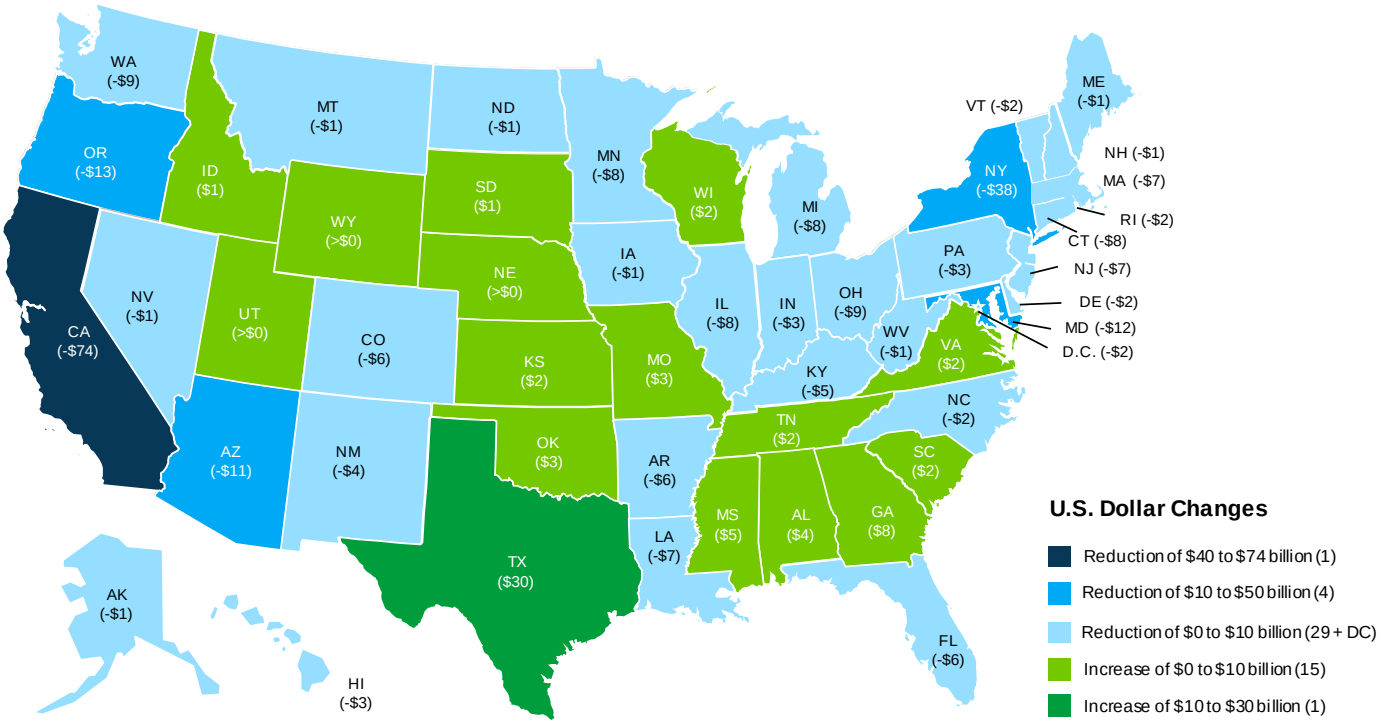
UPDATED ANALYSIS: REVISED GRAHAM-CASSIDY BILL WOULD REDUCE FEDERAL FUNDING TO STATES BY $205 BILLION

Avalere has updated its previous analysis to reflect the September 25 version of the Graham-Cassidy-Heller-Johnson (GCHJ) bill to repeal and replace the Affordable Care Act (ACA). This version of the bill would lead to a reduction in federal funding to states by $205B through 2026 and more than $4T over a 20-year period (Table 1).

