

# Issue Brief

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## KEY POINTS

- Medicaid spending would decrease 26 percent in 2026 and decrease 35 percent in 2036 as compared to the extended baseline.

## Has CBO Added Fuel to the Fire on Senate's Proposed Health Care Reform Bill; the Better Care Reconciliation Act of 2017

The Congressional Budget Office and the staff of the Joint Committee on Taxation have issued another estimate to the Medicaid spending effects of the Senate's proposed Better Care Reconciliation Act of 2017.

A copy of the June 29 report is at: <https://www.cbo.gov/publication/52859>.

Earlier this week, CBO and JCT estimated that enacting the BCRA legislation would reduce the cumulative federal deficit over the 2017-2026 period by \$321 billion. CBO said that the bill would increase the number of people who are uninsured by 22 million in 2026 relative to the number under current law.

This new report says that after 2026, enrollment in Medicaid would continue to fall relative to what would happen under the extended baseline.

## COMMENT

*Much of the present discord among many Republican senators and, for that matter Republican governors, centers of the drastic federal reductions for Medicaid that would happen over the next decade. Responding to Congressional questions, this new CBO report shows an increasing reduction to Medicaid payments after 2026.*

## THE REPORT

CBO says that “the per capita caps under this legislation would constrain Medicaid spending in stages. Beginning in fiscal year 2020, the federal government would limit the amount of reimbursement it provides to states. That limit would be set for a state by calculating the average per-enrollee cost of medical services for most enrollees who received full Medicaid benefits over eight consecutive quarters of the state’s choosing between the first quarter of federal fiscal year 2014 and the third quarter of 2017. Those enrollees would be in five specified categories: the elderly, disabled adults, nondisabled children, adults made eligible for Medicaid by the ACA, and all other adults. The Secretary of Health and Human Services would then inflate the average per-enrollee costs for each state as described—for most nondisabled children and nondisabled adults enrolled in Medicaid using the CPI-M and for most enrollees who are disabled adults or age 65 or older using the CPI-M plus 1 percentage point. Disabled children would be excluded from the per capita caps and covered as under current law. Beginning in 2025, the Secretary would shift the inflation factor for all groups to the CPI-U. The final limit on federal reimbursement

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for each state starting in 2020 would be the average cost per enrollee for the five specified groups of enrollees, reflecting growth from the base period in the relevant inflation factors multiplied by the number of enrollees in each category. The amount of spending subject to those limits would be a large share of total spending.”

In CBO’s extended baseline, Medicaid spending is projected to be 2.0 percent of GDP in 2017 and 2.4 percent by 2036. The 35 percent reduction in that spending that CBO estimates for 2036 under this legislation would result in Medicaid spending of 1.6 percent of GDP.

#### Changes in Medicaid Spending Under the Better Care Reconciliation Act Compared with CBO’s Extended Baseline

*Analysis provided for MHA  
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