Impact of the Better Care Reconciliation Act (BCRA)
Talking Points

A preliminary analysis of the Better Care Reconciliation Act (BCRA) would likely have significant impact on state Medicaid programs as well as Affordable Care Act requirements.

Medicaid:

- The bill would change the structure of Medicaid financing from an open-ended entitlement based on state spending to a per capita cap model starting in 2020. The annual Medicaid growth rate for states would be calculated using a base rate comprised of the average state expenditures of eight consecutive quarters between FY2014 and FY2017. The state could choose which eight consecutive quarters to use.

- Once the baseline is established, the inflation rate of the Consumer Price Index for Medical expenses (CPI-M) plus 1% would be used for individuals with disabilities. However, there is no provision that funds that come into a state calculated for that category would be required to be spent on services for that population. The Senate bill also dials down the rate, from CPI-M+1 to CPI-U (CPI for all Urban markets) in FY2025. CPI-U is a lower index than CPI-M, resulting in further reductions to funding starting in 2025. (CPI-M is projected to grow around 3.7% in the next ten years, while CPI-U is projected to grow only at 2.4%.)

- The bill would decrease the per capita cap allotment by 0.5-2.0% for states that have per capita spending over 25% of the national average, while increasing the per capita cap allotment by 0.5-2.0% to states that have per capita spending under 25% of the national average. This provision would bring states more in line with each other over time. This is a further reduction in Medicaid funding from the House-passed American Health Care Act.

- Some categories of beneficiaries are excluded from the per capita caps, including CHIP-covered children, blind and disabled children, certain individuals eligible for coverage of breast and cervical cancer treatment, individuals covered through the Indian Health Service facility, and some partial-benefit enrollees, including individuals dually-eligible for Medicare cost sharing.

- After 2020, states could opt to receive Medicaid funds as a block grant, by creating "Medicaid Flexibility Programs" that would fix a baseline spending rate for two years using the calculation for per capita caps, and for each year thereafter use the baseline plus the inflator of CPI-U.

- In addition to changing the structure of Medicaid and cutting overall funding, the BCRA would also end new enrollment in the Medicaid expansion by the end of 2019. Current enrollees and those enrolled prior to 2021 would still be eligible for an enhanced match, however the enhanced match would phase out over three years.

- The bill also expressly gives states the option to implement work requirements for non-disabled, non-elderly working age Medicaid beneficiaries, with an exception for beneficiaries who are the sole caretaker of a child under 6 or a child with disabilities.

- States also have the option of imposing premiums, cost sharing, and deductibles on Medicaid beneficiaries, provided these measures do not total more than 5% of the total household income.

- The BCRA would sunset Medicaid Essential Health Benefit (EHB) requirements by 2020.

Home and Community Based Services (HCBS) Waivers

- The bill states the Secretary of HHS should "encourage States to adopt or extend waivers related to the authority of a State to make medical assistance available for home and community-based services…if the State determines that such waivers would improve patient access to services."

- The 1915(k) Community First Choice Option, which was created by the Affordable Care Act, will no longer get an enhanced FMAP rate of 6% starting in January 2020. These waivers allow States to provide home and community-based attendant services and supports to eligible Medicaid enrollees under their State Plan. This State plan option was established under the Affordable Care Act of 2010.

Individual Mandate/Individual Subsidies

- The BCRA zeroes out the penalty for individuals that were required to purchase private insurance under the Affordable Care Act (ACA), effectively ending the individual mandate.

- Individuals would still be eligible for income-based subsidies, but only for those with incomes lower than 350% of the Federal Poverty Level (FPL). This is a change from the Affordable Care Act which provided subsidies for individuals that earned up to 400% of the FPL.

Employer Mandate

- The BCRA zeroes out the penalty for employers that were required to provide affordable health coverage for employees under the Affordable Care Act.

Other Provisions

The 142-page draft contains many other provisions, of which some may result in additional negotiation or that carry significant weight include:

- The retention of the Affordable Care Act's protection for people with preexisting conditions.

- Disproportionate Share Hospital (DSH) payments will remain at the same level in Medicaid expansion states; non-Medicaid expansion states will see a gradual increase in DSH payments until 2020.

- Changing the permissible age-based community rating ratio from 3-to-1 to 5-to-1, making it possible to charge seniors higher premiums based on age.

- Repeal of most of the taxes included in the Affordable Care Act (one exception is the "Cadillac tax" on high-cost health plans).

Several Republican Senators as well as a sizable contingent of Republican Representatives have expressed concern over parts of the bill. The US Senate has postponed a vote on the bill until after the July 4th recess and expects to further amend the language and obtain updated fiscal impact data from the Congressional Budget Office based on the proposed amendments.