



Illustrations of State-Level Effects of Per Capita Cap Design Elements



Medicaid and CHIP Payment and Access Commission

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Overview

- Provide data examples to illustrate state-level effects of certain design elements in per capita cap 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

- FY 2013 Medicaid Statistical Information System
- FY 2013 CMS-64 financial management report net expenditure data
- Wage index data from CMS Medicare acute inpatient prospective payment system

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

Per capita cap design elements

- Establish a base year of historical spending for populations and services included under cap
- Calculate base year spending per enrollee for four major eligibility groups (child, adult, disabled, and aged)
- Trend forward to funding year
- May have reallocation of federal funding
- Other adjustments to normalize for differences across states
- Populations and services not under cap continue to exist under current financing structure

MACPAC analysis

- Calculate spending per full-year equivalent (FYE) by state for each of the four eligibility groups
- Illustrate the change in the spending per FYE for each state under different scenarios
 - Population exclusions
 - Adjust for enrollee mix and geographic cost
 - Reallocate federal funding

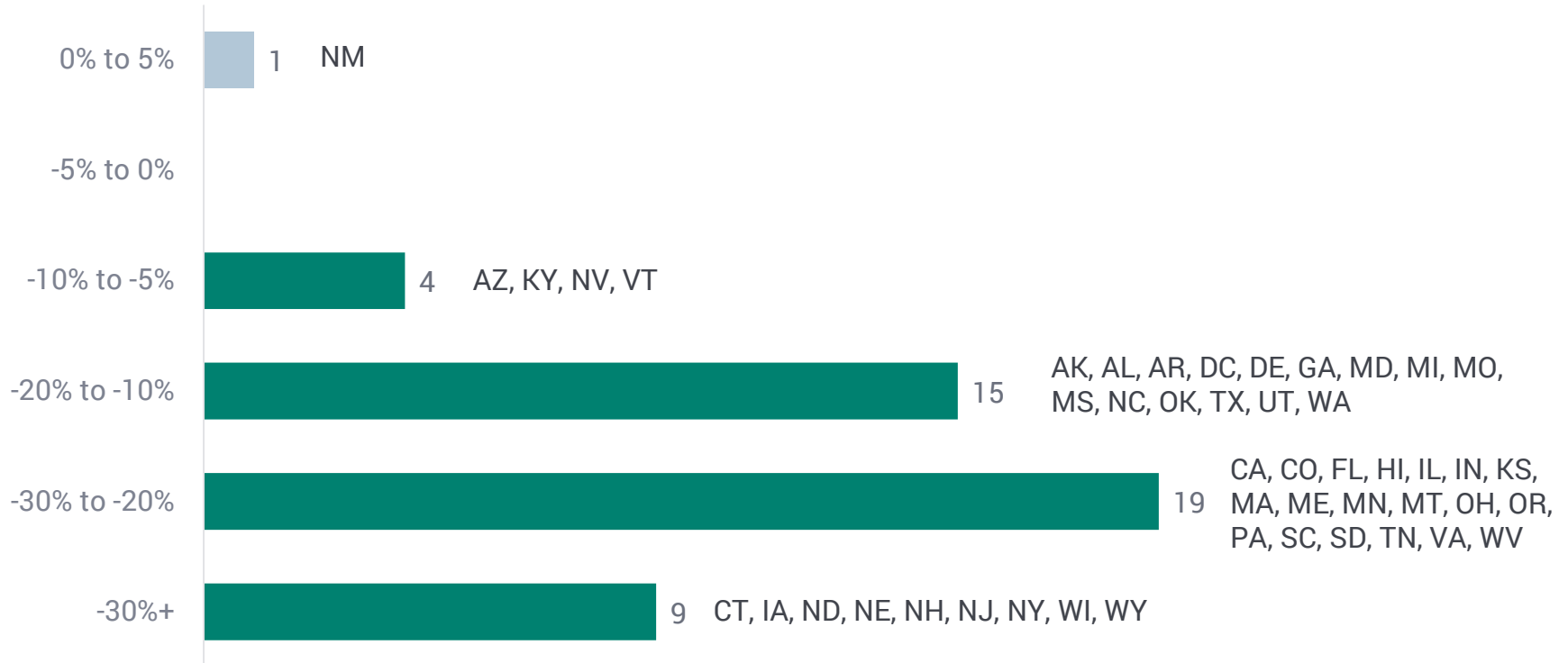
State-level effects of population exclusions

March 2, 2017

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
 - FY 2013 average benefit spending per FYE was \$7,067 with limited benefit enrollees but \$5,462 when they are excluded
- Enrollees receiving limited benefits
 - 12.5 percent of 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

