



CHILDREN NOW



March 16, 2017

Dear [Representative],

The California Children's Health Coalition strongly urges you to oppose the American Health Care Act (AHCA). The bill would harm California children by dismantling children's primary source of health insurance coverage, Medicaid, and by making private insurance less accessible and less affordable, with fewer benefits for children and families. One objective that we hope we all share – doing no harm to children – is not met with this bill, and we urge you to vote against it.

California's successful implementation of the Affordable Care Act (ACA), including its Medicaid expansion to low-income adults, has overall increased health coverage to an additional 5 million people, reducing the state uninsured rate from 17.2 percent in 2013 to 7.4 percent in 2015.

In contrast, the AHCA would reduce the number of insured Californians by cutting the amount of premium support through smaller tax credits, making insurance more expensive for families. Most notably, the AHCA would cut *\$880 billion from Medicaid* in the first ten years alone, while also dismantling Medicaid's 50-year guarantee of affordable, comprehensive health coverage to *almost 60 percent of all children in California*, including children living in or near poverty; children with disabilities or other special health care needs, and children in foster care (see attached table showing Medicaid-enrolled children in your district). Because children constitute the largest group of Medicaid enrollees, any changes to Medicaid disproportionately affect them.

Health coverage for children is a smart investment. By identifying and treating conditions before they become more complicated and expensive, health coverage helps to ensure a successful future for children. Insured children are more likely than uninsured children to be academically successful, graduate from high school, and attend college. Children newly enrolled in coverage experience a nearly 63% improvement in performance in school. In the long run, children with Medicaid health coverage grow up to be healthier as adults, earn higher wages, and pay more in taxes.

Far from investing in our nation's future, the AHCA would lead to greater inequality, redistributing resources from providing health coverage to low-income children and families that enables them to go to school or work, in order to provide a massive tax cut to the richest individuals and corporations in America.

***In addition to repealing the ACA, the AHCA would cap and cut Medicaid, jeopardizing coverage for children, families, and the entire Medicaid population.***

Medicaid – known as Medi-Cal in California – is the primary source of coverage for almost 60 percent of our state's children and for one-third of all Californians. The AHCA would terminate the unparalleled 50-year old Medicaid federal-state financial partnership by imposing per-beneficiary caps on federal Medicaid funding and

intentionally setting a growth rate significantly below expected spending growth to reduce federal Medicaid spending. The Congressional Budget Office estimates that by 2024 a total of 14 million people nationwide would lose Medicaid as a result of the AHCA.

The Medicaid per capita cap amounts to an unprecedented and unsustainable cost shift to all states, including California. But the effects don't stop there: costs would also be shifted to local governments, providers, and low-income children and families. An uninsured child costs the local community \$2,100 more per year than a child insured by Medicaid.

Despite statements to the contrary, this bill would provide no new flexibilities for running Medicaid programs. More importantly, no flexibilities exist that will allow states to absorb \$880 billion in cuts and still continue Medicaid coverage under the proposed Medicaid caps and expansion reduction. California does not have the ability to generate that level of new revenue nor can it shift that level of funding from other state budget items such as education or child welfare.

The AHCA would disproportionately disadvantage California by locking in 2016 payment rates relative to other states in perpetuity. Our State would start with a base per capita Medicaid spending amount far below the national average, particularly for the aged at \$13,000 per aged enrollee (compared to the national average of \$20,000 per aged enrollee). Overall, Medi-Cal has already reduced per-person costs through requiring managed care participation and imposing some of the lowest provider rates in the nation. Under the bill's Medicaid caps, California would have little or no ability to improve provider reimbursement rates or make any other improvements, leaving little cushion for growth year to year for new treatment technologies or disease outbreaks nor will Medi-Cal be able to sustain the increased costs associated with an increasing aging population. The only tool remaining is dramatically cutting benefits and coverage itself.

Children with special health care needs are most vulnerable to capped financing. With such serious conditions as spina bifida, cancer, congenital heart conditions, diabetes, and cerebral palsy, children with special health care needs are most in need of a complex combination of primary care, surgeries, specialty care, durable medical equipment, and medications – care and treatment that can be very expensive. In noting that Medi-Cal is the safety net program for children with severe conditions and health care needs, California Medicaid Director Jennifer Kent often cites how a single infant cost Medi-Cal over \$21 million last year. Under the AHCA's per capita cap, California would be penalized for overspending in any given year with an additional cut of federal dollars the following year. Clearly, this creates an enormous incentive to ration care and pits vulnerable populations against each other in a fight for ever-scarcer resources.

### ***The AHCA would functionally eliminate the ACA Medicaid expansion.***

On top of huge cuts to Medicaid spending, the AHCA would renege on the federal government's agreement with the states to provide enhanced match to cover poor adults who are the least likely to be able to afford private coverage, effectively eliminating coverage for almost 4 million Californians (see attached table for data by district). It would cost California \$8 billion per year to maintain the expansion without the current federal match – a cost the state can ill-afford, almost certainly leading to a widespread loss of coverage across the state.

Effectively eliminating the Medicaid expansion would not only reduce coverage for adults but would also put at risk the coverage of their children. Across the nation, up to 1.4 million Medicaid-eligible children gained coverage when their parents became eligible under the Medicaid expansion.

**In contrast to the President's promises of better coverage for less money, the AHCA would increase families' health coverage costs, putting health insurance out of reach for many.**

Covered California, California's Marketplace, successfully provides insurance to over 1.3 million Californians, including 73,000 children and 90 percent of those covered received tax credit subsidies in order to pay their premiums.

In contrast, the AHCA would provide far less support for families' premiums, except for the wealthiest families, thus pricing many families out of health coverage completely. Furthermore, the AHCA would eliminate the ACA subsidies that help 680,000 Californians pay their health insurance deductibles and copayments, or cost sharing. The proposed elimination of these cost sharing subsidies would mean families are less likely to afford care, due to high deductibles, even if they do purchase coverage.

As Congress moves with such haste to cut funding from our health care system, a key objective should be to at least do no harm to children. If a bill on the whole leaves children worse off, it should be rejected. By any measure, the AHCA does not meet this test, and thus, we urge you to vote against this legislation.

Sincerely,



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President  
Children Now



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Executive Director  
California Coverage & Health Initiatives



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