

Federal Medicaid Financing Proposals: Implications for Maine

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Agenda

- **Medicaid Today**
- **Capped Federal Medicaid Funding to States**
- **Implications for Maine**
- **Questions**

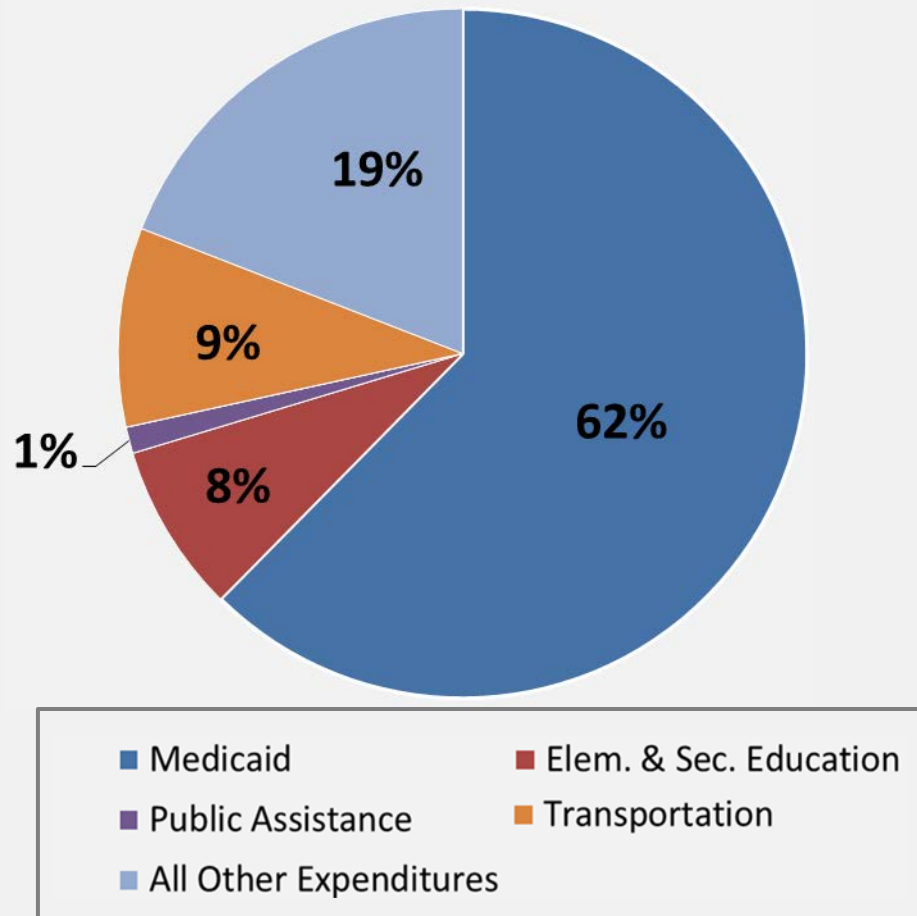
Medicaid Today

Maine receives federal funding for all allowable program costs

- Federal dollars are guaranteed as match to state spending so long as state complies with federal Medicaid law, rules and the terms and conditions of any state waivers
- Maine's FMAP is 64% in FY 2017; for each dollar that Maine spends, the federal government provides more than a dollar, on average, in federal match
- Federal Medicaid funding (\$1.6 billion in 2015) makes up nearly 62% all federal funding in Maine's budget, the second highest share among non-expansion states

Medicaid's Role in the Maine Budget

Sources of Federal Funds in Maine State Budget, SFY 2015



Sources: Manatt analysis of National Association of State Budget Officers (NASBO) State Expenditure Report, 2016, available at [https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/State%20Expenditure%20Report%20\(Fiscal%202014-2016\)%20-%20S.pdf](https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/State%20Expenditure%20Report%20(Fiscal%202014-2016)%20-%20S.pdf);

