

# State Budget Trends: Federal Health Policy Landscape

Westrends Board

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August 18, 2017



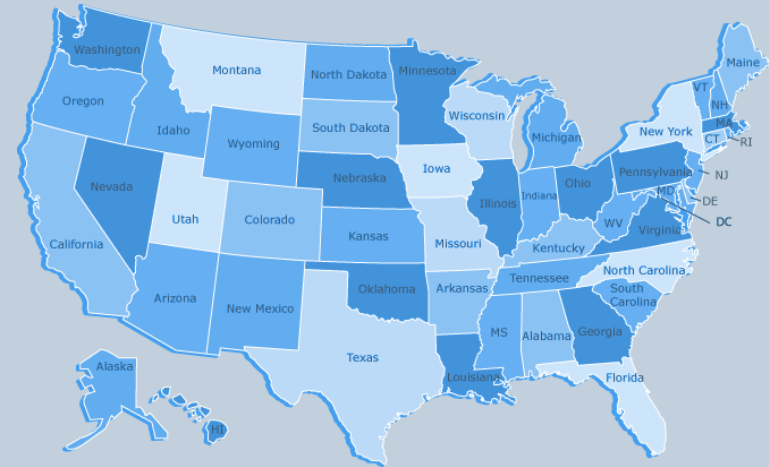
# Overview

- Background and Context
- Federal Health Policy Landscape
- Takeaways for Western State Legislators

