Financing Changes and Added Flexibility for Medicaid

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NAMD
National Association of Medicaid Directors

National Association of Medicaid Directors

- Created in 2011 to support the 56 state and territorial Medicaid Directors
- Standalone, bipartisan, & nonprofit
- Core functions include:
  - Developing consensus on critical issues and leverage Directors' influence with respect to national policy debates;
  - Facilitating dialogue and peer to peer learning amongst the members; and
  - Providing effective practices and technical assistance tailored to individual members and the challenges they face.

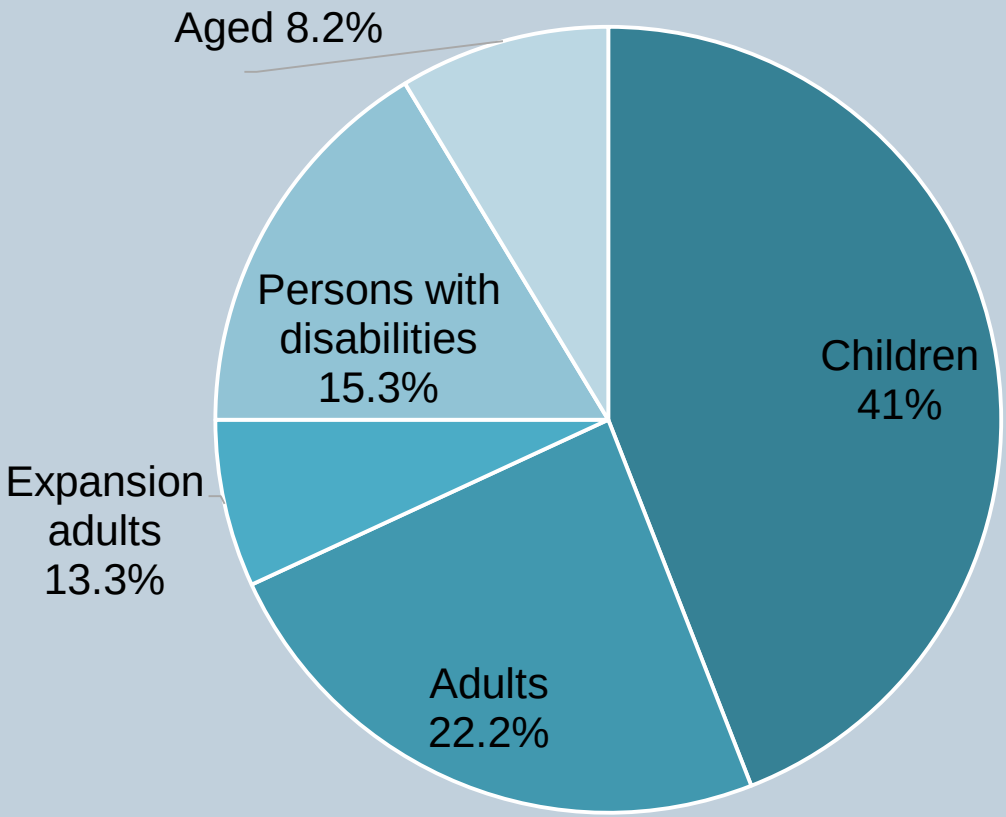
What is Medicaid?

- Nation's main public health insurance program for people with low income
  - Covers roughly **74.4 million people**, including 35.8 million children[1]
- Single largest source of public health coverage in the U.S.
  - Accounts for 16% of national health spending[2]
- Core source of financing for:
  - Safety-net hospitals
  - Health centers that serve low-income communities
  - Nursing homes
  - Community-based long-term care

1. CMS, *Medicaid & CHIP: November 2016 Monthly Applications, Eligibility Determinations and Enrollment Report* (January 18, 2017): link
2. MACPAC, "Historic and Projected National Health Expenditures by Payer for Selected Years, 1970-2024" (December 2015): link

Who is in Medicaid?

Estimated Enrollment by Population Category, Fiscal Year 2015[1]



1. Centers for Medicare & Medicaid Services, Office of the Actuary, *2016 Actuarial Report on the Financial Outlook for Medicaid* (2016).

How much does it cost?

- Total Medicaid spending (2013-2015):
  - FY 2013: $440 billion[1]
  - FY 2014: $496.3 billion[2]
  - FY 2015: $509 billion[3]

- Almost two-thirds of all Medicaid spending for services is attributable to the **elderly and persons with disabilities**, who make up just one-quarter of all Medicaid enrollees.[4]
  - **Dual eligible beneficiaries** alone account for almost 40% of all spending, driven largely by spending for long-term care.

- The 5% of Medicaid beneficiaries with the highest costs drive more than **half of all Medicaid spending**. Their high costs are attributable to their extensive needs for acute care, long-term care, or often both.[5]

1. Kaiser Family Foundation, "Medicaid Moving Forward" (March 9, 2015): link
2. Centers for Medicare & Medicaid Services, Office of the Actuary, *2015 Actuarial Report on the Financial Outlook for Medicaid* (2015)
3. Kaiser Family Foundation, *Medicaid Enrollment & Spending Growth: FY 2016 & 2017* (October 2016): link
4. Kaiser Family Foundation, "Medicaid Moving Forward" (March 9, 2015): link
5. Ibid.

