Wisconsin Medicaid Informational Series

How Medicaid Changes in the American Health Care Act Affect Wisconsin's Disability and Aging Communities

Status of Health Care Reform

- U.S. House passed the American Health Care Act in May 2017
- U.S. Senate released Better Care Reconciliation Act on June 22

Both bills:

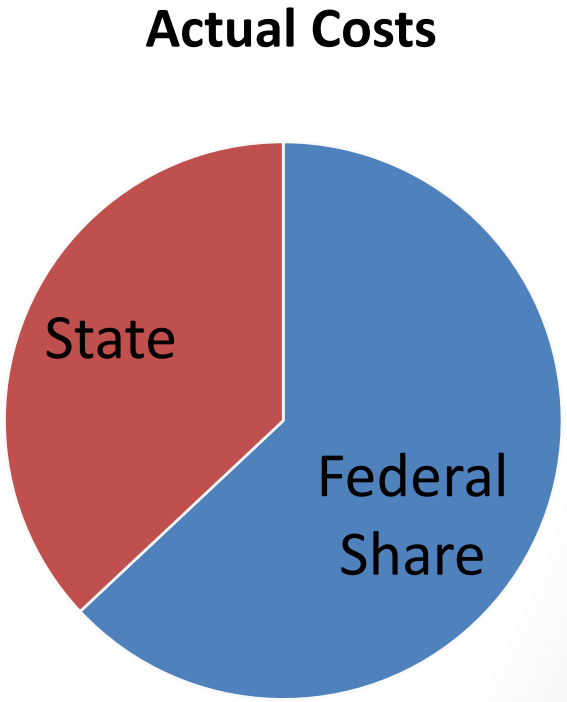
- Repeal employer taxes & remove individual, employer mandate
- **Create Per Capita Caps or Block Grants in Medicaid**
- Expand Health Savings Accounts
- Establish State Innovation Grants
- Modify tax credits and subsidies for health insurance premiums

How Do AHCA/BCRA Change Medicaid?

- Congress and the President want to change how Medicaid works to reduce the federal deficit
- Medicaid was created as an "entitlement" program (everyone who is eligible can get supports) by matching state funds
- Congress and the President want to provide states with funds through either:
  - Block grants
  - Per capita caps
- **AHCA: $834 billion reduction to MA; $119 billion reduction to federal deficit.**
- **BCRA: $772 billion reduction to MA; $321 billion reduction to federal deficit.**

How Does Medicaid Work Now

- The federal government and states share actual costs of coverage
- Wisconsin receives a Federal Matching Percentage of 59.02%
- Federal MA Funding Received: $5 billion/year



Wisconsin's Medicaid System

- Enrollment in Wisconsin: 1.2 million People
  - 43% are kids
  - 35% are low-income adults
  - 22% are people with disabilities/older adults
  - Two-thirds of WI MA funding is spent on people with disabilities and older adults.
  - 70% of Wisconsin Medicaid population is enrolled in Managed Care
  - 70% of Wisconsin's long-term care enrollees live in a home or community-based setting.

Medicaid Funds Over 20 Programs

- Family Care
- Family Care Partnership
- PACE
- IRIS
- Legacy Waiver (COP/CIP)
- Nursing Home Services
- Institutional Services
- Aging and Disability Resource Centers (ADRCs)
- Katie Beckett
- Children's Long Term Support
- BadgerCare
- SSI Managed Care
- Medicaid School-based Services
- Coordinated Services Teams
- Foster Care/Subsidized Adoption
- Medicaid Purchase Plan (MAPP)
- Comprehensive Community Services
- Community Support Program
- Community Recovery Services
- SeniorCare
- Medicare Cost Sharing Assistance Programs
- Well Woman
- Family Planning Only

Medicaid Services

Mandatory Benefits
Inpatient hospital services
Outpatient hospital services
EPSDT: Early and Periodic Screening, Diagnostic, and Treatment Services
Nursing Facility Services
Home health services
Physician services
Rural health clinic services
Federally qualified health center services
Laboratory and X-ray services
Family planning services
Nurse Midwife services
Certified Pediatric and Family Nurse Practitioner services
Freestanding Birth Center services (when licensed or otherwise recognized by the state)
Transportation to medical care
Tobacco cessation counseling for pregnant women

Home and Community-based services are optional benefits.

