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

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

Andy Allison
Director, Division of Health Care Finance
Board President, National Association of Medicaid Directors

Kansas Department of Health and Environment

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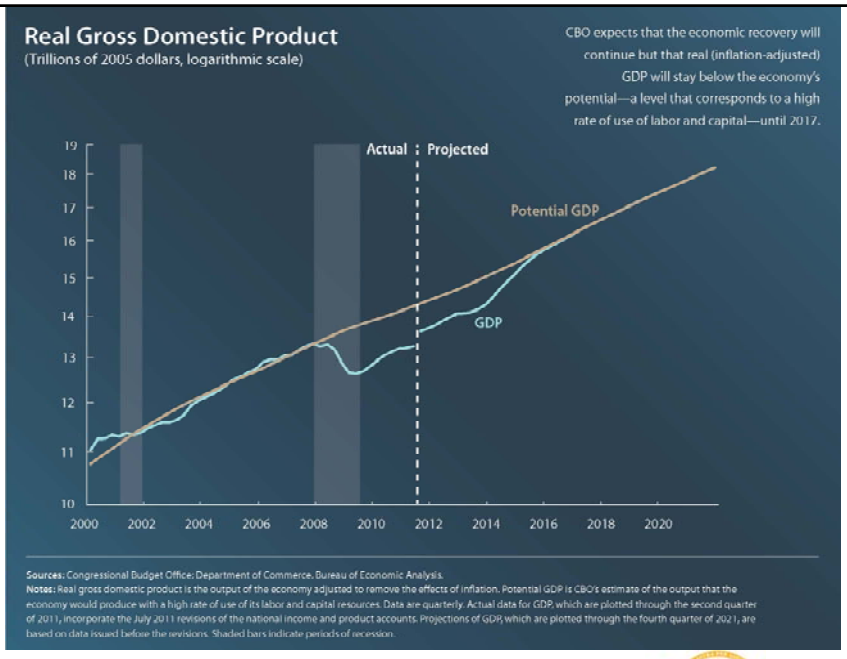
Our vision is 'healthy Kansans living in safe and sustainable environments'.
The state belongs to all of us - "Kansas Don't Spoil It"



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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)

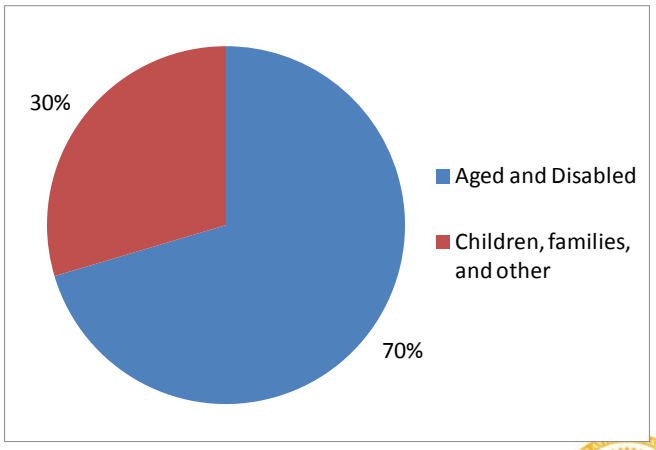
Nationally…

- 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).

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%

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



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

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

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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