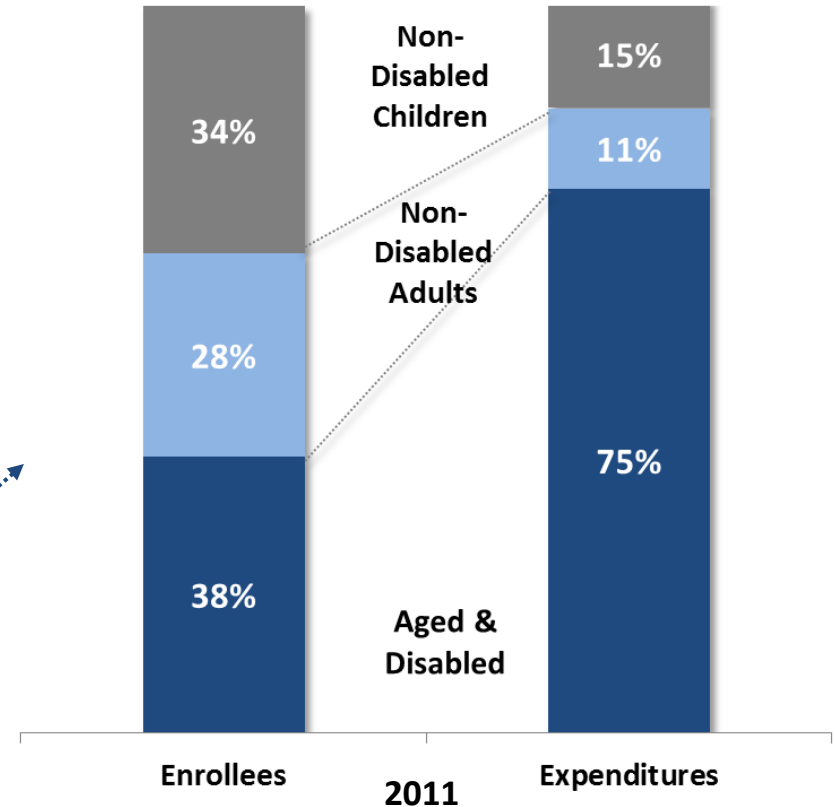
Maine Medicaid Enrollment and Spending

Maine's Medicaid spending is disproportionately for seniors and people with disabilities

KEY FACTS

- **270 K** total enrollees
- **\$2.55 B** total spending
(\$955 M state, 1.6 B federal)
- **64%** federal match rate

- **Non-Disabled Children** represent 34% of Maine Medicaid enrollees but only 15% of spending
- **Aged and Disabled** enrollees represent only 38% of Maine Medicaid enrollees but 75% of costs



Note: Analysis uses 2011 data because this is the most recent year for which per enrollee spending levels and historical growth rates are publicly available by eligibility group using consistent data and methods across states.

Capped Federal Medicaid Funding to States

Medicaid's Financing Structure: Current vs. Capped

	Current	Block Grants	Per Capita Cap
Federal Funding	Open ended	Aggregate cap	Per enrollee cap (by eligibility group)
Risk	Federal government and state share enrollment and spending risk	States bear risk of both higher enrollment and health care costs	States bears spending risk of higher health care costs
Annual Trend	Determined by health care costs in the state and individual state spending decisions	National trend rate	National trend rate
Ability to Accommodate Medical Advances or Public Health Crises	Federal payments automatically responsive	Federal payments not responsive	Federal payments not responsive
Spending Outside of Cap	N/A	Unknown/TBD	Unknown/TBD
State Flexibility	State flexibility subject to federal minimum standards; Section 1115 waivers provide additional flexibility	Increased flexibility, but some minimal standards and accountability	Increased flexibility, but some minimal standards and accountability



Key Considerations for Capped Funding

Base Funding

- What's in, what's out?
- Base year?

Supplemental Payments & Waiver

- Treatment in setting the base payment?
- Subject to the cap?

Trend Rates

- National or state trend rate?
- Which trend rate?
- Other adjusters?

State Spending Requirements

- State spending requirements changed?
- Change in how states can raise match?

Flexibility

American Health Care Act: Medicaid Funding Caps

- Aggregate cap on Medicaid funding, starting in FY 2020; built up based on per capita caps for enrollees in five eligibility categories: elderly, blind/disabled, expansion adults, and other non-elderly/non-disabled adults and children
- Caps set for each group based on state historical spending; aggregate cap set based on the number of people enrolled in each group multiplied by the cap for that group
 - e.g. a state that enrolls 100,000 children and is subject to a per capita cap of \$3,000 per child would have \$30,000,000 counted toward its aggregate cap
- States could have cross-subsidized costs for one group with per capita cap dollars from another
- If state spending exceeded the cap, state would re-pay excess expenditures to the federal government in the following year
- The March 20th Manager's Amendment provided states the option of block grants for children and non-disabled adults

