

The AHCA and Montana: Impact of Proposed Per Capita Caps and Medicaid Financing

In May, the U.S. House of Representatives passed the American Health Care Act (AHCA), which includes two changes to Medicaid that would have far-reaching consequences for the Montana Medicaid program, its participants, health care providers, and the state budget. Specifically, it would cap federal financial support for state Medicaid programs and effectively eliminate Medicaid expansion by removing the enhanced federal funding promised in the Affordable Care Act. Although leadership in the U.S. Senate has vowed to draft its own version of the AHCA, per capita caps and the eventual elimination of enhanced federal funding for Medicaid expansion are being seriously considered by that chamber as well.

In light of the potential health consequences of the proposed provisions, the Montana Healthcare Foundation (MHCF) commissioned Manatt Health to [model](#) the combined impact of the proposed Medicaid changes in Montana. Key findings include:

- Montana is expected to lose over \$4.8 billion in federal funding between 2020 and 2026 due to the AHCA's per capita cap and expansion provisions, more than a third of its current federal funding for Medicaid. By 2026, Montana would be operating with just 57 percent of the federal Medicaid dollars it would have had in the absence of the AHCA.
- The U.S. House-passed AHCA would change the fundamental structure of Medicaid financing by imposing per capita caps on state Medicaid expenditures that are not expected to keep up with the ongoing costs of providing health care to currently covered children, seniors, people with disabilities, pregnant women, and adults. Unless Montana cuts spending to stay within its overall cap each year, it will face a "clawback" of funds by the federal government. Even without other changes in eligibility that the state may be forced to make with more limited federal funding, over 70,000 Montanans would lose coverage because of the elimination of Medicaid expansion funding.

Background: Medicaid in Montana Today

- Montana Medicaid provides health coverage more than 200,000 Montanans, including almost 100,000 children and over 30,000 people with disabilities, seniors, and pregnant women. The program also serves 79,000 low-income adults who gained coverage with the passage of Medicaid expansion in 2015.
- Montana's uninsured rate fell below the national average to 7.4 percent in 2016, from 20 percent in 2012.
- Federal funding for Medicaid historically has been a federal and state partnership, in which the federal share is guaranteed to keep up with state costs that may fluctuate with economic downturns, public health epidemics, increased pharmacy costs, and new treatments.
- The federal funding for Montana's Medicaid program represents over one-third of all federal funding flowing through the state budget, and allows the state to invest in other critical public priorities, including K-12 and higher education.