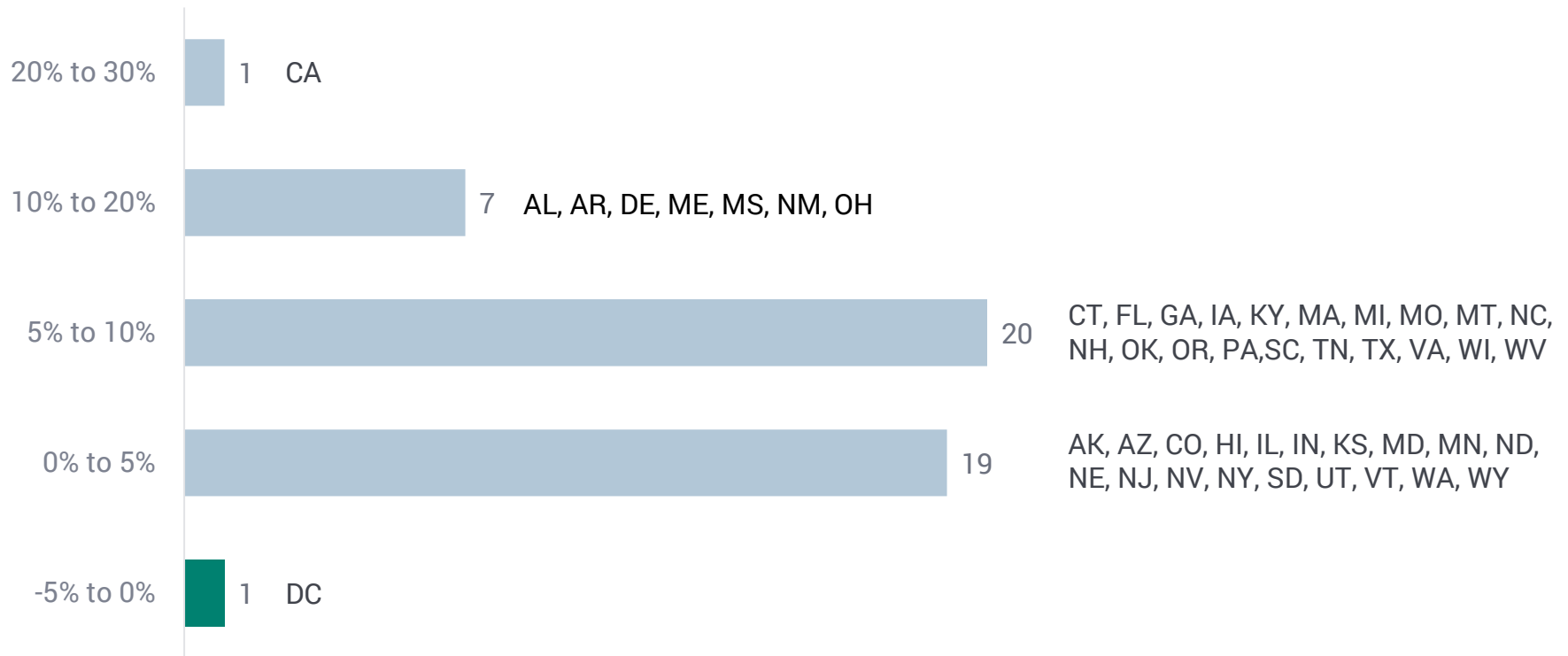
Change in FY 2013 benefit spending per FYE excluding dually eligible enrollees



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.

