



# Key Medicaid Issues

NASBO Fall Meeting

**Medicaid and CHIP Payment and Access  
Commission**  
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# Overview

- Background on MACPAC
- MACPAC analysis of Medicaid spending trends
- Key Medicaid issues facing the next Congress

# MACPAC's Role

- Statutory authority at Section 1900 of Social Security Act:
  - advising U.S. Congress on a range of topics affecting Medicaid and CHIP
  - commenting on HHS reports, regulations
  - submitting March and June reports to Congress
- Other publications
- Technical assistance to Congress

# Structure

- 17 Commissioners representing:
  - different roles relative to Medicaid and CHIP
  - geographic diversity
  - Chair: Sara Rosenbaum
- Appointed by GAO
- Serve three-year terms
- Meet 6-8 times per year in public
- Permanent staff of 25 based in DC

# Topics in Statute

- Sec. 1900 of the Social Security Act
  - Payment (including factors affecting spending)
  - Eligibility
  - Enrollment and retention
  - Benefits
  - Quality of care
  - Interaction with health system generally
  - Interaction with Medicare
  - Other access policies (enabling services, long-term services and supports)

# What the legal experts say

- “among the most intricate ever drafted by Congress”
- “byzantine construction”
- “virtually impenetrable thicket of legalese and gobbledygook”
- “an aggravated assault on the English language, resistant to attempts to understand it”

# What the policy analysts say

- *secus est in qualibet provincia*
  - In each state, it is not likewise
- *variat trans provinciarum*
  - It varies across states
- You've seen one Medicaid program, you've seen one Medicaid program.

