MACPAC

Illustrations of Design Elements in Alternative Financing Proposals

Medicaid and CHIP Payment and Access Commission

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Overview

- Provide data examples to illustrate the impact of certain design elements in alternative financing proposals
- Design elements from existing proposals and reports
  - Speaker Ryan: A Better Way proposal
  - Cassidy/Sessions: World's Greatest Healthcare Plan Act of 2016
  - GAO report: Key policy and data considerations for designing a per capita cap on federal funding
  - CBO report: Options for reducing the deficit: 2017 to 2026
- Illustrative examples not intended to endorse any specific design decision or answer the larger policy question of how Medicaid should be financed

Data

- Actual and projected spending from CMS Office of the Actuary (OACT) 2015 actuarial report on the financial outlook for Medicaid
- Medicaid Statistical Information System
- CMS-64 financial management report net expenditure data
- National Association of State Budget Officers state expenditure report
- Bureau of Labor Statistics – consumer price index-all urban consumers
- Bureau of Economic Analysis – gross domestic product
- CMS OACT – national health expenditures

Analysis of design elements in alternative financing proposals

- ✓ Populations and services included
- ✓ Base year
- ✓ Growth factors
- ✓ Enrollment mix
- Other adjustments (e.g., geographic cost variation, health status, program design)
- State allocation (e.g., compression to national average)
- State flexibility
- Allowable sources of non-federal share
- Split between federal and non-federal share
- Data requirements

Which Populations and Services are Included?

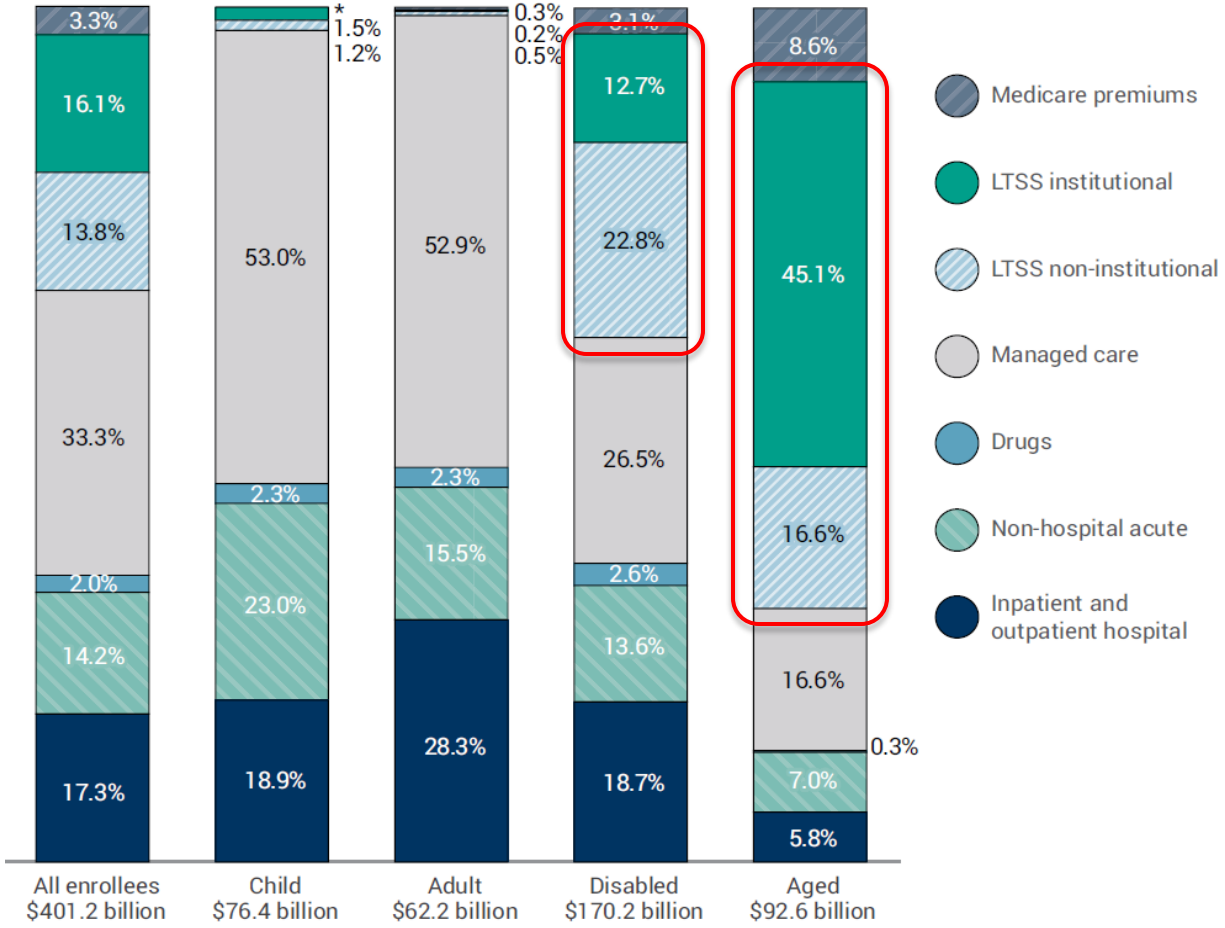
Potential population exclusions

- Dually eligible for Medicare and Medicaid
  - 10.8 million enrollees (15 percent) and $143 billion in benefit spending (36 percent) in FY 2013
- Enrollees receiving limited benefits
  - 12.5 percent of full-year equivalent (FYE) enrollees in FY 2013. Ranges from 0.1 percent in DC to 27.4 percent in CA
  - FY 2013 average benefit spending per FYE was $7,067 with limited benefit enrollees but $7,766 when they are excluded

