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The New Senate Health Care Bill Could Cut $9.4 Billion from Alaska Medicaid from 2027-2036

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The latest Senate health reform bill, known as Graham-Cassidy-Heller-Johnson, puts Medicaid back on the chopping block. The proposal would change the way the federal government currently funds Medicaid by limiting federal funding and shifting cost over time to both states and Medicaid enrollees, and their families.

Beginning in 2020, the bill would subject non-expansion Medicaid eligibility groups to mandatory per enrollee caps, resulting in steep cuts to the program. However, these caps could be delayed until 2027 for certain low-density states including Alaska[1]. Even if the caps are delayed, Alaska would still experience vast cuts from 2027-2036. **New AARP Public Policy Institute projections find that the per enrollee cap proposal in Graham-Cassidy-Heller-Johnson will cut between $4.2 billion and $9.4 billion[2] from total (federal and state) Medicaid spending in Alaska between 2027 and 2036 (see table 1 below).**

How Graham-Cassidy-Heller-Johnson Cuts Medicaid

The Graham-Cassidy-Heller-Johnson bill has many of the same harmful provisions that were in the Better Care Reconciliation Act that the U.S. Senate rejected this past summer. For example, beginning in 2020, the bill would subject the traditional Medicaid eligibility groups- aged, disabled, and children[3] to mandatory caps on a per-person basis. States would have the option to choose between block grants and per capita caps for adults without disabilities.[4]

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[1] Recent reports suggest that the bill may exempt low density states—those that have less than 15 people per square mile, using data from the U.S. Census Bureau—from some of the cuts to their Medicaid programs during the early years of its enactment (between 2020 and 2026) by delaying the implementation of per enrollee caps.
[2] A previous version of this report projected Medicaid cuts in Alaska to be between $4.5 billion and $11 billion from 2017-2036. This projection assumes no exemption from the per enrollee caps for low density states.
[3] Children with disabilities are not subject to the caps.
[4] Medicaid expansion adults are dealt with separately in the bill and are not referenced in this report.

The Graham-Cassidy-Heller-Johnson bill would start out using the medical care component of the Consumer Price Index (M-CPI)—a measure of the average out-of-pocket cost of medical care services used by an average consumer—as the growth rate for adults and children. It would use M-CPI plus one percentage point (M-CPI+1) for older adults and individuals with disabilities. However, beginning in 2025, it would slash the growth rate for adults and children to the Consumer Price Index for all urban consumers (CPI-U)—a measure of general inflation that examines out-of-pocket household spending on goods and services used for everyday living. CPI-U does not tie closely to medical costs and will not reflect population growth. For the older adults and individuals with disabilities, the growth rate would decrease to M-CPI starting in 2025.

To be clear, none of the proposed growth factors—M-CPI, M-CPI+1, and CPI-U— keep pace with the growth in Medicaid spending. The proposed Medicaid cuts will grow deeper over time.

While low density states, including **Alaska**, may receive an exemption through 2026, the way the law is written leaves them vulnerable to a massive funding cliff in 2027 when the exemption would be no longer available and the per enrollee caps would go into effect.

AARP Public Policy Institute's Projections

The Graham-Cassidy-Heller-Johnson bill ties the growth rates for per enrollee caps to M-CPI and CPI-U, and these growth rates are variable and highly uncertain. The AARP Public Policy Institute models this uncertainty by highlighting three scenarios for M-CPI and CPI-U, based on reasonable projections (see tables 1 and 2 below for full details).

We present the high, middle, and low case for M-CPI/CPI-U growth rates based on the following:

- **Low Case**. Based on historical growth rates. Over the last five years (2012-2016), the M-CPI growth rate has averaged 3.0 percent per year, and the CPI-U growth rate has averaged 1.32 percent per year.
- **Middle Case**. Based on projections from the Congressional Budget Office. CBO projects M-CPI to grow by 3.7 percent per year, and CPI-U by 2.4 percent per year.
- **High Case**. Based on projections from 2016 Centers for Medicare and Medicaid Services Medicaid Actuarial Report. From 2019 onward, this report projects M-CPI to grow by 4.2 percent per year, and CPI-U by 2.6 percent per year.

