Proposed Federal Changes to Health Care: The Amended Senate Health Care Bill and Minnesota’s Medicaid Program

July 14, 2017

The revised Better Care and Reconciliation Act (BCRA) carries forward the originally proposed $31 billion in cuts to Minnesota’s public health care programs by 2030. Given the magnitude of the federal funding losses under the proposed Medicaid per capita caps that are in the legislation, the overall picture for Minnesota has not changed under the revised bill.

- Over 1 million Minnesotans — including children, seniors and people with disabilities — would face cuts in coverage or the loss of coverage altogether.
- The Senate’s bill reduces Medicaid funding to below pre-Affordable Care Act funding levels.
- 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, a program that provides coverage to Minnesotans who have income that is too high for them to qualify for Medicaid, but still below 200 percent of the federal poverty level, would be eliminated under the Senate bill. Minnesota would be responsible for the entire cost of the program.
- The Congressional Budget Office (CBO), a government agency that forecasts the budget effects of legislation, evaluated the law as it was introduced on June 22 and found that 22 million additional Americans would lack health insurance under the BCRA and that out-of-pocket costs would rise for low- to moderate-income and older Americans. The revised bill appears largely unchanged in the areas that were scored by CBO.

Key changes in the revised version of the BCRA released on July 13, 2017:

1) **Increased grant funding for substance abuse treatment, mental health care and research on addiction.**

   While funding for substance abuse treatment, research, and mental health is sorely needed, the funding levels proposed in the bill would not be sufficient to compensate for the overall losses in Medicaid funding that the bill proposes and would not provide health care coverage for residents who struggle with addiction and mental health issues.

2) **Introduction of a demonstration project that provides a limited number of states with 100 percent federal matching funds for home and community-based programs.**

   This funding is limited to $8 billion over 4 years for all states, prioritizing the top 15 states with the lowest population density. Minnesota ranks 32nd in population density. In one year alone (2016), Minnesota spent $2.5 billion on these programs. Minnesota would not likely benefit from this provision.

Overall, these changes do not reduce the significant impact of this legislation on Minnesota, namely, the loss of all federal funding for MinnesotaCare and significant losses to Medicaid.
Estimated Federal Medicaid Funding Loss Under the Revised Better Care Reconciliation Act

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

- Within **18 months**, federal funding losses would reach **$2 billion** (which is 300 million less than the House bill).
- 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 the chart below demonstrates, the Better Care Reconciliation Act caps funding for most population groups enrolled in Medicaid.

- 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.
- 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.

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<th></th>
<th>Total</th>
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Dollars (millions)

**Annual loss of federal funding due to caps by eligibility category (Senate bill)**
Key differences between the House and Senate bills

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

- The Senate bill has deeper cuts to the funding growth rate (i.e. inflator) in per capita funding caps for federal Medicaid spending, which would result in even less federal funding to states than the House bill provides.

- The Senate bill has additional financial penalties for states with higher per capita costs compared to the House bill.

- The Senate bill provides less funding for uncompensated hospital care (DSH) in Medicaid expansion states, including Minnesota, than the House bill. States that did not expand Medicaid under the ACA would see an increase in this funding.

- The Senate bill contains a slightly slower phase-out of the enhanced federal funding for the Medicaid expansion population with deeper long-term cuts than the House bill.

- Continued elimination of federal Basic Health Program funding for MinnesotaCare.

About this document: This brief provides an overview of the revised 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 July 13, 2017, and the implications for Minnesota’s Medicaid program (also known as Medical Assistance) and MinnesotaCare.