

Medicaid Outlook and Key Issues in the States

*Michigan Association of Health Plans
2017 Summer Conference
Grand Traverse Resort
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Vernon K. Smith, PhD

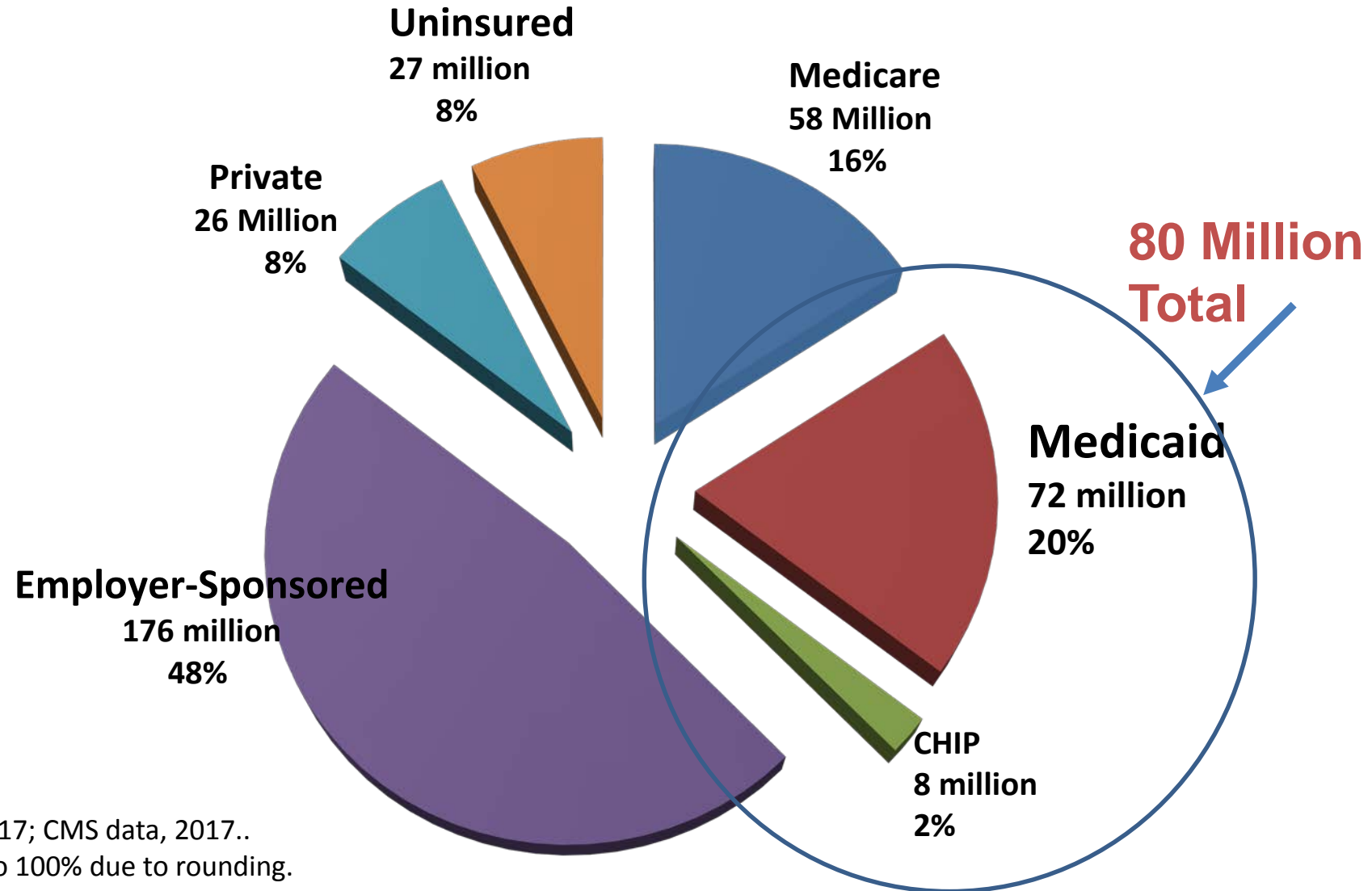
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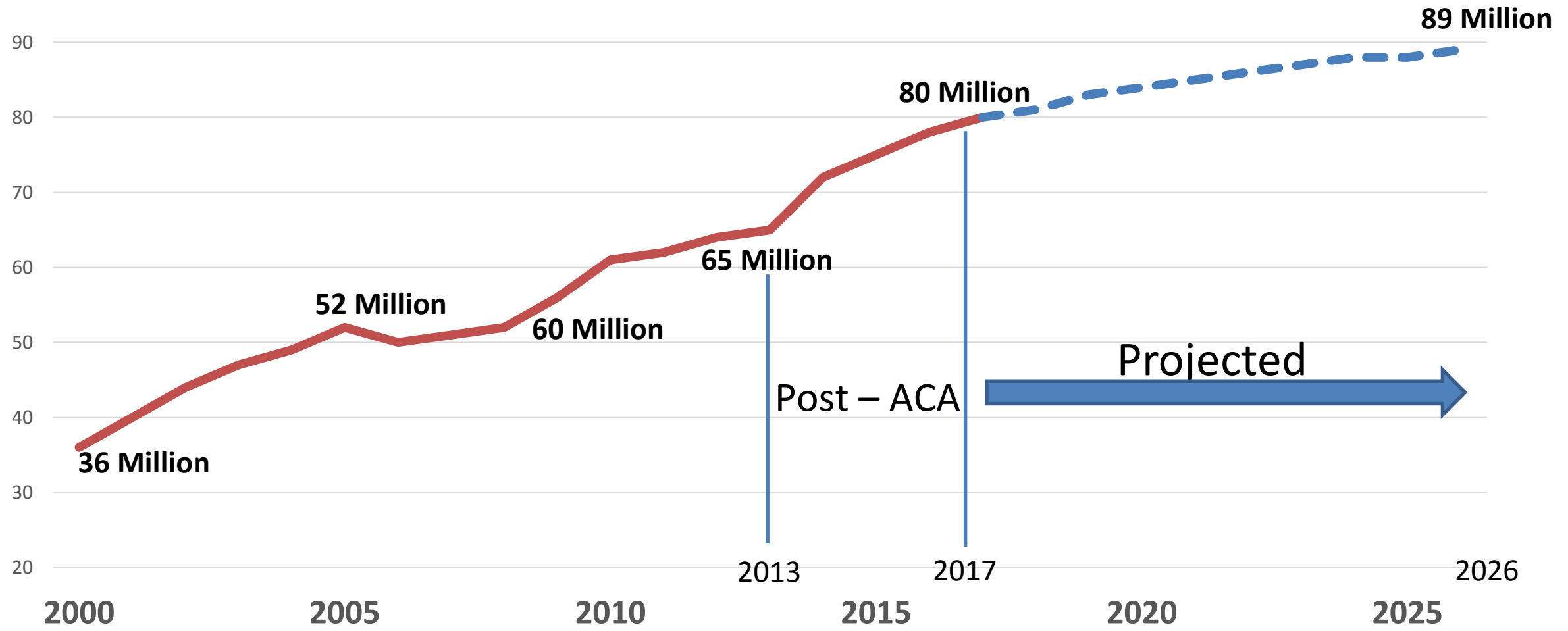
Medicaid: The Largest Single Health Program in U.S. Insurance Status of Americans in 2017



Source: HMA estimates 2017; CMS data, 2017..

