Medicaid Impact Of The Better Care Reconciliation Act of 2017 In The District of Columbia

Presentation for:

Committee on Health

July 12, 2017
Washington DC

Presentation Outline

- ☑ **Key Changes To Medicaid Proposed By The Senate Bill**
  - *Elimination and Phase-out of Enhanced Support For Expansion*
  - *Establishment of Per-Capita Caps And Penalties*
  - *Modification of Inflation Trend Rates*
  - *Other Notable Changes*
- ❑ Local Cost Impact Of Medicaid Changes
  - *Impact of Elimination and Phase-Down of Expansion Coverage*
  - *Impact of Imposition of Per-Capita Caps*
  - *Total Cost Of Replacing Lost Federal Funds*
- ❑ Next Steps In The Senate

Current Structure Of Medicaid Program Is A Favorable Arrangement For The States

- As the largest insurance program in the country, Medicaid is a jointly funded partnership between the federal government and the states
  - Federal matching rates that reach as much as 75% in some states (70% in the District)
  - Administrative match rate of 50 percent
  - Expansive array of allowable health care services

- Medicaid currently covers four main groups of low-income Americans
  - Parents and their children
  - Persons who are elderly
  - Persons with disabilities
  - Childless adults as an optional coverage group for States that expanded

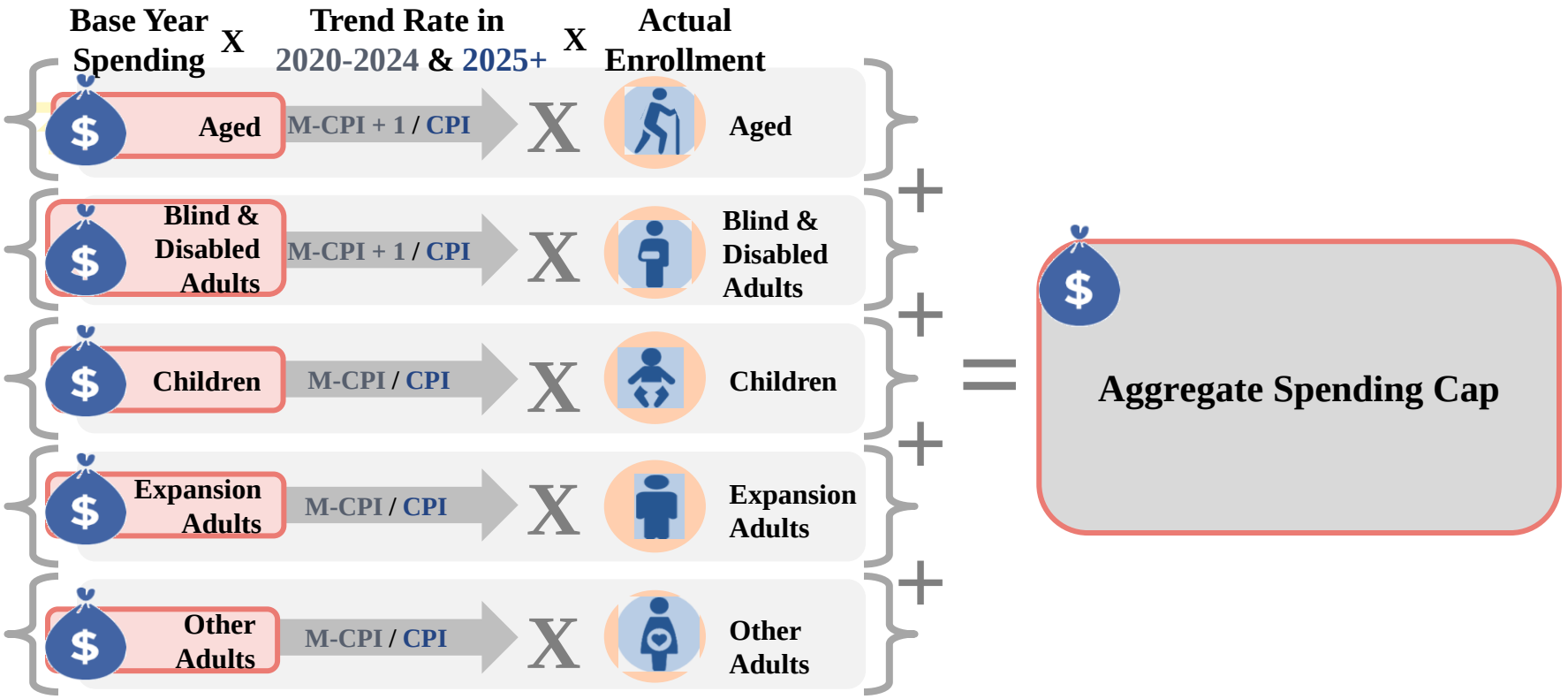
- In exchange for federal support, states must provide a mandated set of benefits and can also cover certain optional services
  - States can vary benefits in "amount, duration, and scope" as long as they are sufficient to achieve the purpose as intended under federal law
  - Based on medical necessity, eligible beneficiaries are ***entitled*** to receive all services covered in their state's Medicaid Plan

