



# Policy Levers That Affect Spending



**Medicaid and CHIP Payment and Access Commission**

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# Context

- Congress beginning to consider ways to slow rate of growth in Medicaid spending
- States under pressure to come up with budget savings
- MACPAC being asked to comment on different approaches
- Purpose of today's session is to explore mechanisms and consequences, not to endorse or recommend specific options

# Overview

- Primary Medicaid spending drivers include:
  - Covered populations
  - Prices
  - Volume and intensity
  - Enrollment mix
- Federal and state policy levers can affect spending in each of these areas
- Policy levers vary in terms of their:
  - Effects on spending
  - Other effects (e.g., access, quality)
  - Feasibility

# Total Medicaid Spending Recap

## Number of people

- Existing populations
- New populations



## Spending per person

- Prices
- Volume & intensity
- Enrollment mix

# Policy Levers - Enrollment

Federal Levers	State Levers
<ul style="list-style-type: none"><li>• Mandatory vs. optional coverage groups</li><li>• Maintenance of effort</li><li>• Waiver terms</li><li>• Enrollment process requirements</li><li>• Poverty definitions</li></ul>	<ul style="list-style-type: none"><li>• Coverage of optional groups</li><li>• Waiver enrollment caps</li><li>• Enrollment process implementation</li></ul>

## Considerations

- Financial and health status of covered populations
- Number of individuals that are eligible but not enrolled
- Numbers of uninsured people
- Alternative sources of coverage

# Policy Levers - Prices

Federal Levers	State Levers
<ul style="list-style-type: none"><li>• Payment level requirements (FFS)</li><li>• Actuarial soundness rules (managed care)</li><li>• Cost sharing limits</li></ul>	<ul style="list-style-type: none"><li>• Payment rates</li><li>• Payment incentives</li><li>• Cost sharing</li><li>• Competitive bidding</li></ul>

## Considerations

- Provider participation rates
- Health plan margins
- Payment efficiency
- Quality

# Policy Levers – Volume & Intensity

Federal Levers	State Levers
<ul style="list-style-type: none"><li>• Mandatory vs. optional services</li><li>• Program integrity</li><li>• Waiver terms</li></ul>	<ul style="list-style-type: none"><li>• Coverage of optional and waiver services</li><li>• Prior authorization</li><li>• Formularies</li><li>• Service limits</li><li>• Cost sharing</li><li>• Level of care</li><li>• Scope of practice</li><li>• Program integrity</li></ul>

## Considerations

- Provider participation rates
- Access to services
- Administrative complexity
- Quality

# Additional Policy Levers

- Some policy levers do not fit under a particular spending driver
  - Value based purchasing: Focused on pricing as well as volume and intensity
  - Funds available: Levers that affect the amount of funds that the federal or state governments can provide



# Policy Levers – Value Based Purchasing

Federal Levers	State Levers
<ul style="list-style-type: none"><li>• Application of authorities</li><li>• Waiver terms</li><li>• Technical assistance</li></ul>	<ul style="list-style-type: none"><li>• Payment methods</li><li>• Quality thresholds</li><li>• Cost benchmarks</li></ul>

## Considerations

- Demonstration of results
- Relationships among providers
- Quality
- Timing/magnitude of savings

# Policy Levers – Funds Available

Federal Levers	State Levers
<ul style="list-style-type: none"><li>• Matching rates/grants</li><li>• Permissible sources of nonfederal share</li><li>• Budget neutrality</li><li>• Financing structure</li></ul>	<ul style="list-style-type: none"><li>• Sources of nonfederal share</li><li>• Optimizing match</li><li>• Medicaidization</li></ul>

## Considerations

- Downstream effects on other drivers (enrollment, prices)
- Program integrity
- Flexibility
- Balance between federal and state spending

# Spending Policy Levers

- States and the federal government have many policy levers to address Medicaid spending
- Spending levers can also affect:
  - Rates of health coverage
  - Access to needed services
  - Quality of services
  - Balance between federal and state spending



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