The number of people with comprehensive health insurance would be reduced by millions under a bill proposed by Sens. Lindsey Graham (R-SC) and Bill Cassidy (R-La) which would alter the Patient Protection and Affordable Care Act (ACA) (P.L. 111-148) by replacing certain federal subsidies for health care with block grants to states. A Congressional Budget Office (CBO) analysis of the bill determined that while coverage reductions could vary widely, the decrease of the number of insured individuals would be "particularly large" starting in 2020, due to changes in federal funding for Medicaid and individual market subsidies (CBO Report, September 25, 2017).

**Votes.** Senator Susan Collins (R-Maine) announced her opposition to the bill on Monday, September 25, 2017. On Tuesday, Sens. Graham and Cassidy held a press conference to announce they did not have enough votes to pass the bill and, therefore, would postpone the vote indefinitely.

Sen. John McCain (R-Ariz), who cast the deciding vote against previous proposed bills in the Senate (see McCain’s thumbs down vote defeats ACA ‘skinny bill’ repeal, July 28, 2017), announced on September 22, 2017, that he would not vote for Graham-Cassidy, and repeated his plea to return to "regular order."

**Bill.** The bill—offered as an amendment to the American Health Care Act (AHCA) (H.R. 1628)—would repeal the individual and employer mandates, costsharing subsidies, and Medicaid expansion and create per-capita caps and a block-grant program (see Sanders’ Medicare-for-all, Graham-Cassidy’s block grant legislation introduced in Senate, September 14, 2017). Beginning in 2020, the bill would eliminate Medicaid funding for individuals made newly eligible for Medicaid through the ACA’s expansion. In 2020, the bill would also repeal tax credits for health insurance coverage purchased through the marketplaces as well as low-income subsidies to reduce cost-sharing payments. In lieu of that federal spending, the bill would instead provide block grants to states based on historical federal Medicaid funding.

**Challenges.** The National Association of Medicaid Directors (NAMD) asked Congress to "carefully consider the significant challenges posed by the Graham-Cassidy legislation" because it would fundamentally reform Medicaid financing and the two-year implementation timeline poses "serious challenges" for states. With only a few legislative days for the process to conclude, there is, said NAMD, insufficient time "to engage in the thoughtful deliberation necessary to ensure successful long-term reforms."

A typical Medicaid expansion state would see a 11 percent decline in federal funds, while a non-expansion state would see a 12 percent increase. Before the CBO issued its report, a Kaiser Family Foundation (KFF) analysis projected that states with the largest potential loss of federal funds as California (-$56 billion), New York (-$52 billion), and Pennsylvania (-$11 billion). Similarly, the Brookings Institute estimated that the bill would cause 21 million people to lose health insurance by 2026, and an additional 11 million without coverage beginning in 2027 when the bill’s funding runs out.

**Budget.** Over the 2017 to 2026 period, the bill would reduce the on-budget deficit by at least $133 billion. Although the bill would appropriate $1.2 trillion for block grants between 2020 and 2026, that figure is $230 billion lower than earlier CBO projections for the cost of subsidies which the bill would eliminate. The reduction in subsidy payments would be offset by a $200 billion revenue loss from the repeal of the individual and employer mandate penalties. The CBO believes the elimination of the subsidy and penalty payments will have other deficit-increasing effects. For example, the CBO estimates that in lieu of penalties, more people would obtain...
insurance coverage through their employer and, therefore, would receive more of their income in nontaxable health benefits and less in taxable wages.

**Block grants.** The CBO determined that the block grants would, in essence, shift funding away from states that expanded Medicaid under the ACA and towards states that did not expand. However, both groups of states, in 2020, would receive about 10 percent less funding under the bill. Then, by 2026, states that have already expanded Medicaid under the ACA would receive about 30 percent less funding than expected under current projections. States that did not expand Medicaid would receive about 30 percent more Medicaid funding by 2026. The CBO acknowledged that the block grant proposal allows states flexibility to experiment with different coverage methods.

**Medicaid.** Federal spending on Medicaid would be reduced by $1 trillion over the 2017 to 2026 period. Additionally, the program would cover millions fewer enrollees over that same period. These changes would arise primarily from the elimination of the ACA’s expansion funding. The bill would also impact the Medicaid program by placing spending limitations on the amount of reimbursement provided to states on a per-enrollee basis—a change which the CBO expects to result in lower overall reimbursement. The CBO anticipates that states will rely on work requirements to reduce enrollment and costs.

**Opposition to the bill.** Many stakeholders, including private insurers, providers, and patient-advocacy groups have expressed their opposition to the bill. These include:

- America’s Health Insurance Plans
- Blue Cross Blue Shield Association
- American Medical Association
- American Hospital Association
- National Council for Behavioral Health
- AARP
- 16 patient and provider groups
- 10 governors

**Bipartisan ACA fix paused.** As the Senate pushed for a vote on Graham-Cassidy, a bipartisan effort out of the Senate Committee on Health, Education, Labor & Pensions (see *Bipartisan ACA-fix hearings underway*, September 13, 2017) and led by Sens. Lamar Alexander (R-Tenn) and Patty Murray (D-Wash) stalled. Alexander said the committee’s good faith, hard work failed to "put a bill in the Senate leaders' hands that could be enacted," while Murray expressed her disappointment that "significant common ground" identified through four committee hearings had not been given the opportunity to succeed.