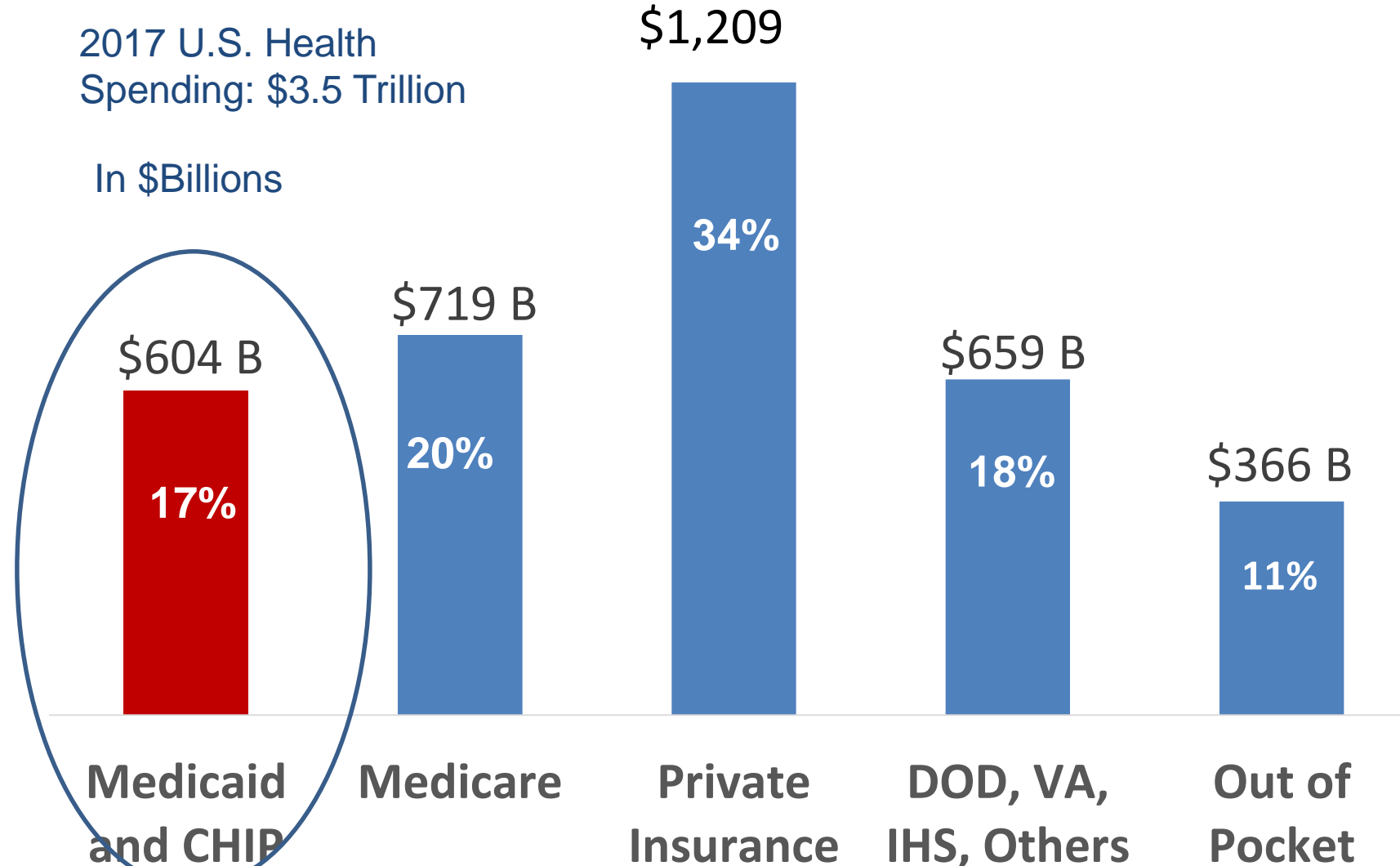
Note: Total does not add to 100% due to rounding.

Medicaid and CHIP Enrollment 2000 to 2026 (Projected, under Current Law)