What Are Per Capita Caps?

- A Per Capita Cap (PCC) would implement a limit on average federal Medicaid spending

- It would not limit federal spending for any specific enrollee, but would instead limit the total funding for a group of people, e.g. children with disabilities:

Per Capita Cap **X** # people = Total Amount of $ to serve those people

What is being proposed?

Senate Bill

Baseline: State selects 8 consecutive fiscal quarters.

Categories: Elderly; Blind and Disabled; Children; Expansion Enrollees; Able-bodied adults. Exempts disabled children.

Growth Rate: CPI Medical + 1% for the Elderly, Blind and Disabled Categories until 2025. In 2025, growth rate for all groups is CPI-U.

High Spending/Low Spending States: States that spend 25% more/less than the national average will be penalized/rewarded with per capita cap adjustment

Penalty for Excess Spending: States exceeding target expenditures will have funding reduced in the next year

House Bill

Baseline: 2016 expenditures.

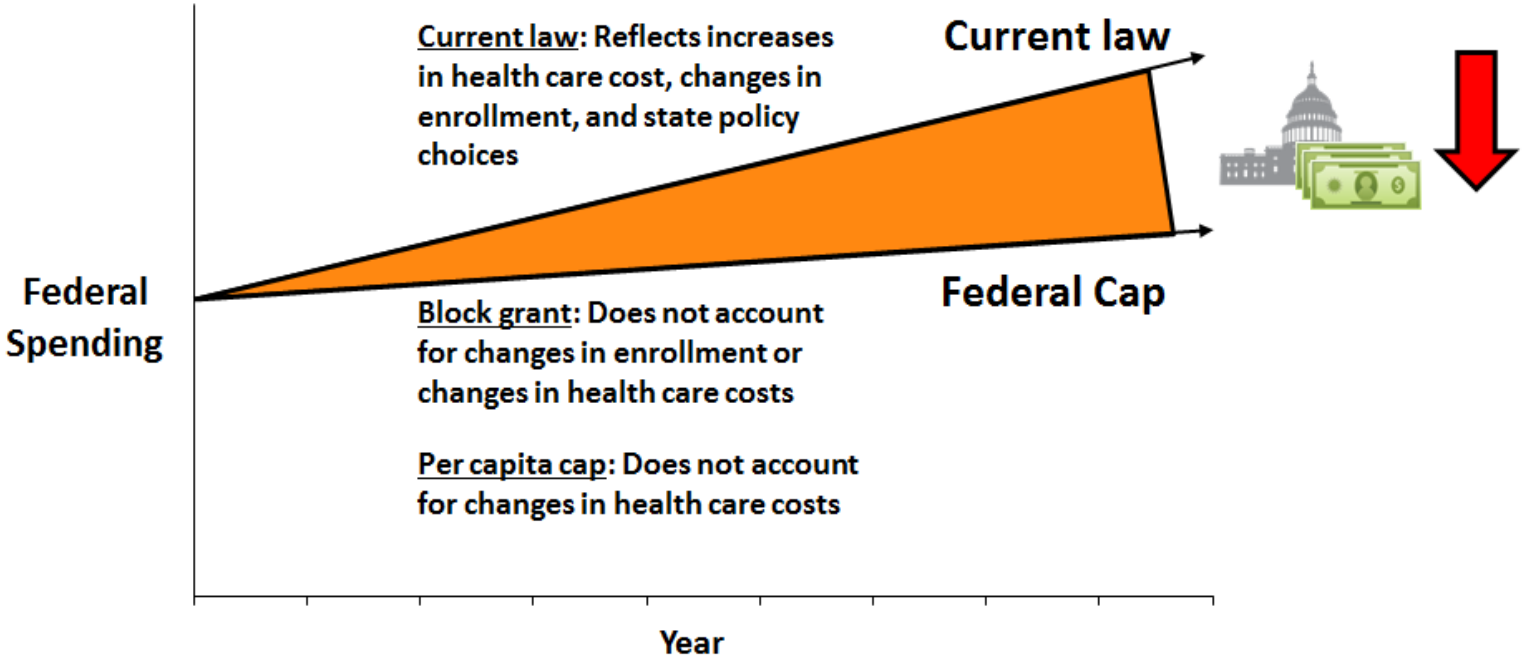
Categories: Elderly; Blind and Disabled; Children; Expansion Enrollees; Able-bodied Adults

Growth Rate: CPI-Medical for able-bodied populations and CPI-Medical + 1% for Elderly, Blind and Disabled.