TABLE 1: Cumulative Change in Federal Funding to States Under GCHJ Compared to Current Law

	2020-2026	2020-2027	2020-2036
Change in Federal Funding to States	-$205B	-$479B	-$4,140B

FIGURE 1: Cumulative Change in Federal Funding to States Under GCHJ Compared to Current Law, 2020-2026



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GCHJ Updates Incorporated into the Estimates

New Block Grant Allocation Formula: The new block grant allocation formula in the latest version of GCHJ slows the shift of funds between states by phasing in the allocation formula over a 10-year timeframe. As such, many of the states with the largest funding losses under the previous version of the bill have lower losses, while many of the states that gained under the previous version of the bill have seen lower increases.

Changes to Contingency Fund, Stability Funds, and 1332 Funding: New formulas for the contingency funds (additional funds for low-density, expansion, and non-expansion states) and stabilization funds (2019-2020 funding to stabilize the market), designed to advantage states with low population density, were incorporated into this analysis. Additionally, the updates provide states with 1332 federal pass through funds the ability to access these funds from 2020 to 2022.

High-Spending Low-Density State Adjustment to Block Grant: This adjustment boosts initial 2020 block grant funding for states that have low-population densities and average per capita healthcare costs at least 20% above the national mean. This provision benefits Alaska and North Dakota.

Disproportionate Share Hospital (DSH) Non-Application: As a new addition from our prior release, Avalere has incorporated the non-application of DSH cuts for some states included in GCHJ. States that see growth in their block grant amounts below CPI-M can draw down additional DSH funding, with a state match, from the amounts that were previously designated cuts under the ACA.

Medicaid Equity Adjustment: Under the new version of the bill, the per capita amount for enrollee categories may be adjusted by up to 3% if a state's category per capita expenditures exceed or are below 25% of the mean.

APPENDIX

TABLE 2: GCHJ Federal Funding Changes by State Compared to Current Law, in Billions

State	Change in Federal Funding Under GCHJ, 2020 - 2026		Change in Federal Funding Under GCHJ, 2020 - 2027		Change in Federal Funding Under GCHJ, 2020 - 2036	
	$	%	$	%	$	%
AK	($1)	-5%	($2)	-10%	($13)	-32%
AL	$4	8%	$2	3%	($28)	-19%
AR	($6)	-11%	($10)	-17%	($66)	-41%
AZ	($11)	-9%	($19)	-14%	($133)	-35%
CA	($74)	-13%	($125)	-18%	($797)	-41%
CO	($6)	-10%	($11)	-16%	($77)	-41%
CT	($8)	-13%	($13)	-17%	($74)	-37%
DC	($2)	-10%	($3)	-13%	($21)	-29%
DE	($2)	-11%	($3)	-15%	($18)	-32%
FL	($6)	-3%	($21)	-8%	($202)	-29%
GA	$8	10%	$4	4%	($50)	-20%

State	Change in Federal Funding Under GCHJ, 2020 - 2026		Change in Federal Funding Under GCHJ, 2020 - 2027		Change in Federal Funding Under GCHJ, 2020 - 2036	
	$	%	$	%	$	%
HI	($3)	-17%	($5)	-22%	($29)	-42%
IA	($1)	-2%	($3)	-7%	($28)	-28%
ID	$1	5%	$0	0%	($12)	-20%
IL	($8)	-6%	($18)	-11%	($153)	-34%
IN	($3)	-4%	($8)	-9%	($74)	-31%
KS	$2	10%	$1	5%	($12)	-17%
KY	($5)	-7%	($10)	-12%	($81)	-35%
LA	($7)	-8%	($14)	-13%	($97)	-34%
MA	($7)	-7%	($12)	-11%	($91)	-29%
MD	($12)	-15%	($18)	-19%	($106)	-40%
ME	($1)	-3%	($2)	-5%	($17)	-18%
MI	($8)	-7%	($18)	-12%	($140)	-35%
MN	($8)	-10%	($13)	-14%	($81)	-33%
MO	$3	5%	$0	1%	($35)	-19%
MS	$5	11%	$4	8%	($13)	-10%
MT	($1)	-8%	($2)	-15%	($14)	-40%
NC	($2)	-2%	($10)	-7%	($99)	-28%
ND	($1)	-8%	($1)	-14%	($10)	-40%
NE	$0	2%	($1)	-4%	($13)	-28%
NH	($1)	-9%	($2)	-15%	($14)	-38%
NJ	($7)	-7%	($14)	-13%	($109)	-38%
NM	($4)	-10%	($8)	-16%	($59)	-40%
NV	($1)	-6%	($4)	-14%	($39)	-47%
NY	($38)	-9%	($64)	-12%	($425)	-31%
OH	($9)	-5%	($19)	-10%	($161)	-31%
OK	$3	7%	$1	1%	($25.7)	-22%
OR	($13)	-19%	($19)	-25%	($110)	-49%
PA	($3)	-2%	($12)	-6%	($128)	-26%
RI	($2)	-11%	($3)	-16%	($20)	-39%
SC	$2	5%	($0)	0%	($32)	-21%
SD	$1	9%	$0	3%	($4)	-20%
TN	$2	1%	($2)	-1%	($61)	-15%
TX	$30	12%	$20	7%	($125)	-16%
UT	$0	1%	($1)	-3%	($20)	-23%
VA	$2	4%	($1)	-1%	($39)	-23%
VT	($2)	-13%	($2)	-17%	($14)	-38%
WA	($9)	-11%	($16)	-17%	($109)	-43%
WI	$2	4%	($0)	-1%	($30)	-20%

