

# Health Care in Motion

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## On the Chopping Block: The President's Budget and the AHCA Pose Threats to Access to Care

On May 23, 2017, President Donald Trump released his [budget proposal](#) for FY 2018 (the Budget). Overall, the Budget calls for \$3.6 trillion in federal spending reductions over ten years, with the bulk of these cuts coming from programs that help low- and moderate-income families defray the costs of basic services like food, shelter, and health care. Several Senators have already indicated their [opposition](#) to these proposed cuts, raising questions as to how closely the actual budget for 2018 will reflect this proposal. Nevertheless, the Budget reflects the Administration's fiscal and policy priorities for federal health care and public health programs. Most concerning for advocates of access to care, the Budget's assumptions embrace the American Health Care Act's (AHCA) proposals<sup>1</sup> to repeal and replace the Affordable Care Act (ACA) and fundamentally alter the structure of Medicaid. The Budget also proposes damaging cuts to agencies that administer critical public health programs, such as the Centers for Disease Control and Prevention and the National Institutes of Health.

Increasing the pressure on the Senate as members debate their health care proposal, on May 24, 2017, the nonpartisan Congressional Budget Office (CBO) released its revised evaluation of the AHCA as passed by the House on May 4, 2017. The updated report concludes that the AHCA will reduce the federal deficit, but will also result in 23 million Americans losing their health care coverage by 2026. The CBO noted that the revised AHCA will lead to severe cuts in Medicaid funding and would result in increased overall health care expenses for most Americans. Most alarming for advocates of access to care, the CBO's report concludes that many Americans would be subject to the AHCA's waivers that weaken protections for those with significant health needs, leaving these individuals without comprehensive, affordable coverage options.

### Advocates should:

1. **Understand the Budget's role in outlining the Administration's priorities for federal programs that support access to care and public health. Advocates should continue to monitor Administration developments, and not become solely focused on the ACHA.**
2. **Review the Budget's proposals, with particular attention paid to proposed cuts to the Department of Health and Human Services and the programs and agencies it administers.**
3. **Carefully review the CBO's updated score of the AHCA. This is a reliable evaluation of the impact the AHCA as passed by the House could have on access to care.**
4. **Act quickly to ensure that their voices are heard in the Senate. Advocates should reach out to their Senators, particularly moderate Senate Republicans, to educate them on the access to care concerns raised by the AHCA. Advocates should ask their Senators to retain the strong consumer protections in the ACA, provide robust income-based subsidies to purchase health care coverage, and maintain the federal commitment to Medicaid.**

<sup>1</sup> For an in depth discussion of the American Health Care Act, please see past *Health Care in Motion* pieces [here](#), [here](#), [here](#), and [here](#).

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## Role of the President's Budget Proposal

The President's Budget includes significant cuts to many programs that are critically important to vulnerable populations. Fortunately, however, these alarming proposals do not automatically result in cuts to these programs, as Congress holds the "power of the purse" and is the only branch of government that may enact legislation to increase or decrease federal spending. Thus, the President's Budget is merely a recommendation to the legislative branch, which Congress may modify or even ignore altogether. Under the normal budget process, the President works with the [Office of Management and Budget](#) (OMB) to put together a detailed budget that outlines the proposed spending and revenues for each federal agency, including any funding increases or cuts. The Budget also customarily sketches out fiscal and budgetary priorities for the next ten years and may contain policy and legislative recommendations for Congress to enact in order meet the fiscal goals.

Congress then has full latitude to make changes to the budget or to ignore it altogether. In recent years the Republican Congress simply refused to take up then-President Barack Obama's budget proposals, instead using a series of budgetary maneuvers to keep the government funded under their own spending priorities. While the Administration and both chambers of Congress are all controlled by the Republicans, early signs indicate that Congress is unlikely to adopt Trump's Budget exactly as proposed. Even some Republican Senators, such as [Dean Heller](#) (R-NV), [Lindsey Graham](#) (R-SC), and [Rob Portman](#) (R-OH), have already signaled their [opposition](#) to the deep cuts proposed in the Budget.

Nevertheless, advocates should be alarmed by the cuts and policy changes proposed in the President's Budget, as it demonstrates the Administration's continued interest in deconstructing the ACA and making significant changes to Medicaid. In particular, advocates should review the fiscal and policy recommendations set forth in the [Budget](#) for the Department of Health and Human Services (HHS) and the programs HHS administers, such as the Affordable Care Act (ACA), Medicaid, and public health programs.

