

## **Graham-Cassidy-Heller-Johnson: Frequently Asked Questions**

### **What is it?**

- Federal block grant given annually to states to help individuals pay for health care.
- States would have significant latitude over how the dollars are used to best take care of the unique health care needs of the patients in each state.
- The grant is run through CHIP and subject to a mandatory appropriation.
- The grant dollars would replace the federal money currently being spent on Medicaid expansion, tax credits, cost-sharing reduction subsidies and the basic health plan dollars.
- Repeals the individual mandate, employer mandate, and medical device tax.

### **What are examples of what states can do with the money?**

- Assist individuals to purchase health benefit coverage by premium support.
- Enter into arrangements with insurers, including managed care providers, to encourage market participation.
- Pay providers.
- Help with out-of-pocket costs.
- Up to 20% of the funds may be used to help the traditional Medicaid population.
- High risk or reinsurance pools.

### **Why are we doing this?**

- Obamacare took power away from patients and states and gave it to the federal government. This returns that power to where it belongs.
- Each individual state is a laboratory of democracy, allowed to innovate to find solutions.
- Four states get 37% of Obamacare dollars. Support should be equal across the nation.

### **Do states have a match like they do under the ACA?**

- No, there is no state match under the block grant.

### **How is money divided between the states?**

- The starting point is the amount of money the state and state residents receive from Medicaid expansion, ACA tax credits, CSR payments and BHP in 2017. The Medicaid expansion portion of the 2017 figures are brought forward using MACPAC inflators with the rest being grown by CPI-M until 2020, at which point the baseline formula begins.
- By 2026, at base rate, every state will be receiving the same amount of money for each beneficiary in the 50-138% FPL range. This ensures that high-spending states and low-spending states come to parity at the end of the time frame. In order to ease this transition, the incremental increase in the national amount available is distributed evenly each year. Each year's US total is calculated by adding 1/6 of the total amount in 2026 to the previous year's total US amount.
- Starting in 2021, the total number of eligible beneficiaries between 50 and 138% of Federal Poverty Level (FPL) is calculated for the United States in the previous year. Then, the percent of those in this FPL range that live in each state are calculated for each state. The total amount of federal money for a given year is then multiplied by the state's percent of beneficiaries to give the state its amount for the year. This amount is recalculated annually to account for changes in population in the FPL range.
- Also beginning in 2021, a risk adjustment formula begins to phase in to adjust for certain population factors. The risk adjustment formula overlay will be applied in a budget neutral manner and ensure that every state remains within ten percent of the mean per beneficiary amount in 2026. (See next question for more information.)
- In 2024, the model has an adjustment to account for enrollment in credible coverage, which is defined as having an actuarial value that fulfills the CHIP actuarial value which is approximately 70%.
- As under the CHIP law, CMS may grant waivers allowing lower AV value.
- If a state chooses to provide coverage with policies of (AV) less than CHIP, the amount of money the state receives is adjusted for this. This is done by multiplying the amount of money that the state would receive by the ratio of the average AV of what is provided divided by the AV of the CHIP standard.
- This coverage transition occurs in order to align incentives for states to increase enrollment among their eligible population and is done in a way that provides non-expansion states sufficient time to catch up with expansion states in enrollment.

### **What is the Risk Adjustment formula laid over the baseline formula?**

- Starting in 2021, a Risk Adjustment formula which uses actuarially significant factors such as disease burden, age, regional cost of living and gender phases in.
- The Risk Adjustment formula can adjust the per-beneficiary amount which is the basis for the block grant by 10% over and below the mean for all states.
- CMS will develop the formula over the next three years. It will be based upon information in the Transformed Medicaid Statistical Information System (T-MSIS). This is similar to the Diagnostic Related Groups (DRGs) Medicare reforms begun by the

Reagan Administration. This has the potential to transform Medicaid from a program with only marginal benefits statistically upon patient outcomes into one in which outcomes are monitored and the effectiveness of healthcare interventions assessed.

- This is a significant reform. Medicaid is about 3% of the US GDP and there is no real idea of what is being purchased nor the quality of what is being purchased. A blended approach will initially be used. A portion of payments to states will be distributed based on case mix. States that submit data will be eligible for additional payments based on their relative case mix. This incentivizes states to submit data.