Table 1: Net Change in Total Medicaid Spending by Non-Expansion Eligibility Group in Alaska (Relative to Baseline with Constant Level of Service), 2027-2036 (millions)

Scenario	Aged	Disabled	Children	Adults	**Total**
Low case	($1,232)	($2,431)	($3,361)	($2,380)	($9,405)
Middle case	($441)	($1,503)	($2,376)	($1,792)	($6,113)
High case	$154	($808)	($1,973)	($1,551)	($4,178)

The AARP Public Policy Institute projects that by choosing per capita cap growth factors that are lower than projected Medicaid cost growth and dramatically reducing these rates beginning in 2025, Graham-Cassidy-Heller-Johnson would cut between **$4.2 billion and $9.4 billion from total (federal and state) Medicaid spending in Alaska from 2027 to 2036, including up to $1.2 billion in Medicaid cuts for older adults.**

These cuts could be as much as 33.7 percent in 2036 across all populations in Alaska. For older adults, per enrollee cuts could be as high as 21.1 percent in 2036 (see Table 2 below). **The projections do not include the proposed cuts to the adult Medicaid expansion population**, which would also be considerable for those states that expanded coverage.

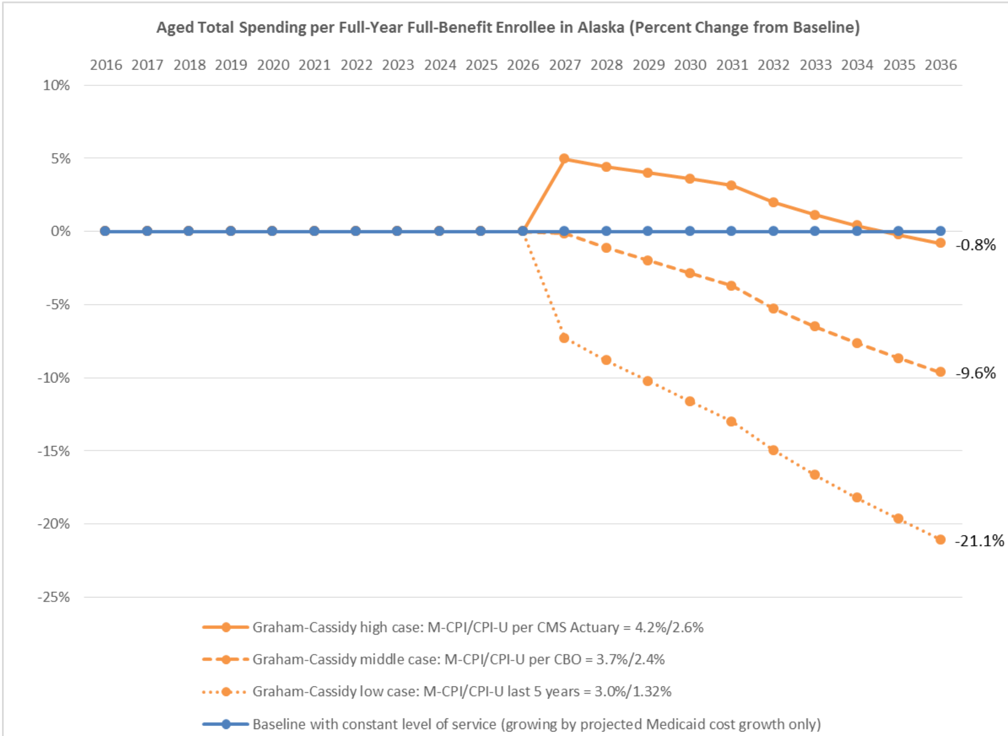
Table 2: Percent Change in Total Medicaid Spending per Full-Year Full-Benefit Enrollee in Alaska by Non-Expansion Eligibility Group under Graham-Cassidy-Heller-Johnson, 2036