## No Funds Included for Affordable Care Act Programs

Notably absent from the Budget are any funds needed to support key ACA programs that help provide access to care for low-income individuals. For example, the Budget does not include any requests for funds necessary to continue the ACA's subsidy programs. Instead, it includes a sharp decline in spending for ACA programs, resulting from an assumption that the President will be able to sign the AHCA<sup>2</sup> into law prior to the start of FY 2018. The Budget assumes that the ACA's cost-sharing reductions will be eliminated, and that the ACA's income-based subsidies will be replaced by the AHCA's age-based tax credits. As a result, the Budget contains a \$1.25 trillion reduction in spending over ten years through the AHCA's changes to ACA programs that help provide access to care for low- and moderate-income individuals.

These proposed cuts are worrisome for advocates of access to care. Most immediately, the Budget does not alleviate any of the concerns voiced by insurers presently setting premium rates for the 2018 plan year. Insurers have been increasingly [worried](#) that the Trump Administration will not take sufficient action to stabilize the ACA's Marketplaces in time for them to take any new changes to our health care system into account when deciding the price of premiums. The Budget appears to confirm these fears by failing to request the funds necessary to continue the ACA's subsidy programs. Insurers have already begun requesting premium [increases](#) for 2018, and the Budget's continued uncertainty is likely to spur more insurers to follow suit or potentially exit the Marketplaces, leaving consumers with no options for coverage.

More broadly, the Budget reflects President Trump's continued insistence on repealing and replacing the ACA with legislation that will reduce access to care, particularly for those living with chronic illnesses and disabilities. The Budget specifically applauds the House for passing the AHCA and notes that the President "is committed to working with Congress to pass a real health care reform that will benefit all Americans." This is the strongest signal yet that, even if the AHCA fails to pass, that the Administration will work to undermine the ACA instead of bolstering it.

<sup>2</sup> For a discussion of the AHCA as passed by the House, please see our previous *Health Care in Motion* piece [here](#).

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## Steep Cuts to Medicaid

Advocates already alarmed by House Republicans' efforts to reform Medicaid should be deeply concerned about Trump's proposals with respect to Medicaid. The Budget demonstrates the Administration's support for fundamentally altering the financing of Medicaid from an entitlement structure to a capped system by giving states a choice between a per capita cap or a block grant. While this proposal is already included in the AHCA, the Budget would limit federal Medicaid funding even further.

[Comments](#) by OMB Director Mick Mulvaney specified that this would be achieved by reducing the rate at which the per capita cap or block grant would grow over time, leading to even deeper cuts than under the AHCA. Supporting Director Mulvaney's statements, the Budget outlines a reduction of \$610 billion in federal spending for Medicaid over ten years. While at first blush this may appear to overlap with \$839 billion cut in federal funding contemplated by the AHCA, the picture is far more concerning. The \$610 billion in cuts to Medicaid are **in addition** to the cuts proposed in the AHCA. The two cuts together would amount to a total cut of more than \$1.4 trillion in federal Medicaid funding over ten years. Medicaid would be cut roughly in half by 2027, when the program is projected to cover [87 million](#) individuals under current law, causing tens of millions of individuals to lose coverage through the program.

Such a dramatic reduction in funding for Medicaid is alarming for proponents of access to care. Capped federal financing for Medicaid is especially problematic for higher cost individuals, such as those living with chronic illnesses and disabilities. States would be responsible for all costs above the federal cap, which would be particularly problematic in states facing tight budgets. Under the Budget's policy proposals, states would be given more authority to limit access to Medicaid, such as reducing enrollment, services, and/or by adding [work requirements](#) and other barriers to obtaining health care. This is particularly concerning for individuals living with chronic illnesses and disabilities, who account for about [half of Medicaid spending](#). While the Budget touts this as additional flexibility for states to tailor their program to better provide care for the neediest individuals, any purported additional flexibility is useless without financial support and will only translate in the flexibility to cut eligibility and services.

## Public Health Funding Dramatically Reduced

The Budget also contains a staggering volume of cuts to public health programs that are critical to promoting the health of all Americans. The [National Institutes of Health](#) (NIH) would receive a cut of over 20%, with funding for 2018 reduced by \$5.8 billion from 2017 levels. As the NIH is the largest public funder of biomedical research in the world, this would result in fewer breakthrough treatments being developed. This is concerning for those living with chronic conditions, as the NIH has been integral in conducting research necessary to develop treatments to address and prevent serious illnesses. Further, the Budget would reduce funding for the [Centers for Disease Control and Prevention](#) (CDC) for 2018 by \$1.3 billion. This proposal would decrease the CDC's capacity to control and eliminate public health outbreaks.