Potential service and spending exclusions

- Vaccines for Children: $3.8 billion in FY 2015
- State program administration: $26.0 billion in FY 2015 including Medicaid fraud control units and survey and certification of nursing and intermediate care facilities
- Medicare premiums and cost sharing: $15.4 billion in FY 2015
- Medicare Part D clawback: $8.6 billion in state fiscal year 2015
- Spending not linked to specific enrollees or services
  - Disproportionate share hospital (DSH) spending: $18.6 billion in FY 2015
  - Non-DSH supplemental payments: $23.7 billion in FY 2015
  - Uncompensated care pools, delivery system reform incentive payments (DSRIP), and other non-DSH supplemental payments under Section 1115 waiver authority: $12.3 billion in FY 2015

Distribution of service spending by eligibility group, FY 2013



Notes: FY is fiscal year. LTSS is long-term services and supports. Excludes spending for administration, the territories, and Medicaid-expansion CHIP enrollees. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding completeness of monthly claims and enrollment data.
* Values less than $1 are not shown.
Source: MACPAC, 2016, *MACStats*, Exhibit 18, December 2016.

Projected growth in Medicaid spending by service category under current law

Service category	2016	2017	2018	2019	2020
Hospital	6.5%	5.3%	5.5%	5.9%	5.8%
Other health, residential, and personal care	4.7%	4.6%	5.0%	5.2%	5.1%
Physician and clinical	5.1%	6.6%	7.6%	7.9%	7.6%
Nursing and retirement facilities	3.0%	3.2%	3.5%	3.7%	3.7%
Home health	2.4%	4.0%	4.8%	4.3%	4.6%
Prescription drugs	4.9%	3.5%	6.6%	6.2%	6.8%
Dental	9.7%	7.5%	8.2%	8.8%	8.5%
Other professional	9.6%	7.2%	7.6%	7.9%	7.3%
Durable medical equipment	9.2%	8.5%	8.5%	8.1%	7.5%

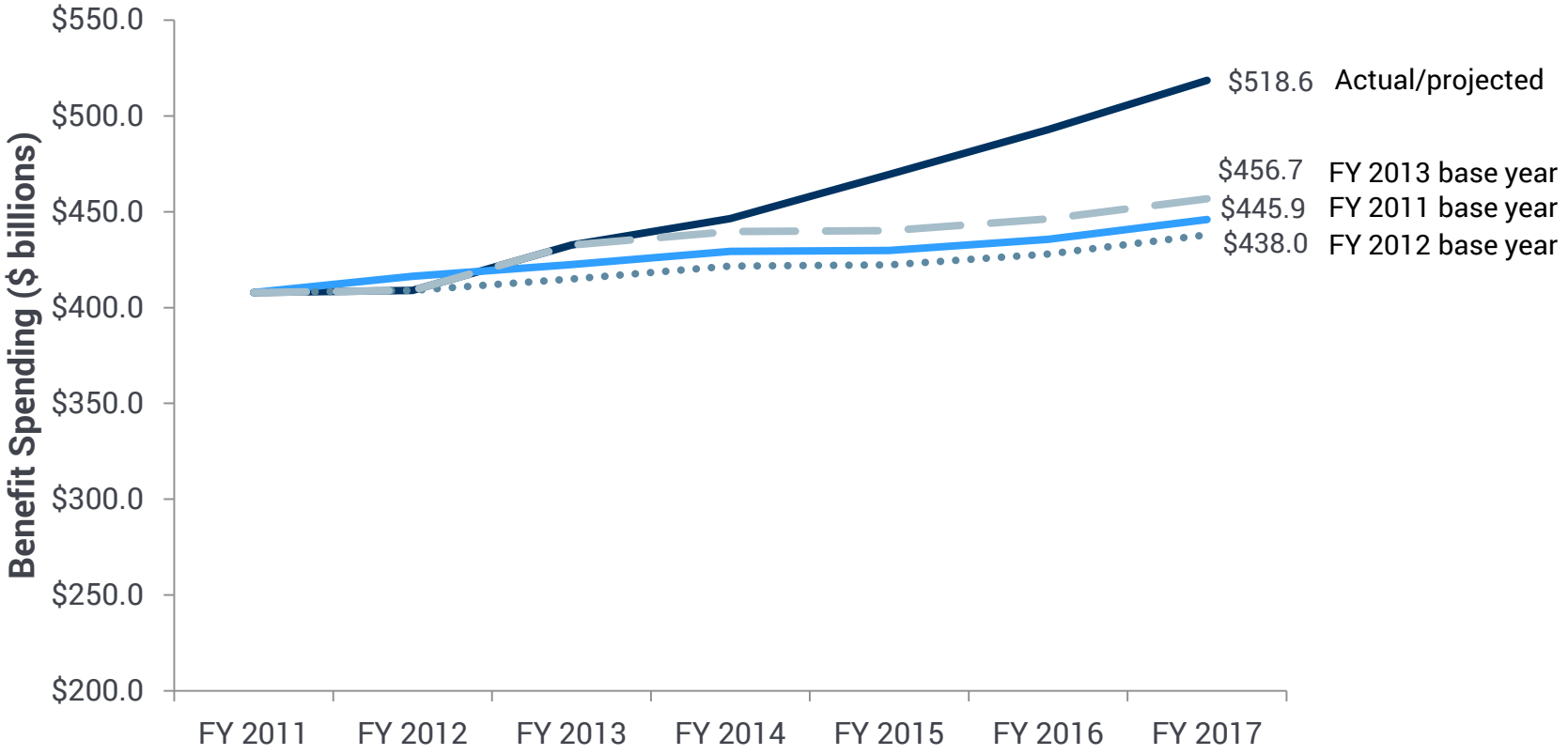
Source: MACPAC analysis of CMS Office of the Actuary, National health expenditure amounts by type of expenditure and source of funds: Calendar years 1960–2025 in projections format, as of July 2016.