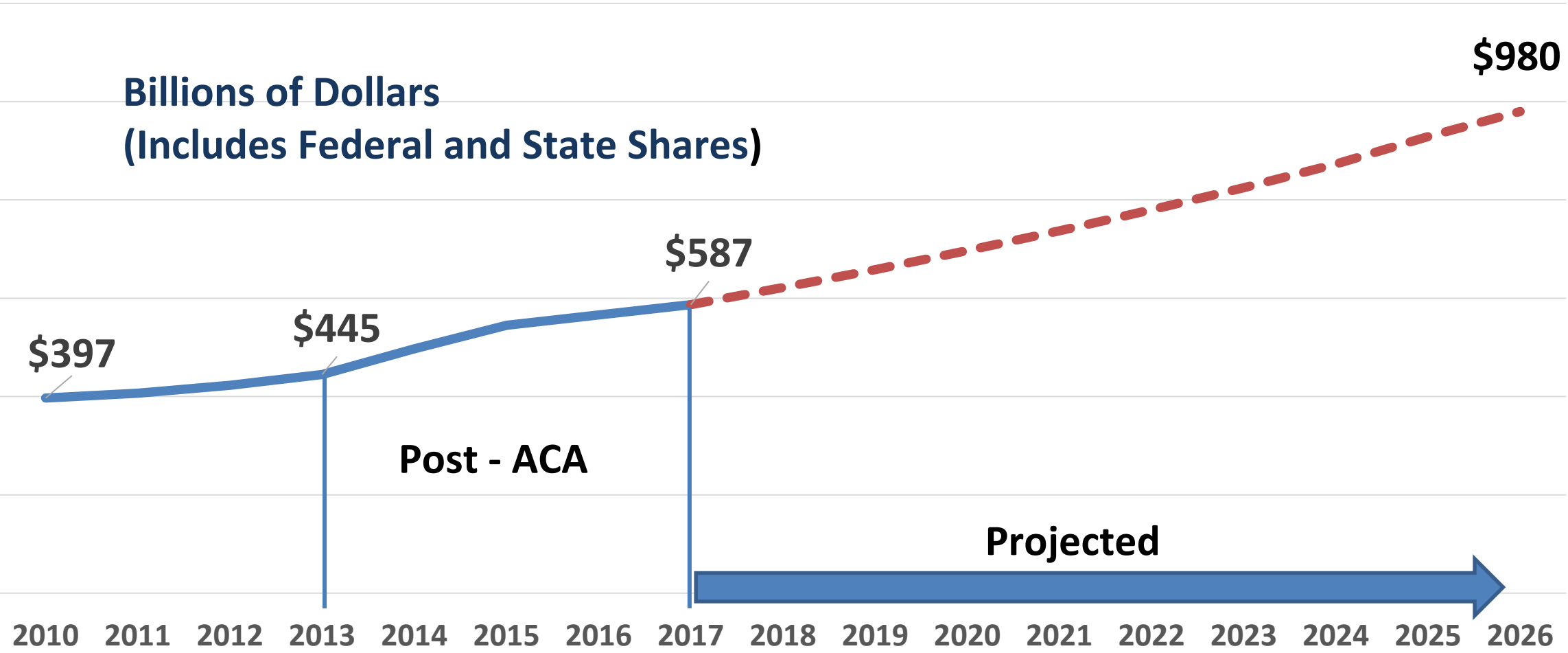
Medicaid: Accounts for Over 1/6 of U.S. Health Care Dollars

Spending by Payer in 2017



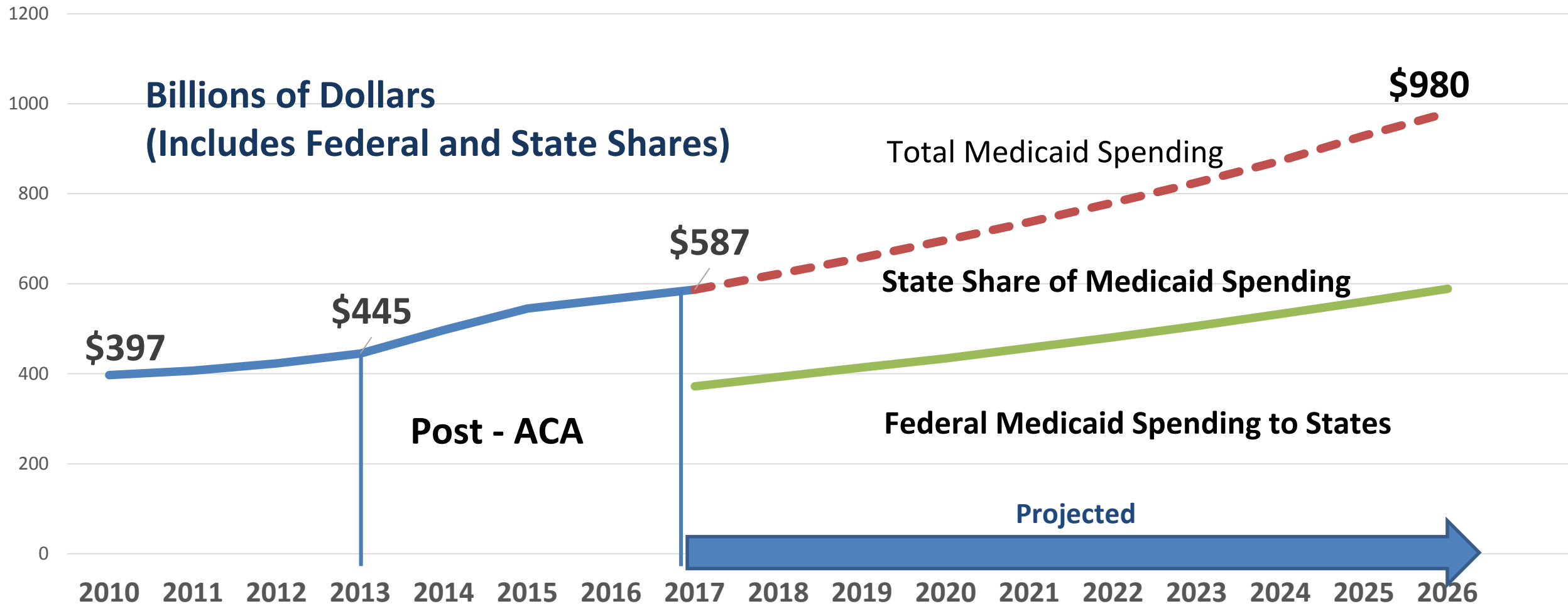
Note: \$587 Billion for Medicaid and \$18 Billion for CHIP. Source: HMA estimates, 2017.

Medicaid: Total Spending under Current Law 2000 to 2026 (Projected)



Source: HMA calculations, based on CMS and CBO data and projections, 2017.

Medicaid: Total, Federal and State Spending under Current Law, 2000 to 2026 (Projected)



Source: HMA calculations, based on CMS NHE projections and CBO Medicaid 2016 and 2017 Baseline projections, 2017.

WHY WOULD THE FEDERAL GOVERNMENT PROPOSE BLOCK GRANTS OR PER CAPITA CAPS?

“The primary driver of our national debt is our healthcare programs. There's no one magic bullet — like pass this and it's fixed — but, save the healthcare system and you're saving the country from its debt crisis.”



CONGRESSMAN PAUL RYAN
(As quoted in Modern Healthcare)

The Senate Bill (BCRA of 2017)

- Repeals the ACA Medicaid expansion (affects 31 States and DC)
 - Ends preferential federal matching rates for newly eligible adults
 - Under ACA: 95% in 2017; 94% in 2018; 93% in 2019; 90% 2020 and ever-after
 - Under BCRA: 85% in 2021; 80% in 2022; 75% in 2023; regular match 2024 +
 - For the 19 non-expansion states: Creates a new \$2 billion fund to increase payments to Medicaid providers, 2018 thru 2022.
 - Allocated based on share of all residents with incomes < 138% of FPL
 - 2018 to 2021 @ 100% ; then 2022 @ 95%
 - Non-expansion states exempt from ACA DSH cuts that begin in 2018
 - FY 2020 to 2023, increases DSH allotments for low-DSH non-expansion states
- More: Allows end to retro eligibility; provider tax limit drops 6% to 5%.


