FIRST FOCUS
MAKING CHILDREN & FAMILIES THE PRIORITY

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May 4, 2017

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Greg Walden
Chairman, Energy and Commerce Committee
House Energy and Commerce Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
House Energy and Commerce Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Diane Black
Chairman, House Budget Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable John Yarmuth
Ranking Member, House Budget Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin Brady
Chairman
House Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Orrin Hatch
Chairman, Senate Finance Committee
United States Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member, Senate Finance Committee
United States Senate
Washington, DC 20510

The Honorable Mike Enzi
Chairman, Senate Budget Committee
United States Senate
Washington, DC 20510

The Honorable Bernie Sanders
Ranking Member, Senate Budget Committee
United States Senate
Washington, DC 20510

Dear House and Senate Leadership:

I am writing on behalf of First Focus, a national bipartisan advocacy organization working to improve the outcomes and well-being of our nation's children, to ask your help in getting the Congressional Budget Office (CBO) to provide missing information with respect to their analysis and score of the American Health Care

Act (AHCA) that passed out of the House Ways and Means and Energy and Commerce Committees on March 9, 2017, and its impact on our nation's children.

Increase in the Uninsured Rate Among Children Caused by the AHCA

According to the CBO, the AHCA would reduce federal outlays in Medicaid by $839 billion over the 2017-2026 period and increase the uninsured rate in this country from 28 million to 52 million, an 86 percent increase in the nation's uninsured rate, by 2026.

Unfortunately, we do not have any sense of how many of the 24 million newly uninsured would be children under the bill because CBO completely left children out of Figure 2 in its analysis dated March 13, 2017. Since the CBO report breaks down the percentage increase for all other age groups (19-29, 30-49, and 50-64) other than children, they clearly have the number and percentage for children in order to estimate the new uninsured numbers.

Therefore, we urge you to request that CBO provide you the information for children that is missing from Figure 2 in its analysis. Specifically, out of the 24 million newly uninsured, how many of those are projected to be children (0-18)?

Impact to Children Caused by the Medicaid Caps in the AHCA

In the bill marked up before the two House health committees, the legislation imposed a per capita cap on four different population groups in Medicaid, including children. As CBO wrote, "With less federal reimbursement for Medicaid, states would need to decide whether to commit more of their own resources to finance the program at current-law levels or whether to reduce spending by cutting payments to health care providers and health plans, eliminating optional services, restricting eligibility for enrollment, or (to the extent feasible) arriving at more efficient methods for delivering services. CBO anticipates that states would adopt a mix of these approaches. . . ."

In other words, states are likely to respond to the $839 billion in federal cuts in a manner that is likely to weaken the coverage, benefits, and affordability that Medicaid provides to over 37 million of our nation's most vulnerable and fragile children. According to CBO, "By 2026, Medicaid spending would be about 25 percent less than what CBO projects under current law."

Subsequent to that analysis, the legislation brought to the floor made several important changes to the Medicaid provisions. First, in the Manager's Amendment, the bill was modified to leave children with a full percentage point lower annual inflation update than for senior citizens and people with disabilities. According to a document released by the House Ways and Means Committee, "Recognizing the unique needs of the elderly and the disabled, the amendment increases the annual inflation rate for the elderly and disabled Medicaid populations. This ensures that Medicaid spending on our most vulnerable more accurately reflects shifting demographics due to the aging of the Baby Boomers and the practical challenges of high-fixed costs for this vulnerable population."

However, evidence and projections from both the Medicaid and CHIP Payment and Access Commission (MACPAC) and the Centers for Medicare and Medicaid Services (CMS) show that children will actually have a higher growth rate in the future. For example, according the MACPAC in its June 2016 report, the estimated annual growth in spending per enrollee for children (4.8 percent) is expected to rise about half-a-percentage-point faster than for people with disabilities (4.2 percent) and seniors (4.3 percent) between 2014-2023. And yet, instead, the Manager's Amendment provides for an annual inflation rate that is 27 percent greater for senior citizens and people with disabilities than children. That change in the Manager's Amendment reduced the Medicaid savings in the bill significantly, according to CBO, and leaves the impact of the per capita cap to continue to hit all Medicaid beneficiaries, but likely will now disproportionately impact children and pediatric services.

Furthermore, another provision was added to allow states to take up a Medicaid block grant option with an even lower inflation rate (nearly half of that provided to seniors and people with disabilities in the per capita cap) and no adjustment for population growth whatsoever. As a summary of the Manager's Amendment explains, "The [block] grant would only apply to traditional adult and children Medicaid populations, with funding for elderly and disabled populations calculated through a per capita allotment."

Compounding the level of federal cuts to children's coverage, the Manager's Amendment also provides for states to reduce their share of spending under the Medicaid block grant option by 30 percent. Since the federal share is capped, that is another large reduction in Medicaid funding for coverage to children that CBO should provide before Congress proceeds to take action on the proposal.

This, again, is likely to disproportionately impact children. According to the CBO's analysis on March 23, 2017, the change in the per capita cap inflation rate, the imposition of work requirements, and the block grant option would have varying impacts on CBO's estimate of the 14 million increase in the uninsured rate the bill would cause to those in Medicaid. It reads, "Compared with the previous version of the legislation, H.R. 1628, with the proposed amendments…, the decline in Medicaid coverage after 2020 would be smaller than the previous estimate, mainly because of states' responses to the faster growth in the per capita allotments for aged, blind, and disabled enrollees – but other changes in Medicaid would offset some of those effects."