The Budget would also scale back the nation's commitment to providing care for people living with HIV by cutting the [Ryan White Program](#) by \$59 million in 2018. Ryan White is the nation's safety net for people living with HIV, and provides care and treatment to those that cannot afford it otherwise. The Budget would eliminate Ryan White sub-programs that work to address the unique treatment concerns of those living with HIV in remote areas, as well as those co-infected with both HIV and hepatitis c. This is in stark contrast to prior budget signals from the [Trump Administration](#), which had indicated that HIV funding might be spared.

Another concerning area of the Budget are the cuts proposed to the [Substance Abuse and Mental Health Services Administration](#) (SAMHSA). Funding for SAMHSA would be reduced by \$399 million in 2018 despite the raging opioid epidemic.

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As even the Budget itself notes, an estimated 21 million Americans need treatment for a serious substance abuse problem. While the Budget does include a 2% increase in drug treatment spending, this includes \$500 million already authorized by the [21<sup>st</sup> Century Cures Act](#). By counting the spending previously authorized for drug treatment, which was intended as a supplement, the Budget would effectively cut spending on substance use treatment. The Budget's lack of additional funding for substance use treatment is particularly concerning, as the nation is currently experiencing an unprecedented opioid [epidemic](#). SAMHSA's funding reductions would also come with a reduction of \$116 million for the Community Mental Health Services Block Grant, which provides funding for states to treat those living with serious mental illnesses. Overall, the Budget's proposed cuts would make it more difficult for SAMHSA to address the needs of individuals living with substance abuse disorders and mental illnesses.

## Congressional Budget Office Releases Evaluation of the AHCA as Passed by the House

On May 23, 2017, the [Congressional Budget Office](#) (CBO), along with the [Joint Committee on Taxation](#), released its revised "[score](#)" of the AHCA, reflecting the version of the bill as passed by the House on May 4, 2017.<sup>3</sup> The CBO estimates that the AHCA will reduce federal deficits by \$119 billion between 2017 and 2026. However, these savings will come at a significant cost to access to care, with 23 million Americans estimated to lose coverage by 2026. In addition, the CBO estimates that if the AHCA were signed into law, the federal government would spend \$834 billion less on Medicaid. This cut to Medicaid is likely to result in fewer benefits for enrollees and tightened eligibility requirements as states struggle to compensate for the reduction in federal support.

## Millions of Americans to Lose Coverage

The CBO's new score largely mirrors its previous estimates of the AHCA's coverage impacts. Overall, the AHCA, as currently written, is expected to have a negative effect on access to care. By 2026, 23 million fewer Americans would have health coverage. In 2026, 6 million fewer Americans would be insured on the individual market. Meanwhile, 14 million fewer Americans would receive health coverage from Medicaid. Another 3 million Americans would lose their employer-sponsored coverage, because the AHCA would eliminate the requirement that employers over a certain size offer health insurance as a benefit to their full-time employees.

In its report, the CBO notes that the substantial drop in coverage on the individual Market is due to the AHCA's policy changes. Specifically, the CBO finds that because of the AHCA's shift in subsidy structure, which would result in substantially lower subsidies for most people as these subsidies scale by age rather than by income, fewer lower income individuals will be able to afford to purchase health care coverage. The CBO predicts that while the number of uninsured will increase broadly, older Americans with incomes less than 200% of the federal poverty level will be hit particularly hard by the shift from the ACA to the AHCA. This is because the AHCA would allow insurers to charge much higher premiums based on age, while the subsidies provided to these individuals will not be robust enough to offset rising premiums.

## Nearly Half of Americans will Face Weakened Consumer Protections

Perhaps the largest change in the CBO's estimates concern the effect of the AHCA's provisions that allow states to waive the Essential Health Benefits (EHB) requirement and allow insurers to scale premiums based on health status.<sup>4</sup> The CBO's report determines that about half of the population lives in states that would acquire waivers to either remove or weaken protections for people living with pre-existing conditions, including reducing the scope of the requirement that insurers cover EHB and/or by allowing insurers to charge those living with pre-existing conditions higher premiums.

<sup>3</sup> For a discussion of the CBO's report on a previous version of the AHCA, please see our previous *Health Care in Motion* piece [here](#).

<sup>4</sup> For a discussion of the AHCA's waivers, please see our previous *Health Care in Motion* piece [here](#).

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The CBO notes that about [one-sixth](#) of the population would be subject to higher premiums based on their health status. For those living with pre-existing conditions, such as chronic illnesses or disabilities, the CBO finds that these individuals would be unable to purchase comprehensive coverage due to the substantially increased cost as a result of their state's waiver.