# Medicaid Spending Trends



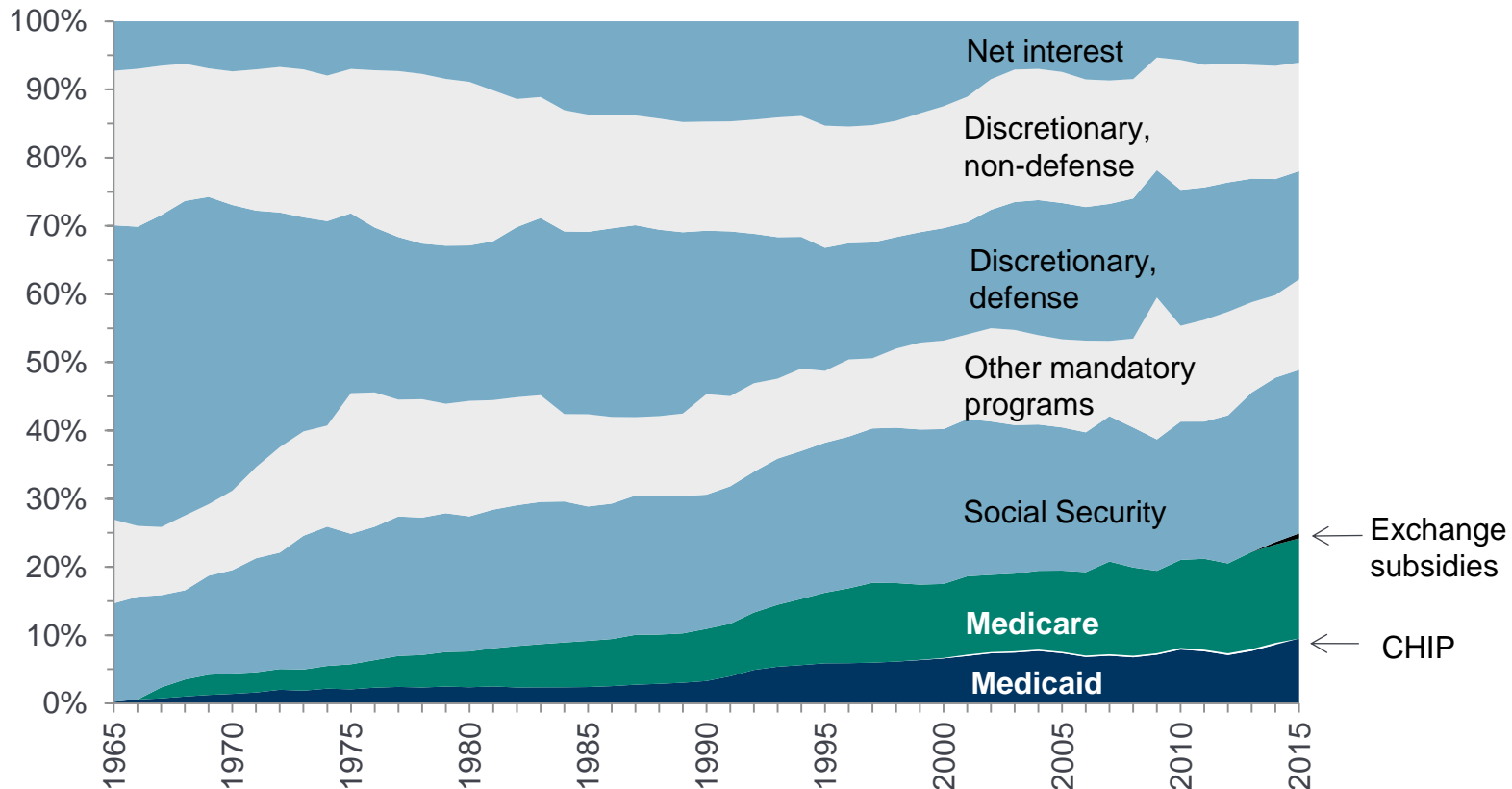
# Analysis of Spending Trends

- Medicaid is a major payer
- Program spending is growing share of state budgets
- Growing more slowly than Medicare
- Per person spending is low relative to other payers
- Per person spending highest among people with disabilities

# Medicaid Spending in Context

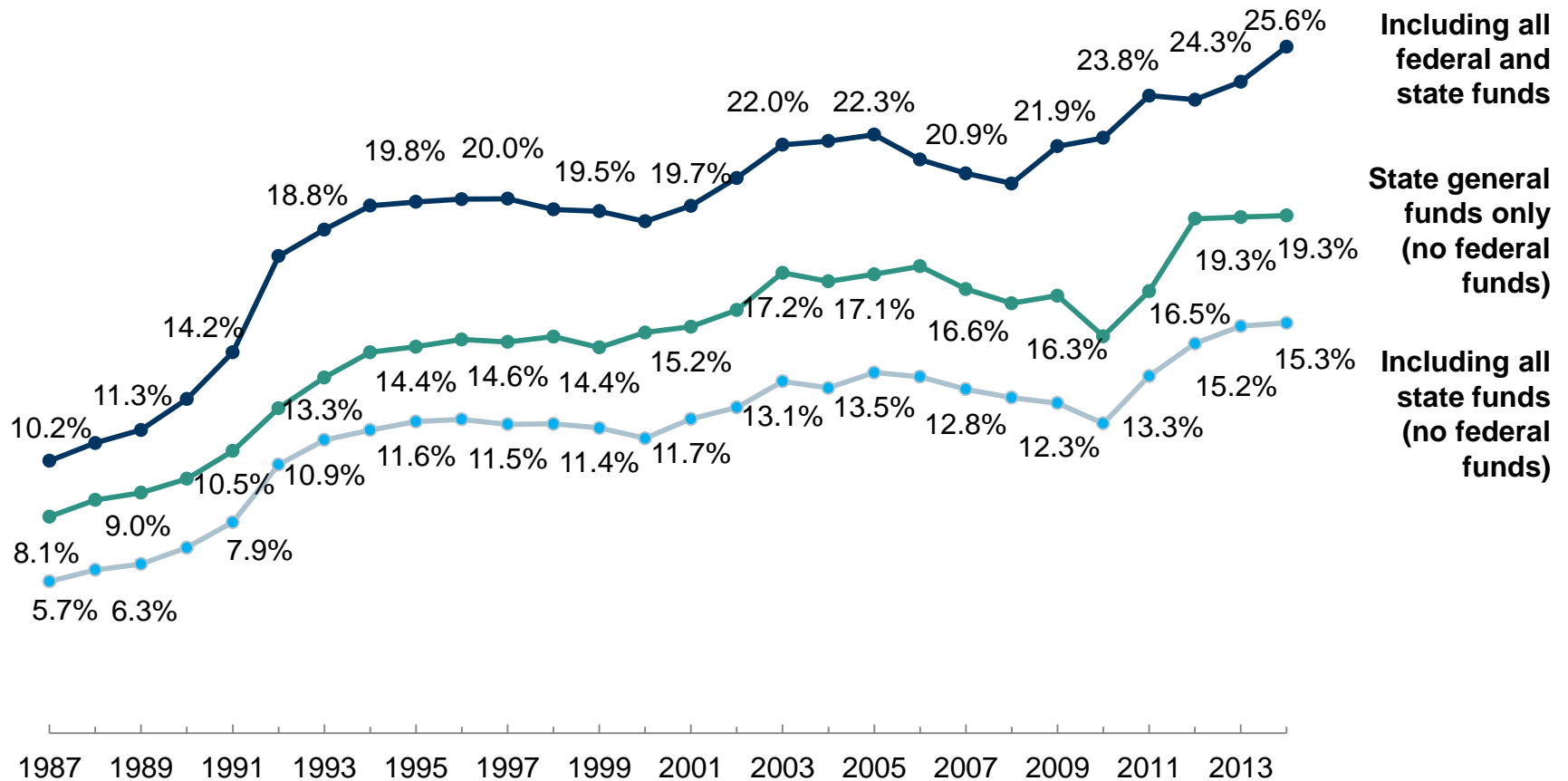
- Total federal and state spending in 2015:
  - \$549 billion
- 17.2 percent of national health expenditures
- Compare to:
  - Medicare: \$647 billion; currently 20.2 percent of national health spending and will grow to 22.8 percent by 2025
  - Commercial payers: \$1.04 trillion (about 1/3 of national health spending) and projected to decrease to 31.2 percent by 2025

