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CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

March 21, 2017

Dear Delegation Member,

Health care is once again at the forefront of national and state policy discussions; I know we all share the goal of ensuring access to quality, affordable health care coverage for the people of Massachusetts. With Congress set to take up the American Health Care Act (AHCA) imminently, I wanted to share with you my administration's analysis of the potential effects this bill would have on our state.

The Congressional Budget Office (CBO) released its score of the AHCA on March 13. This analysis is broadly consistent with concerns we have raised, with you and others, regarding the bill's impact on the state and its residents' access to affordable healthcare. Applying CBO's assumptions to Massachusetts results in at least \$1 billion of reduced federal revenue beginning in 2020, and we estimate reduced revenue of \$1.3 billion in 2021, and \$1.5 billion in 2022, with likely a greater annual impact in the years that follow.

Specifically, our estimate extrapolated from the CBO analysis of a \$1.5 billion impact for FY 2022 includes \$1.3 billion of annual MassHealth federal revenue losses and \$200 million in annual reduced federal subsidies for private insurance through the Connector.

Several key areas of concern for Massachusetts were not included in the CBO analysis and could further impact the Commonwealth's budget. For example, the CBO estimate does not address 1115 waiver payments that we believe this bill would put at risk. By FY22, the Commonwealth estimates an additional \$425-475 million per year of reduced federal revenue in potential elimination of 1115 payments not captured under the per capita targets, including federal matching funds for a state-run ConnectorCare Wrap subsidy.

The actual experience for these and other factors is significantly dependent on how the U.S. Department of Health and Human Services implements the legislation and unpredictable factors in the future (e.g., pharmaceutical growth).

In addition to reduced federal revenue for Medicaid, the CBO also projects a reduction in employer-sponsored health insurance of 7 million people nationwide as a result of the repeal of the federal Employer Mandate. This would exacerbate a trend that Massachusetts has seen over the last several years. Massachusetts repealed the Chapter 58 Fair Share Contribution in 2013 in order to comport with the ACA. My administration has proposed reinstating an employers' shared responsibility for the costs of health care. This would be increasingly important if the federal Employer Mandate were repealed, as the AHCA proposes.

The Commonwealth does have certain protections in place that could mitigate the impact of some of these changes. Massachusetts retains its individual health insurance mandate, reducing the likelihood that many people would drop out of the insurance market due to the repeal of the federal mandate. Massachusetts also has protective insurance coverage laws that would not be superseded by the federal legislation.

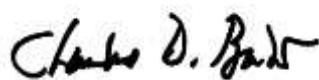
The AHCA includes a provision that would prevent Medicaid from reimbursing Planned Parenthood for providing important health services such as cancer screenings. My administration opposes this provision, and has already committed to funding these services with state dollars if it should pass.

During conversations with governors across the country, the Trump Administration has expressed a general openness to providing greater state flexibility with respect to health care, including through a letter issued by HHS Secretary Price on March 14 to states. Our administration will pursue additional flexibilities to stabilize our markets and ensure continued coverage for residents and we urge you to support these efforts by leading discussions in Congress to ensure the people of Massachusetts continue to have access to a quality health care system.

Overall, our analysis indicates that the AHCA would increasingly strain the fiscal resources necessary to support the Commonwealth's continued commitment to universal health care coverage. I hope this information is helpful to you as Congress takes up the American Health Care Act.

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 black ink that reads "Charles D. Baker". The signature is written in a cursive, slightly slanted style.

Charles D. Baker

Governor