

Congressional Proposals to Reduce Federal Medicaid Funding: Considerations for Montana

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*Prepared by Manatt Health for:
Montana State Legislature*



Medicaid Coverage and Financing Today

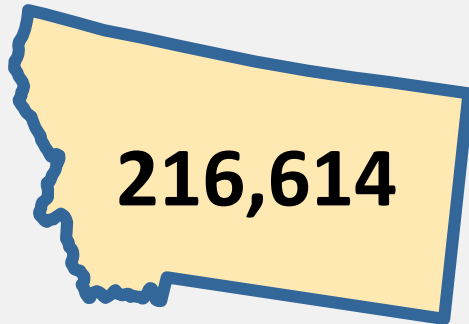
Implications of Proposals to Cap Federal Medicaid Funds

Medicaid Coverage and Financing Today

Montana: Medicaid Enrollment

Children represent the single largest group of Medicaid beneficiaries in Montana

Total Medicaid Enrollment, Dec. 2016

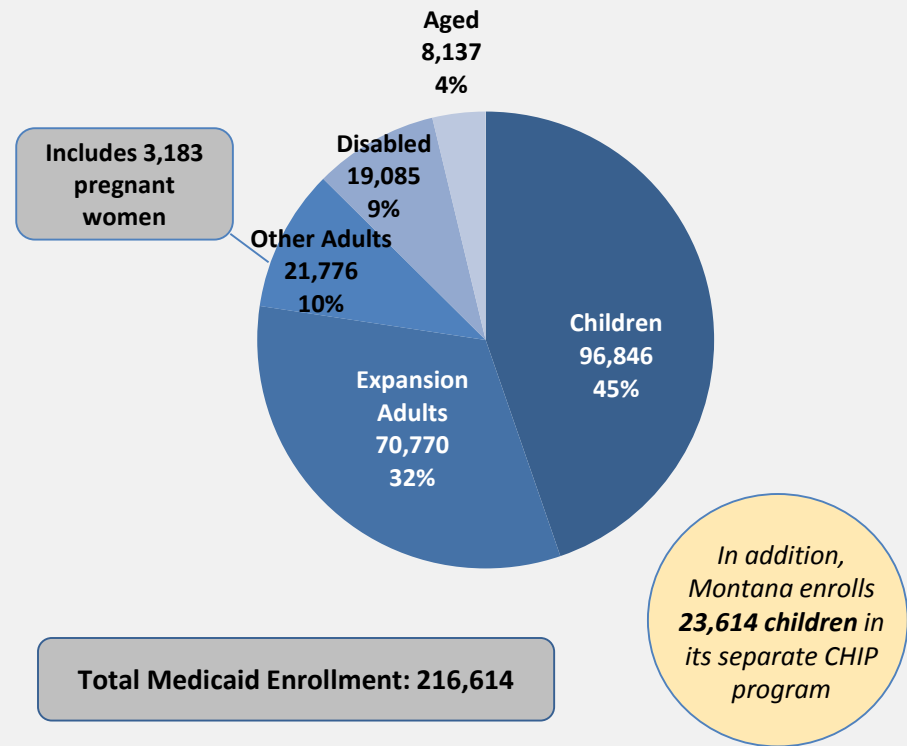


Share of Montana Medicaid Enrollees in Working Households, 2015



Eight in Ten

Medicaid Enrollment by Eligibility Category, Dec. 2016