Choice of Base Year

Medicaid benefit spending, FY 2011–2013

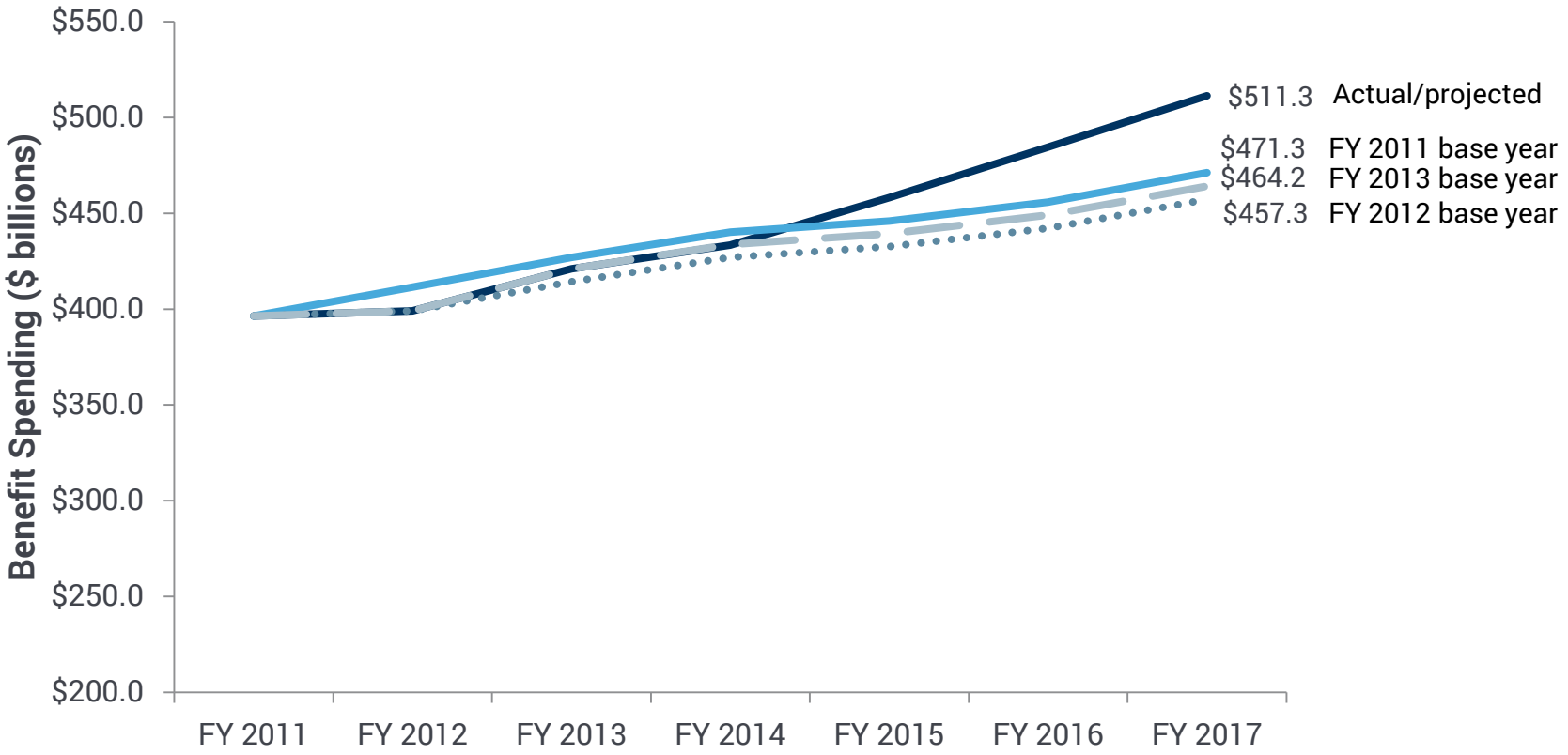
Source: MACPAC analysis of CMS Office of the Actuary, 2016, 2015 Actuarial report of the financial outlook for Medicaid.

