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June 26, 2017

The Honorable Elizabeth Warren  
United States Senator  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

As you know, Massachusetts has a longstanding, bipartisan commitment to universal health care coverage, preceding the federal Affordable Care Act by four years. Implementing the ACA in Massachusetts presented many challenges, some of which were self-inflicted problems, but some of which were due to the statutory framework of the federal law. Because of that, we have stated many times that we are anxious to work with this delegation, and with others, on amending and improving the law.

On numerous occasions, we have urged Congress to take a deliberative approach in addressing escalating health care costs, such as pharmacy, providing stability to the private health insurance market, and continuing the strong federal-state partnership we have always enjoyed with Medicaid. But these reforms must be built on two fundamental tenants – first, preservation of the historic risk-sharing arrangement that has existed between the states and the federal government for more than 50 years and second, maintaining access to existing health care coverage at the state level. The American Health Care Act (AHCA) passed by the House and the Better Care Reconciliation Act (BCRA) now before the Senate pose a significant challenge to Massachusetts, from both fiscal and health care coverage perspectives.

With the Senate set to take up the BCRA shortly, I wanted to share with you my administration's initial analysis of the potential effects this bill will have on our state.

First, starting in 2020, the Commonwealth would lose significant safety net funding of \$600 million agreed to under the terms of our recently negotiated 5-year 1115 Medicaid waiver.

Second, starting in 2020, the Senate bill would eliminate (by 2023) the value of enhanced federal matching funds that are currently available to provide coverage to the so-called Medicaid “expansion” population in Massachusetts.

Third, the Senate bill would create a per capita cap payment for matching federal funds tied to state Medicaid programs, and would tie increases in the federal match going forward to the Consumer Price Index (CPI-U). This is a massive transfer of risk and funding to state budgets. Health care has its own CPI, because health care costs have exceeded the CPI for decades. Even the Medicare program, which can set its own prices and has some of the lowest per capita cost increases in health care, exceeds CPI.

Fourth, this bill penalizes states that have health care costs that are higher than the national average. Certain states, including Massachusetts, are higher wage / higher health care cost states. As a result, Massachusetts receives a lower federal fund match on its Medicaid program than many other states. Other states with lower wage rates (and lower health care costs) receive a much higher federal fund match on their Medicaid programs. This is as it should be, and we support continuing this historic arrangement.

However, with no justification, the Senate proposal shifts billions of dollars of federal matching funds from higher wage states to lower wage states, dramatically expanding the current spread between them, and creating an enormous budget shortfall for higher wage states like Massachusetts, and an enormous windfall for lower wage states.

As a result of these changes, we estimate that the BCRA will result in the loss of existing coverage for 264,000 residents and a cumulative fiscal impact of more than \$8.2 billion by 2025. In 2020, the Commonwealth would lose \$907 million, increasing to \$1.7 billion in 2024. The individuals who will lose health insurance coverage are among our lowest income residents.

Finally, there are a series of proposed changes to the insurance market exchanges that will make it increasingly difficult for low income residents to purchase affordable health care plans and will further destabilize the insurance market. These changes include: eliminating insurance stabilizing cost sharing reduction payments (CSRs); limiting the number of low income citizens eligible for tax credits; reducing the value of the coverage purchased by individuals; disadvantaging older adults with higher out-of-pocket insurance contributions; and, undermining state small business protections. Starting in 2020, these changes will cost the Commonwealth \$200 million annually and the loss of affordable health coverage for thousands of residents.

Although the Senate version will have less immediate impact on Massachusetts in the early years of its implementation (pre-2024) than the House version, the negative impact of the Senate bill substantially increases every year starting in 2020.

Similar to the AHCA, the BCRA includes provisions that would prevent Medicaid recipients and individuals who receive subsidized health care coverage from receiving important health services such as cancer screenings at Planned Parenthood. My administration opposes these prohibitions.

Overall, our analysis indicates that the BCRA would increasingly strain the state’s fiscal resources, result in greater numbers of individuals without insurance and destabilize the commercial insurance market. Once the Congressional Budget Office (CBO) officially scores the BCRA, we will provide you with an updated analysis. I hope this information is helpful to you as the Senate takes up the BCRA. My

administration and I will continue to stay in touch with you as we work together to ensure access to quality, affordable health coverage for all Massachusetts residents.

Sincerely,

A handwritten signature in blue ink that reads "Charles Baker". The signature is written in a cursive style with a long, sweeping tail on the letter "k".

Charles D. Baker  
Governor