# Major Components of Total Federal Outlays, FY 1965–2015



**Source:** MACPAC, 2016, analysis of *Fiscal year 2017 Historical Tables: Budget of the U.S. Government*, Tables 6.1, 8.5, and 8.7, Washington, DC: Office of Management and Budget.

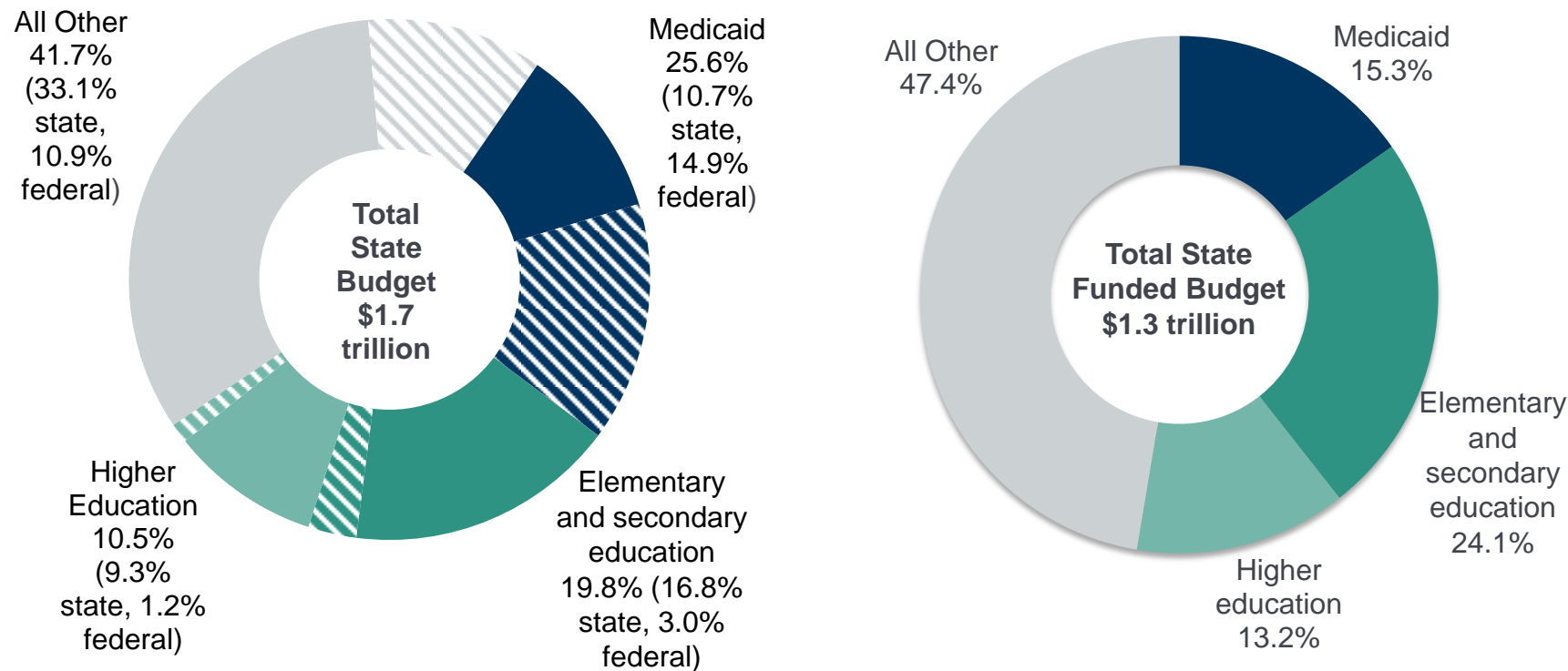
# Medicaid's Share of State Budgets Including and Excluding Federal Funds, SFYs 1987–2014



**Note:** Total state budgets include all state and federal funds; state-funded state budgets include all nonfederal funds.