Base year impact on benefit spending under block grant trended at CPI-U



Note: Excludes spending for new adult group. Base year benefit spending was trended forward using CPI-U.
Sources: For spending: MACPAC analysis of CMS Office of the Actuary, 2016, 2015 Actuarial report of the financial outlook for Medicaid. For CPI-U, Bureau of Labor Statistics, 2016, data from Consumer Price Index—All Urban Consumers and Congressional Budget Office, 2016, An update to the budget and economic outlook: 2016 to 2026, August 2016.

Base year impact on benefit spending under per capita cap trended at CPI-U



Note: Excludes spending for new adult group. Base year benefit spending was trended forward using CPI-U. Spending may not match other figures due to rounding in the number of full-year equivalents (FYE) and spending per FYE used to calculate benefit spending.
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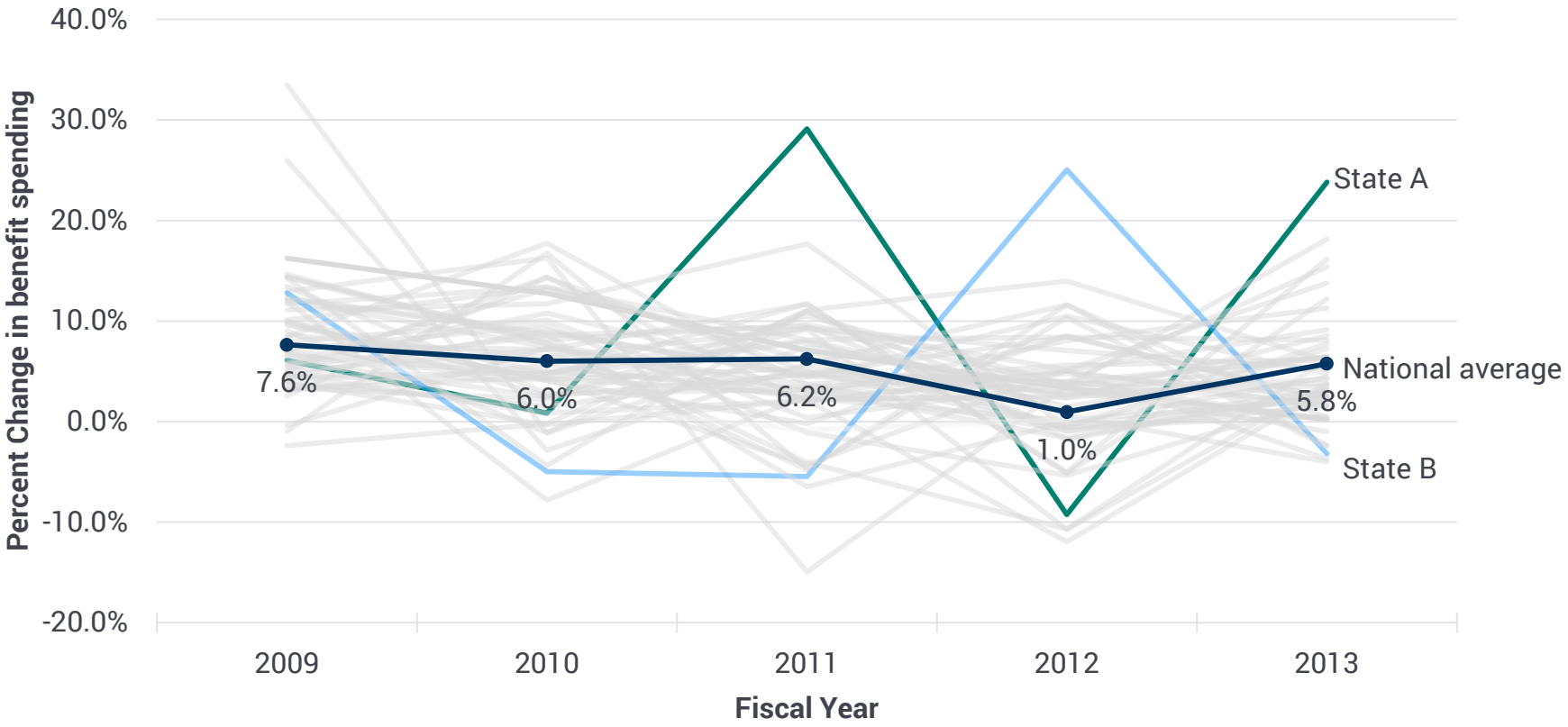
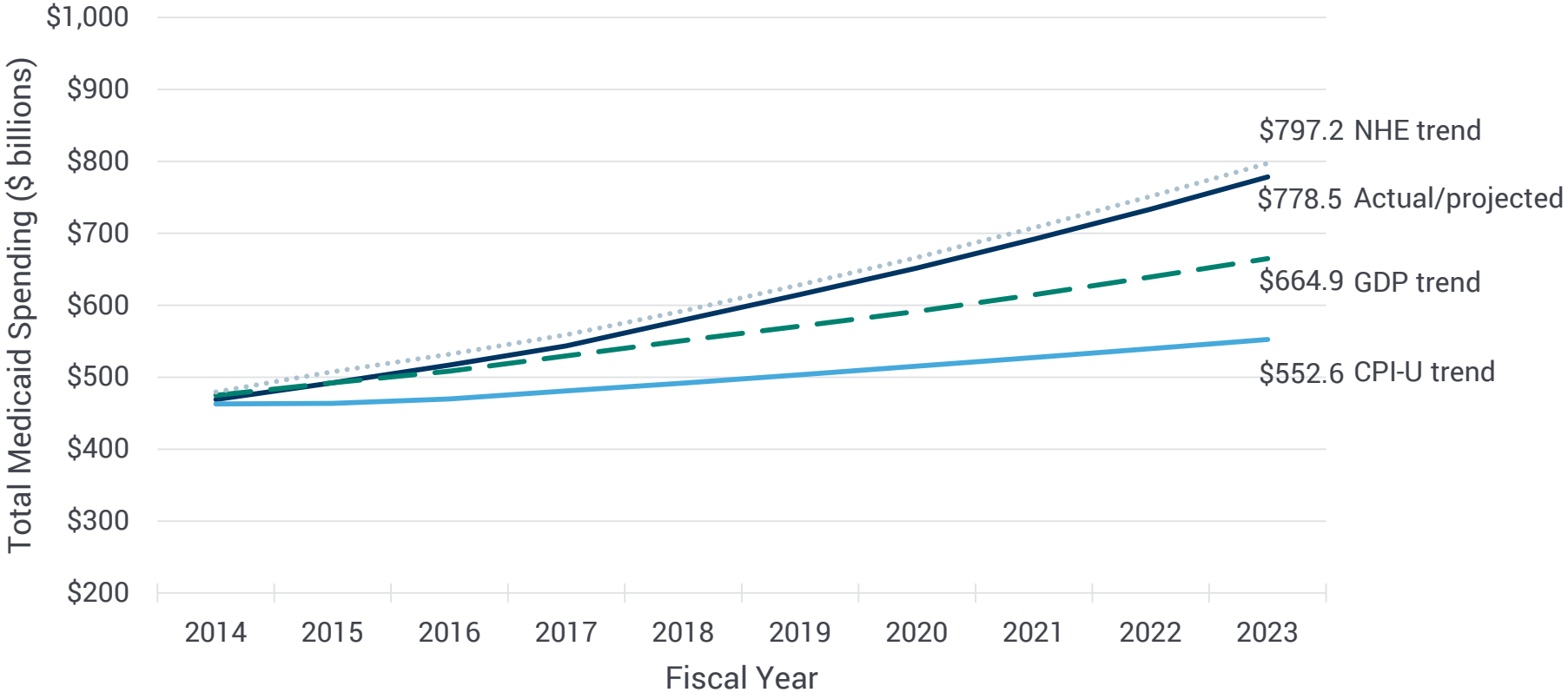
State variability in annual increase in Medicaid benefit spending, FY 2009–2013