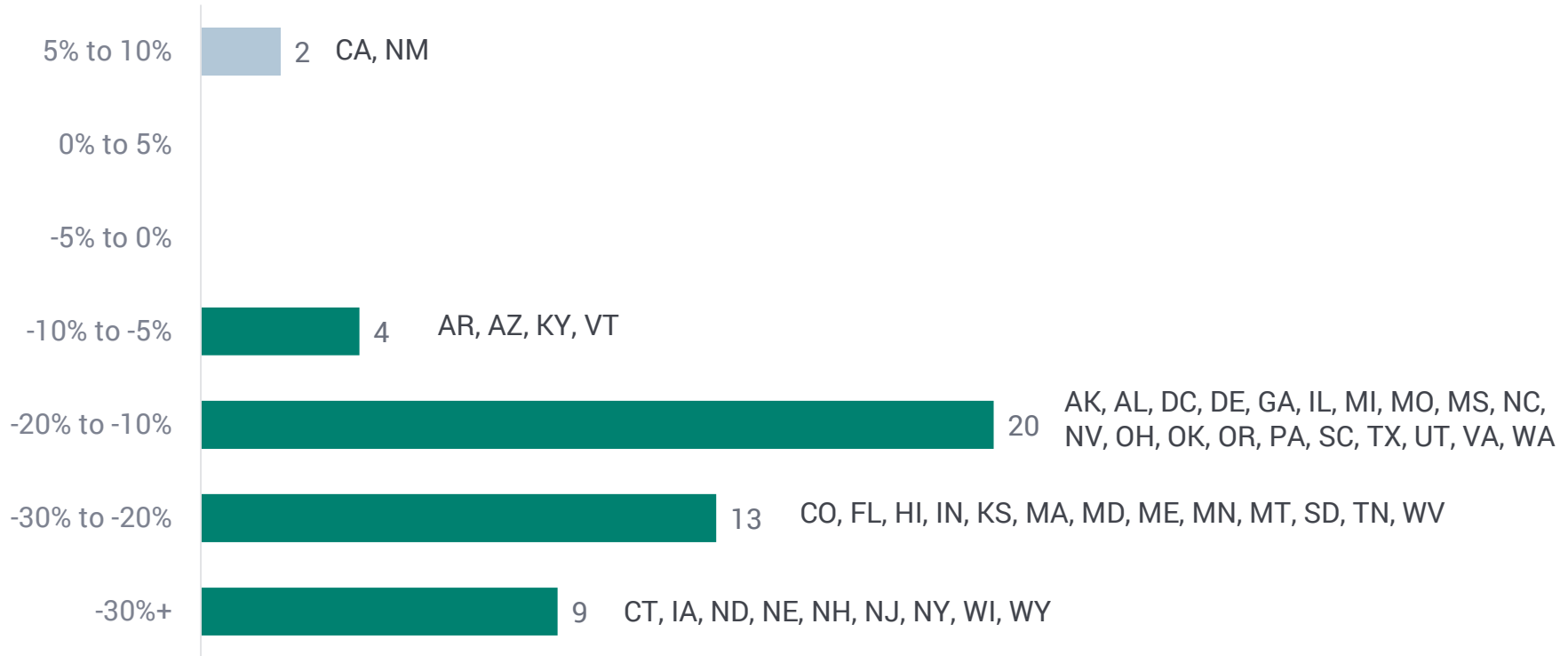
Change in FY 2013 benefit spending per FYE excluding limited benefit enrollees



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.

Change in FY 2013 benefit spending per FYE excluding limited benefit and dually eligible enrollees



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.

Enrollment mix and geographic cost

Per capita cap payment

- Per capita caps set for the four eligibility groups
 - Can be significant variation in spending per enrollee within an eligibility group
- Capitation rate setting addresses population differences through rate cells and risk adjustment
 - rate cells for subgroups such as eligibility, age, gender, geographic residence, and institutional status
 - diagnostic risk adjustment
- Per capita caps need to adjust for variation within eligibility groups across states if reallocating federal funding (e.g., move to national average)