#### **Why do some expansion states receive less money than they would under the ACA?**

- Some states expanded in such a way and/or have systems of care which are so expensive that they receive greater than their fair share of the money available. For example, Pennsylvania has nearly doubled the population of Massachusetts, but receives 58% less ACA money than Pennsylvania. As this legislation treats Americans the same no matter where they live, higher spending states receive less.

#### **Why was 50%-138% FPL selected to share money between states?**

- The 50-138% FPL represents the population currently on Medicaid expansion. This population disproportionately struggles to access health insurance, and is, therefore, a better population to use when assessing need and determining state allotments.
- This extends below 100% FPL because some states did not expand traditional Medicaid coverage to 100% FPL prior to accepting Medicaid expansion.
- The goal is to achieve parity in the amount that states receive for each beneficiary within this range by 2026 on a risk adjusted basis.
- Through regular population assessments, the formula accounts for states that experience dramatic population increase or decrease and for economic factors like recession that may cause more individuals to drop into this FPL category.
- In 2024, the allocation begins to become progressively dependent on enrollment to incentivize coverage. This ramps up from a factor of 25% in 2024 to 75% by 2026.
- The different factors of the formula are specifically designed to give states flexibility and account for population shifts and economic downturns.

#### **Are states restricted to using the money on individuals between 50-138% FPL?**

- States may use the money at the individuals in any FPL with the exception that no more than 20% may be used on a state's traditional Medicaid population.

### **Is this considered a further expansion of Medicaid?**

- No, Medicaid expansion as currently designed would end. Instead, states can use the money how they want to, as long as it is for health care.

### **Does this block grant include traditional Medicaid?**

- No, this block grant formula does not include traditional Medicaid. It only includes Medicaid expansion, tax credits, CSRs, and payments made under the Basic Health Plan.

### **What are the sources of data used in the spreadsheet?**

- Current spending levels, using FY 2016 CMS data for Medicaid expansion, CSRs, tax credits and Basic Health Plan funds
- Average income from 2016 according to the U.S. Census Bureau
- Cost of Living index values from the Bureau of Economic Analysis' regional price parities
- Average health care spending from the 2014 NHE State Estimates

### **How will this block grant assist the traditional Medicaid program?**

- The legislative language of the amendment does include the per capita payment reforms that were part of the Better Care Reconciliation Act of 2017 but with an increased growth rate from CPI-U (2.7%) to CPI-M (3.7%) for the elderly and disabled enrollment categories after FY 2024.
- The growth rate for a state's targeted per capita amounts for children and non-elderly, non-disabled adults from 2020 through 2024 is CPI-M, which then switches to CPI-U in years after 2024.
- States may use up to 20% of their block grant money to serve individuals in traditional Medicaid.
- This will help assist states in dealing with changes made to the traditional Medicaid program under the per capita payment reform.

### **Does the Federal Government pay the tribal match for Native Americans?**

- Yes, the block grant allows Native Americans currently in the Medicaid expansion to remain on Medicaid and the federal government would continue to pay for the tribes match.

### **How are shortfalls in funding for some states addressed?**

- States will have several options to address any shortfalls in their funding under the formula. If a state decides that it needs more revenue than it is receiving, it can replace the revenue lost by re-imposing the penalties associated with the employer and individual mandates, which this law repeals on the state's businesses and residents.
- Although this law does not require states to put up state match for the Medicaid expansion, states could continue to dedicate the money that they would use for match to augment money received from the federal government.
- States will have increased flexibility in designing systems to deliver care. This should allow better use of federal dollars, saving states money.
- For those states that lose money in any year under GCA compared to BCRA grown by CPI-M, they may continue to receive their scheduled DSH dollars that are cut under the ACA, provided they put up the state match rate for funds drawn down. They could not get more DSH dollars back than the amount of money they would have received if 2020 base rate had grown by CPI-M.
- Should a state experience a shortfall in federal dollars in 2020 because their experience is different than projected, they may draw down funds from their total 2025 and 2026 allotment equal to their shortfall.

### **What happens to unused funds in the block grant?**

- States may roll over unused funds for up to two years