The Senate Bill (BCRA of 2017)

Fundamentally restructures federal Medicaid support to States:

- Block Grant Option, beginning 2020.
 - For low-income parents and pregnant women only.
 - Trended forward at CPI each year. Unspent \$ roll over to future years.
 - Flexibility, but MOE requirements include state \$, 95% AV, MH Parity.
- Per Capita Cap (PCC), limits federal Medicaid support to states by setting an Aggregate Cap on federal funds.
 - Equals the sum of 5 separate per capita caps, one for each of 5 eligibility groups, with annual adjustments that vary by group & year
 - Federal dollars claimed above cap in one year is deducted from next year;
 - Unclaimed federal funds are not carried forward to future years.

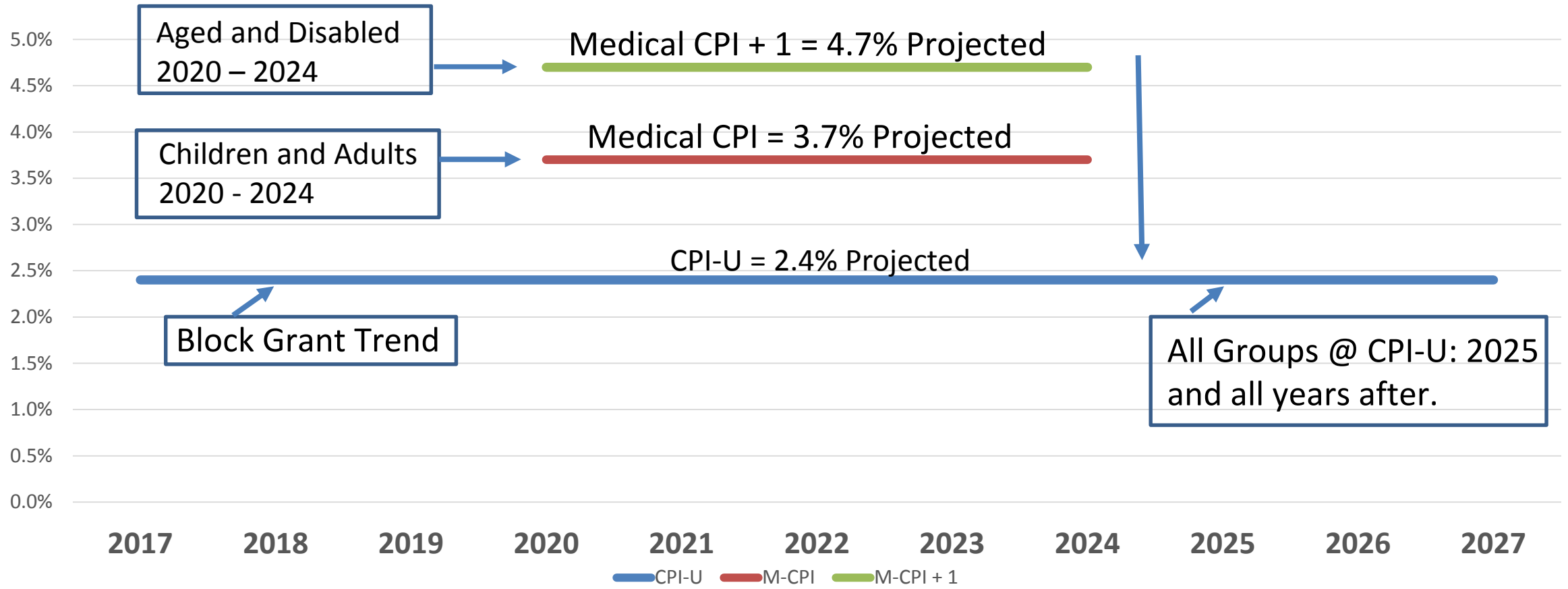
The Senate Bill (BCRA of 2017)

- State's Aggregate PCC is sum of 5 per capita caps:

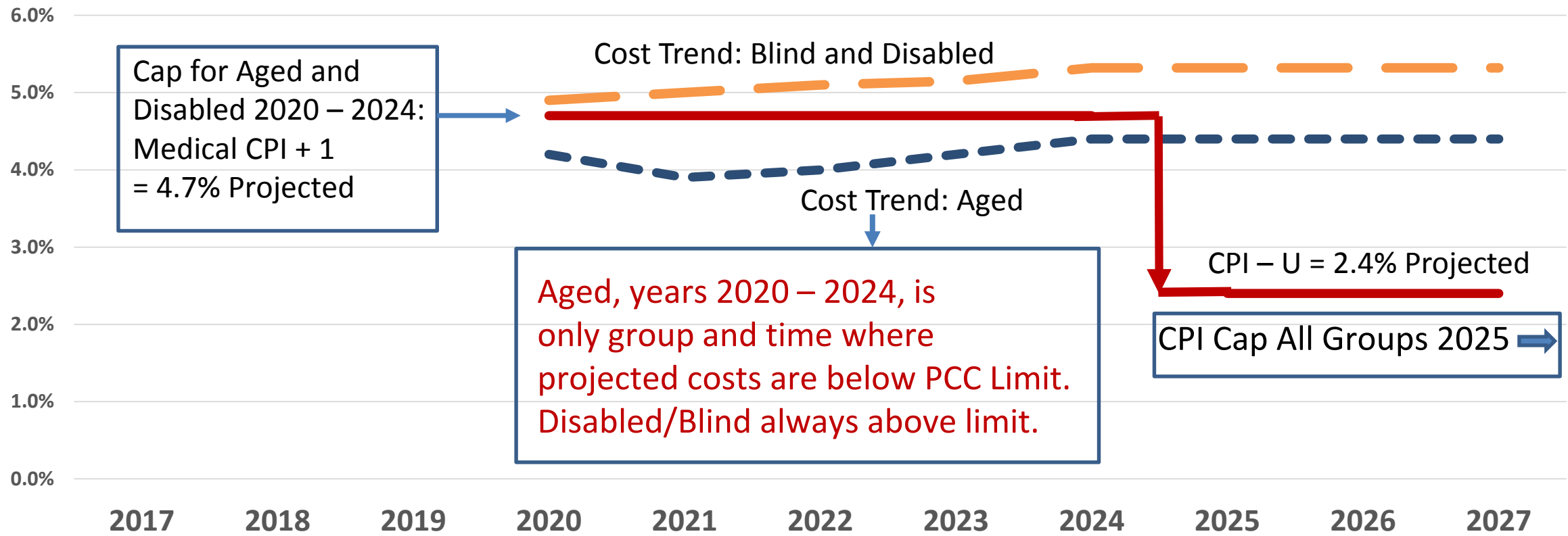
Base Year Per Capita Spending	2020 to 2024: Trend Rate	2025 and after Trend Rate	Times Enrollment	=
Aged	M-CPI + 1	CPI-U	X Enrolled	= A
Blind/Disabled Adults	M-CPI + 1	CPI-U	X Enrolled	= B
Children	M-CPI	CPI-U	X Enrolled	= C
Expansion Adults	M-CPI	CPI-U	X Enrolled	= E
Other Adults	M-CPI	CPI-U	X Enrolled	= O
Total PCC				Sum of Groups = Aggregate Dollar Spending Cap