Age mix adjustment

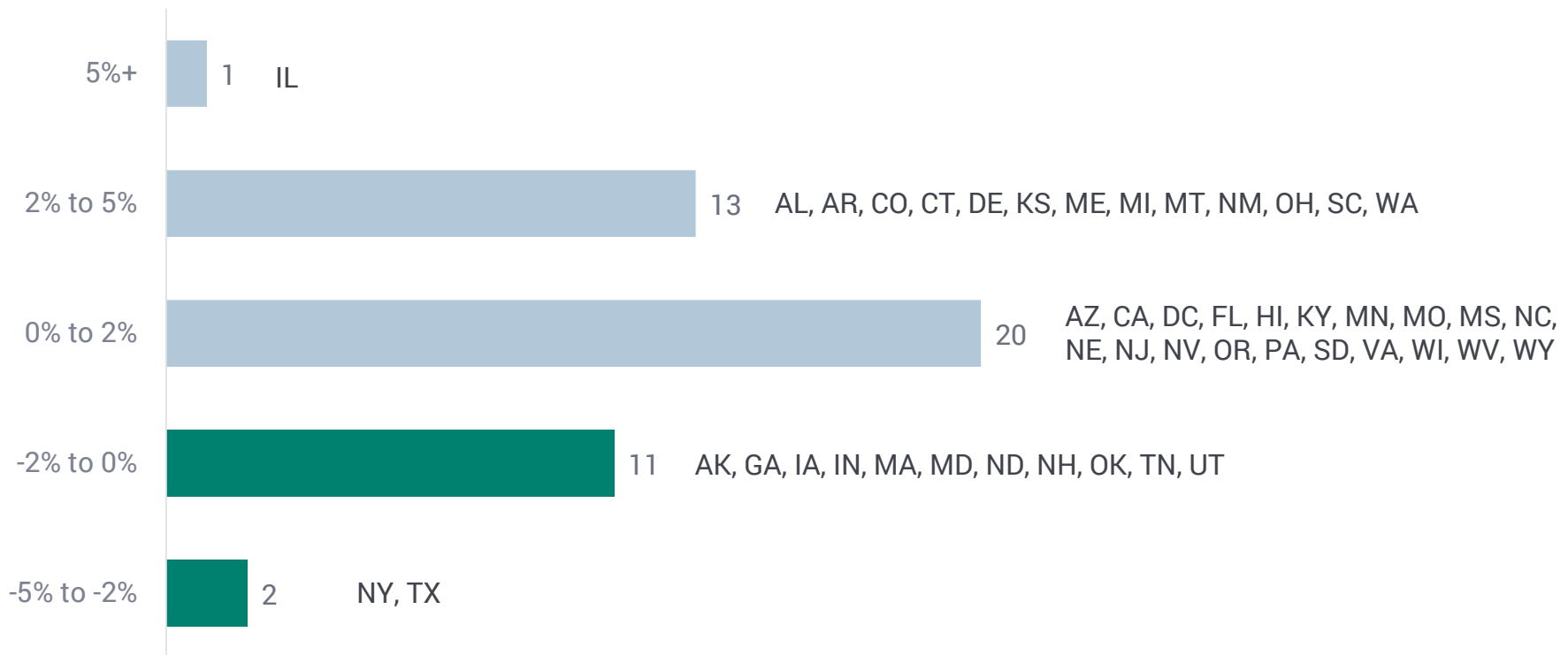
- Adjust each state's enrollment mix to match the national mix within age groups
- Apply state's average spending per FYE by age group

Children eligible on basis other than disability		
Age group	Percent of Enrollees	FY 2013 benefit spending per enrollee
Less than 1 year	4.5%	\$9,173
1-5 years	33.5%	\$2,710
6-14 years	44.4%	\$2,243
15-20 years	17.4%	\$3,212
Total		\$2,884

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 limited benefit enrollees. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding the completeness of monthly claims and enrollment data. Total percent of enrollees does not equal 100 percent due to a small number of enrollees in the child eligibility group whose age at the end of the year was 21 years or older.

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.

Change in FY 2013 benefit spending per FYE for child eligibility group when using national age mix



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 limited benefit enrollees. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding the completeness of monthly claims and enrollment data. Also excludes Vermont. Due to large differences in the way spending is reported by Vermont in CMS-64 and MSIS data, we only adjust and display Vermont spending at the total level.

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.