Implications for Maine

Capped Funding: Locks in Spending Levels and Disparities Across States

- Capped funding locks in historic spending by allocating funding based on a state's spending in a base year
- The AHCA proposed to:
 - Establish a per capita cap for each eligibility group based on state historical spending in FY 2016 trended forward to FY 2019, and actual FY 2019 spending and enrollment
 - Use growth in medical CPI + 1 percentage point as a trend factor for aged, blind and disabled after FY 2019; for children and adults would have trended growth based on medical CPI
- Maine's overall spending per enrollee is modestly above average but it has among the lowest per capita Medicaid spending levels for people with disabilities and adults, putting the State at risk of being "locked in" to a relatively low capped payment for these groups

Maine's Per Enrollee Medicaid Spending Varies by Category 13

State Ranking of Medicaid Spending (Federal and State) per Full Benefit Enrollee, FY 2011

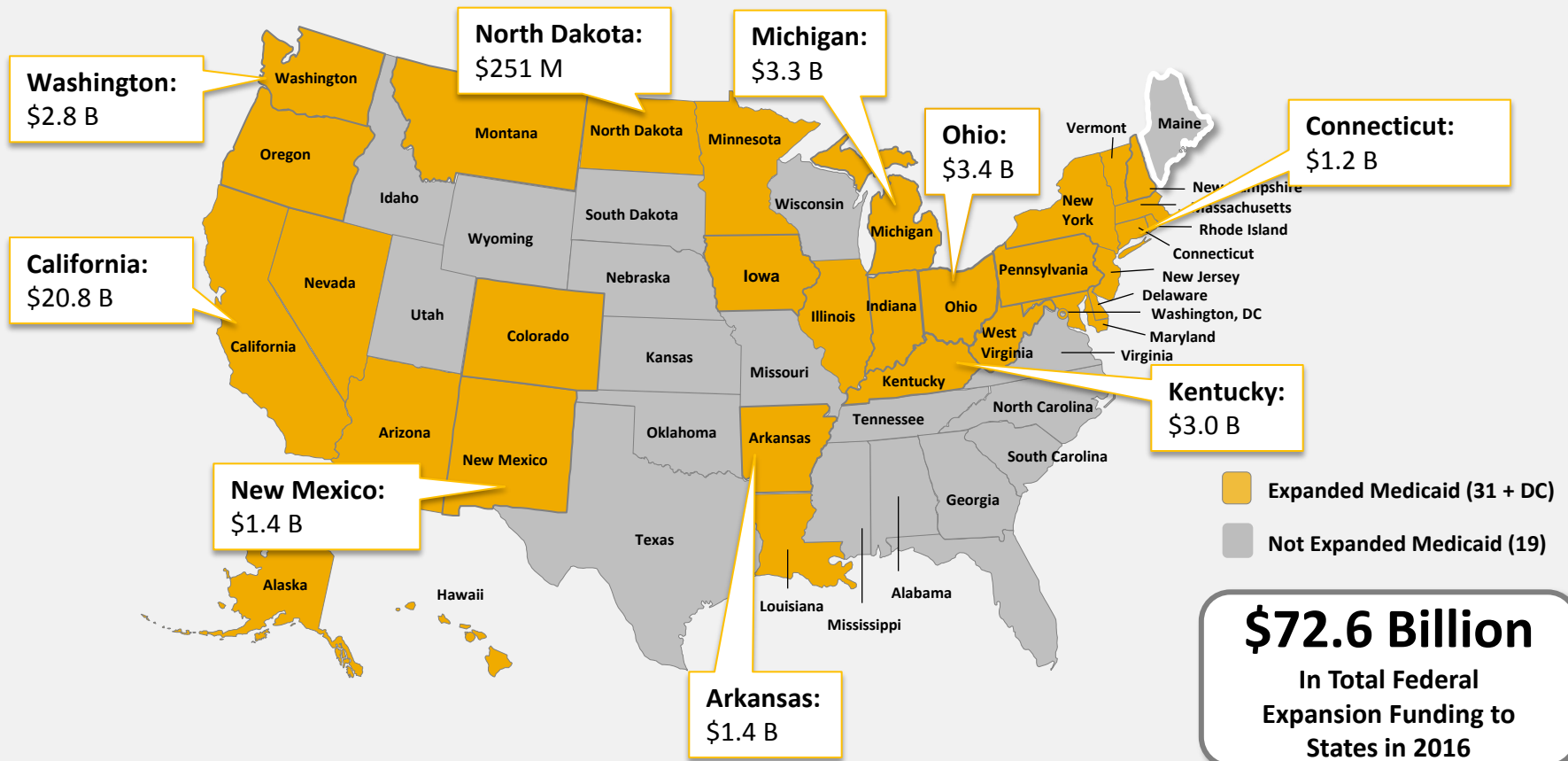
#	Total		Children		Adults*		Disabled		Aged	
1	MA	\$11,091	VT	\$5,214	NM	\$6,928	NY	\$33,808	WY	\$32,199
2	NY	\$10,307	AK	\$4,682	MT	\$6,539	CT	\$31,004	ND	\$31,155
3	RI	\$9,541	NM	\$4,550	AK	\$6,471	AK	\$28,790	CT	\$30,560
4	AK	\$9,481	RI	\$4,290	AZ	\$6,460	ND	\$28,692	NY	\$28,336
5	DC	\$9,083	MA	\$4,173	VT	\$6,062	DC	\$28,604	DE	\$27,666
6	ND	\$8,645	MN	\$3,461	RI	\$5,778	MN	\$26,890	OH	\$27,494
19	ME	\$6,761	VA	\$2,696	MA	\$4,496	CO	\$19,643	AR	\$20,484
20	DE	\$6,661	NJ	\$2,616	SC	\$4,449	IN	\$19,488	ME	\$19,881
22	VA	\$6,477	ME	\$2,528	TX	\$4,371	VA	\$18,952	MS	\$18,592
32	IA	\$5,908	CO	\$2,241	MS	\$3,983	ME	\$16,920	WI	\$16,344
47	AL	\$4,976	NV	\$1,940	FL	\$2,993	MS	\$12,960	CA	\$12,019
48	FL	\$4,893	MI	\$1,926	CA	\$2,855	KY	\$12,856	UT	\$11,763
49	IL	\$4,682	IN	\$1,858	NV	\$2,367	SC	\$12,830	IL	\$11,431
50	GA	\$4,245	FL	\$1,707	ME	\$2,194	GA	\$10,639	NC	\$10,518
51	NV	\$4,010	WI	\$1,656	IA	\$2,056	AL	\$10,142	NM	N/A
U.S. Average		\$6,502	\$2,492		\$4,141		\$18,518		\$17,522	