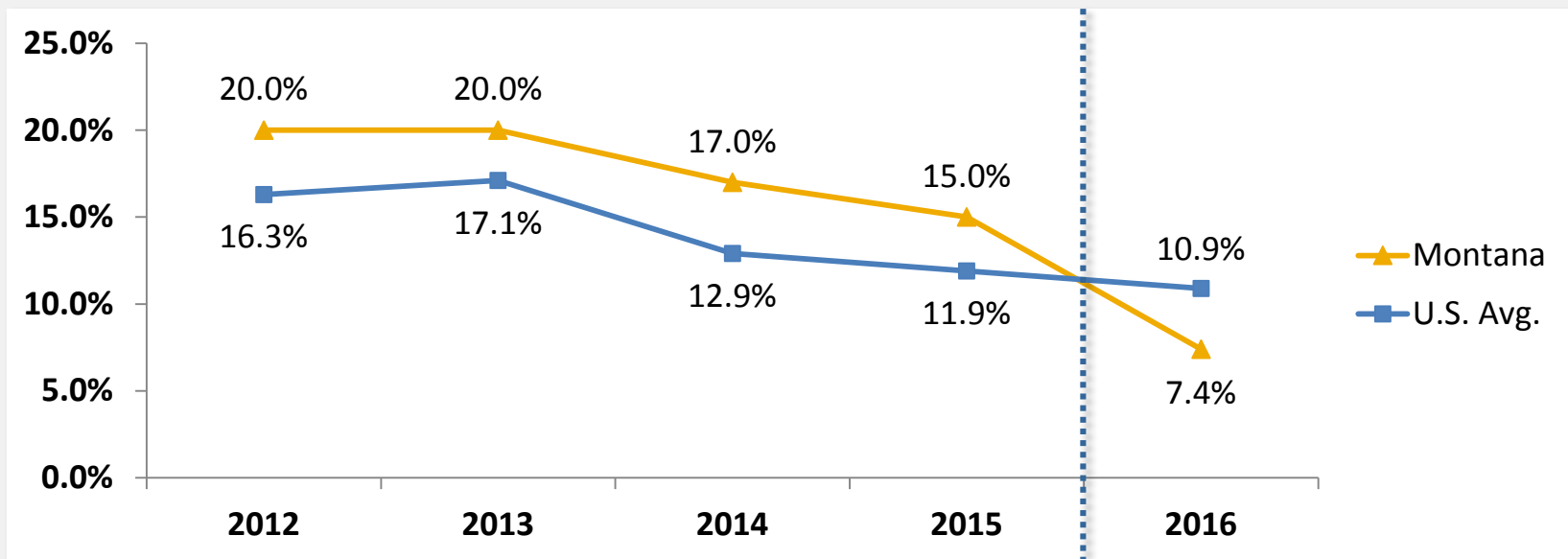
Note: Medicaid includes CHIP-funded children (7,433); excludes limited-benefit Medicaid enrollees who receive only Medicare premium and cost sharing assistance (9,272) or family planning services (1,990).
Sources: <https://web.archive.org/web/20170314035830/http://dphhs.mt.gov/Portals/85/Statistics/documents/Enrollments-Monthly.pdf>
<http://kff.org/medicaid/state-indicator/distribution-by-employment-status-4/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

Montana's Uninsured Rate Dropped After Expansion

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Montana's uninsured rate historically exceeded the national average; it now falls below due to Medicaid expansion