LTSS use adjustment

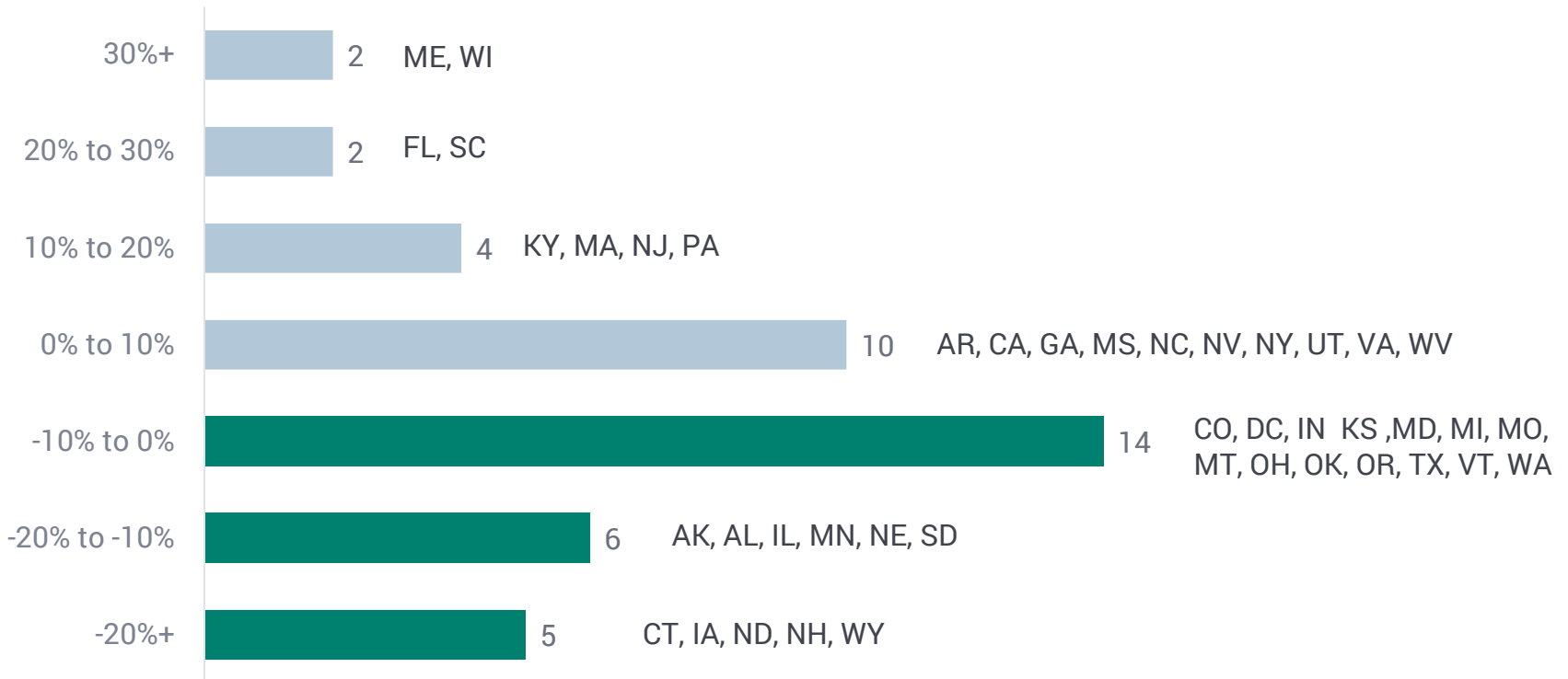
- Adjust each state's LTSS user mix to match the national user mix
- Apply state's average spending per FYE for LTSS users and non-users

Use of LTSS	Percent of Enrollees	FY 2013 benefit spending per enrollee
Using LTSS	7.7%	\$45,700
Not using LTSS	92.3%	\$4,662
Total		\$7,827

Note: FYE is full year equivalent. LTSS is long-term services and supports. 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 limited benefit enrollees. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding the completeness of monthly claims and enrollment data. Also excludes Arizona, Delaware, Hawaii, New Mexico, and Tennessee due to these states having a high proportion of LTSS users in managed LTSS.

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.

Change in FY 2013 benefit spending per FYE when using national LTSS user mix



Note: FYE is full year equivalent. LTSS is long-term services and supports. 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 limited benefit enrollees. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding the completeness of monthly claims and enrollment data. Also excludes Arizona, Delaware, Hawaii, New Mexico, and Tennessee due to these states having a high proportion of LTSS users in managed LTSS.

