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## The After-Effects of Graham-Cassidy's Demise

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The proposed legislation known as Graham-Cassidy, the latest Republican proposal to repeal and replace the Affordable Care Act (ACA) and restructure federal Medicaid financing, will not be put to a vote because 51 senators—all 48 Democrats and three Republicans—are now on record as opposing it. While GOP leaders say they will not give up entirely on their signature effort, it is likely that no new proposals of comparable magnitude will be forthcoming anytime soon.

So the question is: What happens now?

### The Individual Market

Of most immediate concern is what will happen with the individual coverage market and, especially, the exchanges. The Trump administration has been funding the cost-sharing reductions month to month, but, for the market to stabilize, a more durable commitment would be very helpful. At the same time, the administration has drastically cut the budget for education and outreach ahead of the open enrollment period—and is even using some of these funds to put out videos that disparage the ACA—so that consumers who might benefit from the coverage available will not all get the message or the help that they may need to enroll.

Another potential source of individual market stabilization could come from resuming the bipartisan effort of the Senate Health, Education, Labor, and Pensions (HELP) Committee, which was looking for focused, short-term fixes before its work was halted to allow Graham-Cassidy to roll forward. In the meantime, individual states may continue to seek Section 1332 waivers to set up reinsurance arrangements that will help backstop insurers and keep them from fleeing the exchanges.

### Medicaid

Perhaps the more significant, but longer-term, effect of Graham-Cassidy's failure is in Medicaid. This has two major branches. First, the ACA's Medicaid expansion option remains. The 31 states (and the District of Columbia) that expanded Medicaid to non-disabled adults with incomes up to 138 percent of the federal poverty line will be able to continue to do so and to receive enhanced federal matching that never drops below 90 percent. And it's conceivable that some of the 19 red states that did not expand will now do that. The extra federal funds would help their economies and especially their hospitals.

Second, the traditional Medicaid program's funding model—with the federal government contributing to states' costs on a matching basis—will continue for the foreseeable future. Graham-Cassidy, just like the bills floated but not passed earlier in the year, would have capped the federal government's exposure at a trend rate below expected Medicaid cost growth, thus removing almost one trillion dollars from Medicaid over the next 10 years.

### Implications for Health Industry Stakeholders

Taken together, the failure of the ACA repeal-and-replace effort (for now) bodes well for health care providers. The percentage of the population that's covered—and thus is less likely to represent uncompensated care for providers—will remain fairly high, notwithstanding some erosion if the individual market isn't bolstered.

Similarly, insurers will continue to have most of the enrollees whom they gained thanks to the ACA. True, at least with regard to exchange enrollees, the insurers may see a slightly worse adverse selection that would challenge profitability, but they can raise premiums without causing too many defections among the majority of enrollees who are eligible for federal premium subsidies. And the continuation of high

levels of Medicaid enrollment benefits many insurers as well. Nearly all states contract with private health plans to coordinate care for Medicaid beneficiaries in return for capitation payments; in the aggregate, approximately one-half of all Medicaid dollars run through private plans.

For most employers, the direct effects of Graham-Cassidy and other GOP repeal-and-replace measures were never very strong. Had Graham-Cassidy passed, the mandate for employers with 50 or more workers to offer health insurance would have disappeared, but with the labor market tightening, few large employers are inclined to stop offering health benefits anyway.

Manufacturers of pharmaceuticals stand to benefit—or not to be harmed—thanks to the continuation of the ACA and Medicaid laws in their current forms. The more people who have health insurance generally, the more people who have coverage for prescription medications. Medical device makers, on the other hand, were counting on Graham-Cassidy to repeal the medical device tax that they believed hurt them. Though, they may have reason to hope that the tax will be repealed or at least delayed in other vehicles, as there are plenty of Democratic legislators who agree with Republicans that the tax ought to go.

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