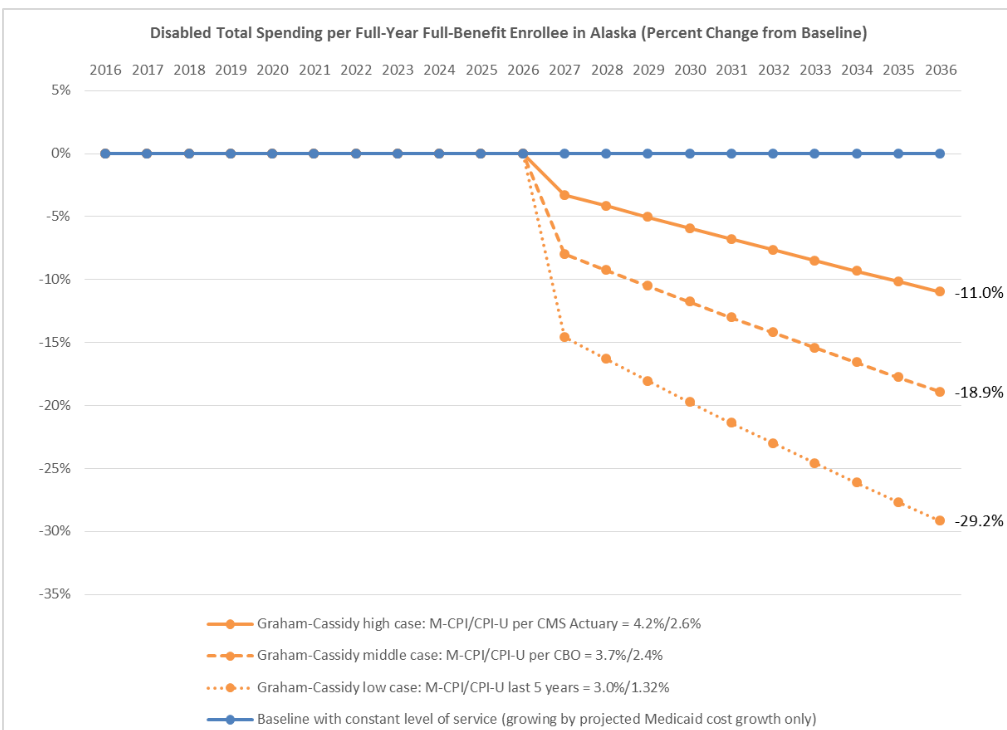
	Growth Rate Scenario		
Population	High	Medium	Low
Aged	-0.8%	-9.6%	-21.1%
Disabled	-11.0%	-18.9%	-29.2%
Children	-26.6%	-30.8%	-42.3%
Adults	-31.7%	-35.6%	-46.3%
Total across all groups	-16.3%	-22.8%	-33.7%

New graphs from the AARP Public Policy Institute illustrate Graham-Cassidy-Heller-Johnson's proposed cuts to Medicaid and show that even with delayed implementation the proposed cuts to Medicaid are, in fact, a cut—and one that will hurt—for *all* affected populations in Alaska—older adults, adults with disabilities, children, and non-expansion adults.

These significant cuts to Medicaid will have negative impacts on older adults, adults with disabilities, and individuals and families who rely on Medicaid to meet their health care and long-term services and supports needs. Limiting the amount of federal dollars will force states to make some difficult choices—like cutting benefits or further limiting provider reimbursements. The result is clear: access to services for some of the most vulnerable populations in our society, guaranteed for over a half-century, would be in jeopardy.

Read more about the AARP Public Policy Institute 20 Year Model here: http://www.aarp.org/content/dam/aarp/ppi/2017/09/summary-of-aarp-medicaid-projection-model.pdf


Aged Total Spending per Full-Year Full-Benefit Enrollee in Alaska (Percent Change from Baseline)
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-0.8%
-9.6%
-21.1%
Graham-Cassidy high case: M-CPI/CPI-U per CMS Actuary = 4.2%/2.6%
Graham-Cassidy middle case: M-CPI/CPI-U per CBO = 3.7%/2.4%
Graham-Cassidy low case: M-CPI/CPI-U last 5 years = 3.0%/1.32%
Baseline with constant level of service (growing by projected Medicaid cost growth only)