- PCC Base year to be selected by state by averaging 8 consecutive of the 15 quarterly periods 10/2013 to 6/2017, trended to 2020 by M-CPI.

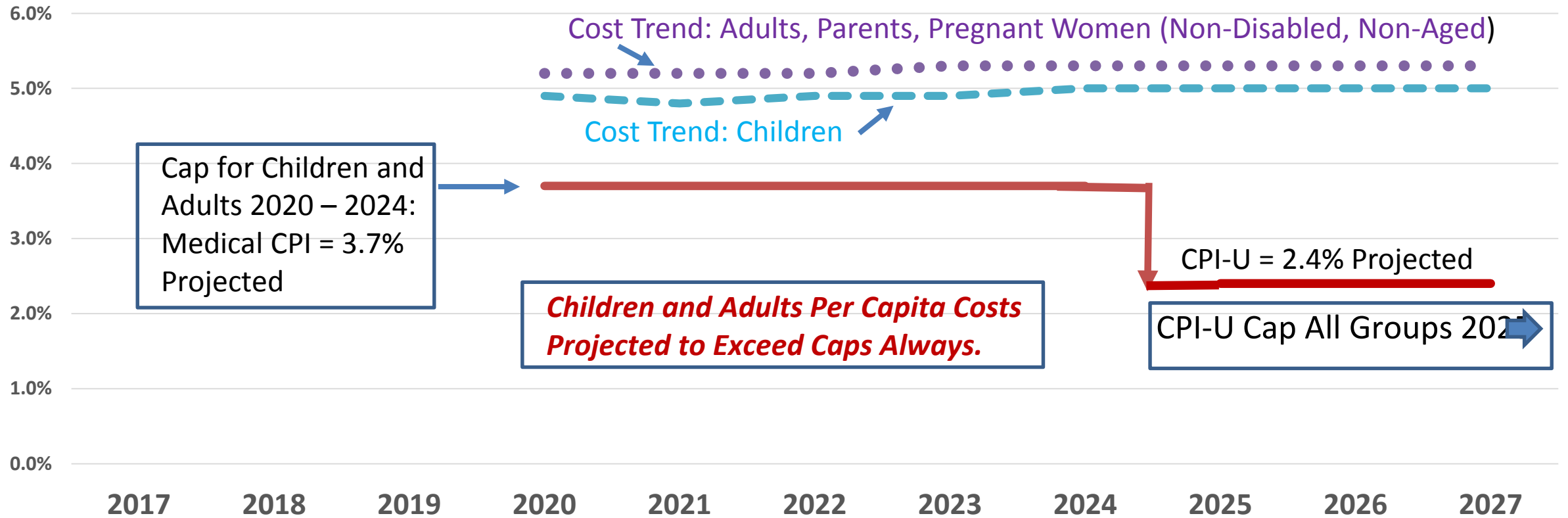
BCRA Per Enrollee Spending Limits, by Year and Group



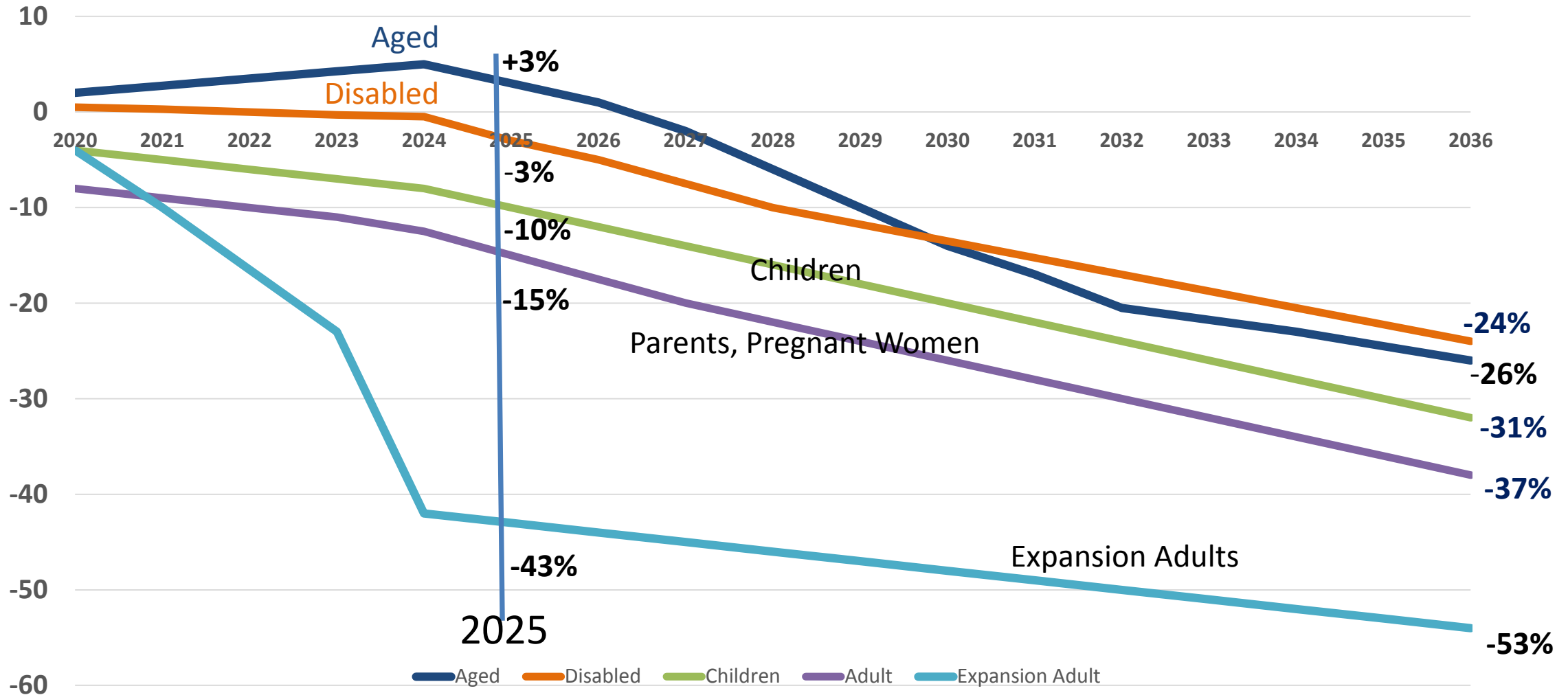
Aged and Disabled: BCRA Per Enrollee Spending Limits and Projected Actual Cost Trends