State	Change in Federal Funding Under GCHJ, 2020 - 2026		Change in Federal Funding Under GCHJ, 2020 - 2027		Change in Federal Funding Under GCHJ, 2020 - 2036	
	$	%	$	%	$	%
WV	($1)	-3%	($3)	-8%	($27)	-27%
WY	$0	2%	($0)	-3%	($4)	-24%

METHODOLOGY

Changes from Previous Version's Analysis: To conduct the allocation for the block grant funding in this version, Avalere used the updated formula. For purposes of determining the ratio of low-income individuals, Avalere assumed that ratio between states stays constant from the ratio in the 2016 American Community Survey (ACS) data.

Avalere incorporated the new "low-density" formulas within the stability and contingency fund. For measures of density, Avalere used 2015 Census data by state to determine those states that qualify as "low-density."

1332 waiver funding is provided for Alaska in 2020-22 based on the amounts projected by HHS in its approval letter of Alaska's 1332 letter. As the publicly available per member premium tax credits and cost sharing reduction amounts for MN that Avalere uses to set the base amount of the block grant are available for the period prior to the implementation of the MN reinsurance program, Avalere already assumes the 1332 funding for MN in the block grant baseline. Therefore, Avalere does not add that amount in for MN for years 2020 – 2022 to avoid double counting.

For the high spending, low-density adjustment, Avalere projects that both Alaska and North Dakota will benefit. Using data from Kaiser Family Foundation on health care expenditures per capita by state, Avalere increases Alaska's base amount by 38% and North Dakota's by 22%.

For determining the potential additional DSH funding available to states, Avalere used the expected ratio of DSH cuts by state from the MACPAC June 2017 issue brief Medicaid DHS Allotments: How Could Funding for Safety-Net Hospitals Change in 2018?. Avalere then compared the block grant amount growth rate for each state to CPI-M to determine which states were eligible to receive DSH funding.

Additional Notes: This analysis, like the Avalere analysis on September 20, solely views the change in federal funding. Under the ACA, Medicaid expansion does require states to bear, in 2020 and beyond, 10% of the Medicaid expansion costs. This analysis does not include this spending by states. Additionally, this analysis does not project the potential increased state costs for the Medicaid per capita caps under GCHJ, where states may have to make up the reduced federal spending through additional state spending. This analysis does not account for the required state match to receive relief from the ACA's DSH cuts under GCHJ. Avalere consistently does not take into account required increases or decreases in state spending due to these policies. Avalere solely models the changes in the amount of funding going from the federal government to states. Finally, Avalere does not model the impact to states ability to raise revenue due to the provider tax caps in GCHJ.

Full Avalere methodology of its prior GCHJ analysis can be found here.

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