Senate Bill Completely Ends Eligibility For One Expansion Group While Phasing Out Enhanced Funding For The Other

- The District of Columbia extends Medicaid coverage to two optional coverage groups for Medicaid
  - Childless adults with incomes up to 138% of the federal poverty level (FPL)
  - Childless adults with incomes from 138% to 210 percent of FPL
- After a phase down from 100 percent, the current law pays for 95 percent of the cost of Medicaid expansion for those states that pursued this option
- The proposed bill ends Medicaid eligibility for the childless adult group expansion population - persons above 138% of federal poverty level (FPL), effective 12/31/17
- The proposed Senate bill phases out the enhanced funding for the remaining expansion group beginning in 2021 according to the following schedule:
  - 2021 - 85% federal match
  - 2022 - 80% federal match
  - 2023 - 75% federal match
  - 2024 - State's regular federal match (70% in District of Columbia)

Medicaid Per-Capita Caps Replace The Program's Revered And 52 Year Old Entitlement Feature

Aggregate Cap on Medicaid Funding Constructed from Per Capita Caps for Five Different Eligibility Groups



Source: Recreated from Manatt presentation, *Overview of the Senate Substitute Better Care Reconciliation Act of 2017 (BCRA),* made to the National Association of Medicaid Directors

The Caps Will Be Developed From A Base Year And Adjusted By An Inflation Factor

- To determine the base year for the caps, states will be allowed to select any period consisting of 8 consecutive quarters from FY2014 through the 3rd Quarter of FY2017
  - Secretary can adjust caps as deemed appropriate
  - The base year amount will be inflated forward to 2020 using the medical CPI
  - Exclusions from the cap include:
    - Administrative costs
    - Disproportionate Share Hospital (DSH) funding, Medicare cost-sharing, and safety net provider payments in non-expansion states
    - Medicaid-funded services for Indian Health Service or Tribal facility, children enrolled based on disability, partial benefit enrollees and children financed through CHIP
- Caps will be inflated as follows:
  - Medical CPI for adults and children
  - Medical CPI plus one percentage point for the elderly and disabled – 2020-2024
  - CPI for all groups in 2025 and beyond

Penalties Will Be Applied To States That Improperly Establish Or Exceed The Cap

- The Secretary can calculate and apply new payment caps for any states whose submissions are deemed unsatisfactory
  - The penalty faced by states for improper submission of a payment cap will be the growth factor minus 1 percentage point – the penalty
- Beginning in FY2020, States that violate the established caps by spending 25% above or below the mean face penalties subject to the following guidelines:
  - Size of penalty ranges from .5% to 2% (determined by Secretary)
  - Penalty applied to aggregate spending in FY20-21 and to the actual group caps thereafter
  - States that exceed the targeted amount will lose payments in that amount for the subsequent year
  - Adjustments must be budget neutral to the federal government

Several Other Changes Are Noteworthy

- **Restores Medicaid DSH Cuts Under the ACA**
  - Affordable Care Act Medicaid DSH cuts have been delayed
  - No DSH cuts will be imposed on non-expansion states – in fact these states could receive additional funding
  - Under Senate bill, cuts would go into effect for expansion states
  - Historically, due to its high coverage levels, the District has not used its full DSH allotment, leaving nearly $50 million at the federal level in the most recent fiscal year
    - Thus it is unlikely the District would see a reduction in the DSH funds if the city maintains current coverage levels
- **Reduces Allowable Provider Tax Exclusion**
  - Ultimately, this bill will reduce the maximum allowable provider tax threshold from 6% to 5% of net patient revenues by .2% annual reductions starting in 2021
  - Impact in the District could be felt by Intermediate Care Facilities for persons with developmental disabilities and nursing homes as the tax for these providers is presently set at roughly 5.5% of revenue