High Spending/Low Spending States: N/A

Penalty for Excess Spending: States exceeding target expenditures will have funding reduced in the next year

Proposals to convert Medicaid to a block grant or per capita cap could reduce federal spending by limiting growth to a pre-set amount and increase state flexibility in determining eligibility and benefits.



Source: Kaiser Family Foundation

What Are Per Capita Caps?

- Per Capita Caps account for changes in enrollment.
- However, as health care costs rise, or if there is a public health crisis, states must absorb additional costs.
- Medicaid is Wisconsin's biggest source of federal funding; funding reductions under per capita caps would shift more responsibility to the state.

National Association of State Medicaid Directors Statement on Senate Bill: "It would be a transfer of risk, responsibility, and cost to the states of historic proportions."

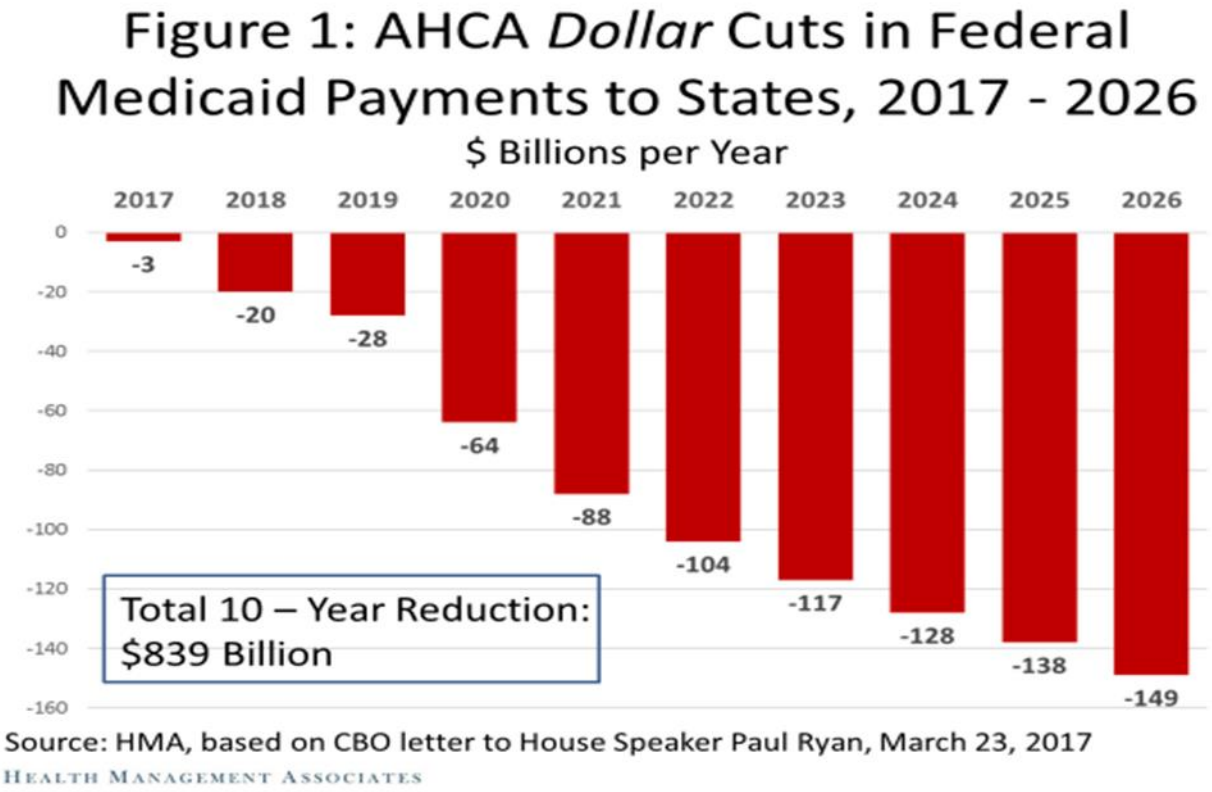
Per Capita Caps and Block Grants vs. Current Structure

