



## American Health Care Act Federal Medicaid Payment Reform: Fiscal Implications for States

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Video 3min:45sec at: <https://vimeo.com/209444118>

My name is Dan Derksen. I'm a family physician and the Director of the University of Arizona Center for Rural Health. I'm going to discuss the implications of the American Health Care Act on the nation's Medicaid Program.

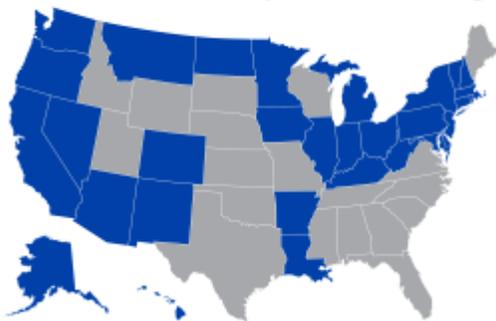
The Act fundamentally changes the financing of state Medicaid programs. It repeals Title XIX of the Social Security Act's statutory 50% minimum federal funding of state Medicaid programs. It caps Medicaid funding to states – either as a block grant, or a per person cap.

Currently there are 74 million Americans covered by Medicaid and the Children's Health Insurance Program (CHIP).<sup>(2),(3)</sup> Over half of those covered are children.

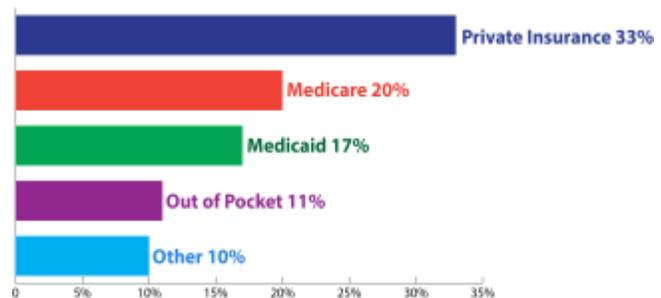
**74 million people**  
on Medicaid and CHIP  
(Children's Health Insurance Program)

Sixteen million have been added to Medicaid and CHIP since the first open enrollment period of the Affordable Care Act in October of 2013. Eleven million were added in the 31 states expanding Medicaid.

**11 million new Medicaid enrollees**  
in 31 states that expanded coverage



**2015 U.S. Health Spending**  
**\$3.2 Trillion**





Medicaid is an entitlement program of the Social Security Act created in 1965, financed with state and federal funding. In 2015, the U.S. spent \$545 billion dollars on Medicaid; 63% (\$344 billion) was federal funding.<sup>(4)</sup> Medicaid eligibility categories include pregnant women and children. Many don't realize that Medicaid also pays for the elderly in long term care and nursing homes, and for the blind and disabled on Medicaid. The federal share of Medicaid costs is dispersed to states by the federal medical assistance percentage (FMAP).<sup>(5)</sup>

**FMAP = federal share of Medicaid costs**

$$FMAP = 1 - \left( \frac{\text{per capita income STATE}}{\text{pci FEDERAL}} \right) \times 0.45$$

The statutory minimum of the federal share of Medicaid costs is 50%, but average 57% across the 50 states. The 2018 FMAP for Arizona is almost 70%,<sup>(6)</sup> because Arizona's per capita income is lower than the national average. In other words, states with lower average incomes get more federal Medicaid assistance.

## Social Security Act Statutory Minimum Federal Medical Assistance Percentage

# 50%

**FMAP share averages 57% in the 50 states**

The American Health Care Act repeals the statutory minimum of 50% and replaces it with either a block grant, or with a per-capita amount, based on 2016 costs.

### American Health Care Act

21 **Subtitle C—Per Capita Allotment**

22 **for Medical Assistance**

23 **SEC. 121. PER CAPITA ALLOTMENT FOR MEDICAL ASSIST-**

24 **ANCE.**

- **Eliminates** federal minimum of 50%
- **Shifts** formula to per capita **state cap**



The Congressional Budget Office reported that the American Health Care Act cuts \$880 billion in federal Medicaid funding to states over 10 years & 14 million fewer covered by Medicaid.

## American Health Care Act CBO Coverage & Cost Estimates 2017-2026

- **Decreases Medicaid enrollees by 14 million**
- **Cuts federal Medicaid payment to states by \$880 billion**

As a family physician, I'm concerned that colossal cuts in funding and coverage will have devastating consequences on states and the 74 million Americans who depend on Medicaid and CHIP for coverage. It means more uncompensated and charity care shifted to hospitals - especially rural hospitals, and to physicians, nurses, and other health providers.

For Arizona, the proposed changes will:<sup>(8)</sup>

- End Medicaid coverage for 380,000 Arizonans.
- Cut \$2.5 billion dollars per year from the Arizona economy.
- Shift \$500 million dollars in federal costs to the state of Arizona, to continue covering 300,000 childless adults making less than 100% of the Federal Poverty Level (FPL).
- Force 80,000 off AHCCCS that make between 100% to 138% FPL, the Medicaid expansion population.
- Increase Arizona's uninsured to pre-ACA levels (over one million uninsured).

Nationally, proposed American Health Care Act changes would force 14 million off Medicaid coverage to become uninsured, and worsen health outcomes. The changes undermine the rural health infrastructure, economy, and jobs.

The American Health Care Act goes way beyond repealing 'Obamacare.' It strikes at the heart of the Social Security Act that created Medicaid and Medicare.



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