

# Why is Medicaid at the Center of State and Federal Budget Debates?

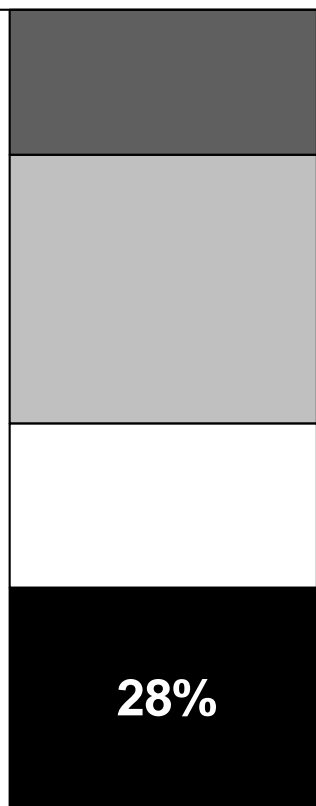
- Pressures in health care system
  - Rising health care costs
  - Rising numbers of uninsured
  - Aging population
- State fiscal pressures
  - Slow revenue growth in recovery
  - Medicaid spending increases outpacing revenue growth
  - Intense focus on Medicaid cost containment for several years
  - Response: Cost containment and Waivers
- Federal fiscal pressures
  - Growing federal deficit
  - Pressure to cut deficit and extend tax cuts
  - Interest in reducing federal spending on Medicaid
  - Response: DRA, President's FY 2007 proposals, Secretary's Medicaid Commission

Figure 2

# Distribution of Medicaid Spending Reductions in the Deficit Reduction Act

2006-2010

2006-2015



**5 Year Savings = \$11.5 Billion**



**10 Year Savings = \$43.2 Billion**

- Other
- Prescription Drug Payment
- Long-Term Care
- Benefits and Cost Sharing

Note: "Other" provisions in the conference report include targeted case management, third-party recovery, provider taxes, and requiring evidence of citizenship

SOURCE: CBO, January 27, 2006

# Cost Sharing and Benefit Provisions in the DRA

- Cost sharing and premiums
  - Allows states to impose higher or new cost sharing and premiums
  - Allows states to make cost sharing “enforceable”
  - Maintains exemption for mandatory children and pregnant women (except for non-preferred prescription drugs)
- Benefit “benchmarks”
  - Allows states to use “benchmark” plans for certain groups (family planning, mental health & rehabilitation services may not be covered)
  - Maintains current benefits for individuals with disabilities or long term care needs (guidance suggests that mandatory adults can be subject to limits)
  - Maintains EPSDT coverage as wrap-around for children
- Allows variation in benefits and cost sharing across groups and geographic areas

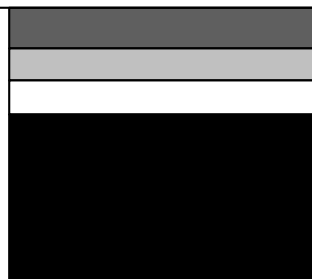
# DRA Requires Proof of Citizenship for Medicaid

- DRA requires all new and current Medicaid enrollees to provide documentation to prove citizenship
- Main sources of documentation include U.S. passport or birth certificate
  - HHS given authority to list alternative documents (not released yet)
- Effective date: July 1, 2006
- Will impose new administrative burdens for states and new barriers for beneficiaries to obtain and retain Medicaid
- Many states have been working to simplify eligibility process
- Wide range of estimates about coverage impact