**Source:** MACPAC analysis of information from National Association of State Budget Officers.

# Distribution of Spending from Total State Budgets Versus State-Funded State Budgets, SFY 2014



**Note:** Total state budgets include all state and federal funds; state-funded state budgets include all nonfederal funds.

**Source:** MACPAC analysis of information from National Association of State Budget Officers.

# Average Annual Growth in Medicaid Spending Per Enrollee Compared to Various Benchmarks

	1987– 1991	1991– 1999	1999– 2005	2005– 2006	2006– 2013	2013– 2014	2014– 2023
Average annual growth in spending per enrollee by coverage type							
Medicaid	9.2%	5.9%	2.8%	-0.3%	1.9%	-2.0%	3.6%
Medicare	7.8%	5.9%	6.6%	16.5%	2.6%	2.4%	3.9%
Private	14.2%	5.3%	8.8%	4.8%	4.4%	3.2%	4–6%*
Average annual growth in medical prices							
CPI-U MC	8.0%	4.4%	4.3%	4.0%	3.4%	2.4%	4.0%

**Notes:** CPI-U MC is medical care component of the Consumer Price Index for All Urban Consumers. Growth rates reflect calendar years except in the case of Medicaid and private insurance for 2014-2023, which reflect fiscal years. Time periods displayed through 2014 were selected by grouping years with roughly similar Medicaid growth rates.

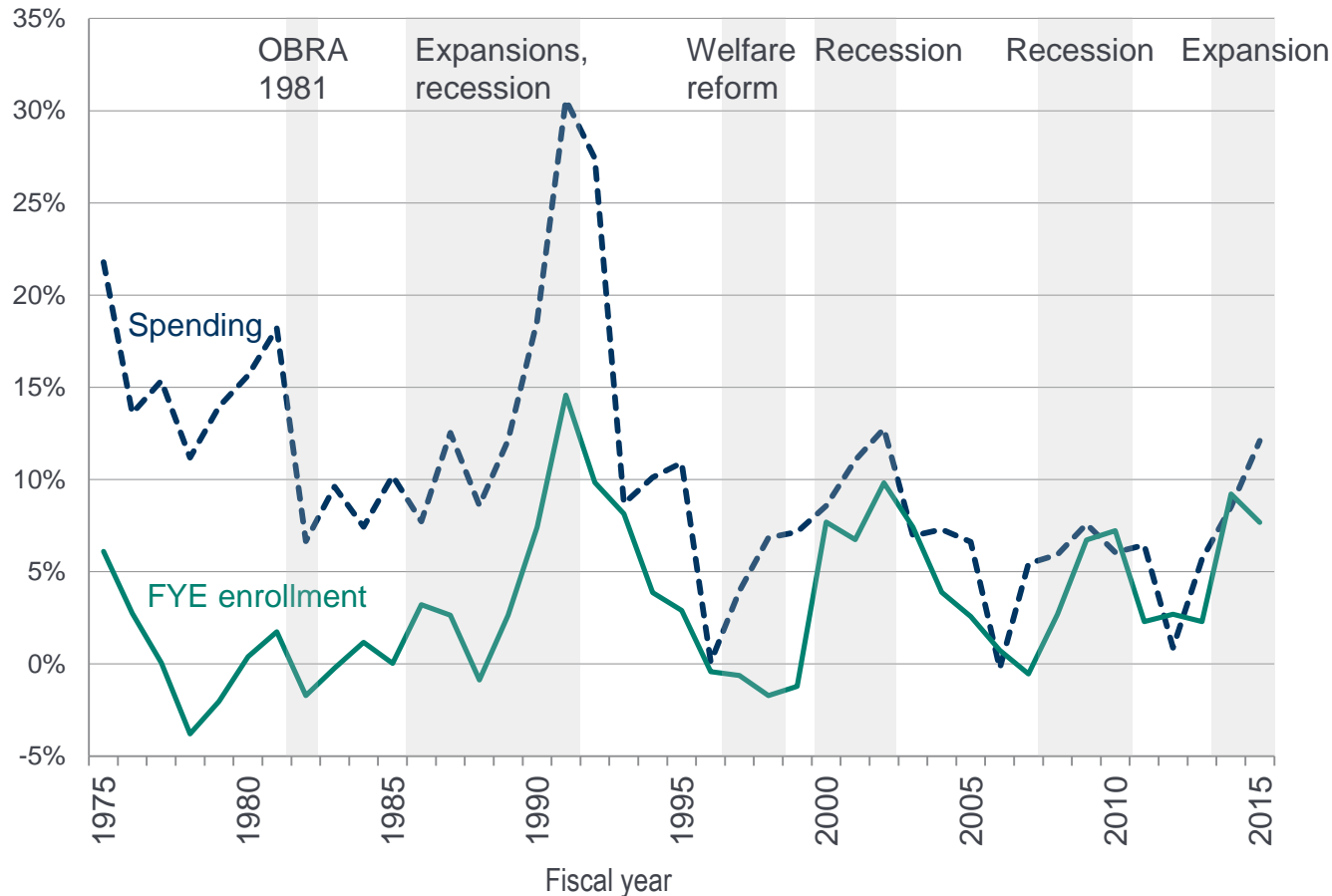
\*Congressional Budget Office projects 4.3% per year over the 2014–2018 period and 5.9% over 2019–2025 period.