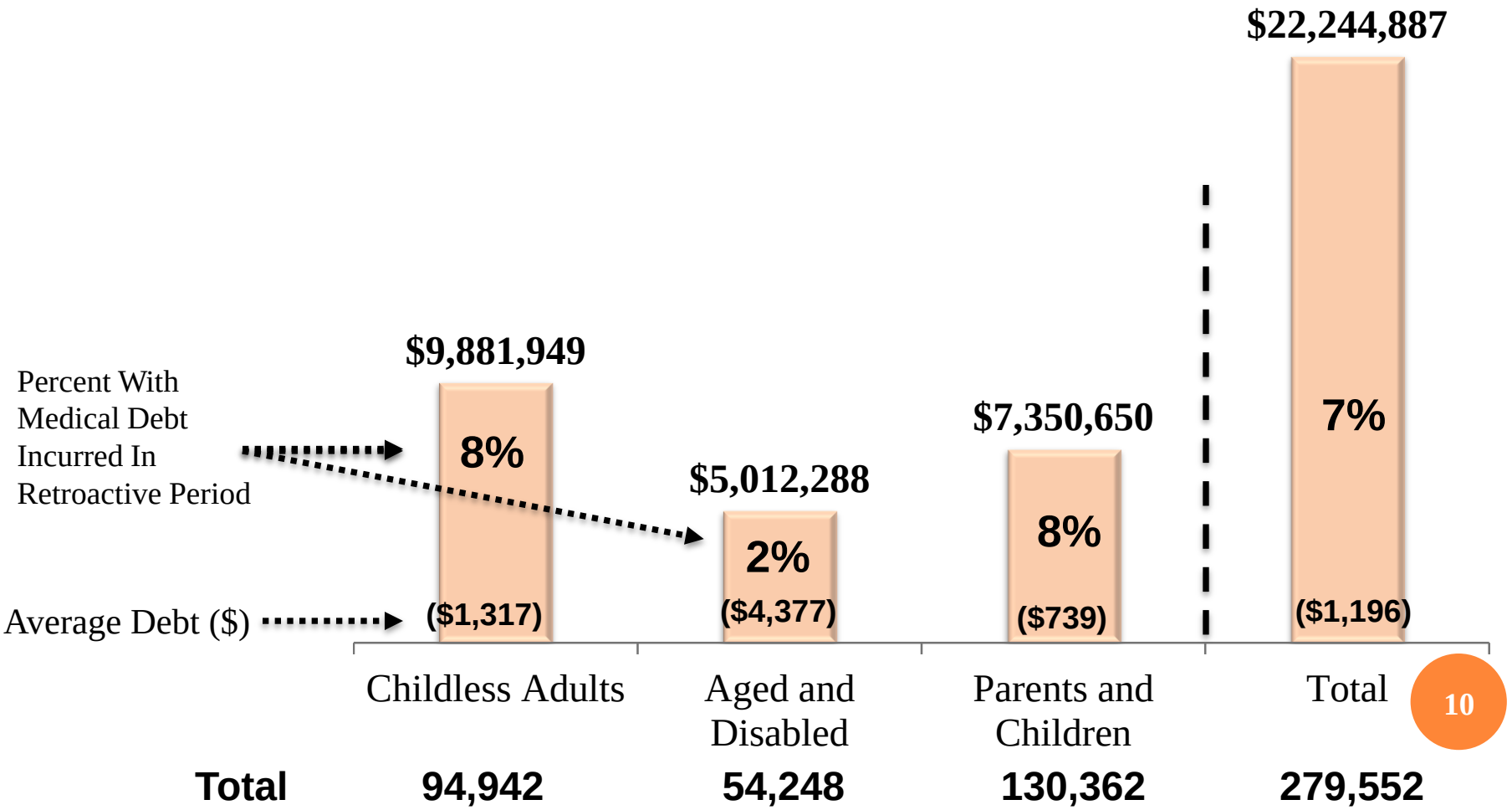
Several Other Changes Are Noteworthy (continued)

- **Eliminates Funding For Planned Parenthood**
  - Prohibition on federal Medicaid funding for Planned Parenthood clinics for one year, effective upon the date of reenactment.
  - No federal funds to states -- including those used by managed care organizations under state contract -- may be used for Planned Parenthood clinics

- **Eliminates Retroactive Eligibility for all Medicaid Beneficiaries**
  - Effective October 1, 2017, Medicaid agencies would no longer provide current 3 month retroactive coverage to enrollees
  - This could increase bad debt expenses for hospitals and persons who live on the economic margins