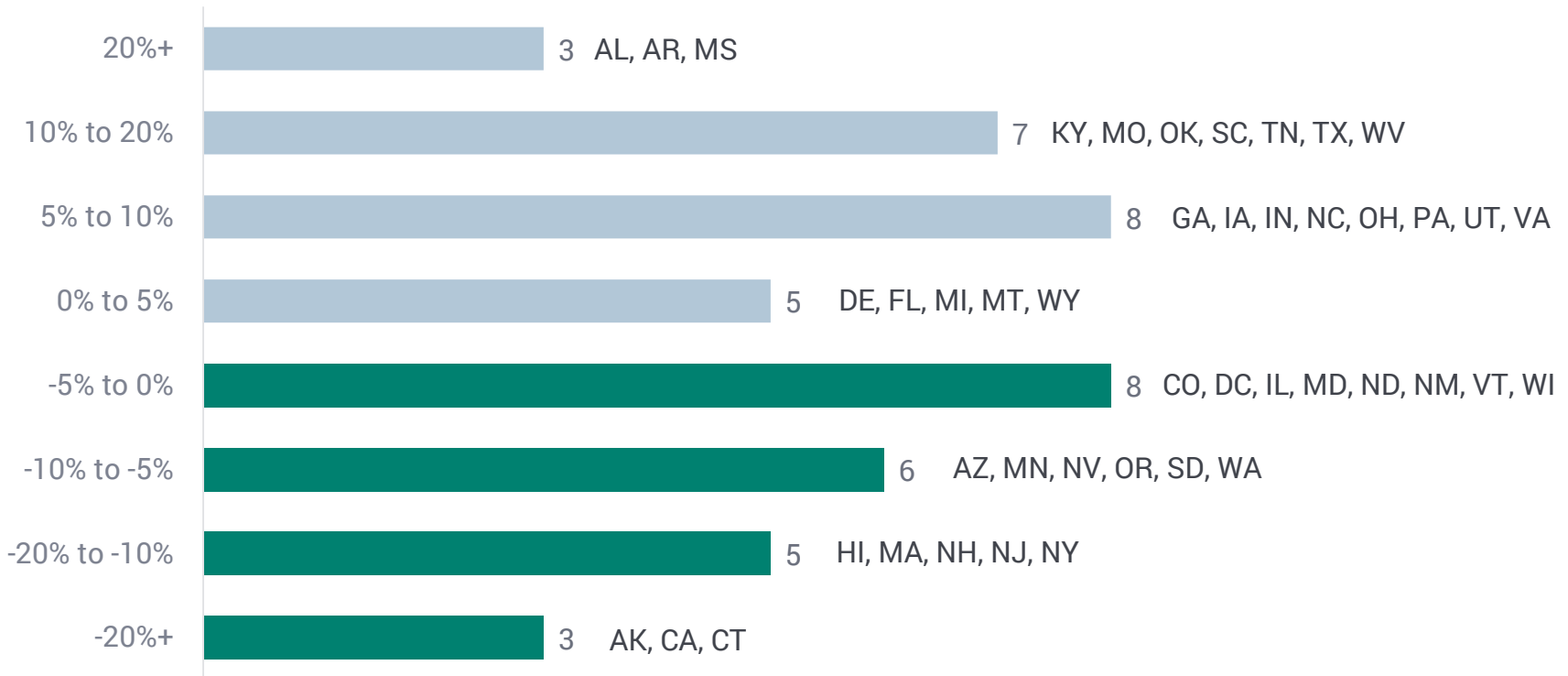
Sources: MACPAC analysis of Medicaid Statistical Information System data as of December 2015 and analysis of CMS-64 financial management report net expenditure data from the Centers for Medicare & Medicaid Services as of June 2016.

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Geographic wage adjustment

- Wage adjustment to account for differences in local prices across states
- Based on Medicare methodology
 - Local wage index data from CMS Medicare acute inpatient prospective payment system
 - Used Medicare's hospital labor share (estimated amount of payment and costs related to wages)

Change in FY 2013 benefit spending per FYE after geographic wage adjustment



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 limited benefit enrollees and enrollees dually eligible for Medicare and Medicaid. Excludes Idaho, Louisiana, and Rhode Island due to data reliability concerns regarding the completeness of monthly claims and enrollment data. Excludes Kansas, Maine, and Nebraska due to missing data used in MACPAC's inpatient hospital payment analysis.

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. MACPAC/Urban Institute analysis of CY 2010 MAX data.

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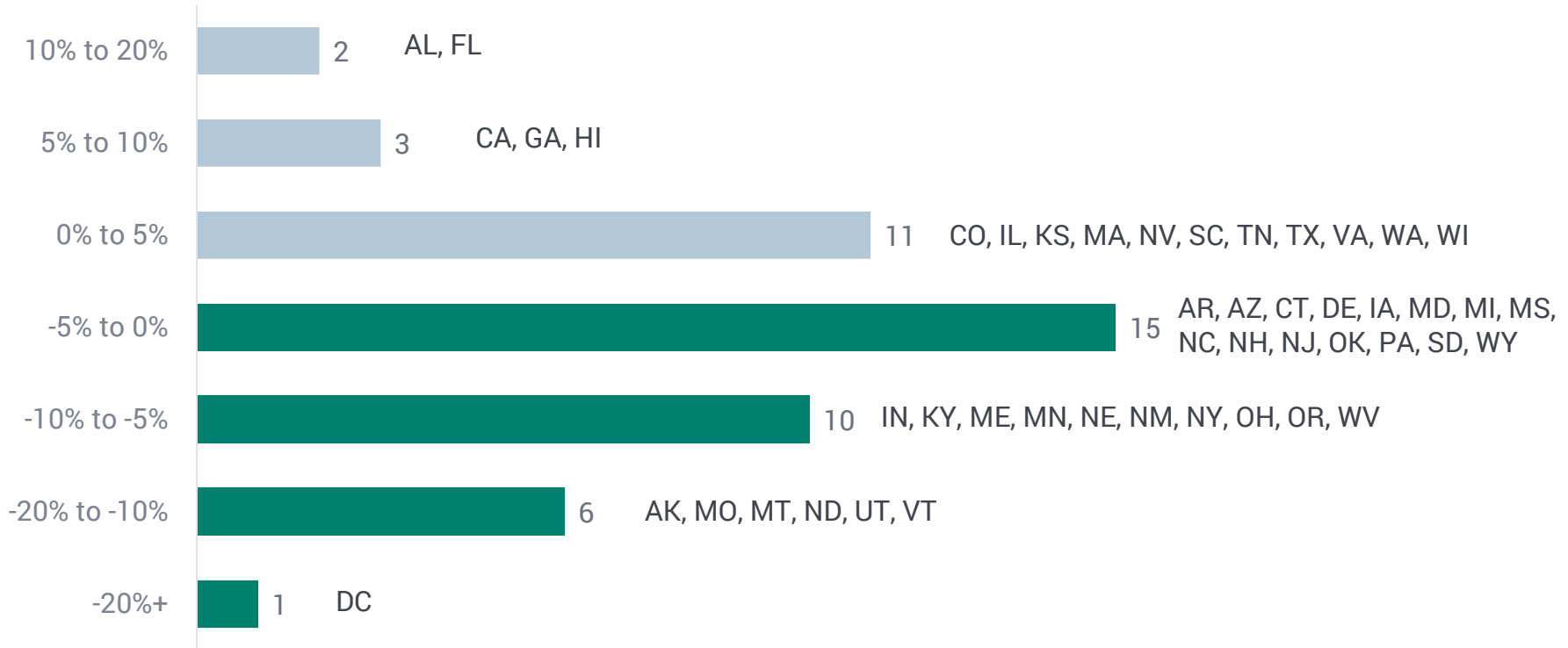
State allocation of federal spending