**Source:** MACPAC analysis of information from Bureau of Labor Statistics, Congressional Budget Office, Centers for Medicare & Medicaid Services, and Medicare Trustees.

# Components of Spending Growth

- Number of enrollees: 70.7 percent of real spending growth from 1975-2012
  - Eligibility expansion
  - Economic downturns
  - Population aging
- Spending per enrollee: 29.3 percent of real growth
  - Enrollment mix (increase in share who are disabled)
  - Volume and mix of services used
  - Prices paid for items and services

# Annual Growth Rates in Medicaid Enrollment and Spending, FY 1975–2015

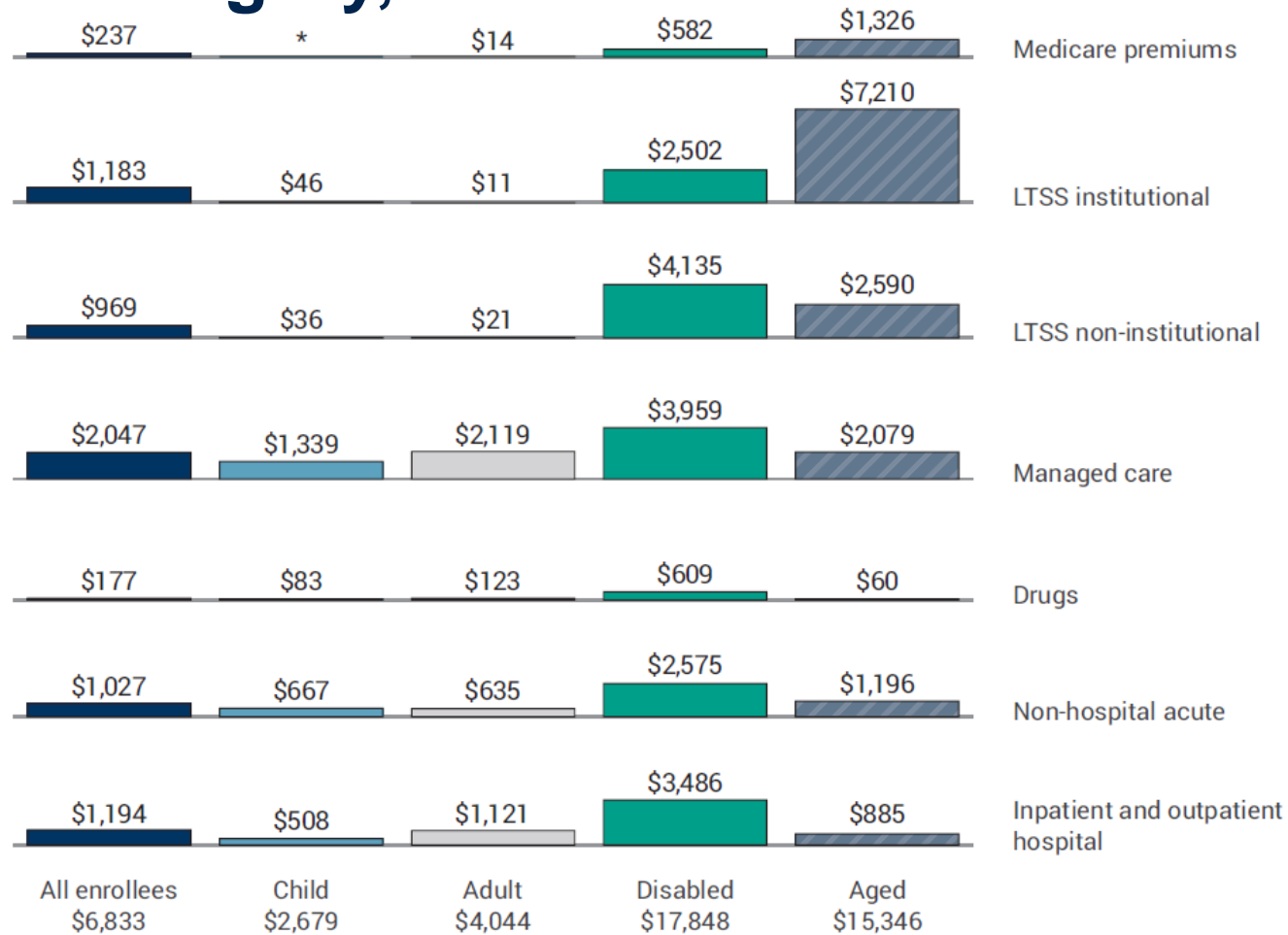