Children and Adults: BCRA Per Enrollee Spending Limits and Projected Per Capita Actual Cost Trends

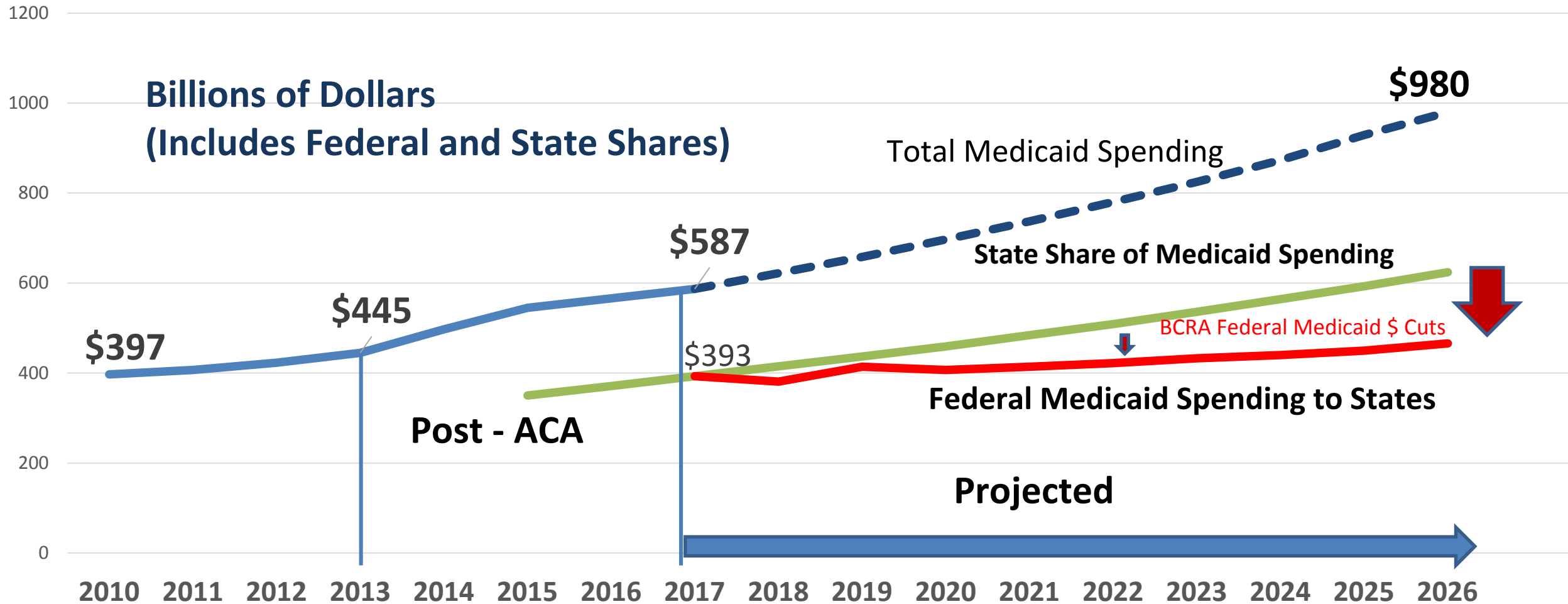


Percent Reduction in Federal Spending Under BCRA, by Eligibility Group, 2020 to 2036



Source: HMA, based on: Person and Carpenter, "Senate Health Bill to Reduce Federal Medicaid Funding to States," Avalere, June 28, 2017.

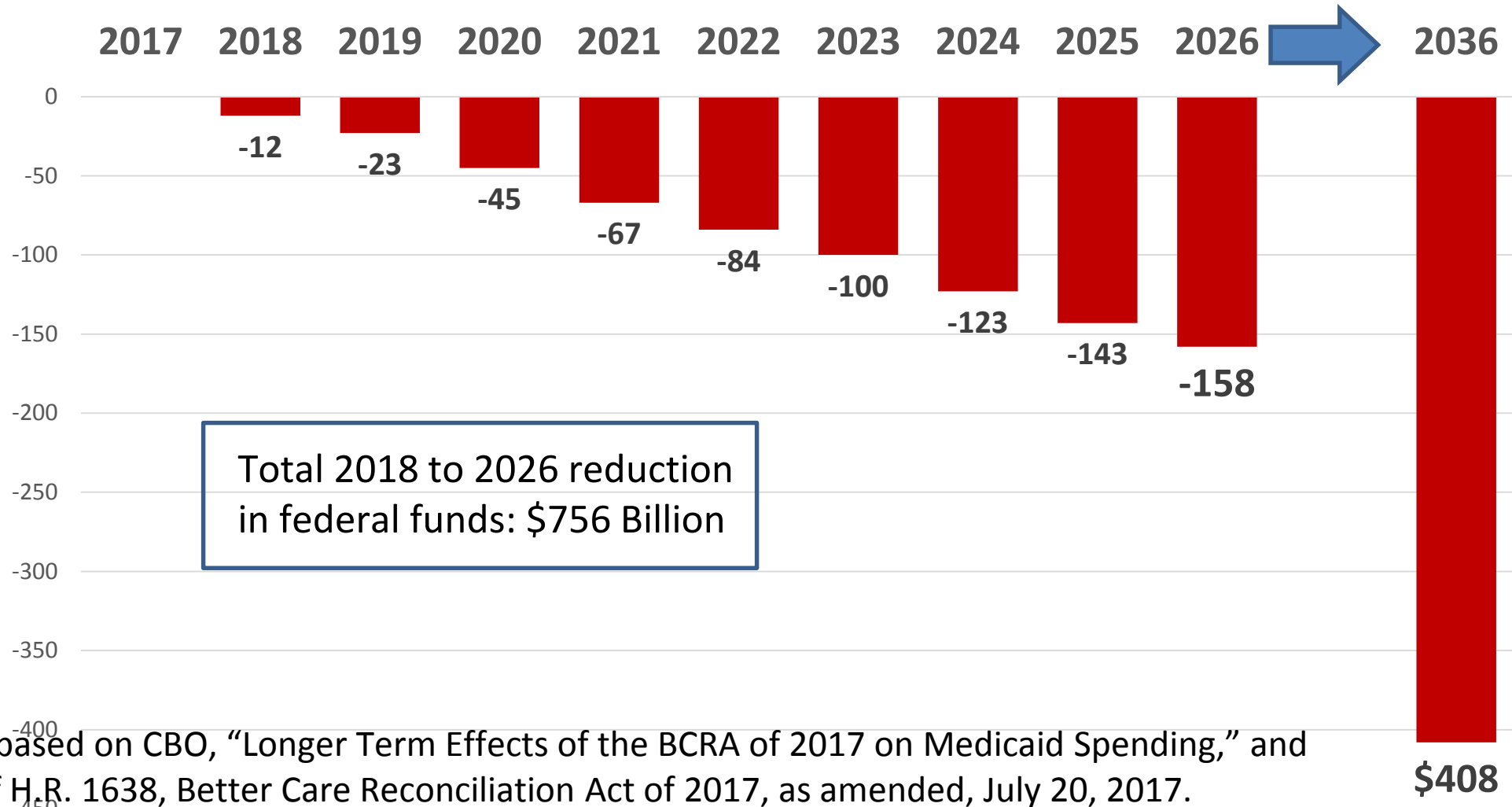
Medicaid: Total and Federal Spending under Current Law, 2000 to 2026 (Projected)



