



Review of June Draft Report Chapters on Financing and Spending

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Medicaid and CHIP Payment and Access Commission
Martha Heberlein and Moira Forbes

Overview of Draft Chapters

- Alternative Approaches to Federal Medicaid Financing
 - Presents our initial analyses of alternative approaches to financing Medicaid
- Addressing Growth in Medicaid Spending: State Options
 - Provides an overview of state options to reduce spending and achieve other program efficiencies

Alternative Approaches to Federal Medicaid Financing

Overview

- Current financing structure
- State responsibilities and incentives
- Alternative financing proposals
- Design considerations
- Potential effect on states and enrollees

Current Financing Structure

- Shared responsibility of federal and state governments
- State spending on allowable expenses is matched on an open-ended basis
- Matching rate is determined by the federal medical assistance percentage (FMAP)

State responsibilities and incentives

- State match must be raised from legal sources
- Incentives for states to maximize their federal share, but other factors play a role:
 - Ability to raise state match
 - Competing funding priorities
 - Policy and political environment

Alternative Financing Proposals

- Block grants
- Capped allotments
- Per capita caps
- Shared savings

Design considerations: Establishing spending limits

- Base year
- Growth factors
- State-specific caps
- Enrollee-specific caps

Additional design considerations

- Defining the level of state contribution
- Determining which programmatic pieces to include
- Determining the level of state flexibility and accountability

Potential effect on states and enrollees

- Depends on the design and the level of funding
- State – may raise revenues to fill gap or make changes to eligibility, benefits, provider pay
- Enrollees – depends on state reaction
- Other programs

Addressing Growth in Medicaid Spending: State Options

Overview

- Many proposals that seek to limit the use of federal dollars on Medicaid posit that states can find more efficient methods to deliver care
- States have many options under current authority to reduce spending and achieve other program efficiencies
- New authorities could allow states greater flexibility

Outline

- Eligibility
- Benefits
- Provider payments
- Delivery systems
- Program integrity

Eligibility

- Option to cover certain eligibility groups
- Flexibility to make changes to eligibility standards and processes
- Ability to obtain waivers of some eligibility provisions to test alternative approaches

Benefits

- Option to cover certain benefits
- Ability to define “amount, scope, and duration” and manage benefits, delivery systems
- Authority to enroll certain groups in alternative benefit packages
- Ability to obtain waivers to test alternative approaches to benefit coverage, cost sharing

Provider Payments

- Considerable regulatory flexibility in determining payment methods and amounts
- Practical limits to how much states can reduce provider payments
 - Equal access rule
 - Market pressure

Delivery Systems

- Statutory and waiver options for states to implement alternative delivery systems
- Capitated managed care is widely used
- States beginning to invest in value-based purchasing approaches

Program Integrity

- States implement a variety of program integrity strategies
- Additional investment and policy clarification could strengthen front-end controls and post-payment reviews

Next Steps

- More in-depth analysis on the design and technical considerations
- Further explore existing flexibilities and areas where additional flexibility has been requested
- Considerations with regard to Medicaid's relationship to other federal programs



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