**Note:** OBRA is Omnibus Budget Reconciliation Act.

**Source:** Office of the Actuary (OACT), Centers for Medicare and Medicaid Services, 2016, data compilation provided to MACPAC, August 15.



# Medicaid Benefit Spending Per Full-Year Equivalent Enrollee by Eligibility Group and Service Category, FY 2012



\* Values less than \$1 are not shown.

**Source:** MACPAC, 2015, *MACStats*, Exhibit 19, December 2015.  
October 14, 2016

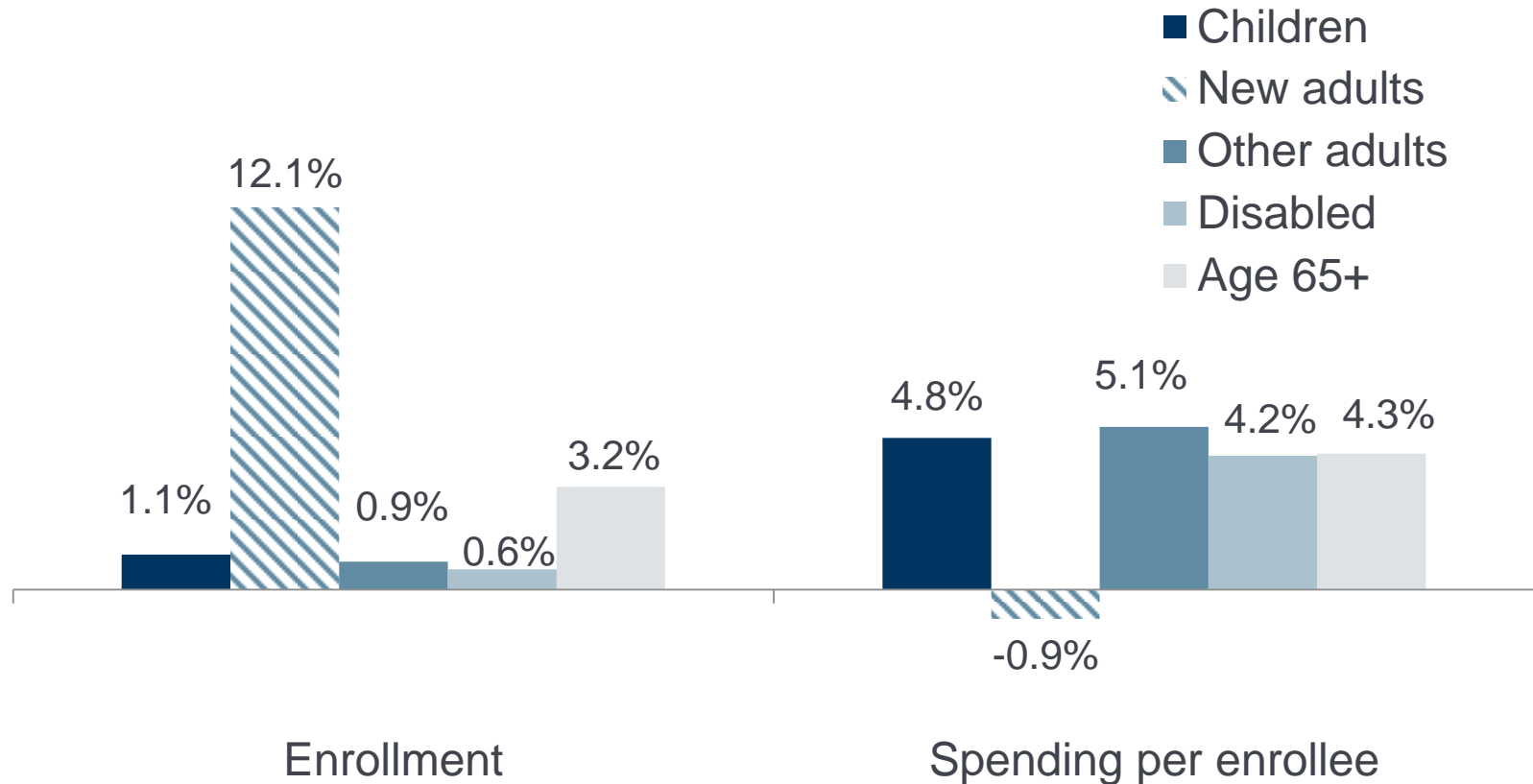
# Distribution and Annual Growth of Medicaid Benefit Spending by Type of Service