Source: HMA calculations, based on CMS NHE projections and CBO Medicaid 2016 and 2017 Baseline projections, 2017.

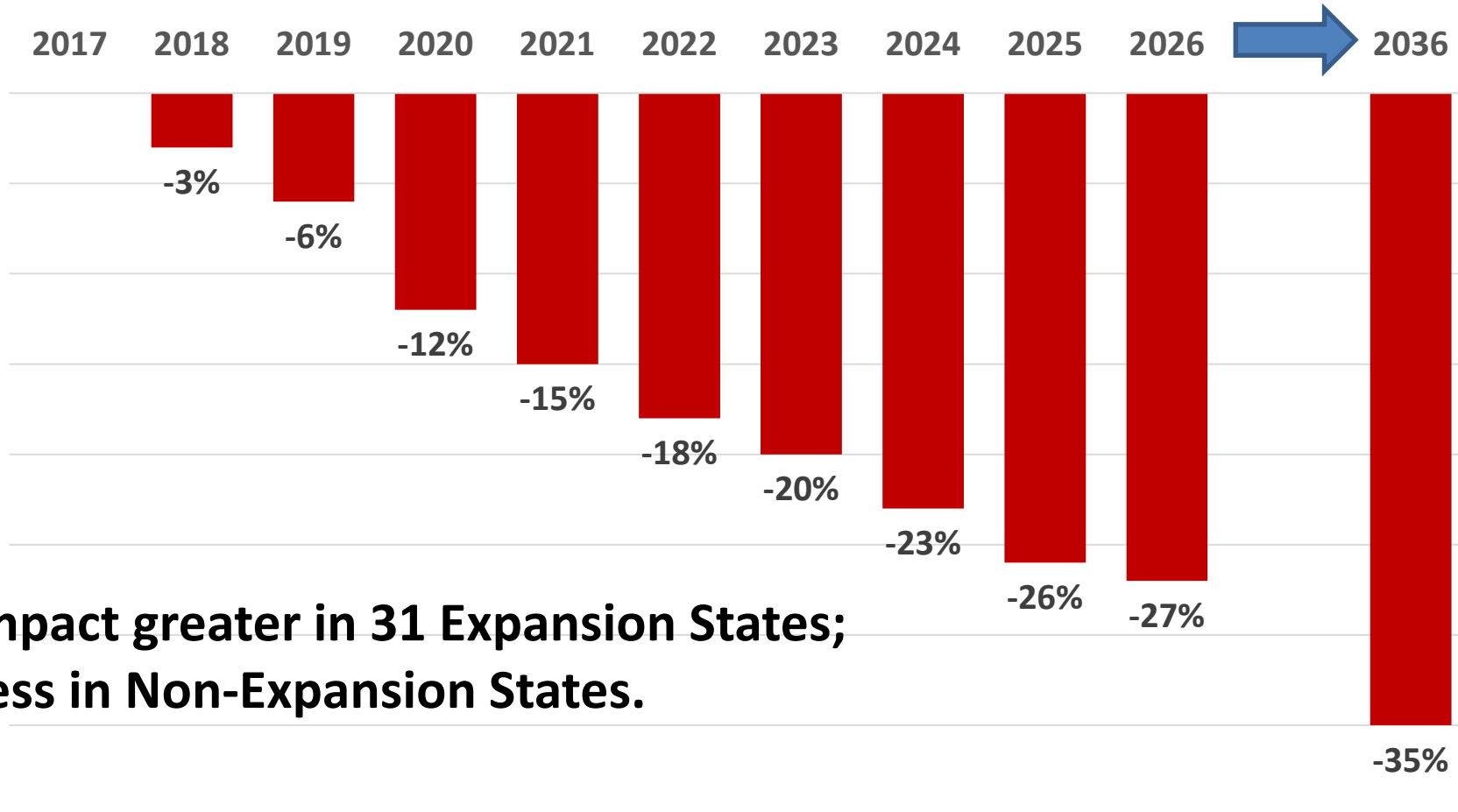
BCRA *Total Dollar* Cuts in Federal Medicaid Payments to States, 2017 - 2036

\$ Billions per Year



Source: HMA, based on CBO, "Longer Term Effects of the BCRA of 2017 on Medicaid Spending," and CBO Scoring of H.R. 1638, Better Care Reconciliation Act of 2017, as amended, July 20, 2017.