If your state wants to. . .	Do you get more federal $?		
	Current Structure	Block Grant	Per Capita Cap
add more enrollees	✓	✗	✓
add more services	✓	✗	✗
cover new Rx	✓	✗	✗
increase provider reimbursement	✓	✗	✗

Congressional Budget Office Scores

- House Bill: $834 billion reduction
- Senate Bill: $772 billion reduction (26%) by 2026.
- CBO on Senate Bill-June 26:
  - "Under this legislation, after the next decade, states would continue to need to arrive at **more efficient methods for delivering services (to the extent feasible)** and to decide whether to **commit more of their own resources**, **cut payments** to health care providers and health plans, **eliminate optional services**, **restrict eligibility** for enrollment, or adopt some combination of those approaches. ***Over the long term, there would be increasing pressure on more states to use all of those tools to a greater extent***."

Medicaid Funding Reduction Estimates—House Bill (AHCA)



Source: HMA, based on CBO letter to House Speaker Paul Ryan, March 23, 2017

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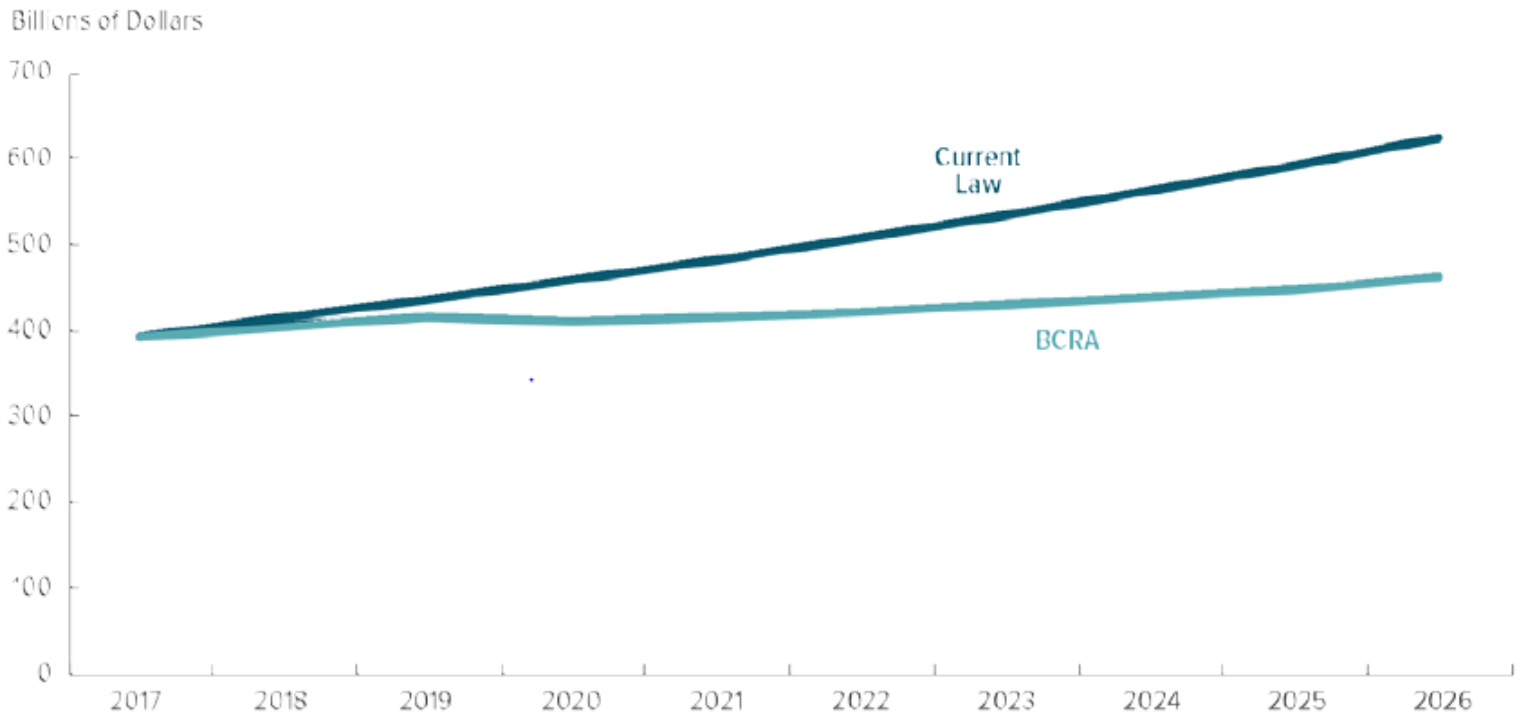
Medicaid Funding Reduction Estimates-Senate Bill (BCRA)

Figure 2.