Prior To Enrollment, District Medicaid Recipients Incurred More Than $22 Million In Medical Expenses In The Retroactive Coverage Period – Expenses For Which They Would Now Be Responsible Under The Senate Health Care Bill

Medical Expenses Incurred During The Three Month Period Prior To Enrollment In Medicaid, By Eligible Beneficiary Groups, FY2016



Source: Analysis based on data extracted from DC Medicaid Management Information System (MMIS) on July 7, 2017

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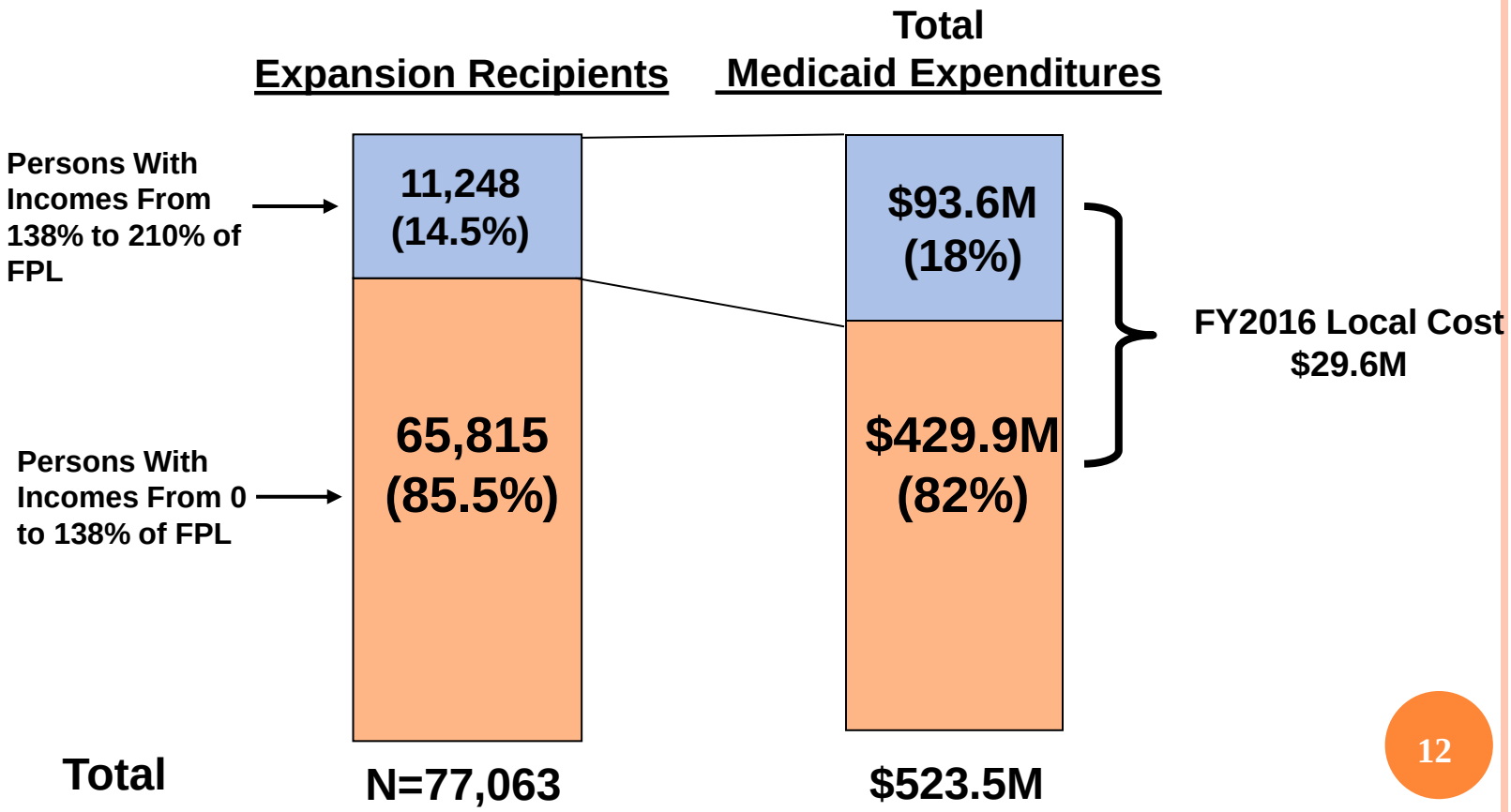
The District's Medicaid Expansion Program Covers More Than 77,000 Beneficiaries At A Cost That Exceeded $523 million in FY2016