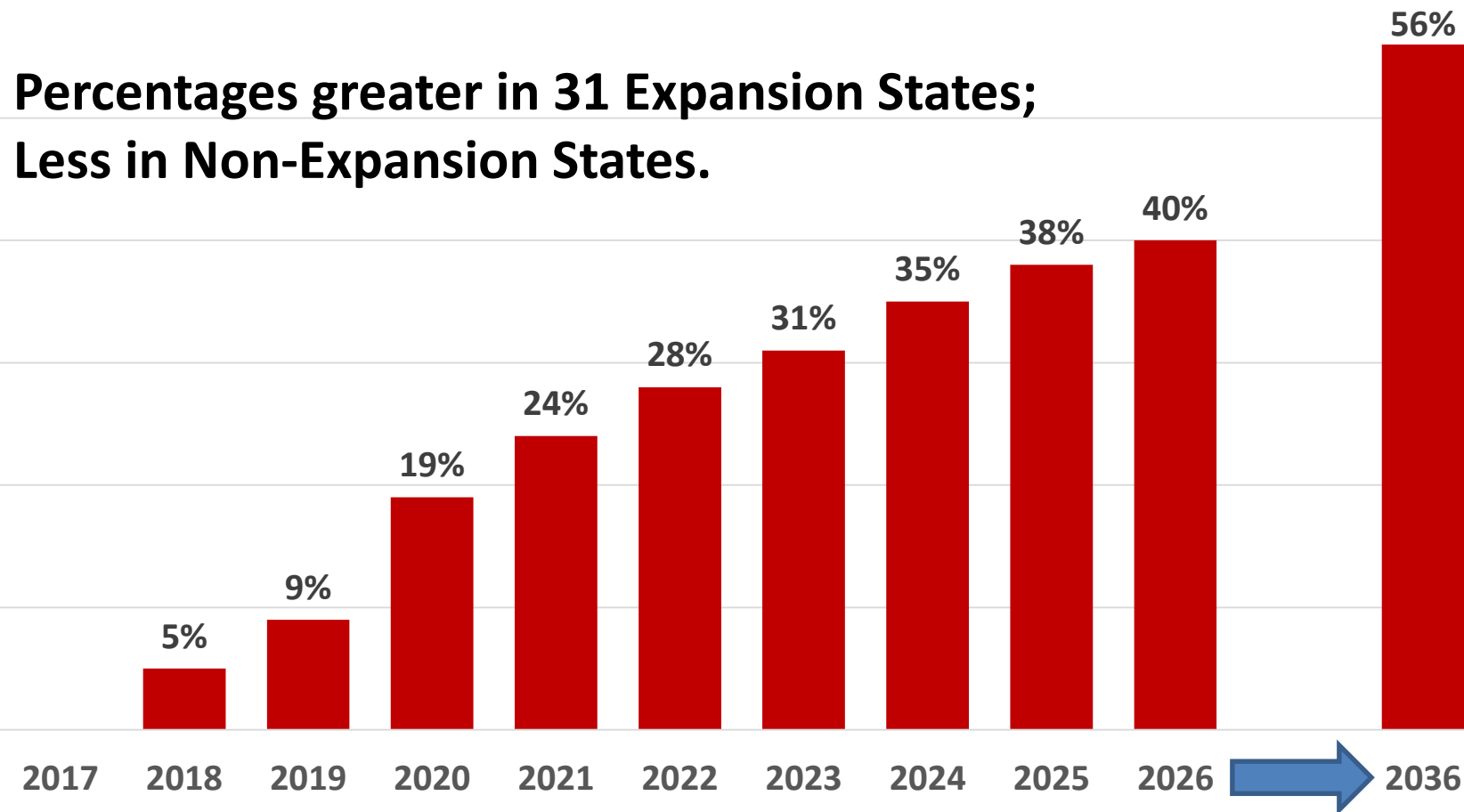
BCRA: *Percentage* Cuts in Federal Medicaid Payments to States, 2017 - 2036



**Impact greater in 31 Expansion States;
Less in Non-Expansion States.**

Source: HMA, based on CBO Scoring of H.R. 1638, Better Care Reconciliation Act of 2017, as amended, July 20, 2017; and CBO, "Longer Term Effects of the BCRA of 2017 on Medicaid Spending," June 2017.

Percentage Increase in State Funds Needed to Maintain Current Medicaid Program, With BCRA Cuts to Federal Funds, 2017 - 2036



Source: HMA, based on CBO Scoring of H.R. 1638, Better Care Reconciliation Act of 2017, July 20, 2017; and CBO, "Longer Term Effects of the BCRA of 2017 on Medicaid Spending," June 2017.

Medicaid Directors Express Bi-Partisan Concern About the BCRA

“No amount of administrative or regulatory flexibility can compensate for the federal spending reductions that would occur as a result of this bill”

“The Senate bill...would be a transfer of risk, responsibility and cost to the states of historic proportions.”

“...the per capita cap growth rates for Medicaid in the Senate bill are insufficient and unworkable.”

-- Consensus statement of NAMD Board of Directors, June 26, 2017.

American Academy of Actuaries:

“It is not anticipated that the CPI-U will keep pace with total health care cost changes, therefore, it will likely be difficult for states to sustain or improve their current programs. Efforts to close budget gaps including eligibility and benefit changes may reduce Medicaid spending, but they will not reduce total spending; the cost of care will be transferred to providers, insurers, employers, and to the individuals who seek needed care.”

-- American Academy of Actuaries, letter to Senator Mitch McConnell and Senator Chuck Schumer, June 30, 2017.

Medicaid cuts would kick off major state budget battles that go well beyond Medicaid

- *The cuts in federal Medicaid spending “.... would kick off budget battles in the states that go way beyond Medicaid. We could see cuts to higher education, school funding, corrections, environmental protection or other state priorities — or new taxes, depending on the state.... It won't only be a Medicaid debate any longer.”*

Drew Altman, “What's really at stake in the Medicaid spending debate,” June 2, 2017.

<https://www.axios.com/whats-really-at-stake-in-the-medicaid-spending-debate-2428102663.html>

States Will Have No Choice: Cut Everything

- Rates. Benefits. Eligibility. Cost-sharing. No provider, beneficiary, family, unaffected. Current programs unaffordable.
- Few states expected to keep Medicaid expansion as enhanced FMAP drops.
 - 15 million lose Medicaid coverage. Total of 22 million more uninsured.
 - Uncompensated care will increase.
 - Delivery system and other Medicaid initiatives in jeopardy.
 - Other state programs will be affected.
- Impacts will extend to other insurers, employers, taxpayers.



Medicaid recipients and supporters stage a protest outside the offices of Sen. Thad Cochran on June 29 in Jackson, Miss.

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■ The Outlook for Medicaid

Medicaid faces a tumultuous year. Dramatic changes of historic proportions could occur that would affect every state, health care institution, insurer, health plan, hospital, pharmacy, long term care and other providers, and especially those they serve: 80+ million Americans and their families, who depend on Medicaid for medically- needed care.