Source: MACPAC analysis of FY 2008–2013 CMS-64 net financial management report.

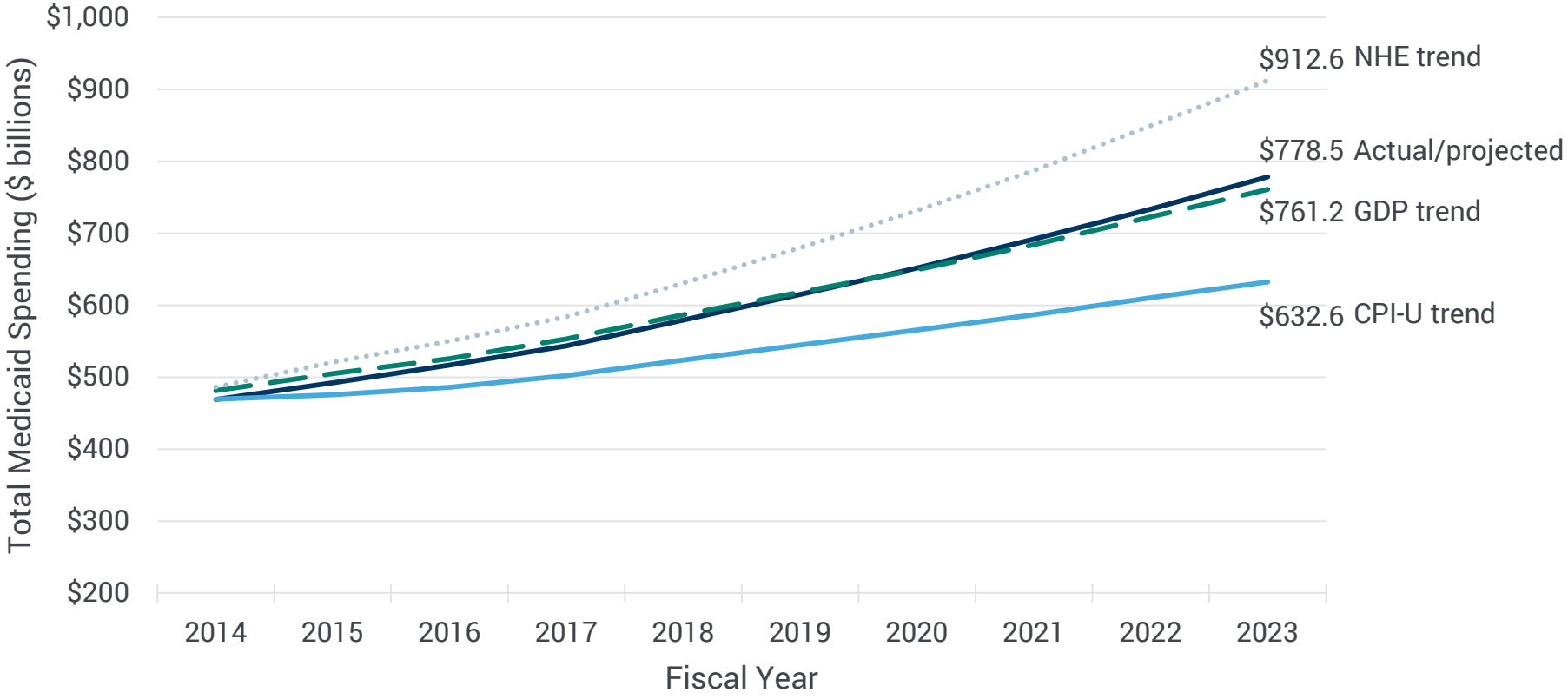
Choice of Growth Factors

FY 2014–2023 Medicaid spending under different trends for block grant scenario



Note: CPI-U is consumer price index-all urban consumers. GDP is gross domestic product. NHE is national health expenditures. Excludes spending for new adult group. FY 2013 was the base year for spending. Includes administrative spending.
Sources: For spending: MACPAC analysis of CMS Office of the Actuary (OACT), 2016, 2015 Actuarial report of the financial outlook for Medicaid. For CPI-U, Bureau of Labor Statistics, 