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Change state allocation of federal spending

- Basing future per capita cap at the state level on current spending levels locks in existing differences across states
- Proposals could base per capita cap on the national average which would reallocate federal funding to low spending states
 - World's Greatest Healthcare Plan Act of 2016 transitions federal spending to a corridor of 10 percent above and below the national average
- Our analysis assumes non-federal share remains constant

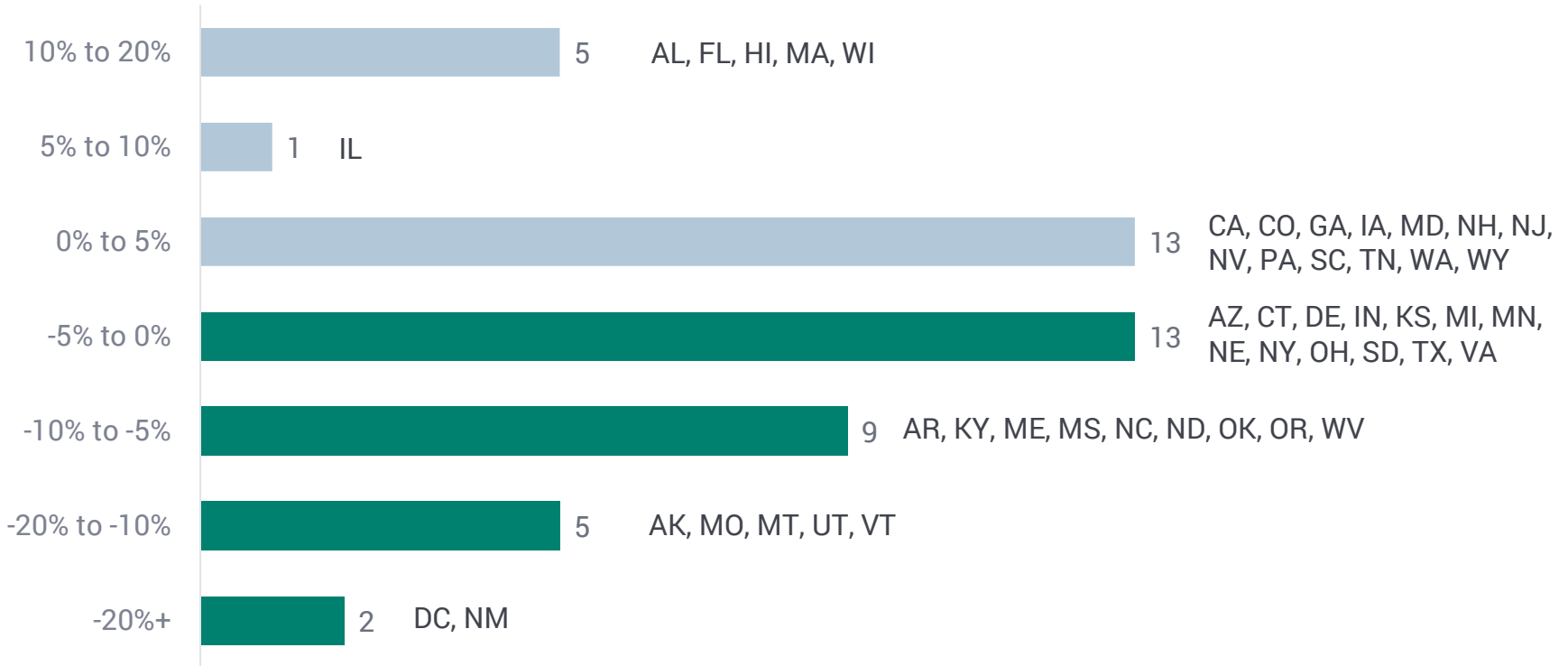
Change in overall benefit spending per FYE after compression of federal spending to 10 percent corridor around national average



