

## MERCER GOVERNMENT HUMAN SERVICES CONSULTING

HELPING GOVERNMENTS SHAPE TOMORROW'S HEALTH PROGRAMS

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### AFFORDABLE CARE ACT REPEAL AND REPLACE EFFORTS: A LONG WAY FROM THE FINISH LINE

After a dramatic journey through the House of Representatives, the American Health Care Act (AHCA) is now in the hands of the Senate. Several groups of senators are working behind the scenes to construct Affordable Care Act (ACA) repeal and replace alternatives with the hope of holding a vote this summer. Although there is an overwhelming sense of uncertainty, especially with respect to proposed changes to the Medicaid program, there are ways states can begin understanding the potential impacts of legislation on their Medicaid programs and predicting how the healthcare reform legislative process might unfold.



## ANTICIPATING AND PLANNING FOR MEDICAID CHANGES

There are elements of the AHCA's Medicaid reforms that are expected to be reflected in any bill that the Senate brings forward for a vote: a phase-down of Medicaid expansion (with timeline being a key outstanding issue) and some form of per capita caps on federal Medicaid spending. We may also see a block grant option, new authority for work requirements, new state flexibilities and targeted funding for opioid addiction treatment to mitigate some of the impact of the end of Medicaid expansion.

The House AHCA bill employs different formulas for calculating per capita spending targets for different populations as well as a different formula for determining the amount of a block grant for a state making that choice. For example, two different inflationary factors are used for different Medicaid populations under the per capita spending target formula, and the block grant formula uses yet a third inflationary factor. The compounding, year-over-year financial ramifications of these various inflationary factors can be dramatic. To create meaningful estimates of the potential impacts, each state must account for its unique Medicaid population and subpopulations, historical spending and rate of spending growth, demographic trends, existing waivers or other financing arrangements, and program and benefit design, because each of these elements could change the degree to which per capita caps or block grant financing mechanisms might affect one state or another. Mercer's policy and actuarial consultants are helping our state Medicaid clients assess how they would fare under different legislative scenarios.

Procedurally, the Senate version of AHCA must save the federal government at least as much money as the Congressional Budget Office estimated the House version would save. Several Republican senators have stated that they want to see the AHCA changed to delay or soften the repeal of the Medicaid expansion option under the ACA and the subsidies for individuals, especially for those over age 50, increased. Because both of these policies would increase federal spending, simultaneously securing these Senators' votes and meeting the budget savings targets creates a narrow legislative needle for the Senate to thread. Essentially, the Senate would need to reduce the tax cuts in the AHCA, raise other taxes not addressed in the AHCA or cut other spending to offset these amounts.

Further complicating Congress's path to health reform are the pending expiration of funding for the Children's Health Insurance Program (CHIP) and community health center operating support on September 30. Although reauthorizing spending for each of these programs has strong bipartisan support on its own, it will be difficult for Congress to address those funding issues if ACA repeal and replace proposals remain unresolved.

Mercer is following congressional developments closely and can help state Medicaid programs understand the implications of various proposals or alternatives that might emerge through the legislative process.

For more information, please contact a Mercer representative at one of the following offices:

ATLANTA  
+1 404 442 3100

MINNEAPOLIS  
+1 612 642 8600

PHOENIX  
+1 602 522 6500

WASHINGTON DC  
+1 202 331 5200

[www.mercer-government.mercer.com](http://www.mercer-government.mercer.com)