2016, data from CPI-U; and Congressional Budget Office (CBO), 2016, An update to the budget and economic outlook: 2016 to 2026, August 2016. For GDP, Bureau of Economic Analysis, 2016, GDP, revised Dec. 22, 2016; and CBO 2016. For NHE, OACT, National health expenditure amounts by type of expenditure and source of funds: Calendar years 1960–2025 in projections format, as of July 2016.

FY 2014–2023 Medicaid spending under different trends for per capita cap scenario



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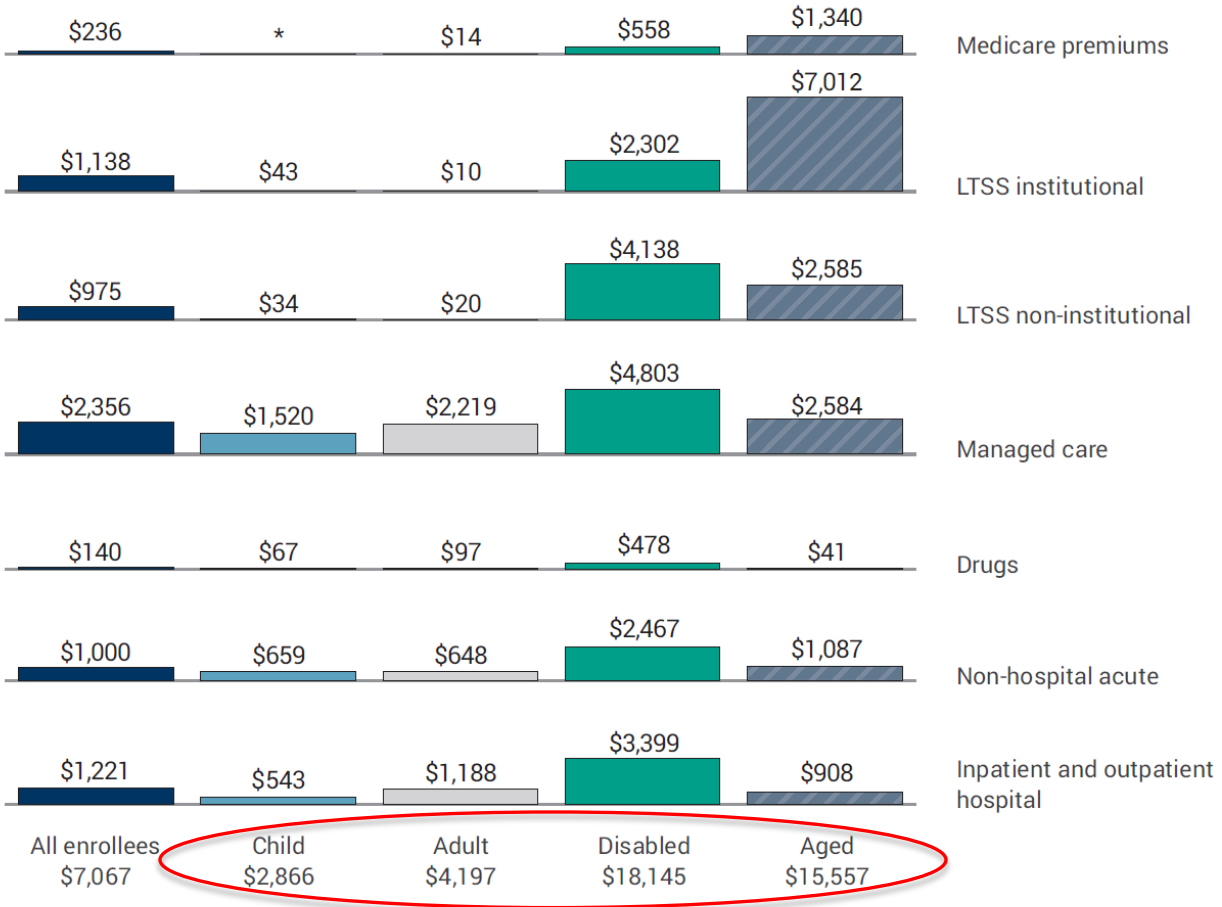
Change in FY 2014–2023 federal Medicaid spending under different scenarios