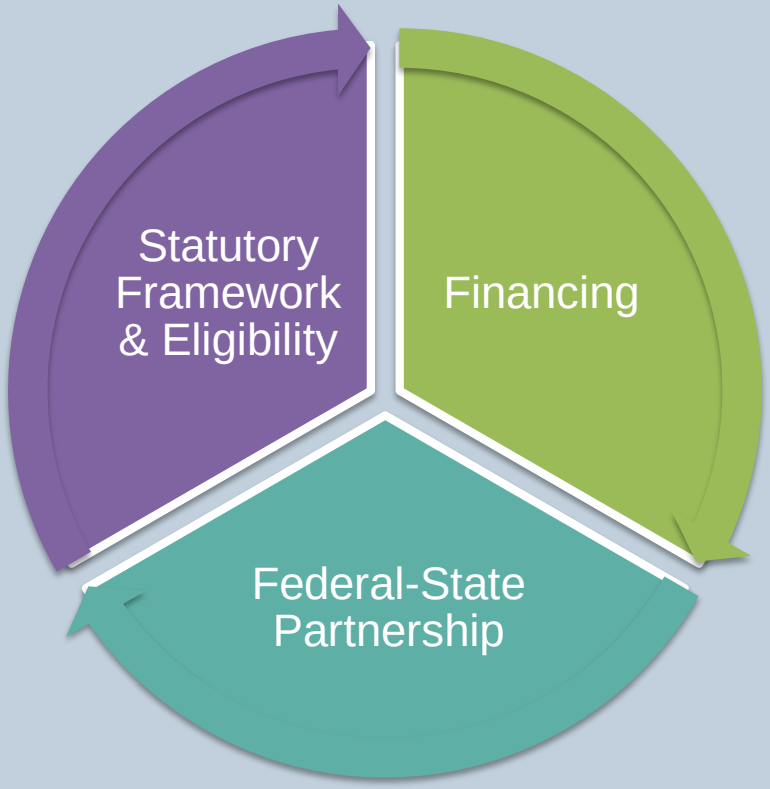
State of Play of Current Environment

- Post 2016 election, significant changes from previous 8 years
- Three front burner issues:
  1. Repeal and replace of Affordable Care Act (Congressional)
  2. Medicaid as entitlement reform (Congressional)
  3. New leadership at HHS and promise of new state/federal partnership (Administration)

Where does NAMD stand in this current state of play?

- Bipartisan
  - No position on repeal and replace
  - No position on per capita caps or block grants
  - No “shoulds” or “shouldn’ts”
- Key considerations documents for policymakers
- Trusted auto mechanic

NAMD has requested that **lawmakers consider three main issues** in the development of any proposals that would change the structure of Medicaid:



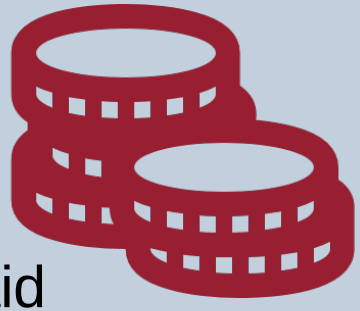
Statutory Framework and Eligibility

- What are the requirements for states in the framework for populations covered, services covered, and payment levels?
- How will the proposal impact eligibility and services for current enrollees?
- What are the health needs of those served by Medicaid and how will those needs be met under the proposal?

Statutory Framework and Eligibility

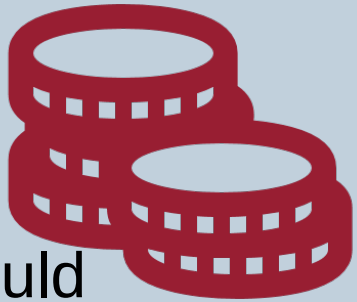
- Long-term care
  - Medicaid is currently the default long-term care program in the United States, and as demographics change, more Americans are expected to need long-term services and supports.
- Dually Eligibles
  - Approximately 40% of Medicaid spending is for low-income *Medicare* beneficiaries.
- Safety-net providers (i.e., FQHCs)

Financing



- What is in the federal funding formula for Medicaid program growth and how is that formula calculated?
- What is the state match requirement in the proposal for Medicaid?
- What is in the base used to set the federal match amount?
- What is the impact of the proposal on state approaches to finance the state share of the Medicaid program (i.e., provider taxes, intergovernmental transfers, upper payment limits)?

Financing



- What is in the federal funding formula that would be used during recessions or unforeseen cost surges?
  - For example, new developments in specialty pharmacy and future developments in biologics producing drugs with list prices approaching $500,000 per year.
- How does the proposal impact the financing structure for Medicaid IT systems?
- How would the financing approach impact the structure of CHIP, including Medicaid expansion CHIP programs, separate CHIP programs, or combination CHIP programs?

State and Federal Partnership

- What is the role of states in providing input on new federal rules related to Medicaid?
- What are the areas where additional state flexibility might be afforded?
- How does the proposal change the existing Medicaid regulatory structure (i.e., state plans, Section 1115 and other Medicaid waivers)?
- How does it impact existing federal Medicaid regulations and their implementation?

Reality of the Medicaid Director

Being a Medicaid Director in 2017…

- "…running a Fortune 50 company…"
- Directing ~ 25 percent of the state's budget
- Monitoring the potential changes at the congressional level
  - If reform moves…?
  - If it doesn't…?
- Establishing and navigating new relationships at CMS
- Aggressively driving value-based purchasing
- Negotiating multi-million dollar contracts with health plans, delivery systems, information system vendors, etc.

Did I mention average tenure is 19 months?

What keeps Medicaid directors up at night?

- Medicaid as nation's de facto long-term care policy
  - And mental health and substance use system
- Demographics and needs in these areas are only growing

What keeps Medicaid directors up at night?

- Disconnect between what Medicaid means to Congress and the reality of $880 billion in savings

- Medicaid's connection to other sources of coverage – Medicaid is not an island

For more information about NAMD, visit www.medicaiddirectors.org.

Thank you.