Figure 5

# Medicaid Spending Reductions in the DRA Attributable to Asset Transfer Changes

2006-2010



**-\$2.4 Billion**

2006-2015

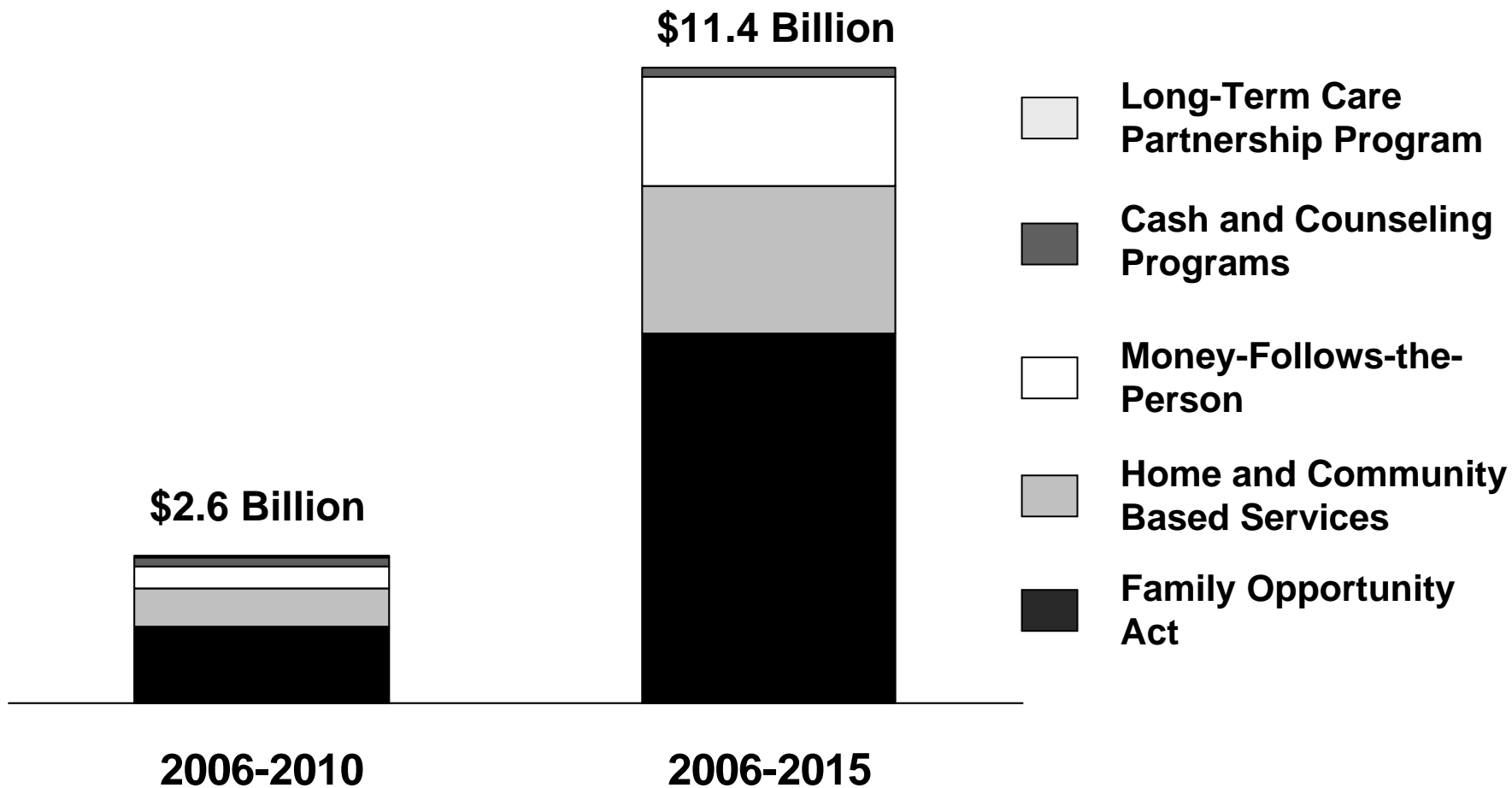


**-\$6.4 Billion**

- Other
- Treatment of Annuities
- Treatment of Home Equity
- Changes to the Penalty Period

Figure 6

# Key Medicaid LTC Spending Increases in the Deficit Reduction Act



# Emerging Trends in Medicaid

- **Emphasis on personal behavior and responsibility**
  - “Consumer choice” of plans / Long-term Care Services
  - Increased premiums and/or cost sharing
  - Behavior modification through incentives
- **“Tailored” benefits**
  - Variation in benefit packages across groups or geographic areas
- **Increased role of private marketplace**
  - Increased control to plans to determine benefit packages
  - Emphasis on premium assistance
  - Public/private long-term care partnerships
- **Restricting spending/increasing spending predictability**
  - Defined contribution approaches
  - Aggregate cap on federal funding

# Issues to Consider for Women's Medicaid Coverage

- What do the DRA and recent waiver changes mean for availability and affordability of women on Medicaid?
- How is fiscal responsibility and risk shifting among the federal government, states, plans, and beneficiaries?
- Will variations in coverage for women between and within states broaden?
- What is the right balance between state flexibility and federal standards?
- Are changes occurring with enough evaluation, transparency, and accountability?