Scenario	Avg. annual trend from FY 2013	FY 2014-2023 federal spending ($ billion)	Change in federal spending ($ billion)	Total change in federal spending including end of Medicaid expansion ($ billion)[1]
Per capita cap NHE	7.2%	$3,882.4	$355.4	-$277.8
Block grant NHE	5.8%	$3,587.2	$60.2	-$573.0
Actual/projected	**5.6%**	**$3,527.0**	**$0.0**	-$633.2
Per capita cap GDP	5.3%	$3,510.1	-$16.9	-$650.1
Block grant GDP	3.9%	$3,250.5	-$276.6	-$909.7
Per capita cap CPI-U	3.3%	$3,112.2	-$414.8	-$1,048.0
Block grant CPI-U	1.9%	$2,887.4	-$639.7	-$1,272.8

Note: CPI-U is consumer price index-all urban consumers. GDP is gross domestic product. NHE is national health expenditures. FY 2013 was the base year for spending. Federal spending excludes spending for new adult group. Includes administrative spending.
[1] Eliminating spending for the new adult group under Medicaid expansion would reduce federal spending by approximately $633.2 billion for FY 2014–2023.
Sources: For spending: MACPAC analysis of CMS Office of the Actuary (OACT), 2016, 2015 Actuarial report of the financial outlook for Medicaid. For CPI-U, Bureau of Labor Statistics, 2016, data from CPI-U; and Congressional Budget Office (CBO), 2016, An update to the budget and economic outlook: 2016 to 2026, August 2016. For GDP, Bureau of Economic Analysis, 2016, GDP, revised Dec. 22, 2016; and CBO 2016. For NHE, OACT, National health expenditure amounts by type of expenditure and source of funds: Calendar years 1960–2025 in projections format, as of July 2016.

Changes in Enrollment Mix

FY 2013 spending per FYE by eligibility group



Notes: FYE is full-year equivalent. FY is fiscal year. LTSS is long-term services and supports. Excludes spending for administration, the territories, and Medicaid-expansion CHIP enrollees. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding completeness of monthly claims and enrollment data.
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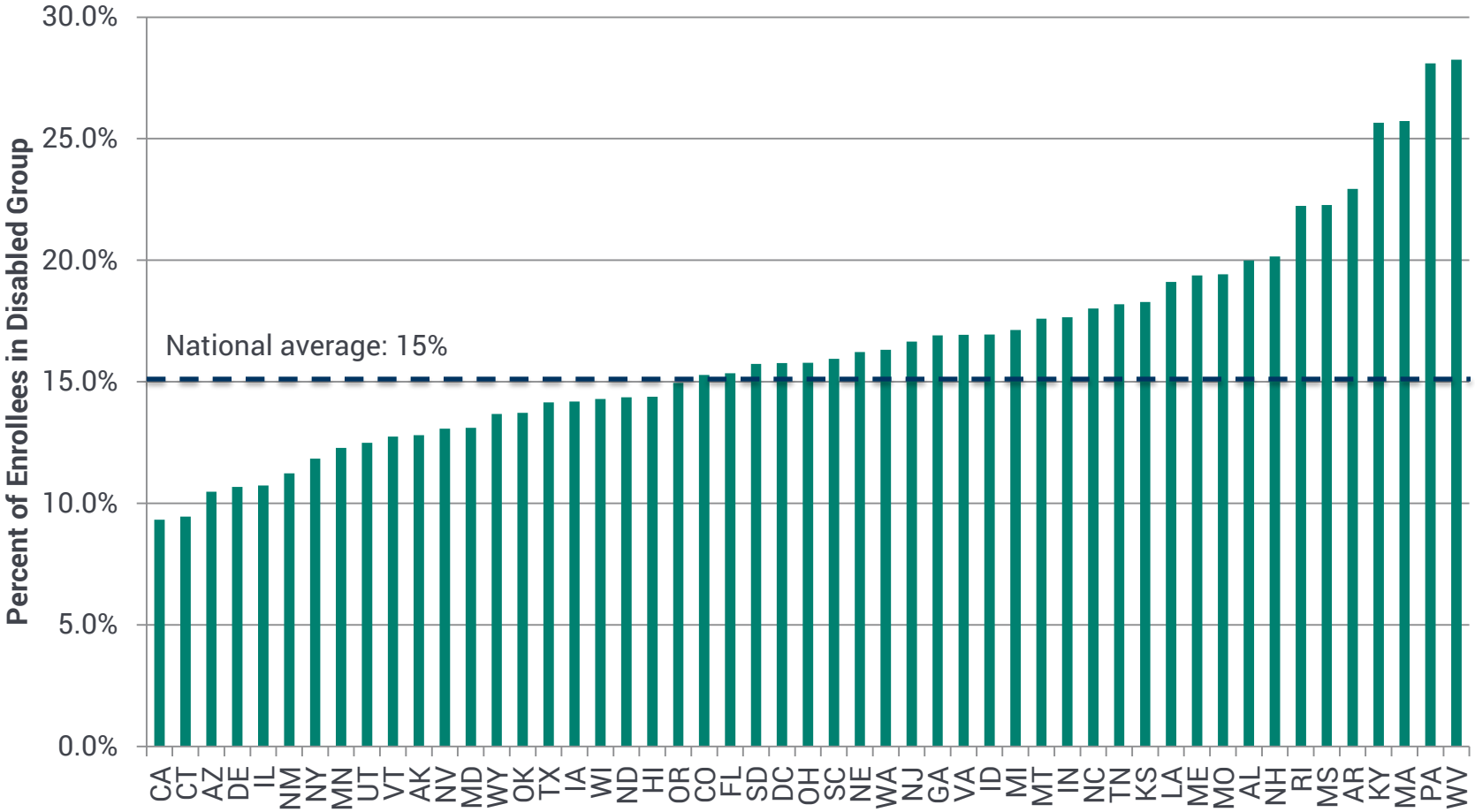
Source: MACPAC, 2016, *MACStats*, Exhibit 19, December 2016.