Uninsured Rate, 2012-2016

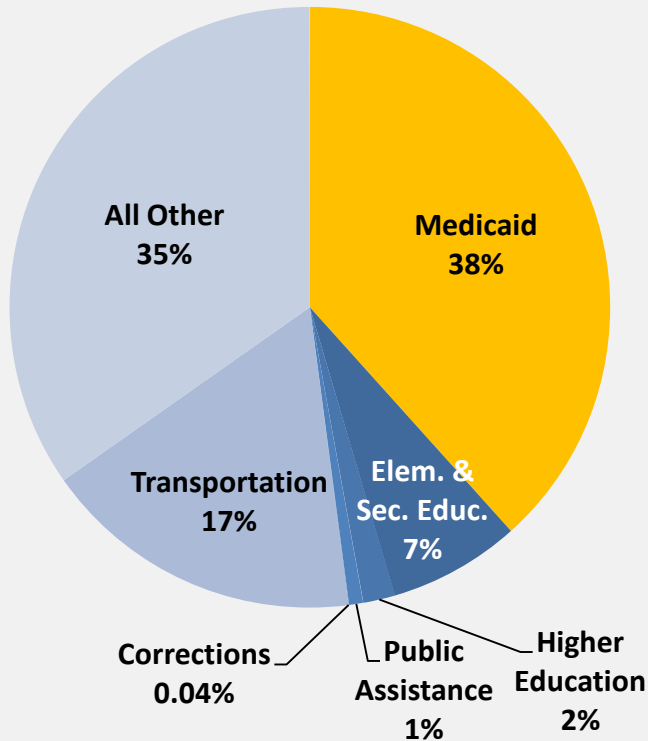


Montana's Medicaid expansion went into effect on January 1, 2016

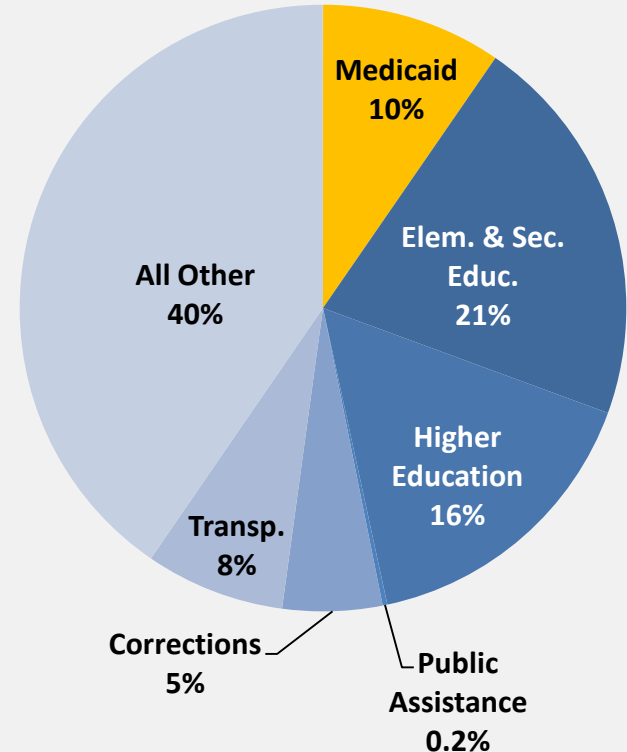
Montana: Medicaid Funding

- Medicaid represents 38% of federal funds coming into Montana
- State spending on Medicaid is 10% of total State spending

Share of Total Federal Funding by Program Area, State FY 2016 (Projected)



Share of Total State Funding by Program Area, State FY 2016 (Projected)



- **Federal dollars guaranteed as match to Montana spending**
- **Matching rates vary by population and service**
 - For most beneficiary groups and services, matching rate in FY 2017 = 65.56%
 - Matching rate for expansion adults = 95% in 2017; 90% in 2020 and beyond
 - Indian Health Service and Tribal Facility services matching rate = 100%
- **Senate and House “repeal and replace” proposals eliminated enhanced funding for Medicaid expansion**

Early Results of Expansion in Montana

Access to Care

- **Over 71,000 low-income adults gained coverage as of March 2017**
- **Approximately 34,000 new enrollees accessed at least one preventive health service (e.g., dental services, diabetes screenings and wellness exams) in 2016**
- **Montana increased mental health and substance use disorder services capacity**

Funding/Savings

- **In 2016, Montana received an additional \$284 million in federal funding for Medicaid expansion**
- **Montana saved over \$22 million in State dollars in SFY 2017 as a result of enhanced federal match for individuals covered under the state's pre-existing Medicaid program; replacing general fund spending for inpatient costs of prisoners and SUD services**
- **Hospital uncompensated care decreased by 25% during the first three-quarters of 2016**

