



Alternative Approaches to Federal Medicaid Financing



Medicaid and CHIP Payment and Access Commission
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Overview

- Commission work to date
- Alternative financing proposals
- Design considerations
- Recent proposals

Commission Work

- Analysis of financing reforms
 - June 2016 chapter examined alternative approaches to federal financing
 - Today: overview of key proposals and illustrative examples
- State flexibility
 - June 2016 chapter looked at state options for addressing spending growth
 - March 2017 meeting: program requirements and state options, mandatory/optional spending and enrollment
- Coverage for low-income adults
 - March 2015 chapter on premium assistance, expansion waiver fact sheets, and a study on the use of non-emergency medical transportation
 - Today: characteristics of low-income adults and review of expansion waiver provisions

Alternative Financing Proposals

Alternative Financing Proposals

- Block grants
- Capped allotments
- Per capita caps

Alternative Financing Proposals

- Block grants
 - Lump sum grants to states based on a predetermined formula
 - States spend funds on a specified range of activities
 - States typically do not provide matching funds, but could be subject to a maintenance-of-effort requirement on existing spending

Alternative Financing Proposals

- Capped allotments
 - Overall cap on total federal contribution with state-specific grants
 - Federal funds are provided as matching payments to the states up to the cap
 - States are required to contribute state share to draw down federal allotment
 - Financing approach used in the Children's Health Insurance Program (CHIP)

Alternative Financing Proposals

- Per capita caps
 - Per enrollee limits on federal payments to the states
 - Federal spending would increase based on the number of enrollees
 - States would be responsible for any spending above the fixed per capita payment

Design Considerations: Establishing Spending Limits

- Base year
- Growth factors
- State-specific caps
- Enrollee-specific caps

Additional Design Considerations

- Defining the level of state contribution
 - E.g., a maintenance-of-effort on existing spending
- Determining which programmatic pieces to include
 - E.g., excluding certain groups or types of spending
- Determining the level of state flexibility and accountability
 - E.g., allowing more flexibility in determining who should be covered

Recent Medicaid Financing Proposals

Savings Assumptions

- Amount of federal reductions in Medicaid spending could be higher or lower
- Past House budget proposals have assumed significant federal Medicaid savings (\$700 billion - \$1 trillion over 10 years)
- Proposals presented here have not received official Congressional Budget Office scores, so the budget implications are not yet known

A Better Way

- State choice of a per capita allotment or block grant
- Per capita allotment:
 - Per capita cap for each of the four major eligibility groups based on 2016 and growth rate that is lower than current
- Block Grant:
 - Base year and growth rate unspecified
 - Greater flexibility for eligibility and benefits for non-disabled, non-elderly adults and children

World's Greatest Healthcare Plan Act of 2016

- Risk-adjusted per capita cap for each of the four major eligibility groups
- Specifies base calculation and growth rates
- State per capita amounts would be compressed to the mean
- Certain services would be excluded
- Little detail on state flexibility

FY 2017 House Budget Resolution

- State choice of block grant or per capita cap
- Block grant:
 - Combined federal funds for Medicaid and CHIP
 - Level funding for 10 years
- Per capita cap:
 - Per capita cap for each of the four major eligibility groups
 - Unspecified growth rate
- Broad discretion to establish eligibility, benefits, and provider payment rates



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