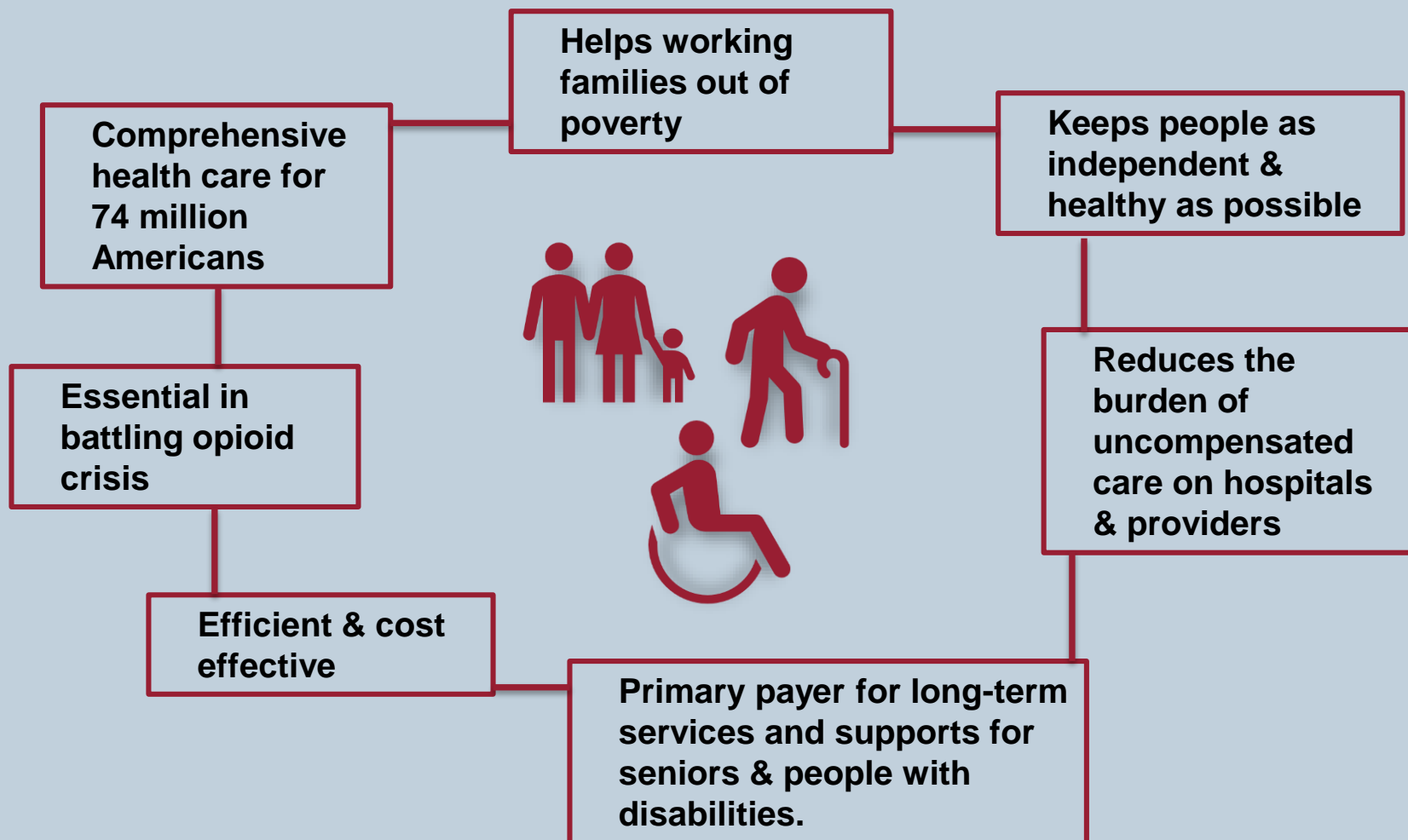
# Background and Context

# National Association of Medicaid Directors

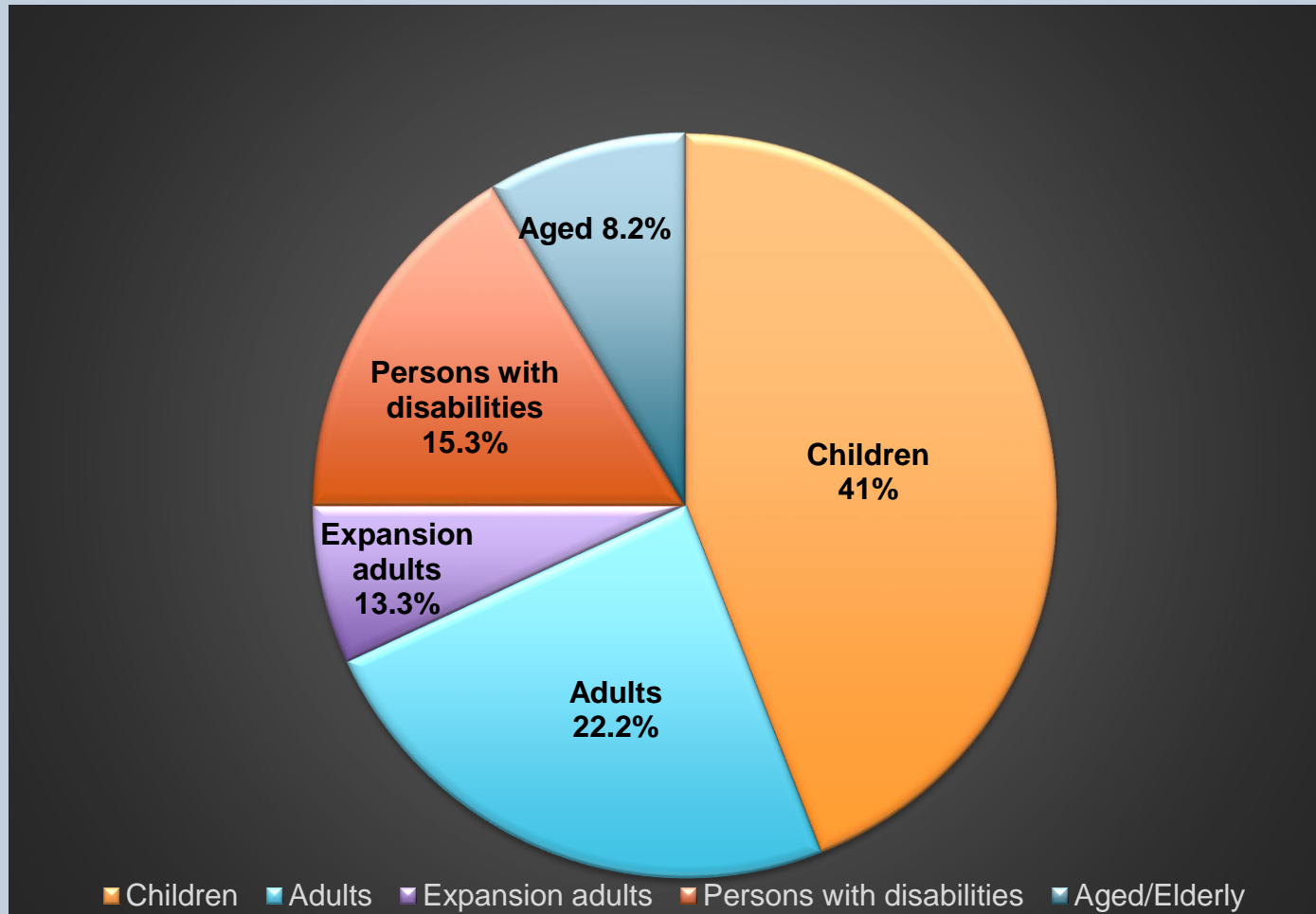
- Bi-partisan, standalone association
- Represent 56 Medicaid directors, including DC and territories
- Our mission is to...
  - Be the **consensus voice** of state Medicaid Directors in federal policy process
  - Support **sharing of best practices** around key state priorities