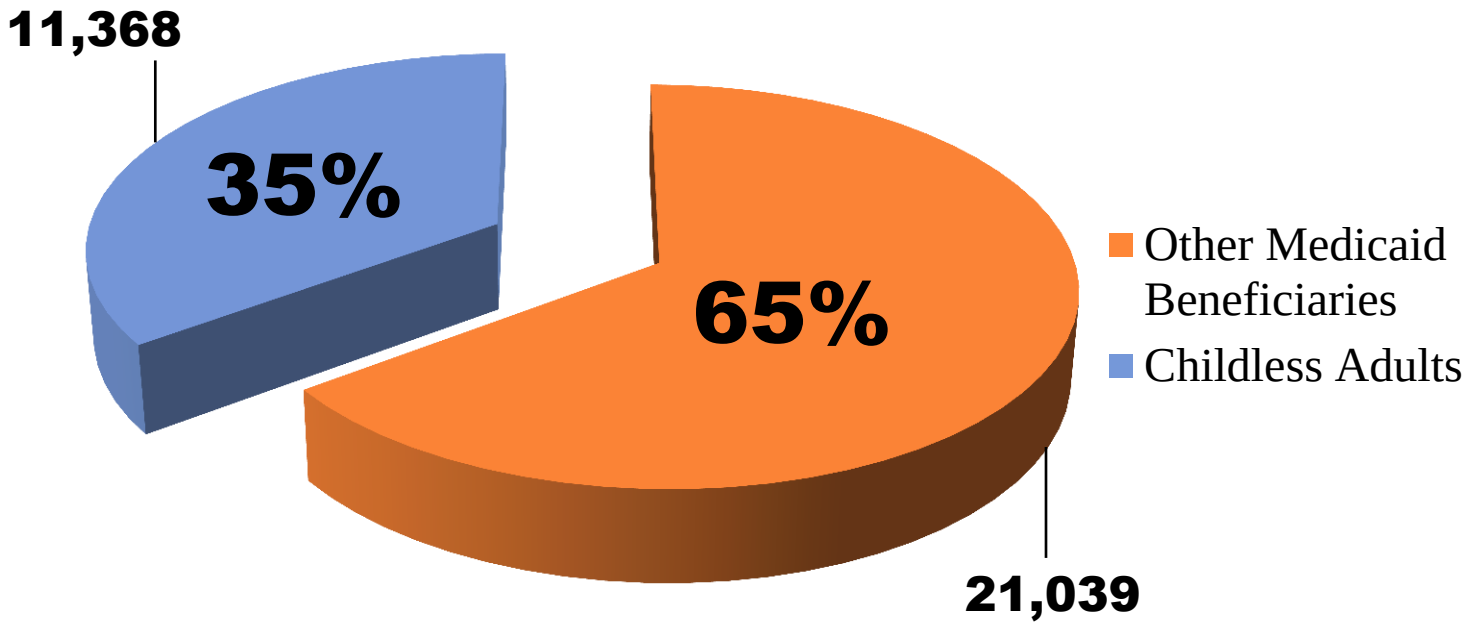
The Size and Cost of Medicaid Expansion in the District of Columbia, FY2016



Note: Data from DHCF MMIS system and CMS 64 report.

Childless Adults Represent More Than a Third of Beneficiaries Slated to Participate in DHCF's My Health GPS Health Home Initiative To Improve Health Outcomes

