



Children's Action Alliance

A Voice for Arizona's Children since 1988

Cassidy-Graham Plan and its Impact on Arizona

Major Provisions of the Plan:

1. Repeals the ACA Medicaid expansion, ACA marketplace subsidies, and the individual and employer mandates and replaces them with a temporary block grant to states that ends in 2027.
 2. In 2020, financing for the traditional Medicaid population (covering children, parents, seniors, and people with disabilities) is permanently converted from a guaranteed federal matching formula to a per-capita cap formula.
 3. Allows states to waive essential health benefits, age rating rules, prohibitions on lifetime and annual caps, and premium rating based on health status.
 4. Eliminates the Prevention and Public Health Fund.
- The Senate has announced a vote next week on the Cassidy-Graham Affordable Care Act repeal plan. There will only be one hearing in the Senate Finance Committee (on Monday Sept 25th). If passed by the Senate, it is expected to go to the House for a rapid yes or no vote. The House will not have any time to make changes before the September 30th deadline.
 - The nonpartisan Congressional Budget Office (CBO) has announced it will only have time to complete a limited analysis on the bill. That means neither Congress, nor the public, will know how many people could lose health coverage, as a result of this bill, before it comes to a vote.
 - An important new study from the highly reputable healthcare consulting firm, Avalere, shows that states would face a **\$215 billion cut in federal funding for health coverage from 2020-2026** under the Cassidy-Graham bill. **By 2036, the cuts would total over \$4 trillion.**
 - **Arizona's Joint Legislative Budget Committee (JLBC) estimates that from 2020-2026, Arizona would lose \$10.4 billion in federal funding cuts from the block grant provision alone.**

Impact on Arizona:

End Arizona's Medicaid Expansion

After December 2019, Arizona could not receive any federal match dollars for childless adults at any income level enrolled in its Medicaid program (AHCCCS). For Arizona, that would be both Adult AHCCCS expansion and the Prop 204 restoration population (currently about 400,000 adults combined). Proposition 204 is a voter mandate to cover childless adults living under the poverty level.

Because a block grant provides a fixed amount of funding for states each year, the proposal also leaves Arizona on the hook for any and all unexpected costs from recessions, natural disasters, public health emergencies, or prescription drug price spikes.



September 2017

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“The largest impact of the proposed bill would be the reallocation of federal dollars between states,” said Elizabeth Carpenter, senior vice president at Avalere Health. “Medicaid expansion states...would be most adversely impacted.” [Avalere Health, September 2017]

Slashes Medicaid Funding for Arizona Seniors, People with Disabilities, and Children

The bill radically restructures the rest of Medicaid by placing it under a per-capita cap formula starting in 2020. The growth rates are set below CBO’s projections for Medicaid medical spending initially and then are *further* reduced in 2024.

Under the guise of offering states flexibility, the bill leaves states with no choice but to institute deep and growing cuts to over 1.5 million Arizona seniors, people with disabilities and families with children as lawmakers are faced with staggering cost and risk shifts.

Moreover, the block grant cannot be used to offset this shortfall, given that the bill puts stringent limits on the use of block grant funds to cover traditional Medicaid populations and given that the block grant disappears in 2027.

“A combination of slower Medicaid per-capita cap growth rates and the sunseting of block grant funding would lead to substantial reductions in federal funds going to states through 2036,” said Chris Sloan senior manager at Avalere. “The largest negative funding impacts of this bill to states are outside the current 10-year budget window.” [Avalere Health, September 2017]

Puts Over 2 Million Arizonans with Pre-Existing Conditions at Risk of Losing Coverage

Similar to the House bill’s “MacArthur amendment,” the Cassidy-Graham bill would let states waive the ACA’s prohibition on charging people with pre-existing conditions higher premiums as well as its essential health benefit requirements.

When it analyzed the House waivers, the CBO concluded that in parts of the country, people with pre-existing conditions “might not be able to purchase coverage at all,” and plans would be able to go back to excluding services like maternity care, prescription drugs, and substance use treatment.

Destabilize Arizona’s Private Insurance Marketplace

The bill would also eliminate the ACA’s marketplace subsidies, which currently help over 100,000 Arizonans afford health coverage. Unlike under earlier repeal bills, which substituted highly inadequate tax credits, moderate-income working people buying individual market coverage would no longer be guaranteed *any* assistance.

Furthermore, states like Arizona are given the option to waive age rating rules, so older Arizonans could face unaffordable premiums, essentially locking many out of coverage.

The bill would leave 50 states to devise their own market rules and financial assistance programs — absent any federal guidance, guardrails, or infrastructure. This means insurers would have no sense of how the individual market would operate in 2020 or beyond, and it could be years before they understand characteristics of risk pools.

This uncertainty may create additional costs for consumers as plans seek to minimize profit losses. Insurers would almost certainly impose very large rate increases to reflect the uncertainty, and some would likely exit the individual market altogether. **By 2027, when the block grant funding is eliminated, the individual market in much of the country would be at risk of collapse.**

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