Medicaid Spending Under Current Law and Under the Better Care Reconciliation Act



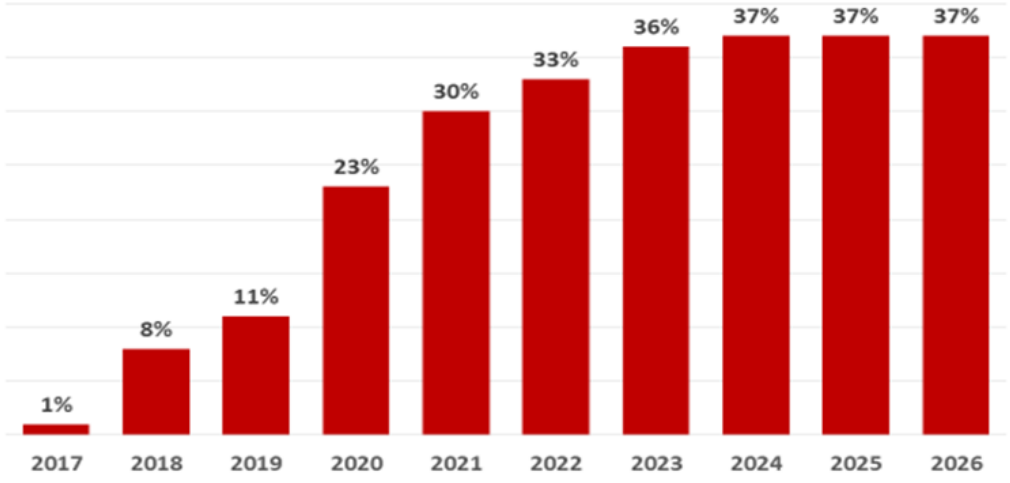
Source: Congressional Budget Office.

Medicaid: Ave. Annual Growth: 4.4%
CPI-M: Average Annual Growth: 3.7%
BCRA Lowers to general inflation rate of 2.4% in 2025

States Would Need to Spend More to Maintain Status Quo

Figure 3: *Percentage* Increase in State Funds Needed to Maintain Current Medicaid Program, With AHCA Cuts to Federal Funds, 2017 - 2026

$ Billions per Year



Source: HMA, based on CMS projections 2017, CBO 2017 Medicaid Baseline and CBO letter to House Speaker Paul Ryan, March 23, 2017.

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Congressional Budget Office Summary

- Medicaid Per Capita Caps will be in effect by 2020.

- Actual Medicaid costs will grow faster than federal reimbursement levels under the Per Capita Caps. (Growth rate slows more in 2025.) States would have to choose whether to:
  - add extra state money to fully support their Medicaid programs and services, or
  - reduce spending by cutting payments to providers, eliminating optional services, restricting eligibility, or
  - (if feasible) delivering services more efficiently

- **CBO prediction:** states would adopt a mix of these approaches. Funding gaps would grow over long-term in the Senate Bill.

Impact on Wisconsin?