Implications of Proposals to Cap Federal Medicaid Funds

Overview of Medicaid Federal Funding Models

	Current	Block Grants	Per Capita Cap
Federal Funding	All state funding matched	Aggregate cap	Per enrollee cap (by eligibility group)
Risk	Federal government and state share enrollment and spending risk	States bear both enrollment and spending risk	States bear spending risk
Annual Trend	Determined individual state spending decisions and health care costs	National trend rate	National trend rate
Ability to Accommodate Medical Advances or Public Health Crises (e.g., opioid epidemic)	Federal payments automatically responsive	Federal payments not responsive	Federal payments not responsive
Spending Outside of Cap	N/A	State option to block grant adults; limited exclusions (BCRA)	Limited exclusions for certain enrollees, including children with disabilities, as well as certain payment types (BCRA)
State Flexibility	State flexibility subject to federal minimum standards; Section 1115 waivers provide additional flexibility	Limited additional flexibility	Tracks current law, but limits federal funding
State Spending Requirements	State spending required; match rates vary by population, services	BCRA reduces state match requirement	Maintains state match requirement

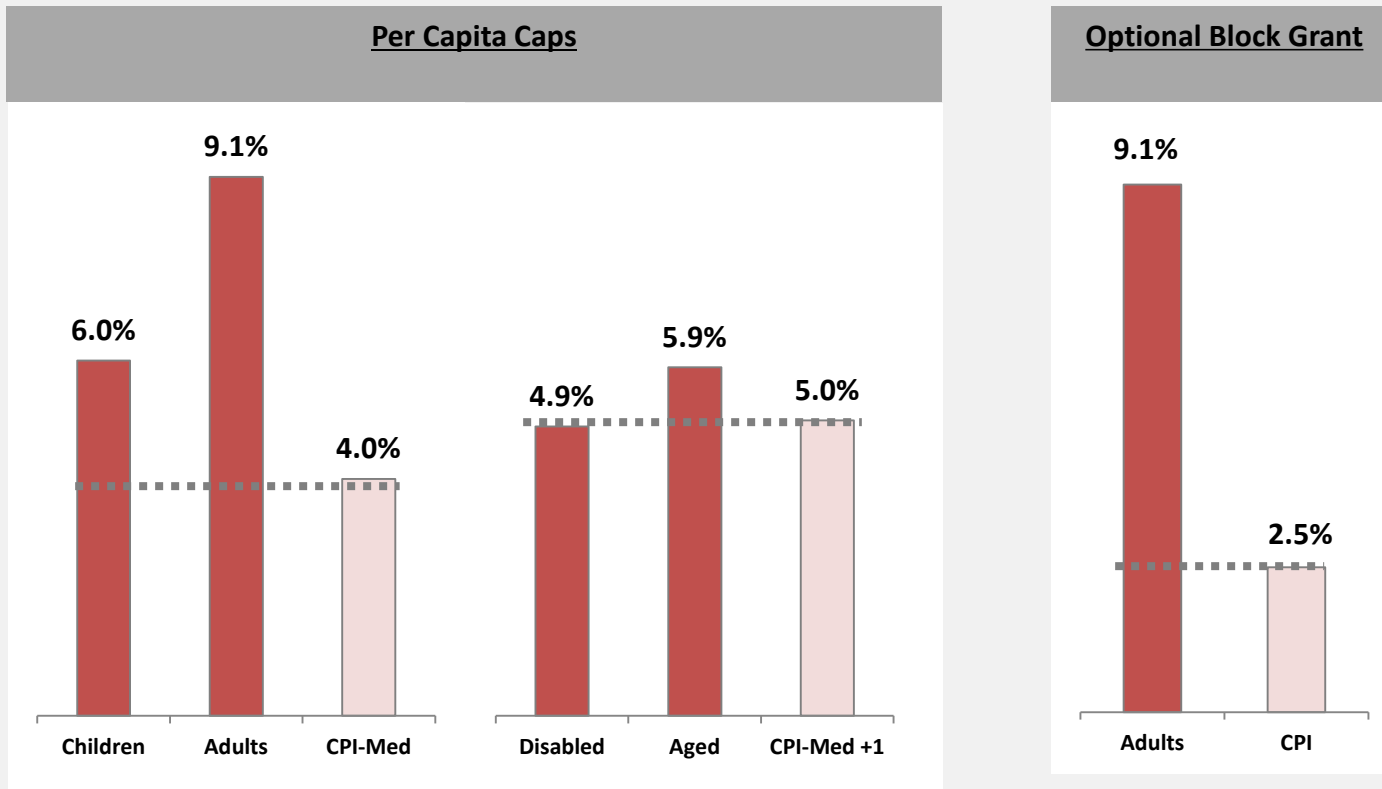
Converts Medicaid's state-driven federal match to capped funding allotment