Type of service	Share of benefit spending, 2013*	Average annual growth, 2006–2013	2013–2014	Projected Growth	
				2015	2016
Hospital	40%	5%	8%	9%	6%
Other health, residential, & personal care	20%	6%	3%	4%	5%
Physician & clinical	12%	7%	23%	6%	0%
Nursing & retirement facilities	11%	2%	3%	3%	4%
Home health	7%	8%	4%	7%	6%
Prescription drugs	5%	2%	24%	13%	3%
Dental	2%	9%	14%	13%	6%
Other professional	1%	7%	17%	15%	6%
Durable medical equipment	1%	6%	12%	9%	7%

\* Components may not sum to 100% due to rounding.

**Source:** MACPAC analysis of Centers for Medicare and Medicaid Services, National health expenditures by type of service and source of funds: Calendar years 1960 to 2014 and National health expenditure amounts by type of expenditure and source of funds: Calendar years 1960-2024 in PROJECTIONS format.

# Average annual growth in projected enrollment and spending per enrollee, FY 2014–2023



**Source:** MACPAC analysis of Centers for Medicare and Medicaid Services, *2014 Actuarial report on the financial outlook for Medicaid*, Tables 13, 15, and 16.

# Policy Issues for the Next Congress

# List of Possible Action Items

- Significant changes to Medicaid as part of larger debate on entitlement reform
- Policies affecting expansion to new adult group
- Cuts to disproportionate share hospital (DSH) payments
- Funding for CHIP