Medicaid Childless Adults Enrolled in "My Health GPS", June 2017



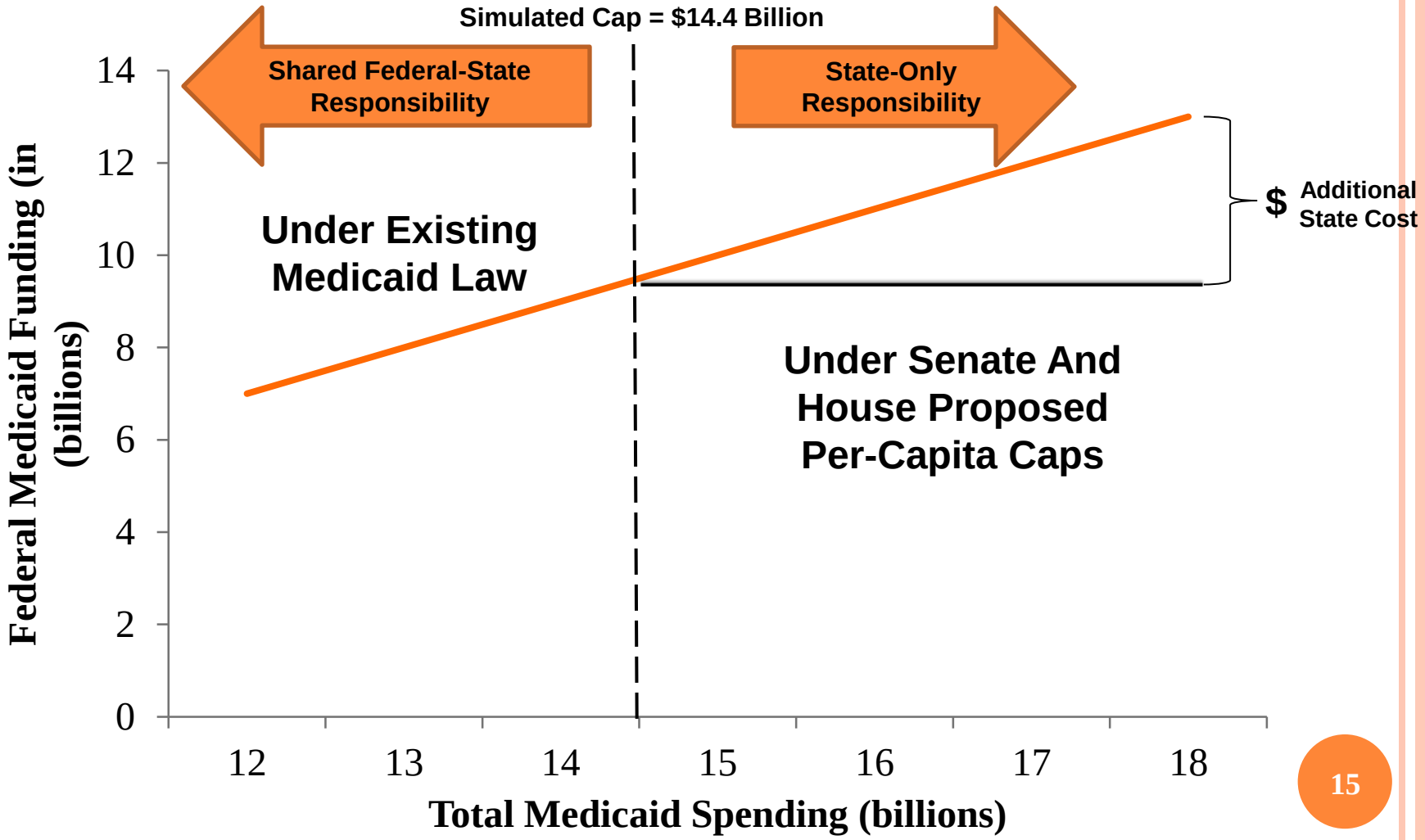
Source: Enrollment data DC MMIS, June 2017

The Changes Proposed To Medicaid Expansion Policies In The Senate Bill, Alone, Would Cost The District More Than $2.6 Billion Over The Next Seven Years

The Local Fund Impact of Maintaining The Existing Coverage For Childless Adults Under The BCRA Act of 2017

Medicaid Eligibility/Program Design	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	7-yr Total
Added Local Cost For Childless Adults 0- 133% FPL with BCA FMAP step down			$130.6	$227.8	$352.2	$499.0	$671.6	$1,881.1
Added Local Cost For Childless Adults above 138% FPL	$53.6	$81.9	$95.4	$111.2	$129.6	$150.9	$175.9	$798.5
Total Added Local Impact Under Elimination And Phase Down Of Expansion Funding	$53.6	$81.9	$226	$339.0	$481.8	$649.9	$847.5	$2,679.6