- **Aggregate cap on Medicaid funding is built up from per capita caps for five different eligibility groups:**
 - Aged; Blind & Disabled Adults; Children; Expansion Adults; and Other Adults
- **State's capped allotment depends on:**
 - State's base year spending in chosen base year
 - National trend rate; medical CPI or medical CPI plus one through 2024, after which trend rate dropped to CPI
- **If state spends above its aggregate cap, the excess federal dollars are deducted from the state's federal Medicaid payment the following year ("claw back")**
- **States may elect block grant rather than per capita cap for non-disabled/non-expansion/non-elderly adults**

BCRA Per Capita Cap Trend Rates v. MT Actual

Proposed national growth trends varied across eligibility groups

Average Annual Growth in Medicaid Spending per Full-Benefit Enrollee in Montana Relative to National Benchmarks (FYs 2000 – 2011)



BCRA Proposed Benchmarks:

Per capita caps

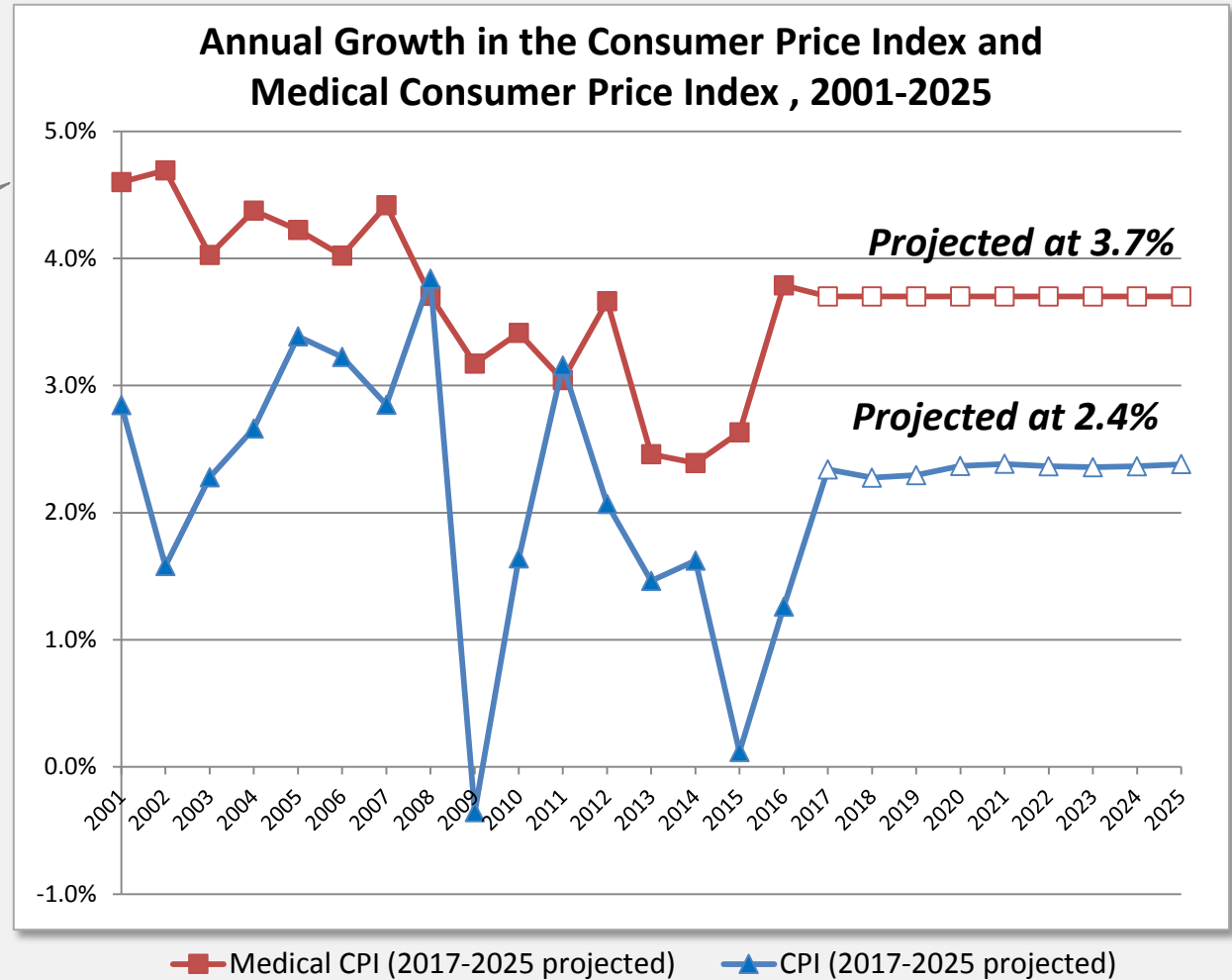
- FY 2020-2024:
 - CPI-Med (adults & children)
 - CPI-Med +1% (aged & disabled)
- FY 2025+: CPI

