

Federal Medicaid Deficit Reduction: Cost-Shifting v. Shared Savings

Alliance for Health Reform
Inside Deficit Reduction: What it Means for Medicaid

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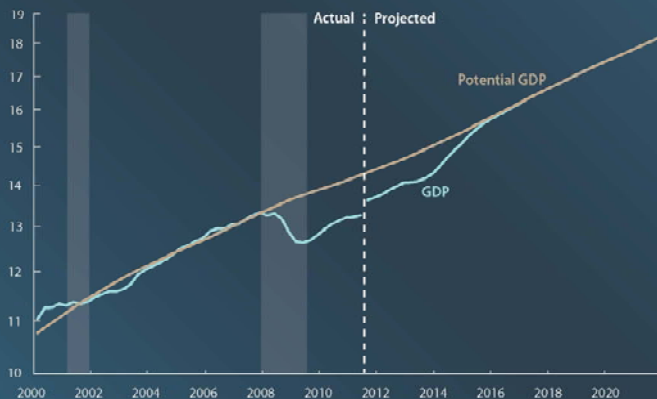


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Real Gross Domestic Product (Trillions of 2005 dollars, logarithmic scale)

CBO expects that the economic recovery will continue but that real (inflation-adjusted) GDP will stay below the economy's potential—a level that corresponds to a high rate of use of labor and capital—until 2017.



Sources: Congressional Budget Office; Department of Commerce, Bureau of Economic Analysis.
Notes: Real gross domestic product is the output of the economy adjusted to remove the effects of inflation. Potential GDP is CBO's estimate of the output that the economy would produce with a high rate of use of its labor and capital resources. Data are quarterly. Actual data for GDP, which are plotted through the second quarter of 2011, incorporate the July 2011 revisions of the national income and product accounts. Projections of GDP, which are plotted through the fourth quarter of 2012, are based on data issued before the revisions. Shaded bars indicate periods of recession.

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Projected Growth in Medicaid Spending Without Reforms

Kansas...

- Kansas expects approximately \$1.1 billion in additional annual spending between FY 2012 and FY 2017
- Average yearly growth of 6.6% (7.4% over previous decade)

Nationally...

- CBO projects long-run growth in Medicaid of approximately 7% per year
- State Medicaid spending grew 20% over the last two years, and is now expected to shrink 2.9% in FY 2012 (source: NASBO).

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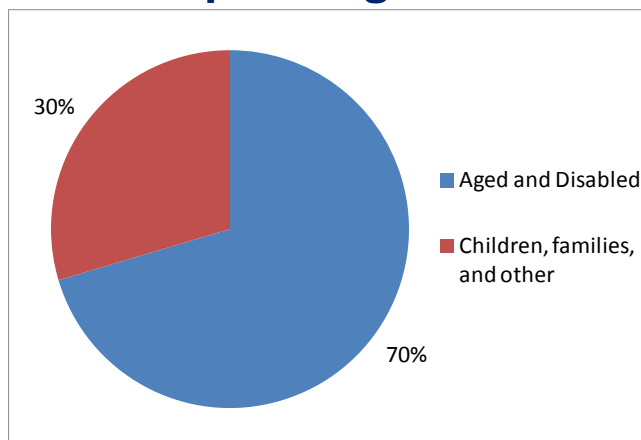
Sources of Projected Spending Growth in Kansas Medicaid FY 2012-FY 2017

	Aged Non-Waiver Population	Disabled Non-Waiver Population	Aged and Disabled HCBS Waiver Populations	Children and Families	Foster Care and other	TOTAL by Service
Medical and misc. services	1%	14%	7%	22%	4%	48%
HCBS waiver services and PACE	0%	0%	25%	0%	0%	26%
Behavioral Health and Substance Abuse	0%	2%	3%	2%	1%	9%
Institutional care	11%	6%	1%	0%	0%	18%
TOTAL by Population	13%	22%	36%	24%	5%	100%

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Sources of Projected Growth in Kansas Medicaid Spending FY 2012-2017



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State Actions to Reduce Growth in Medicaid Spending

- Provider fee reductions
- Expansion of managed care to new populations, states, and regions
- Tighter management or reductions in services
- Payment reform and implementation of care management
- Integrating Medicaid-Medicare dual eligibles through shared savings models*

* If possible without further Congressional action

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Federal Options for Medicaid Reform

- Block grants, per-capita allotments
- Reducing the FMAP
- Limiting state sources of Medicaid funding
- Shifting dual eligibles entirely into Medicaid
- Shifting dual eligibles entirely into Medicare
- Creating a state plan option for shared savings arrangements for dual eligibles
- Repealing PPACA
- Implementing PPACA
- Reduce the scope of guarantees and entitlements in Title XIX
- Let states do it

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Predictions

- There will be no party for the prodigal son named "Revenue"
 - State budget windows aren't big enough to "see" their tax base suddenly return in 2014-2016
 - States do not have enough in their rainy day funds to place bets on dramatic growth in revenue
 - States are rapidly pursuing Medicaid spending reforms now
 - Spending reductions are the new normal in state Medicaid programs
- States will continue to expand managed care dramatically
 - Many states do not have the internal capacity and political will to take on health care system reforms directly
 - Un-managed populations are ill-served by Medicaid's infrastructure
- States will need more tools to address cost growth
 - NAMD has called on the deficit reduction panel to step in and create simple, non-experimental approaches to integrate care and financing for dual eligibles
 - Additional flexibilities for states in the area of managed care and other reforms
 - Effective payment models are a public good that demands substantial federal investment
- Congress will not be able to shift Medicaid costs to states without first allowing for generating shared savings

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