The CBO notes that the additional funds allocated by the AHCA to help these individuals afford coverage would likely be insufficient to offset the rise in premiums. The CBO's evaluation underscores the harm to access to care the AHCA would have on individuals living with chronic illnesses and disabilities, particularly those with lower incomes. These individuals are the most likely to face exorbitantly higher premiums under the proposed waivers and find themselves unable to access the treatment and care they need. Insurers will be able to effectively exclude these individuals from purchasing private insurance by charging premiums that impose significant financial barriers to access to care. Advocates should educate their Senators about how the AHCA's waivers would leave those living with serious health needs without options for affordable health coverage. Advocates should emphasize that the AHCA's funds set aside to reduce costs for those facing increased premiums due to their health status is insufficient, and that allowing states to tie premiums to an individual's health will leave these individuals without access to care.

Additionally, the CBO found that about [half](#) of the population lives in states that would substantially weaken the EHB package that insurers are required to cover in the individual insurance market. The report concludes that insurers are not likely to offer plans that include benefits not required by state law, and will include fewer benefits overall. As a result, because benefits like prescription drugs, mental health and substance use disorder treatment, and maternity care will likely no longer be covered in these states, consumers will see large increases in out-of-pocket spending and will choose to forego these services when possible. Further, the CBO notes that the ACA's ban on annual and lifetime limits and the cap on annual out-of-pocket costs would no longer apply to benefits not defined as essential, leaving consumers with fewer financial protections and increased health care costs. This will impact Americans living with chronic conditions and disabilities particularly hard, as these individuals need affordable access to a comprehensive benefits package in order to manage their conditions.

The CBO's report highlights how the AHCA's waivers will substantially reduce access to care and leave those with significant health needs behind. The adoption of waivers is the main reason why the CBO found a small reduction in the increase of those that will lose insurance than under previous versions of the AHCA.<sup>5</sup> Because they will be charged lower premiums based on their health status and can enroll in skimpier plans that exclude benefits they do not expect to use, the CBO expects that more healthy individuals will enroll in individual market coverage. This means that compared to the earlier versions of the AHCA, the loss in coverage would be concentrated among Americans living with serious health needs.

Further, for those that can afford the increased cost of coverage, individuals that expect to use the health system more frequently will face substantial increases in out-of-pocket spending. As the CBO [explains](#), out-of-pocket payments for those with relatively high health care spending, such as individuals living with chronic conditions, would increase the most in states that obtain waivers. This is because the waivers of EHB will allow insurers to offer less generous benefits, causing enrollees to pay out-of-pocket for services that are no longer covered. Additionally, as the ACA's ban on lifetime and annual limits and the cap on annual out-of-pocket costs only apply with respect to EHB, benefits and services not defined as essential under a state's waiver will no longer enjoy these protections.

## Huge Cuts to Medicaid

The CBO predicts that the AHCA will cut federal spending on Medicaid by \$834 billion or 16.7% over the next ten years. This drop in spending would largely be due to the AHCA changing Medicaid from an entitlement funding structure to a capped system, as well as a reduction in spending for Medicaid expansion enrollees. As discussed above, this decrease

<sup>5</sup> The CBO's previous report found that the AHCA would cause 24 million individuals to lose coverage by 2026.



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in Medicaid spending will result in 14 million Americans, or 17% of those currently covered under Medicaid losing their coverage, with most of these individuals remaining uninsured. While the CBO does not address specific changes to states' Medicaid programs, it is likely that the decreased funding will result in states cutting benefits provided to enrollees. These reductions pose a particular threat to access to care for Medicaid enrollees with chronic conditions that can be particularly expensive to manage.

## Senate Republicans Distance Themselves from the AHCA

The revised CBO estimate forms the baseline by which the Senate evaluates the bill passed in the House. Thus far, Senators have largely [indicated](#) that they will write their own bill and not pass the House's version of the AHCA. Shortly after the CBO issued its report on the AHCA, several key Republican Senators, such as [Bill Cassidy](#) (R-LA), [Lamar Alexander](#) (R-TN), and [Susan Collins](#) (R-ME) quickly [distanced](#) themselves from the AHCA, citing concerns about the bill's effect on people living with pre-existing conditions and coverage losses.

As the Senate plans to craft their own legislation, this presents an opportunity to address the serious access to care issues raised by the AHCA. Advocates must work quickly to ensure that their concerns are heard. Advocates should reach out to their Senators, particularly moderate Senate Republicans, to educate them on the impact the AHCA will have on access to care, the Marketplaces, and Medicaid. Advocates should ask their Senators to retain the strong consumer protections in the ACA, provide robust income-based subsidies to purchase health care coverage, and maintain the federal commitment to Medicaid in order to address the negative impacts that the AHCA would have on people living with chronic illnesses and disabilities.

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