Budget Uncertainty in Medicaid
Uncertainty

- CHIP Funding
- DSH Cuts
- ACA Expansion
- State Flexibility
- Block Grant
- Per Capita Caps
Medicaid provides 60% of state and local grants

Source: FFIS Grants Database, FY 2016

- Medicaid, $381 billion (60%)
- Discretionary, $157 billion (25%)
- Other Mandatory, $92 billion (15%)

Total: $631 Billion
Medicaid growing, other grants relatively stagnant

Per Capita Federal Grants, FYs 2011-2016
Source: FFIS Database
Medicaid 2nd largest insurance provider

- Medicare: 14%
- Medicaid: 20%
- Employer: 49%
- Non-Group: 7%
- Other Public: 2%
- Uninsured: 9%

U.S. Coverage in 2015
Source: Kaiser Family Foundation
Government health spending growth projected to outpace private

Growth in health expenditures by major payer

*Source: CMS Office of the Actuary, National Health Expenditures Projections 2016-2015*
Medicaid spending per enrollee lower than Medicare, private

Historical and projected average annual growth in spending per enrollee

Source: Medicaid and CHIP Payment and Access Commission
Most Medicaid spending is for elderly, people with disabilities
2017 health reform agenda

- Repeal and replace ACA through reconciliation
- Administrative actions
- Other legislative action
Efforts to repeal, replace ACA

**Budget**
- Adopted FY 2017 concurrent budget resolution, included reconciliation directives

**House**
- Committee approved repeal and replace
- Bill pulled from floor
- Amended bill approved

**Senate**
- Working group
- Senate vote delayed
- Vote on amended version delayed
- Motion to proceed successful (many bills in play)
- Effort on amended bill, repeal only, skinny bill fails
# Medicaid elements of proposals

<table>
<thead>
<tr>
<th>Per Capita Caps</th>
<th>Optional Block Grant</th>
<th>ACA Medicaid Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Base year</td>
<td>• Covered populations</td>
<td>• Prohibits new states from receiving enhanced match rate</td>
</tr>
<tr>
<td>• Growth rate</td>
<td>• Greater flexibility</td>
<td>• Halts phase-up of higher match rate for pre-ACA expansion states</td>
</tr>
<tr>
<td>• Excluded populations, payments</td>
<td>• State contribution</td>
<td>• Phases out enhanced match rate</td>
</tr>
<tr>
<td>• Other adjustments (equalize over time, public health emergencies)</td>
<td>• Allocation formula, growth rate</td>
<td>•Eliminates essential health benefit requirement</td>
</tr>
</tbody>
</table>
# Medicaid elements of proposals

<table>
<thead>
<tr>
<th>DSH</th>
<th>Other Changes</th>
</tr>
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</table>
| - Some relief from ACA cuts (expansion vs. non-expansion)  
- Medicaid safety-net funding for non-expansion  
- Temporary DSH increase for certain non-expansion states | - Limits provider taxes  
- Repeals enhanced match for Community First Option  
- Work requirement option  
- Eligibility, enrollment changes  
- New reporting requirements  
- Temporary match increases (i.e., system enhancements, work requirements)  
- Temporary funding enhancements (i.e., quality performance bonuses, HCBS demo, opioid response) |
## Fundamental shift in Medicaid financing

<table>
<thead>
<tr>
<th>Current Structure</th>
<th>Per Capita Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Open ended matching rate structure</strong></td>
<td><strong>Fixed federal funding per beneficiary</strong></td>
</tr>
<tr>
<td><strong>Shared costs and risks</strong></td>
<td><strong>States bear risks and costs above cap</strong></td>
</tr>
<tr>
<td><strong>Responsive to state choices, needs</strong></td>
<td><strong>Locks in state variations; difficult to respond to unanticipated costs, demographic changes</strong></td>
</tr>
<tr>
<td><strong>Difficult to predict federal spending</strong></td>
<td><strong>Federal savings realized through constrained spending per person</strong></td>
</tr>
</tbody>
</table>
How the cap works

Base year PC $  X  growth rate  X  enrollment

65+  CPI-M+1/CPI  65+  

Blind & Disabled  CPI-M+1/CPI  Blind & Disabled  

Children  CPI-M/CPI  Children  

Expansion Adults  CPI-M/CPI  Expansion Adults  

Other Adults  CPI-M/CPI  Other Adults

= Aggregate Spending Cap

States draw down funds based on FMAP
Impacts depend on growth rates

Projected growth in Medicaid spending per enrollee by eligibility group, compared to House and Senate growth factors

Source: Medicaid and CHIP Payment and Access Commission
Some states at greater risk

- Adopted expansion
- Limited benefits, low provider rates
- Less fiscal capacity
- Population w/ high needs
- High health care costs
- Access challenges

Source: Kaiser Family Foundation, Factors Affecting States’ Ability to Respond to Federal Medicaid Cuts and Caps: Which States Are Most At Risk?
CHIP Deadline Fast Approaching

- No Extension
  - Most states projected to run out of funds by March 2018
  - Medicaid-expansion CHIP: must maintain coverage (regular FMAP)
  - Separate CHIP: no obligation

- Extension
  - Timing?
  - How long?
  - Changes to ACA match rate increase?
  - Other reforms?
DSH cuts take effect in FY 2018

Why?
- ACA included cuts based on assumption of lower uncompensated care
- Cuts delayed several times
- Current: -$2 billion, FY 2018; increasing to -$8 billion, FYs 2024 and 2025

How much?
- CMS seeks comment on methodology
- Based on statutory factors (smaller reductions to low-DSH states):
  - uninsured (50%)
  - level of uncompensated care (25%)
  - volume of Medicaid inpatients (25%)
### Illustrative reductions using FY 2017 DSH allotments

<table>
<thead>
<tr>
<th>Less than -10%</th>
<th>Between -10% and -20%</th>
<th>Between -20% and -30%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Alabama Arizona California Colorado Florida Georgia Illinois Indiana Kansas Kentucky Louisiana Maine Maryland Mississippi Missouri</td>
<td>Connecticut District of Columbia Massachusetts Michigan New Jersey Ohio Rhode Island Vermont Washington</td>
</tr>
</tbody>
</table>

Source: Centers for Medicare & Medicaid Services (CMS)
Now what?

- Try again
- FY 2018 reconciliation
- Do nothing
- Bipartisan effort
- Minor changes (part of CHIP extension)
- Administration’s response
Questions?

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  – mhoward@ffis.org
  – 202-624-5848