Disabled Total Spending per Full-Year Full-Benefit Enrollee in Alaska (Percent Change from Baseline)
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-11.0%
-18.9%
-29.2%
Graham-Cassidy high case: M-CPI/CPI-U per CMS Actuary = 4.2%/2.6%
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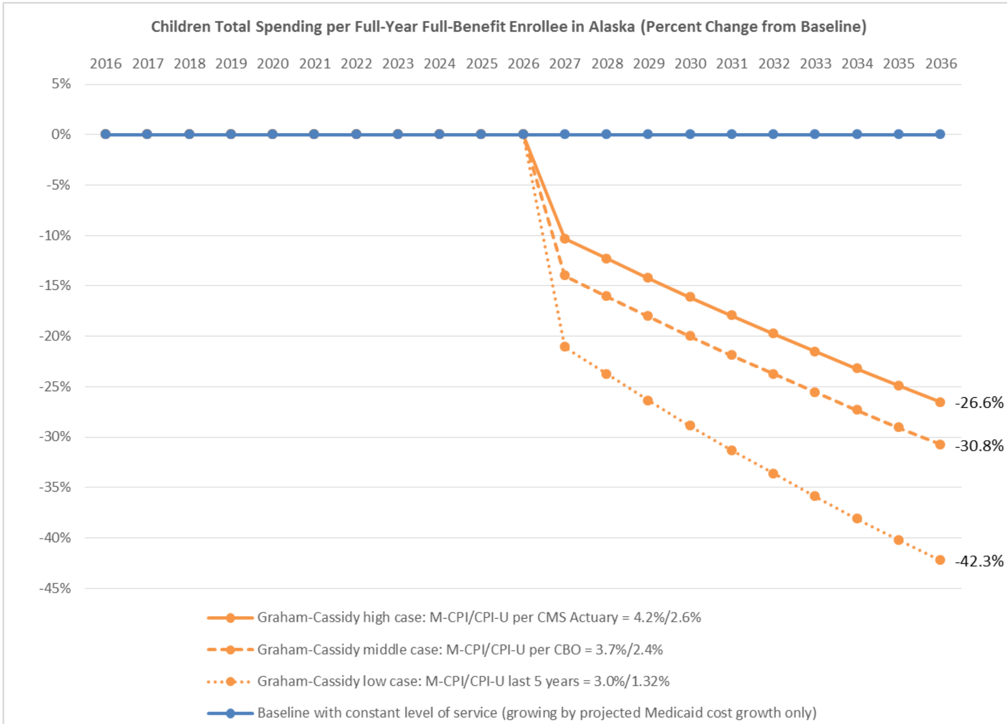
Children Total Spending per Full-Year Full-Benefit Enrollee in Alaska (Percent Change from Baseline)
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
-45%
-26.6%
-30.8%
-42.3%
Graham-Cassidy high case: M-CPI/CPI-U per CMS Actuary = 4.2%/2.6%
Graham-Cassidy middle case: M-CPI/CPI-U per CBO = 3.7%/2.4%
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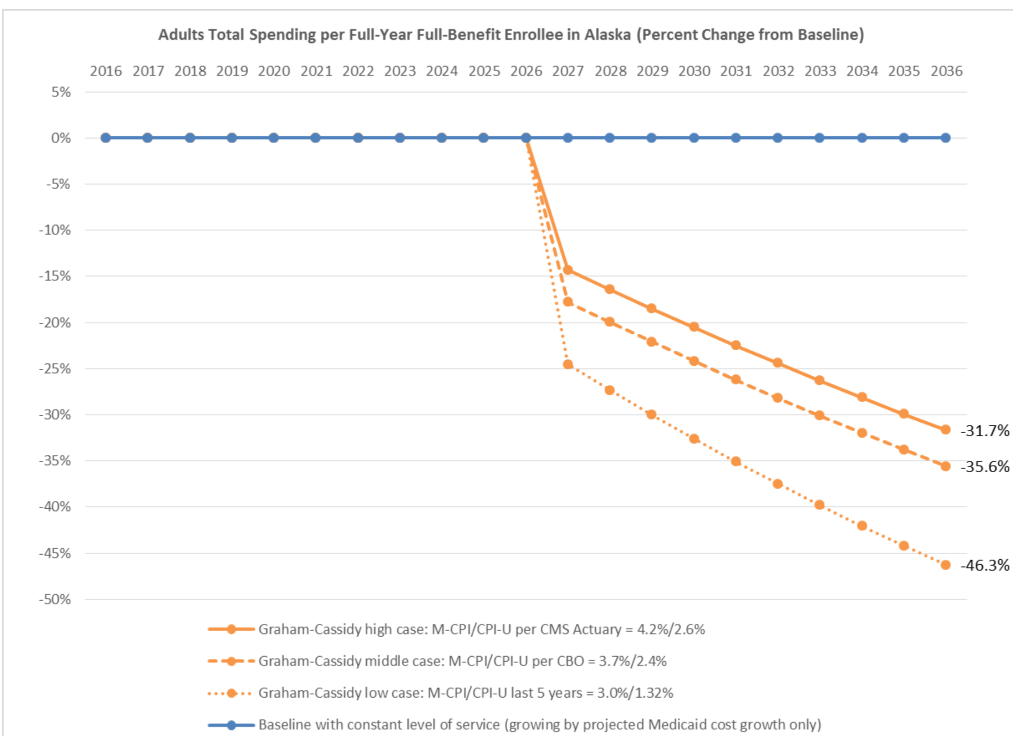
Baseline with constant level of service (growing by projected Medicaid cost growth only)


Adults Total Spending per Full-Year Full-Benefit Enrollee in Alaska (Percent Change from Baseline)
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
-45%
-50%
-31.7%
-35.6%
-46.3%
Graham-Cassidy high case: M-CPI/CPI-U per CMS Actuary = 4.2%/2.6%
Graham-Cassidy middle case: M-CPI/CPI-U per CBO = 3.7%/2.4%
Graham-Cassidy low case: M-CPI/CPI-U last 5 years = 3.0%/1.32%
Baseline with constant level of service (growing by projected Medicaid cost growth only)