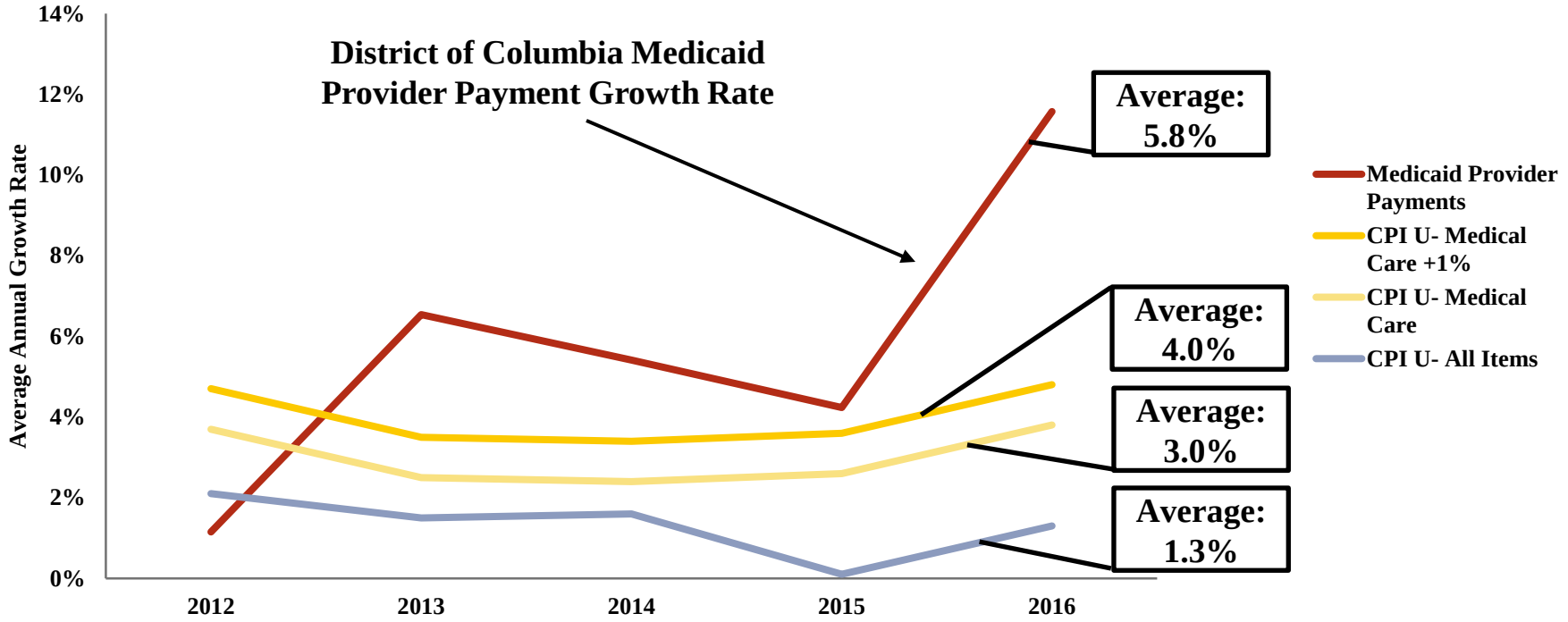
The Concept Of The Per Capita Cap Is Designed To Shift Spending Above The Established Threshold To The States Or Force Program Cuts At The State-Level



Note: Scenario assumes a 60 percent federal share and constant enrollment as spending varies.
Source: Recreated from Leonard D. Shaffer, Center for Policy and Health Economics, USC.

Medicaid spending Growth In The District Outpaces The Inflation Factors Proposed In The Senate Bill

Average Annual Spending Growth Rate Comparison, 2012-2016



Sources:

Federal Reserve Economic Data (https://fred.stlouisfed.org):

- CPI U- Medical Care: Consumer Price Index for All Urban Consumers: Medical Care, Percent Change from Year Ago, Annual, Not Seasonally Adjusted
- CPI U- All Urban: Consumer Price Index for All Urban Consumers: All Items, Percent Change from Year Ago, Annual, Not Seasonally Adjusted
- Medicaid Provider Payments: CMS-64 reporting excluding prior period adjustments. Average growth for each inflation factor is calculated using CY2012-16 data. Inflation factors in OCFO analysis differ primarily because the used data from CY2007-2016 to calculate average growth.

Note:

CPI U data represent average annual calendar year spending growth, while Medicaid Provider Payments represent average annual fiscal year spending.

….This Will Cost The District Nearly $290 million Over The Period from FY20218-FY2024