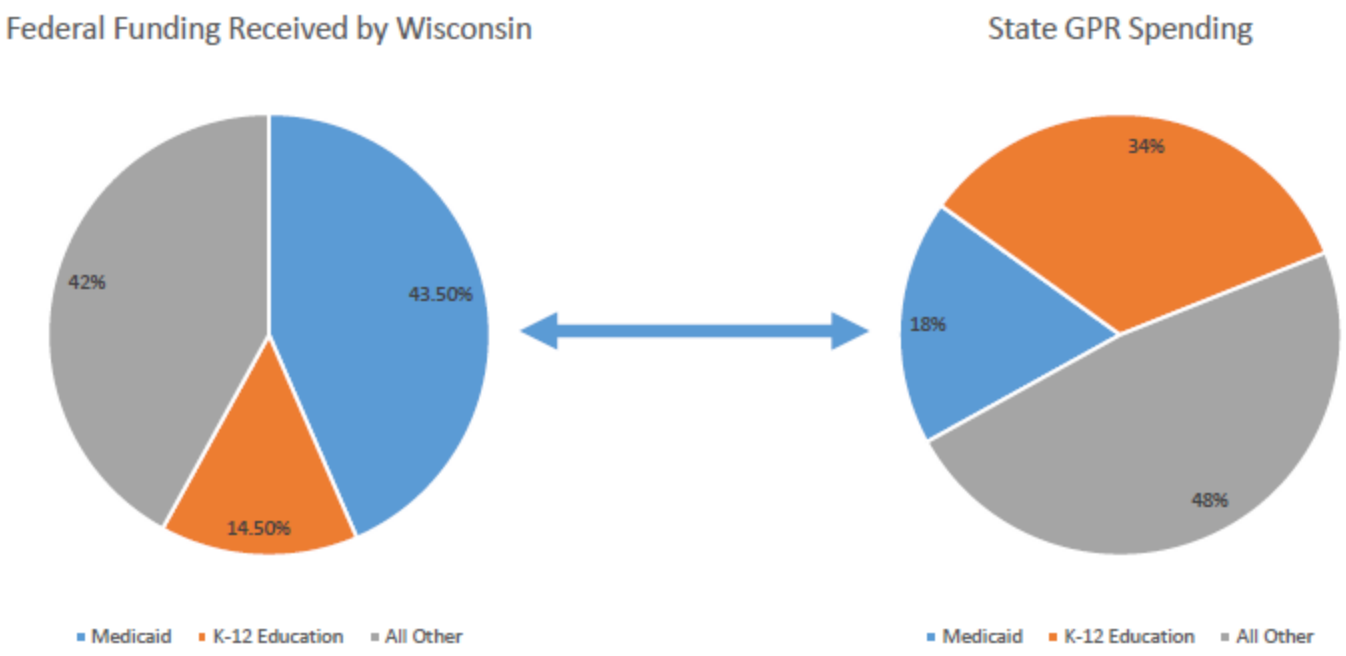
- The exact fiscal impact of these changes on Wisconsin is unknown.

- Two groups have issued projections:

  - **Center on Budget and Policy Priorities**: Wisconsin would receive $1 billion less in Medicaid funding over the next 10 years.

  - **Wisconsin Hospital Association:** WHA says Wisconsin could lose out on $37 billion over 10 years compared to expansion states.