* Includes low-income parents and pregnant women.

- Maine's spending per enrollee was 19th overall, though spending per enrollee varied by eligibility category
- Maine ranked 2nd lowest in per capita spending for Adults (\$2,194 vs. US, \$4,141) and 20th lowest in per capita spending for the Disabled (\$16,920 vs. \$18,518)
- Maine's spending on Children was 22nd overall and its spending on the Elderly was 20th overall

Adding to the Disparities: Maine is a Non-Expansion State

Examples of federal funds for new adult group in 2016



Note: Federal funding does not reflect enhanced funding provided by the ACA to states that expanded before the ACA ("early expansion states"). Total federal funding for all expansion adult enrollees (not just those that are newly eligible) from January 2014 - June 2015 was \$78.8 billion.

Sources: Manatt analysis based on December 2016 CMS-64 expenditure data. Data available online at: <https://www.medicaid.gov/medicaid/financing-and-reimbursement/state-expenditure-reporting/expenditure-reports/index.html>; Current Status of State Medicaid Expansion Decisions, Kaiser Family Foundation, July 2016. Available at: <http://kff.org/health-reform/slide/current-status-of-the-medicaid-expansion-decision/>

Capped Funding Considerations

- States bear risk of all costs above the caps; will states spend more state dollars without federal match?
- Cost pressures may cause states to limit enrollment, benefits, and provider rates
- Increased churn creates challenges for managing population health and for managing risk
- Reduced funding and more flexibility will increase competition among stakeholders for limited resources

The Trade Off: Capped Funding vs. More Flexibility

- **Current law already provides States with a range of options and additional flexibility through waivers**
 - Significant current flexibility; particularly relating to delivery system and payment strategies
- **Additional flexibility may allow States to reduce spending**
 - Key drivers of Medicaid spending are eligibility levels, benefits, and payment rates
- **Further flexibility could be provided without capped funding**
- **Capped funding likely to be coupled with some standards and accountability in return for federal funds**

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