

## Graham-Cassidy Formula Description

### Base Period, this is taken from the BCRA legislation:

Each state picks 4 consecutive quarters from the beginning of fiscal year 2014 through the end of fiscal year 2017. The federal spending spent on residents in each state during those consecutive quarters for all Group VIII Medicaid expansion enrollees, tax credits, cost-sharing reduction subsidies, and Basic Health Program will be summed to provide a base period for 2017. The Medicaid expansion portion of this base period amount is grown by MACPAC inflators, with the remaining portion growing at CPI-M, from 2018-2020 to give the state's 2020 baseline. The total amount allotted in 2020 for the start of the block grant is approximately \$136 billion, which is the total expenditures described above.

### Overview of Block Grant:

The total amount of money available for 2020 through 2026 is \$1.2 trillion. The goal is that by 2026, states receive the same base rate for each eligible American. Expansion and non-expansion states start at different points. They are gradually equalized from 2020 to 2026. Some states receive less money than they would under the ACA. But, the block grant does not require a state match effectively giving states resources to make up shortfalls. More detail is given below but in brief, in years 2021 to 2023, states are given money based upon how many eligible residents between 50-138% FPL live in the state relative to the total number nationwide. From 2024 to 2026, this changes to a blended formula which in part reflects population and in part the percent of those eligible enrolled in health insurance.

### Years 2021-2023:

Starting in 2021, the total number of eligible beneficiaries between 50 and 138% of Federal Poverty Level (FPL) is calculated for the United States. Then, the percent of those in this FPL range that live in each state is calculated. This is defined as the "State's percent of beneficiaries". The total amount of federal money for a given year (for example \$136B in 2020) is then multiplied by the state's percent of beneficiaries to determine the state's block grant amount for the year. This amount is recalculated annually to account for changes in population.

State's 2021 Amount = (US 2021 amount) \* (State's percent of beneficiaries)

State's 2022 Amount = (US 2022 amount) \* (State's percent of beneficiaries)

State's 2023 Amount = (US 2023 amount) \* (State's percent of beneficiaries)

The total amount of money available increases each year, by adding 1/6 the difference between the total amount available in 2026 minus the total amount available in 2020.

US 2020 = \$136 billion*	US 2023= \$168 billion
US 2021 = \$146 billion	US 2024= \$179 billion
US 2022 = \$157 billion	US 2025= \$189 billion
US 2026 = \$200 billion*	

\*There is a reserve fund of \$10 billion dollars for 2020. If states wish to get an advancement of up to 5% of their 2026 allotment in 2020, they are able to access these funds through the reserve fund. Any funds accessed would be subtracted from the states allotment in 2026. Any leftover funds would go to states that did not draw money from this fund in 2026.

By 2026, each state will receive the same base amount for every eligible American. States which receive more or less than this base amount per beneficiary, move towards the same base amount over 6 years by the following formula :

$$\{(Previous\ year's\ total\ US\ amount) + [(US\ 2026\ amount) - (US\ 2020\ baseline)]/6\}.$$

#### Years 2024-2026

Starting in 2024, a state's base amount changes from being based solely on percent of eligible individuals and becomes partially based on percent of eligible individuals enrolled in credible coverage in the previous year. This is defined as "State's enrolled population" (SEP) and is compared to the total number of eligible individuals enrolled in credible coverage. CHIP actuarial value is used as the comparator.

$$State's\ 2024\ Amt = [(US\ 2024\ amt) * (2023\ SEP) * 25\%] + [(US\ 2024\ amt) * SPB * 75\%]$$

$$State's\ 2025\ Amt = [(US\ 2025\ amt) * (2024\ SEP) * 50\%] + [(US\ 2025\ amt) * SPB * 50\%]$$

$$State's\ 2026\ Amt = [(US\ 2026\ amt) * (2025\ SEP) * 75\%] + [(US\ 2026\ amt) * SPB * 25\%]$$

Credible coverage is defined as having an actuarial value that fulfills the CHIP actuarial value. If a state chooses to provide coverage with policies of actuarial value less than the CHIP standard, the amount of money the state receives is adjusted for this. This is done by multiplying the amount of money that the state would receive by the ratio of the average AV of what is provided divided by the AV of the CHIP standard.

To accomplish this mathematically, the above formula is modified as follows:

$$State's\ Adjusted\ 2024\ Amount = \{(Average\ AV\ value\ of\ coverage\ of\ enrolled\ population)/(State's\ CHIP\ policy\ AV) * (State's\ Unadjusted\ 2024\ amount)\}$$

#### Risk Adjustment

Starting in 2021, a risk adjustment formula begins to phase in to account for certain population characteristics. The Secretary would develop a specific population case mix index for eligible individuals reflected of clinical risk categories that reflect severity of illness and state specific population adjustment factors, such as demographics, wage rates, income levels, and other factors determined by the Secretary. This risk adjustment overlay will be applied in a budget neutral manner and ensure that every state remains within ten percent of the mean per beneficiary amount in 2026. This risk adjustment formula will be phased in in the following manner:

2020 – 0%

2021 – 25%

2022 – 50%

2023 – 75%

2024 – 100%

2025 – 100%

2026 – 100%