Percent of enrollees in disabled group by state, FY 2013



Average benefit spending per FYE for children by eligibility and age group, FY 2013

Age group	Eligible on basis other than disability	Eligible on basis of disability
Less than 1 year	$9,172	$95,428
1-5 years	$2,709	$24,622
6-14 years	$2,232	$15,223
15-20 years	$3,143	$17,307
Total	$2,863	$17,950

Note: FYE is full year equivalent. Includes federal and state funds. Excludes spending for administration. Benefit spending from Medicaid Statistical Information System (MSIS) data has been adjusted to reflect CMS-64 totals. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding the completeness of monthly claims and enrollment data.
Sources: MACPAC analysis of Medicaid Statistical Information System data as of December 2015 and analysis of CMS-64 financial management report net expenditure data from the Centers for Medicare & Medicaid Services as of June 2016.

Average benefit spending per FYE for aged and disabled enrollees by dually eligible status, FY 2013

Dually eligible status	Aged eligibility group	Disabled eligibility group	Aged and disabled combined
Dually eligible	$15,662	$14,302	$15,101
Not dually eligible	$14,156	$20,866	$20,395
Total	$15,557	$18,145	$17,140

Note: FYE is full year equivalent. Includes federal and state funds. Excludes spending for administration. Benefit spending from Medicaid Statistical Information System (MSIS) data has been adjusted to reflect CMS-64 totals. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding the completeness of monthly claims and enrollment data.
Sources: MACPAC analysis of Medicaid Statistical Information System data as of December 2015 and analysis of CMS-64 financial management report net expenditure data from the Centers for Medicare & Medicaid Services as of June 2016.

Average benefit spending per FYE by use of LTSS services, FY 2013

Use of LTSS	Total	Child	Adult	Disabled	Aged
Using LTSS	$44,936	$26,481	$27,410	$54,293	$39,275
Not using LTSS	$4,403	$2,674	$4,068	$10,403	$5,429
Total	$7,067	$2,866	$4,197	$18,145	$15,557

Note: LTSS is long-term services and supports. FYE is full year equivalent. Includes federal and state funds. Excludes spending for administration. Benefit spending from Medicaid Statistical Information System (MSIS) data has been adjusted to reflect CMS-64 totals. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding the completeness of monthly claims and enrollment data.
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Changes in enrollment mix impact spending growth rates

- Growth in average Medicaid benefit spending per FYE is affected by distribution of enrollment across eligibility groups
- Average benefit spending per FYE projected to increase at an average rate of 4.1 percent per year over next 10 years (including newly eligible adults)
  - Through 2018, enrollment growth in the newly eligible adult group is expected to lower the overall average spending per FYE
  - After 2018, enrollment growth in the aged eligibility group is expected to increase overall average spending per FYE
- If the enrollment mix remained the same over the 10 years, average spending per FYE would grow at 4.5 percent per year

Additional design elements to consider

- Other adjustments (e.g., geographic cost variation, health status, program design)
- State allocation (e.g., compression to national average)
- State flexibility
- Allowable sources of non-federal share
- Split between federal and non-federal share
- Data requirements

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