

Proposed Federal Changes to Health Care

The U.S. Senate Health Care Bill and the Medicaid Program in Minnesota

July 5, 2017

This brief provides an overview of the Better Care Reconciliation Act and changes it would mean for Minnesota's health care programs. This analysis is not a detailed review of all provisions in the bill. It represents the department's early analysis of the bill presented to the U.S. Senate on June 22, 2017, and the implications for Minnesota's Medicaid program (also known as Medical Assistance) and MinnesotaCare.

- The Senate's bill reduces Medicaid funding to below pre-Affordable Care Act funding levels.
- Over 1 million Minnesotans — including children, seniors and people with disabilities — would face cuts in coverage or the loss of coverage altogether.
- Minnesota is projected to lose about \$2 billion in federal funds in the first 18 months of implementation. This loss would exceed \$31 billion in federal funding by 2030 — as it increases and compounds over time.
- Program costs would be shifted to the state, families and providers unless changes are made by Congress to reduce services or eligibility.
- Funding for MinnesotaCare would be eliminated under the Senate bill. Minnesota would be responsible for the entire cost of the program.
- The Congressional Budget Office, a government agency that forecasts the budget effects of legislation, found that 22 million more Americans would lack health insurance under the proposed law and that out-of-pocket costs would rise for low- to moderate-income and older Americans.

Key differences between the Senate and House ACA-replacement bills.

The Senate bill proposes the same Medicaid funding cuts over 10 years — over **\$31 billion** for Minnesota by 2030 — as the House bill.

1. **Deeper cuts to the funding growth rate** (i.e. inflator) in per capita funding caps for federal Medicaid spending. This means less federal funding to states.
2. **Additional financial penalties for states with higher per capita costs.**
3. **Decreased funding for uncompensated hospital care (DSH) in Medicaid expansion states**, including Minnesota. States that did not expand Medicaid under the ACA would see an increase in this funding.
4. **A slightly slower phase-out** of the enhanced federal funding for the **Medicaid expansion population** with **deeper long-term cuts.**
5. Continued **elimination of federal Basic Health Program funding for MinnesotaCare.**

Estimated Federal Medicaid Funding Loss Under the Better Care Reconciliation Act

If signed into law, the Senate bill would result in funding losses to the state of Minnesota beginning in 2020:

- After about **5 years**, federal funding losses would amount to **\$10.4 billion** (which is \$1.1 billion less than the House bill), with an annual loss to the state of \$2.8 billion.
- In about **10 years**, the federal funding loss would add up to **\$31 billion** (nearly equal to losses under the House bill), with an annual loss to the state of \$5.2 billion.

Impact of Revised Per Capita Cap by Population in Minnesota

As illustrated below, the Better Care Reconciliation Act caps funding for most population groups enrolled in Medicaid.

- Even if the state was able to reduce costs significantly for children without disabilities, parents and adults without dependent children to fit within the federal caps, a huge gap would remain for seniors and adults with disabilities.
- In 2025, approximately 63 percent of the federal funding lost under the new bill's spending caps would be due to spending for seniors and people with disabilities; this goes up to 69 percent by 2030.

Annual loss of federal funding due to caps by eligibility category (Senate bill)

