kaiser commission on medicaid and the uninsured

THE HENRY J. KAISER FAMILY FOUNDATION

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Comparison of Medicaid Provisions in Deficit-Reduction Proposals

In moving forward with the development of a budget for FY 2012, broad-based deficit- and debt-reduction packages have been put forth by President Obama and Representative Paul Ryan, Chairman of the House Budget Committee that build on recommendations released by prominent leaders and various commissions in 2010. The proposals vary dramatically in the depth and scope of Medicaid changes. Some proposals would fundamentally alter the current structure and financing of the Medicaid program which could have significant implications for the populations served as well as the states. This document provides a brief description of the key Medicaid changes that have been recommended as part of broad-based deficit- and debt-reduction packages.

The President's Framework for Shared Prosperity and Shared Fiscal Responsibility, April 13, 2011

- Makes Medicaid more flexible, efficient and accountable without converting the program to a block grant
- Replace the current Federal matching formulas for Medicaid and Children's Health Insurance Program (CHIP) with a single matching rate for all program
- Calls on the National Governors Association (NGA) to recommend reforms to strengthen Medicaid
- Limits States' use of provider taxes as state matching funds, establishes upper limits on Medicaid payments for durable medical equipment; and takes other actions to improve program integrity
- Combined Medicaid savings of at least $100 billion over 10 years

The Path to Prosperity, Restoring America's Promise. FY 2012 Budget Resolution, House Committee on the Budget, Chairman Paul Ryan, April 5, 2011

- Converts Medicaid to a block grant starting in 2013 growing annually with population growth and with inflation (CPI-U) and gives states additional flexibility to design their programs
- Replaces Medicaid assistance for Medicare premiums and costs sharing with Medical Savings Accounts
- Repeals the health reform law
- Estimated savings relative to the CBO baseline total $1.4 billion over the 2012 to 2022 period ($771 billion without accounting for the repeal of health reform)

The Administration's National Commission on Fiscal Responsibility and Reform, chaired by Erskine Bowles and former Sen. Alan Simpson, based on the report "The Moment of Truth", released on December 1, 2010 [Tab A]

- Reforms or repeals of the CLASS Act
- Reduces / eliminates taxes states may levy on Medicaid providers
- Places dual eligibles in Medicaid managed care
- Reduces funding for Medicaid administrative costs
- Allows expedited application for Medicaid waivers
- Sets federal budget targets for health spending post 2020

The Debt Reduction Task Force, chaired by Dr. Alice Rivlin and former Sen. Peter Domenici, in their report "Restoring America's Future", released November 17, 2010 [Tab B]

- Eliminates barriers to enroll duals in managed care
- Reduces Medicaid spending growth that exceeds GDP + 1% over the long term

The Rivlin-Ryan Proposal put forward by Dr. Alice Rivlin and Rep. Paul Ryan on November 17, 2010 [Tab C]

- Repeals the CLASS Act and converts the federal share of Medicaid into an allotment to states

The Roadmap for America's Future, as proposed by Rep. Paul Ryan in January of 2010 [Tab D]

- Provides a refundable credit for health insurance ($2,300 for individuals / $5,700 for families)
- Provides beneficiaries with incomes under 200% FPL with health care debit card
- Retains Medicaid for long-term care and disabled populations funded with a block grant
- Eliminates CHIP and move population to health care tax credit and debit card
- Replaces Medicaid assistance for duals with Medical Savings Accounts (MSAs)

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Tab A: The Administration's National Commission on Fiscal Responsibility and Reform, chaired by Erskine Bowles and former Sen. Alan Simpson, based on the report "The Moment of Truth", released on December 1, 2010

- **Reform or repeal of the CLASS Act (Costs $11 billion in 2015, $76 billion through 2020).** The Community Living Assistance Services and Supports (CLASS) Act established a voluntary long-term care insurance program enacted as part of the Affordable Care Act (ACA) to address the need for non-institutional long-term care. The proposal would reform or repeal CLASS because of projections that benefits will outpace premiums under the current structure of the program. Repealing the CLASS Act will increase the deficit over the next decade, because the program's premiums are collected up front and its benefits are not paid out for five years.

- **Reduce / eliminate taxes states may levy on Medicaid providers (Saves $5 billion in 2015, $44 billion through 2020).** This proposal would restrict and eventually eliminate the ability for states to finance a portion of their Medicaid spending by imposing taxes on health care providers who are paid by the Medicaid program.

- **Place dual eligibles in Medicaid managed care (Saves $1 billion in 2015, $12 billion through 2020).** This proposal would give Medicaid full responsibility for providing health coverage to dual eligibles and require that duals be enrolled in Medicaid managed care programs. Medicare would continue to pay its share of the costs, reimbursing Medicaid.

- **Reduce funding for Medicaid administrative costs (Saves $260 million in 2015, $2 billion through 2020).** This proposal would eliminate Medicaid payments for administrative costs that are duplicative of funds included in the Temporary Assistance for Needy Families (TANF) block grants.