# Medicaid's Role in States & Communities

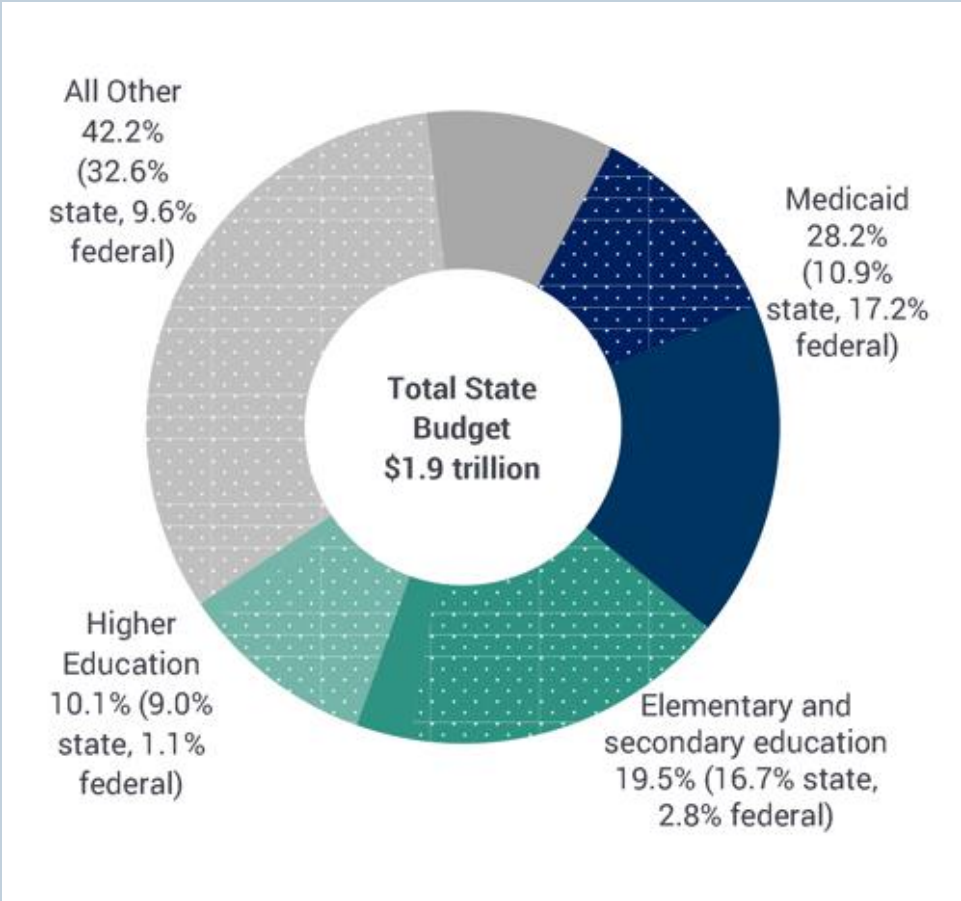


## Estimated Enrollment by Population Category, Fiscal Year 2015<sup>1</sup>



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

# Medicaid's Share of State Budgets (SFY 2015)



Source: Medicaid and CHIP Payment and Access Commission, Distribution of Medicaid, Education, and All Other Spending from Total State Budgets versus State-Funded State Budgets, SFY 2015