CBO acknowledged that the block grant option would reduce federal support for children and adults well beyond the per capita cap, but it is also important to know how much would be cut by the decline in state spending or how that might impact the uninsured rate for children.

Thus, <u>we urge you to request that CBO provide you data as to the estimated individual impact that the Medicaid per capita cap and block grant options would have on the program and to also give the Congress estimates on the level of cuts (both federal and state) and impact on the uninsured rates that the AHCA would have on children, adults, senior citizens, and the disabled, respectively</u>.

It is also important to understand the impact that the failure of the block grant option to adjust for population growth would have on children and traditional adults. What happens to coverage for children in states with growing numbers of children that are often the same states with lower spending levels per capita for children? What would happen during a recession, as the child poverty rate typically increases faster during recessions than for the overall population? In short, with no population adjustment under the block grant, <u>does CBO estimate that babies could be put at greater risk than other populations in receiving coverage and services</u>?

And finally, with children potentially being included in the block grant but also the per capita cap for those with disabilities, <u>does CBO believe children could move back-and-forth between the two different financing systems from year-to-year or within a year? For example, would some children in the foster care system be covered under the block grant in a state while others would be under the per capita cap</u>?

<u>If so, would a state operate two different systems of care for children in the per capita cap and the block grant? And, would states have a financial incentive to "game" the two systems in order to maximize their relative federal share of funding</u>?

Changes in Family and Dependent Care Under the Tax Credits

According to CBO's analysis of the bill on March 13, 2017, there are questions as to how changes in the tax credit structure under the AHCA would impact the affordability of health coverage to children in the nongroup market. CBO believes "the average subsidy under the legislation [to] be about 50 percent of the average subsidy under current law" by 2026 and that actuarial values of plans in the nongroup market will be lower. As a result, CBO and the Joint Committee on Taxation (JCT) "expect that individuals' cost-sharing payments, including deductibles, in the nongroup market would tend to be higher than those anticipated under current law."

The bill also denies tax credits to those who have the offer of employer coverage, even if that coverage were to be "unaffordable" for families. According to a recent Kaiser Family Foundation and Health Research and Education Trust (HRET) report of firms that offer employer coverage, "45 percent of small firms and 18 percent of large firms provide the same dollar contribution for single and family coverage, which means that employees must pay the full additional premium cost to enroll family members in their plan. . . ."

According to Kaiser/HRET, the average annual employee share of health care premiums was $1,129 for single coverage and $5,277 for family coverage in 2016, or 367 percent more for family plans. In 15 percent of family plans, the employee has to pay more than half the total premium compared to just 2 percent of those in single coverage plans.

With that in mind, under the AHCA, families would be unable to access the credit even if an employer offers but does not subsidize family coverage at all or if such coverage is unaffordable.

Without explanation, the House bill also caps the cumulative credits that a family could receive at $14,000 in 2020. This could have enormous consequences for large families or families in high cost areas of the country.

Unfortunately, the CBO score for the bill provides little insight as to the possible impact of those provisions on children. The entire CBO analysis of the credits is focused exclusively on individual coverage and the examples that CBO provides in Table 4 only show the impact on individuals that are 21, 40 and 64 years of age. Once again, CBO seems to go out of their way to avoid providing information on the impact the AHCA would have on children – nearly one-quarter of our nation's population.

Therefore, <u>we urge you to ask CBO to provide you with the same analysis for family coverage than it did for individual coverage under their score and ask that the analysis include a specific focus on the impact this would have on dependent coverage and children</u>.

Changes the Bill Creates for Children Under Employer or Private Coverage

According to CBO's analysis, it is estimated that employer coverage would decline under the bill. According to the score, CBO and JCT estimate that, by 2026, "roughly 7 million" fewer people would be enrolled in employer-based coverage under the AHCA. Unfortunately, the CBO and JCT estimate does not address the impact that the bill would have on children that are currently enrolled in employer coverage.

However, if employers were to drop coverage, it would be likely that the first to be cut would be dependents. Again, <u>we urge you to seek clarification from CBO as to what they estimate the impact of these provisions would be for dependent coverage and children, specifically</u>.

Summary

As the House continues to talk about and consider modifications to the AHCA, it is critically important that Members of Congress are fully informed as to the impact this legislation would have on all populations, including children. Unfortunately, the CBO failed to provide to the Congress an estimate of the impact that the bill would have on the uninsured rate for children, the potential disproportionate impact the Medicaid changes would have on children, the impact that the AHCA's revised tax credits would have on family coverage and children, and the potential disproportionate impact that the loss of employer or private coverage could have on children.

To make the overall estimates, CBO had to make certain assumptions as to the likely impact the AHCA would have on children in each and every one of those areas. Therefore, this request should not require new analysis, but to simply provide the details to the assumptions that CBO already made in making its two official scores of the AHCA.

Thank you for your consideration.

Sincerely,

Bruce Lesley

Bruce Lesley
President