
Health Law Daily Wrap Up

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On June 26, 2017, the Congressional Budget Office (CBO) and the staff of the Joint Committee on Taxation released a long-term cost estimate for the Better Care Reconciliation Act of 2017 (BCRA). According to the CBO report, if enacted, the BCRA would reduce the federal deficit by $321 billion by 2026, while also increasing the number of uninsured Americans by 22 million over that same period (CBO Report, June 29, 2017).

CBO's extended baseline. The CBO conducted a detailed analysis of the Medicaid program in its 10-year baseline projections under current law, the Patient Protection and Affordable Care Act (ACA) (P.L. 111-148). This was based on projections published by the CBO in June 2016. The results of the baseline projections matched the CBO’s extended baseline projections. After 2026, according to the CBO report, it becomes increasingly difficult to project federal spending on Medicaid due to the inability to predict factors such as the population’s general health or the states’ decisions regarding eligibility requirements and benefits coverage. As a result of these uncertainties, a formulaic approach was adopted by the CBO for projections beyond 2026. This approach combines Medicaid enrollee estimates adjusted to account for demographic changes with mechanical growth projection in federal spending per enrollee.

BCRA vs. extended baseline. By 2026, projected spending under BCRA would be 26 percent lower than under the CBO’s extended baseline. By 2036, this BCRA spending gap is projected to grow to 35 percent. In the next two decades, projected Medicaid spending under the extended baseline would grow by 5.1 percent each year. By comparison, BCRA’s Medicaid spending growth rate is projected at 1.9 percent through 2026 and 3.5 percent from 2027-2036. The CBO was not able to quantity the insurance coverage baseline after 2026, but projected that Medicaid coverage would likely continue to fall more dramatically under BCRA in comparison to the extended baseline.

Medicaid cuts. If BCRA is enacted, the CBO projects that its largest spending impact would be on Medicaid. Medicaid spending would be impacted in stages as a result of the per capita caps under the BCRA. In 2020 under BCRA, the federal government would begin to limit federal reimbursements amounts to the states. Additionally, three of BCRA’s provisions were specifically identified by the CBO report as having a significant impact on reducing federal spending to Medicaid. The first provision would be its elimination of both the ACA’s penalties against people who do not obtain health insurance coverage and the requirement that large employers offer health coverage to their employees. The second provision is BCRA’s per-enrollee payments cap at no more than the medical care component of the consumer price index (CPI-M) for nondisabled children and adults enrolled in Medicaid and CPI-M plus 1 percentage point caps for disabled adults or those aged 65 or older. By 2025, all groups would be pegged to the consumer price index for all urban consumers. The third BCRA cut to significantly impact Medicaid would reduce the federal matching rate for funding to adults made eligible for Medicaid by the ACA. This would take effect in 2021.

Overall health care cuts. The CBO estimates that under BCRA, federal program spending, which includes Medicaid, would be reduced by $160 billion in 2026 as compared with projections under current law. Beyond 2026, the CBO is uncertain of the effects of the proposed legislation. However, based on its rough outlook for the decade following 2026, to deliver health care services to its citizens, states would have to decide whether to commit more of their own resources, eliminate option services, restrict enrollment eligibility, cut payments to health care providers or a combination of those approaches.