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Senate Republicans and Democrats Introduce Competing Visions for Health Reform Beyond the ACA

+Insights

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Seeking to replace the coverage framework under the ACA, competing Senate proposals released this week pursue vastly different strategies for addressing health care coverage; one seeks to shift responsibility to the states while the other proposes a more substantial federal role by establishing a Medicare-like benefit for all U.S. residents

On September 13, Republican and a Democratic Senators released two diametrically opposed comprehensive proposals for moving forward with an Affordable Care Act (ACA) alternative and the next iteration of health care coverage reform. The first proposal, introduced by Sens. Graham (R-SC), Cassidy (R-LA), Heller (R-NV) and Johnson (R-WI), would repeal and replace portions of the ACA while also implementing a per capita cap payment methodology for the Medicaid program. The second proposal, introduced by Sen. Sanders (I-VT) and supported by 16 Democratic Senators, puts forward a "Medicare for all" approach to coverage, effectively replacing insurance markets as they currently exist.

Graham-Cassidy Proposal

The Graham-Cassidy proposal represents a last minute attempt to advance ACA repeal legislation in the Senate prior to the expiration of the existing budget reconciliation window on September 30th. At this point, it is unclear whether the bill will move forward as it does not appear to have at least the 50 votes needed for Senate passage. Once the September 30th deadline passes, according to a recent opinion issued by the Senate Parliamentarian, Republicans would need to enact new reconciliation instructions if they wanted to proceed with a repeal bill requiring a simple majority to pass in the Senate.

Graham-Cassidy Proposal

- \+ Legislative Text
- \+ Section by Section
- \+ FAQ
- \+ Formula Description
- \+ Block Grant Model

The Graham-Cassidy proposal incorporates some of the concepts of the Better Care Reconciliation Act (BCRA), legislation advanced by Senate leaders in July, which failed to garner majority support in a dramatic vote in August, but replaces the current insurance exchange market and Medicaid expansion with a state grant program that would be funded through 2026. Other highlights of the bill include:

+ Establishes a grant program to fund coverage-related activities with mandatory funds allocated through 2026; this would replace funds states currently receive for coverage expansion under the ACA

    - Sets aside $25 billion total for 2019 and 2020 that the U.S. Department of Health and Human Services (HHS) can distribute to health insurance issuers to assist in the purchase of coverage and address market disruption.

    - Allocates funds in 2020-2026 for HHS to distribute to states to offer premium support for purchasing coverage, enter into agreements with insurance providers to encourage market participation, make payments to providers, assist with out-of-pocket costs, and/or establish high-risk or reinsurance pools. The funds could be used for any individual regardless of income level, but only up to 20 percent of the funds could be used to help traditional Medicaid beneficiaries. A state's funding allocation would also be risk-adjusted based upon factors such as disease burden, age, regional cost-of-living, and gender.

State Grant Funding by Year

2020	$146,000,000,000
2021	$146,000,000,000
2022	$157,000,000,000
2023	$168,000,000,000
2024	$179,000,000,000
2025	$190,000,000,000
2026	$190,000,000,000

    - Authorizes mandatory funding on an annual basis through 2026 beginning with $146 billion in 2020 and phasing-in up to $190 billion in 2026.

+ Repeals premium tax credits and the cost sharing subsidy program effective 2020.

+ Repeals the individual and employer mandates.

+ Ends the current Medicaid expansion program as of 2020.

+ Repeals the medical device tax effective January 1, 2018

+ Includes a one year prohibition on federal funds for Planned Parenthood

+ Replaces the current Medicaid match rate funding system with a per capita cap methodology.

+ States will be assigned an annual spending target based upon a benchmark set using a formula that considers historic spending during specified periods

+ States target spending amount will increase by CPI-Medical plus 1 percent through 2024 and CPI-Medical beyond 2024 for elderly and disabled populations. Children and non-

elderly, nondisabled adults will be set at CPI-Medical through 2024 and plain CPI beyond 2024.

+ If a state exceeds its target spending amount, the amount of funding it receives the next year will be reduced by the amount of excess

+ Beginning in 2020 states will have the alternative option to participate in a block grant program known as the Medicaid Flexibility Program. The period of participation would be 5 years and states would be afforded greater flexibility in program coverage, benefit design, etc.

+ Establishes a Medicaid and CHIP quality performance bonus program for states that have lower than expected annual expenditures compared to their spending target and have submitted required information to HHS. The bonus pool includes a total of $8 billion in funding for 2023 through 2026, and the formula for distribution will be determined by HHS

+ Phases down the Medicaid provider tax threshold from the current amount of 6 percent to 4 percent in 2025 and subsequent fiscal years.

+ Creates a state option for Medicaid work requirements.

+ Creates a state option for Medicaid coverage of qualified and patient psychiatric hospital services.

Sanders' "Medicare For All" Proposal

The Sanders legislation pursues an opposite coverage reform approach, instead proposing that all Americans receive coverage through a comprehensive federal program. Effective 4 years after enactment, every resident of the United States would receive health insurance under a federal program administered by HHS. The program would cover most medical and dental services and would eliminate out-of-pocket spending, like deductibles, cost-sharing and copayments.

Medicare For All Proposal

+ Legislative Text
+ Executive Summary
+ Section by Section
+ Finance Options for Medicare For All

Long-term care services for seniors and people with disabilities would continue to be provided under Medicaid.

The bill specifies that beneficiaries of the Medicare for all program would be able to see any provider participating in the program, but that providers would be allowed to opt-out on an annual basis. The program would use current Medicare payment structure and methodologies, including the alternative payment models implemented under the ACA. The Secretary of HHS would be required to establish a prescription drug formulary, negotiate drug prices and would have limited authority to require prescription copayments if needed to encourage use of generic drugs. The

legislation also specifies the categories of service that must be covered under the universal plan, including:

1. Hospital services, including inpatient and outpatient hospital care, 24-hour-a-day emergency services and inpatient prescription drugs
2. Ambulatory patient services
3. Primary and preventive services, including chronic disease management
4. Prescription drugs, medical devices, and biological products
5. Mental health and substance abuse treatment services
6. Laboratory and diagnostic services
7. Comprehensive reproductive, maternity, and newborn care, including abortion
8. Pediatrics
9. Dental health, audiology, and vision services

The Sanders' proposal lacks details on how the universal coverage program would be funded although it does establish a trust fund to administer funding and requires the Secretary of HHS to develop a budget on an annual basis. The materials released with the draft bill do include a list of possible policy ideas for financing universal coverage but does not provide a specific plan or an estimate of cost.

The program would be phased-in over a period of 4 years, with children under the age of 18 and seniors gaining access to benefits in the first and second year.

It is not expected that the legislation will be considered by Congress this year, though it likely will receive attention going in to the 2018 and 2020 elections. A number of Democratic Senators expressed support for the proposal.

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