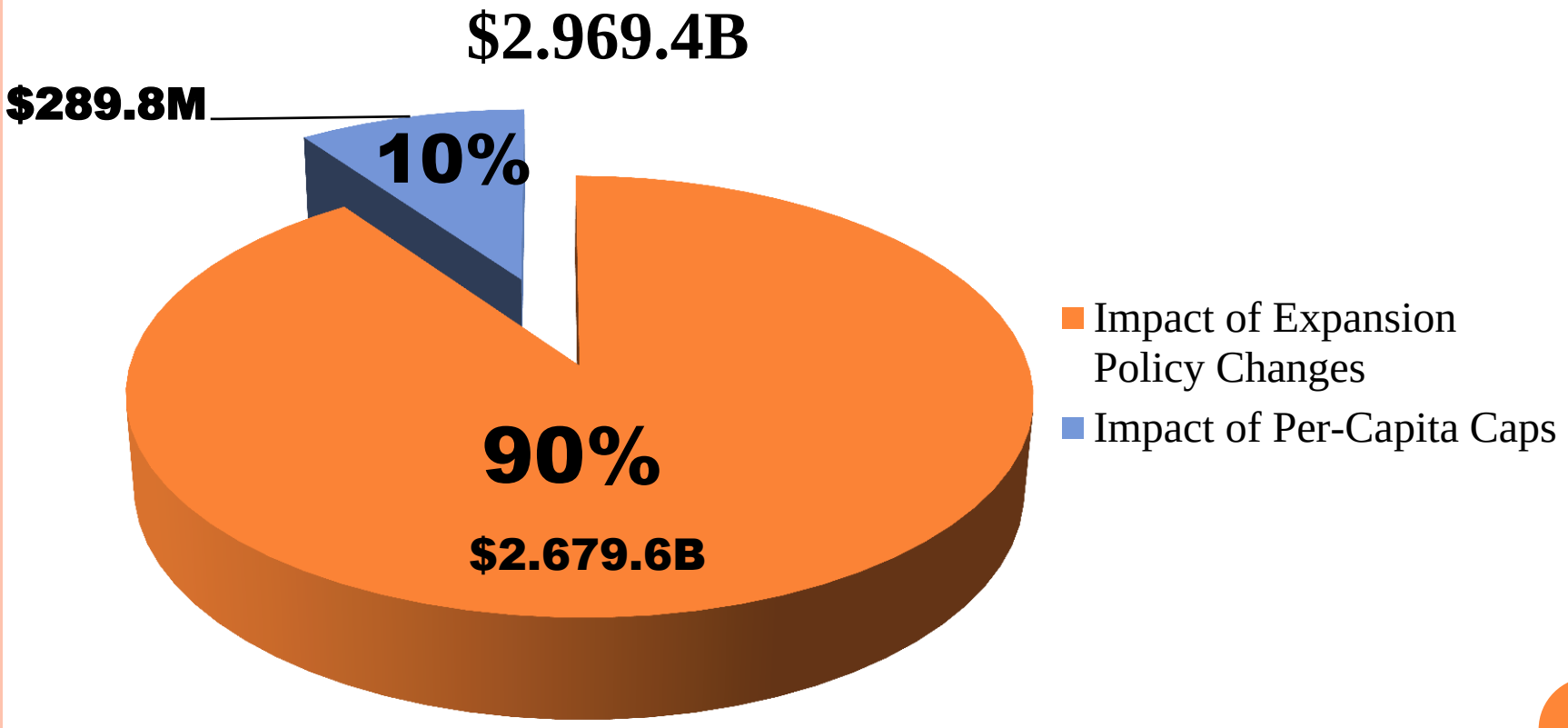
The Local Fund Impact Of Exceeding The Per-Capita Under The Under The BCRA Act of 2017 For FY2020 through FY2024 (in millions)

Medicaid Eligibility/Program Design	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	7-yr Total
Added Local Cost Of Exceeding Per Capita Allotment Inflation Adjustment (2012 - 2016 average annual growth)	--	--	$0	$0	$44.0	$95.1	$150.7	$289.8

Note: In 2025 and beyond, the Senate bill requires a shift to the CPI-U to adjust the per capita cap inflation adjustment. DHCF did not estimate the impact of the per-capita cap beyond 2025.

When Combined With The Impact Of The Proposed Changes To Medicaid Expansion, The Seven-Year Cost To The District Is Estimated At More $2.9 Billion

Total Seven-Year Cost to the District of Replacing Lost Federal Medicaid Funding Due to the BCRA



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Supporters Of The BCRA Face Significant Challenges in The Senate

- In order to pass the Senate, the Republican majority must secure 50 votes along with the support of the vice president
- With no support from Senate Democrats, the Majority leader can only afford to lose two Republican votes – presently there are potentially as many as 8 defections
- The Majority leader announced on July 7th that he will release a revised bill in two weeks replacing much of President Barack Obama's health care law. But -
  - Majority Leader McConnell acknowledges that securing passage will be difficult because efforts to make the bill more appealing to one group results in a loss of support among others
  - Thus, Senator McConnell, for the first time, stated that "*If my side is unable to agree on an adequate replacement, then some kind of action with regard to the private health insurance market must occur.*"
- In summary, the growing consensus is that the Senate majority may simply be too narrow to pass a bill given the fervent opposition on both sides of the political isle.