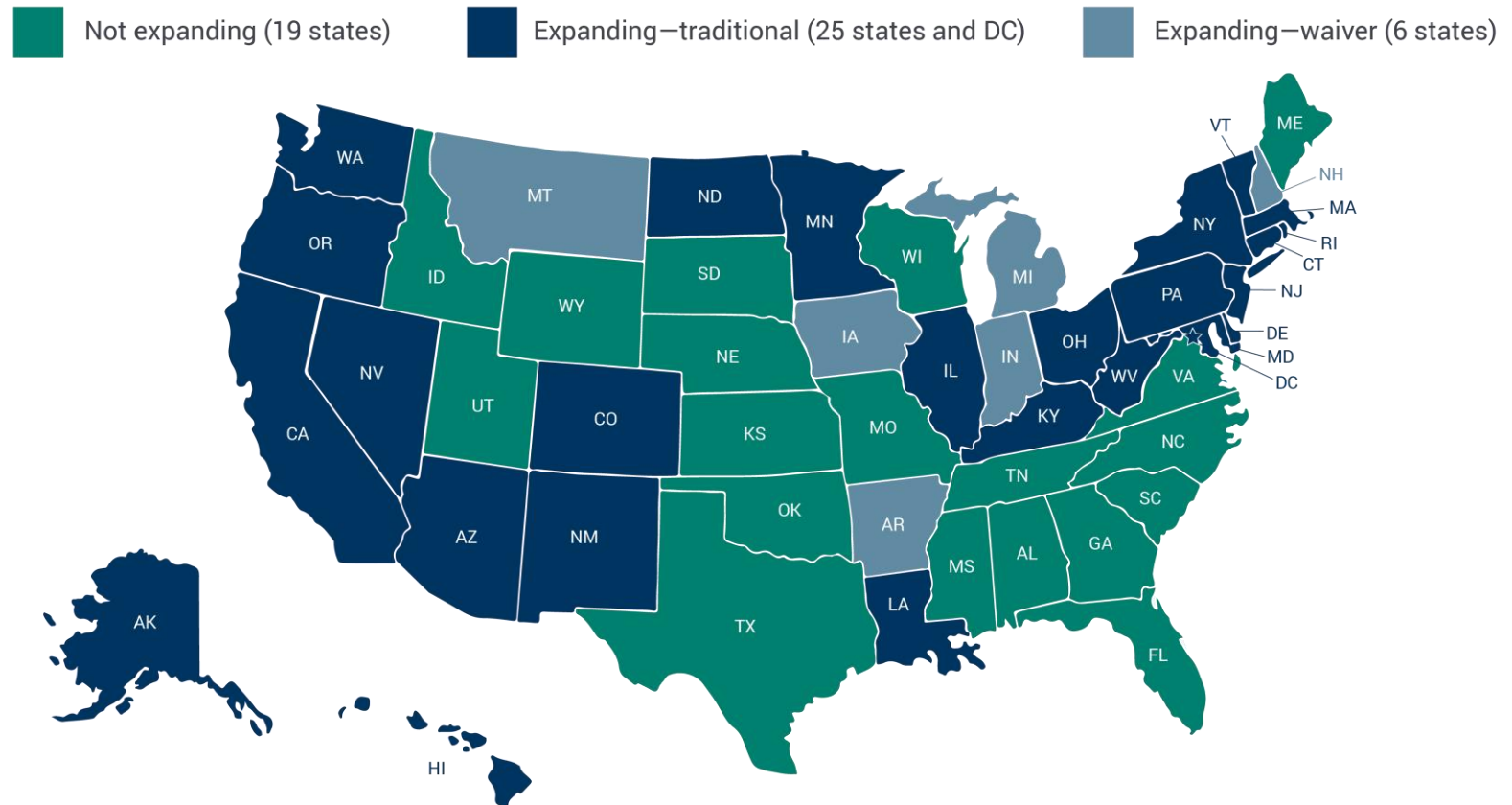
# Structural Reform

- Federal policymakers concerned about rate of growth in Medicaid spending
- Congress could begin serious discussion on major reforms in 2017
- MACPAC has been specifically directed by members of Congress from both parties to look at reforms
- Majority and minority have different goals: right sizing vs. stronger federal discipline

# Changes in Federal Financing

- Move away from current system of federal match for allowable state expenditures
  - Block grants
  - Per capita caps
  - Shared savings
- Assumptions about savings
- Impact on beneficiaries, providers, plans, states, other programs that rely on Medicaid
- Devil is in the details

## State Medicaid Expansion Decisions, January 2016



**Notes:** The governor of Louisiana has issued an executive order to implement a Medicaid expansion effective July 1, 2016. Pennsylvania originally received a waiver to expand its program, but transitioned to a traditional expansion effective September 1, 2015.

**Sources:** Medicaid State Plan Amendments and Section 1115 Medicaid demonstration waiver documents.

See <http://medicaid.gov/state-resource-center/medicaid-state-plan-amendments/medicaid-state-plan-amendments.html> and <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/Waivers.html>



# Future of Medicaid Expansion

- Potentially affected by “repeal and replace”
- Changes in governors (MO, NC, UT)
- Federal share of financing is declining
- Disposition of future waivers unclear, in particular certain elements:
  - Higher cost sharing
  - Changes in benefits
  - Lock outs
  - Work requirements

# Cuts in DSH Payments

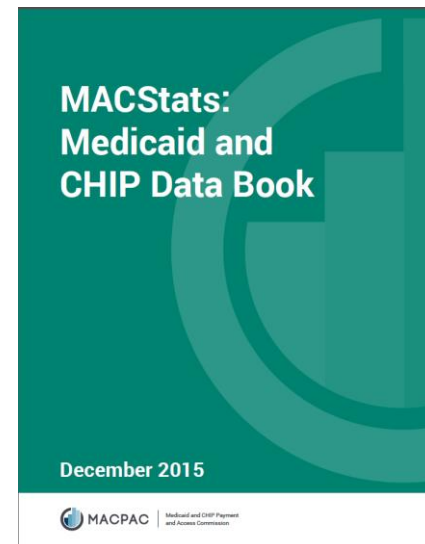
- Cuts spelled out in Affordable Care Act anticipating decline in # of uninsured
- Have been pushed off several times; now set to go into effect in FY 2018
- Changes in uninsured differ based on expansion status
- Safety net hospitals still struggling even in expansion states

# Future of CHIP

- Last authorized CHIP allotments to states in fiscal year 2017; without congressional action, states will begin to run out of money in Q1 and Q2 of FY 2018
- Period of extension
- Maintenance of effort requirements
- Matching rate
- Other bells and whistles

# MACPAC Resources

- Website
- Products (reports, issue briefs, fact sheets)
- MACStats Data Book





# Thanks!

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Commission**

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