Optional block grants (adults only)

- CPI

Actual Trend Rates Will Determine Impact on Montana 13

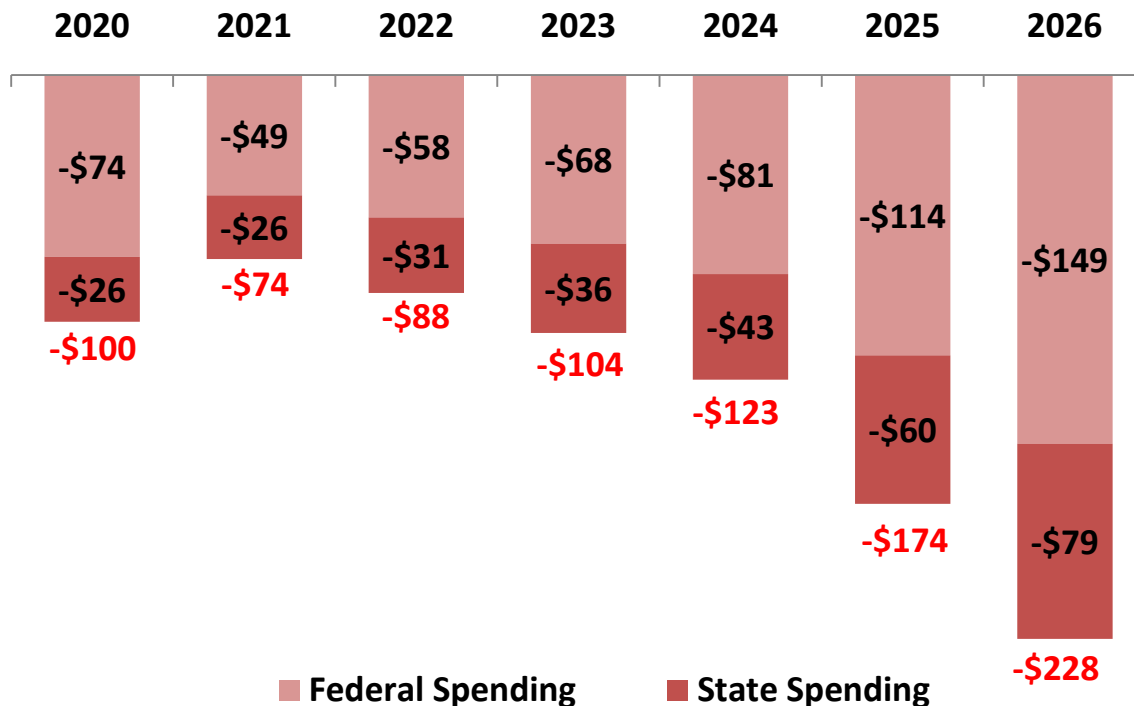
CPI has historically trended well below Medicaid CPI; as a result, states will almost certainly see a dramatic drop in their per capita cap in 2025