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.

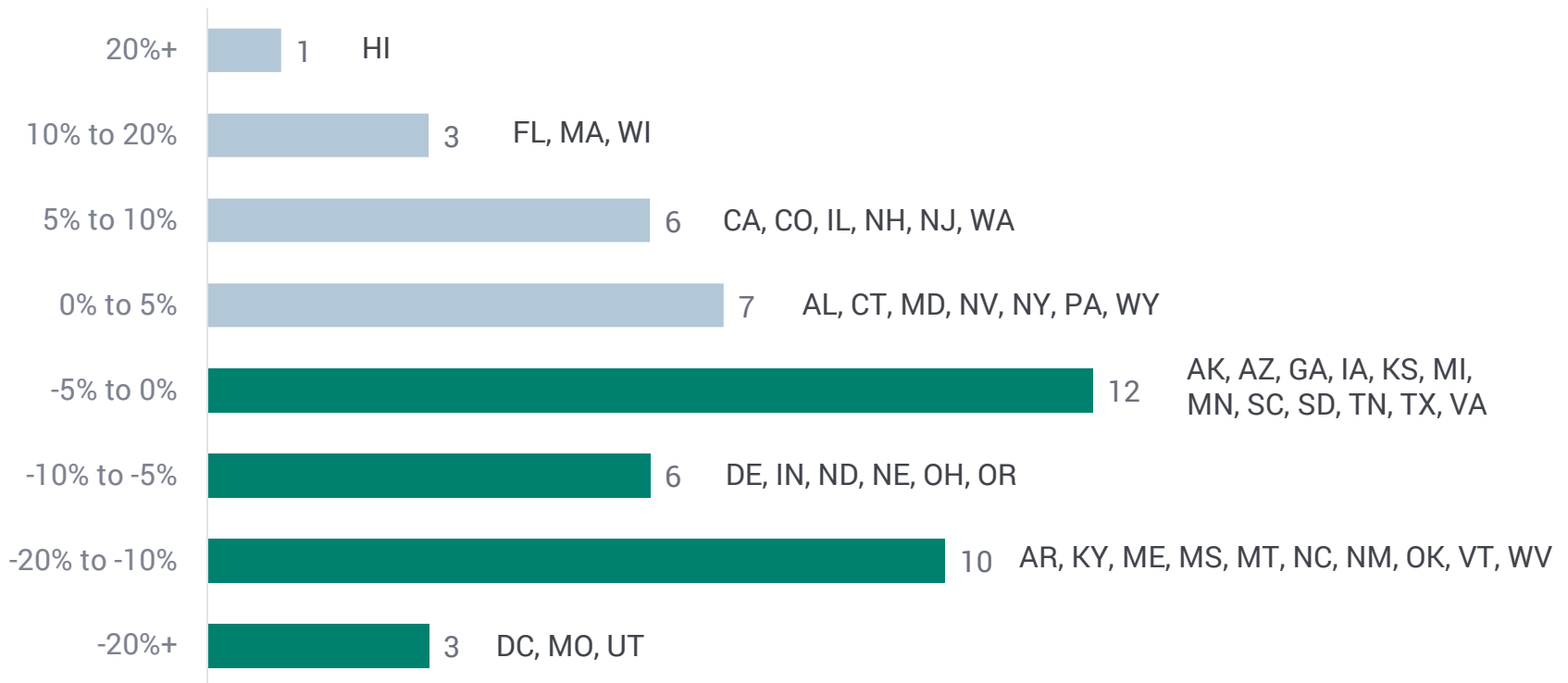
Change in overall spending per FYE after compression of federal spending and excluding limited benefit and dually eligible enrollees



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.

Change in overall spending per FYE after compression of federal spending, excluding limited benefit and dually eligible, and making geographic adjustment



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.

Additional design elements to consider

- Allowable sources of non-federal share
- Split between federal and non-federal share
- Data requirements



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