Medicaid Funding and WI's Budget

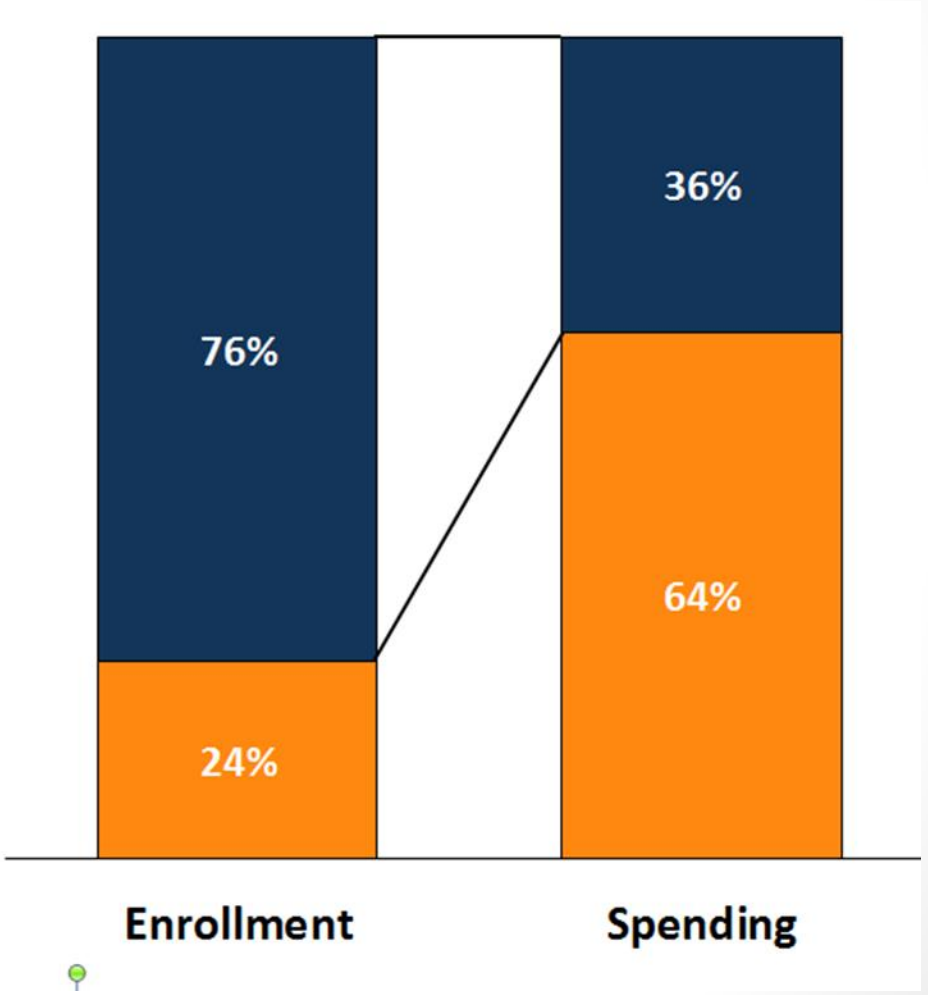


Federal MA Funding to WI for 2017-18: $5.17 billion
Federal MA Funding to WI for 2018-19: $5.47 billion

Most Medicaid spending is for care provided to seniors and people with disabilities.

Children and adults

Seniors and people with disabilities



Source: Kaiser Family Foundation

Medicaid Funding in Schools

- **Wisconsin schools received $187 million in Medicaid funding last year**, with $86 million coming from state funds and $101 million in federal funding

Medicaid Funding for Family Care and IRIS supports

- Medicaid is the primary funding source for all long-term services and supports, including employment and day services

- Total funding for all Intellectual and Developmental Disability (IDD) agency day and employment services: **$190,355,000.**

- **Most Family Care and IRIS supports are considered optional in Medicaid.**

Program Participants with Disabilities

- Ginger Beuk, Family Care Participant, Oshkosh, WI
- Katy Morgan Davies, mother of child enrolled in the Children's Long Term Support Program, Middleton, WI

Wisconsin Medicaid Provider

- David Boelter, Executive Director of The Arc Fond du Lac
  - Medicaid funded services through Family Care and IRIS: Group homes; Respite; Day Services; Community Integration; Youth programs; transportation
  - 94 employees
  - 85% of revenue is funded through Medicaid

Medicaid and Wisconsin's Older Adults

- 55% of residents living in nursing homes rely on Medicaid (88% or over 13,000 are older adults)
- 45% of all Family Care members are age 65 or older (21,523)
- Older adults are more likely to need long-term care as they age.
- People age 85 and older have Medicaid costs 2 ½ times higher than those age 65-74.

The population age 85 and older will rise steadily from 118,500 in 2010 to 283,500 by 2040 (140% ↑)

The Role of Medicaid in Aging & Disability Resource Centers

- In 2017, Wisconsin ADRCs are estimated to –
  - serve 183,192 customers
  - have over 500,000 contacts
- 80% of the ADRCs work touches the Medicaid program (information and assistance, benefits counseling, options/enrollment counseling, and functional screening)
- Federal Medicaid funding pays for ½ of this work = 40% of the overall ADRC funding.
- Cuts to Medicaid programs and eligibility will reduce the amount of Medicaid work performed by ADRCs and shrink their overall funding availability to meet the needs of these populations (non-MA services, prevention programs)

Medicaid Funding and Wisconsin Caregivers

"The care i provide my elderly disabled mother and my down syndrome sister allows them to continue to live in their own apt. Without my help, they would need to be in a nursing home." – Barb, Windsor, WI

"If these services were not available to my adult daughter, I would be unable to work outside the home, my daughter would not live as independently as possible."– Angie, Hartford, WI

Questions?