# Being a Medicaid Director in 2017...

- Running a Fortune 50 company
- Driving innovations that improve quality and deliver value for taxpayer dollar
- Wise stewards of ~25 percent of the state's budget
- Monitoring the potential congressional action
- Establishing and navigating new relationships at CMS
- Negotiating major contracts with health plans, delivery systems, information system vendors, etc.



# Federal Health Policy Landscape

# Three Front Burner Issues

1. Repeal and replace of Affordable Care Act & Medicaid reform (congressional)
2. New leadership at HHS and promise of state flexibility (Administration)
3. CHIP reauthorization (congressional)

*Potential for sizable impact on state budgets.*



# 1. Repeal and Replace & Medicaid Reform

- **House** - American Health Care Act (AHCA):  
*passed House.*
  - CBO: \$834b reduction in federal Medicaid funds over 10 years
  
- **Senate** - Better Care Reconciliation Act (BCRA), repeal and delay, and skinny repeal: *failed Senate.*
  - CBO: BCRA \$772b reduction in federal Medicaid funds over 10 years.
  
- **What's Next?**
  - 12 legislative working days in FY2017
    - Graham-Cassidy bill?
    - Bi-partisan reforms to individual market?
  - **Bottom line: health reform unlikely before Oct. 1**



# 1. Repeal and Replace & Medicaid Reform

## *Where does NAMD stand?*

### ➤ **Bipartisan**

- No position on repeal and replace
- No position on per capita caps or block grants
- Involve State Medicaid Directors as trusted auto mechanic

### ➤ **Medicaid reform must avoid the transfer of financial risk onto the states**

- Transfer of financial risk = reducing federal \$ but requiring states to cover same populations, benefits, etc.
- Changes in federal funding must be accompanied by clear statutory changes to give states flexibility to manage program

### ➤ **Federal Medicaid reform must be thoughtful & deliberate**

## 2. New Leadership at HHS and Promise of State Flexibility

- **Process changes**
  - State plan amendments
  - Rate reviews
- **State flexibility and waivers**
  - 1332 waivers (individual market)
  - Section 1115 waivers (Medicaid)
- **Potential regulatory changes**
  - Managed care rule
  - Home and community-based settings rule
  - Access monitoring regulation

## 2. New Leadership at HHS and Promise of State Flexibility

### *Where does NAMD stand?*

- Strengthen federal-state partnership that underpins Medicaid
- Improve SPA and waiver processes
- Work with states to address key regulatory barriers & support state Medicaid innovation



# 3. Children's Health Insurance Program (CHIP) Funding

- Funding is set to expire on Sept. 29, 2017
- CHIP covers 8.4 million children (FY15)
- Generally bi-partisan support in Congress for extending CHIP. Debate is around:
  - Whether to continue 23% enhanced FMAP
  - Maintenance of effort requirement for kids
- Timing of CHIP reauthorization uncertain

# 3. Children's Health Insurance Program (CHIP) Funding

## *Where does NAMD stand?*

Congress should act quickly to continue CHIP funding

- Failure to extend CHIP funding will have state budget and coverage impacts
  - CHIP provided \$9.7 billion in federal funds to states in FY15
  - Transition children onto exchanges: affordability and coverage questions
- Delay has operational implications for states
- Ending the 23% enhanced FMAP = state budget impact (\$10s-\$100s of millions)



# Takeaways for Western State Legislators

# Takeaways for Western State Legislators

- The federal health policy landscape is fluid.
- Potential activity on Medicaid and CHIP could have significant state budget impacts.
  - Important to avoid the transfer of financial risk from federal government onto states.
- Opportunity for Administration to strengthen the federal-state partnership that underpins Medicaid.
- In spite of federal uncertainty, Directors continuing to drive innovations and deliver high quality care.

# Questions?

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