Estimated Impact of BCRA Per Capita Cap in Montana 14

Results in total cuts of nearly \$900 million during FY 2020-2026

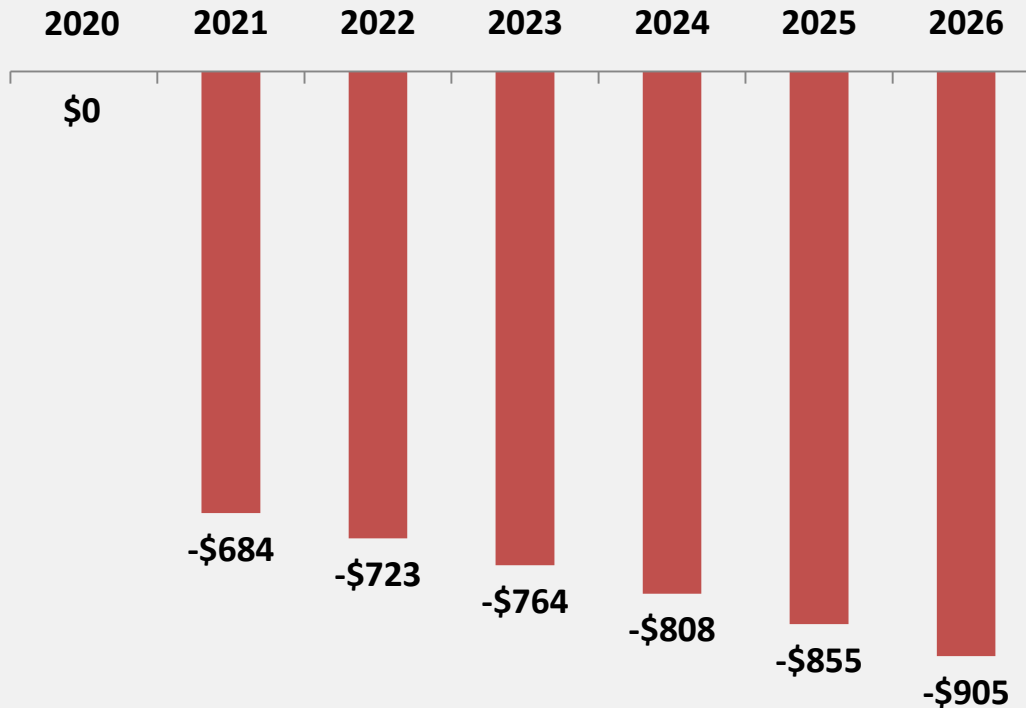
Impact of Per Capita Cap, FY 2020-2026 (millions)



- During FY 2020-2026, total spending (federal and State) on Medicaid in Montana would decrease by an estimated **\$892 million** as a result of the per capita cap
- Federal spending would drop by an estimated **\$592 million**

Estimated Impact of BCRA Proposal Eliminating Enhanced Funding for Medicaid Expansion

Reduction in Federal Funding Due to Expansion Cuts, FY 2020-2026 (millions)



- Senate proposal phases out enhanced funding for expansion beginning in 2021; model assumes Montana would maintain expansion only through 2020
- During FY 2020-2026, Montana would lose **\$4.7 billion** in federal funds as result of eliminating expansion

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