- **Allow expedited application for Medicaid waivers in well-qualified states.** This proposal would increase the availability of state Medicaid waivers for up to 10 states over the next decade that meet certain criteria, including: improved quality, efficiency, and cost of care; and not increasing the uninsured population. Applications would be evaluated and overseen by the Medicaid Center for Innovation.

- **Set Federal Budget Targets.** Over the longer term (2020 and beyond), the Commission recommends setting targets for the total federal budgetary commitment to health care and requiring further structural reforms if federal health spending exceeds the program-specific and overall targets.

Key Medicaid recommendations included in the Commissions original proposal that were not included in the final package were to convert the federal share of Medicaid payments for long-term care to a capped allotment and to accelerate the cuts to Medicaid DSH payments included in ACA.

Tab B: The Debt Reduction Task Force, chaired by Dr. Alice Rivlin and former Sen. Peter Domenici, in their report "Restoring America's Future", released November 17, 2010

- **Eliminate barriers for enrollment of dual eligibles in managed care (Savings from 2012 through 2018:19 $5 billion).** This would create a "fast-track" for waivers to expand managed care programs for dual and eliminate barriers created by the upper payment limit rules on provider reimbursement.

- **Reduce long-term Medicaid spending growth (Cumulative Savings of $20 billion by 2020; $202 billion by 2025; $655 billion by 2030 and $2.98 billion by 2040).** The Task Force's issued a goal to reduce excess cost growth in the Medicaid program to the amount by which growth in Medicaid costs exceeds the growth of GDP by 1 percent per year. The proposal offers to reassign fiscal and administrative program responsibilities between the federal government and the states. The split could be assigned by population group, type of benefit (e.g., long-term care versus acute-care services) or based on provider types (e.g., responsibility for payments to non-medical providers). The proposal states that federal and state negotiators could go beyond Medicaid and assign other programs for low-income populations that make sense in light of the policy logic informing the allocation.

Tab C: The Rivlin-Ryan Proposal put forward by Dr. Alice Rivlin and Rep. Paul Ryan on November 17, 2010

- **Repeal the CLASS Act (Costs $70 billion).** Similar to the Bowles-Simpson proposal, this proposal would repeal the CLASS Act because of projections that benefits will outpace premiums under the current structure of the program. Repealing the CLASS Act will increase the deficit over the next decade, because the program's premiums are collected up front and its benefits are not paid out for five years.

- **Convert the federal share of Medicaid into a capped allotment to states (Savings 2011-2020 $180 billion).** Beginning in 2013, the Federal share of Medicaid's payments for acute and long-term care services should be converted into an allotment to states. In exchange for slower growth in the Federal government's Medicaid payment, states will have more flexibility in how they use Medicaid funds to meet the needs of their low-income populations. Each state's initial allotment would be determined by the state's per capita low-income population based on Federal Poverty Level. The CBO cost estimate of this proposal assumes that the state allotment would grow at GDP +1 percent plus projected growth in Medicaid enrollment and would be further adjusted for population growth.

Tab D: The Roadmap for America's Future, as proposed by Rep. Paul Ryan in January of 2010

- **Provide a refundable credit for health insurance coverage.** The proposal would provide a refundable credit for health coverage equal to $2,300 for individual tax filers and $5,700 for joint filers and families adjusted for inflation (average of CPI and CPI-M).

- **Provide Beneficiaries with Health Care Debit Cards.** The proposal would provider eligible beneficiaries with health care debit cards. Eligible families must have gross incomes not exceeding 200 percent of the poverty line; must include at least one dependent individual under the age of 19; and must have no health insurance. The debit card may be applied to health care expenses including the purchase of health insurance, the direct purchase of health care services and supplies, and any cost sharing. The debit cards would equal $5,000 for families with incomes up to 100 percent of the poverty level phased down to $2,000 for families with incomes between 180 percent and 200 percent of the poverty level with additional funds for pregnancy and infants. Beneficiaries could roll over a portion of unexpended debit card amounts at the end of each 12-month period. Open enrollment is available for up to 4 months per year. All persons predetermined as eligible for Medicaid or CHIP – except those who qualify as disabled, elderly, or members of special populations – are automatically enrolled in the supplemental debit card plan. Provides access for qualifying families to education services regarding plan options and assistance in enrollment in the supplemental debit card plan.

- **Retention of Medicaid for Specific Populations.** The proposal retains the current Medicaid Program for States' long-term care and disabled populations, who do not take part in the tax credit. Provides to each State a block grant for such funds. Allows States maximum flexibility in tailoring Medicaid programs to the specific needs of the State. Indexes the long-term care block grant for inflation and adjusts for population growth in the same manner as the block grant option described above.

- **Eliminates CHIP.** Makes the current CHIP population eligible for the health care tax credit and supplemental debit card.

- **Replace Medicaid Assistance for Duals with MSAs.** For those fully "dual eligible" (eligible under current policies for both Medicare and Medicaid), and beneficiaries with incomes below 100 percent of the poverty level, an MSA subsidy is provided equaling the full deductible amount of an average high-deductible health plan. Duals with incomes between 100 and 150 percent of poverty receive 75 percent of the full deposit.

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