

## Health Management Associates – 12/17/24 from 2:30-3:00pm

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### Slides

#### POTENTIAL FEDERAL ACTIONS IMPACTING STATE MEDICAID FUNDING

##### >> Federal Medicaid Contribution/Matching:

- New financing options would change the open-ended financing structure of the Medicaid program by eliminating the Federal Medical Assistance Percentage, (FMAP)
  - **Per Capita Cap:** Establishes a limit on how much the federal government will spend on Medicaid on a per-person basis. Payments to states would reflect changes in enrollment. Would not account for changes in the costs beyond a set growth limit.
  - **Block Grant:** Allocates a fixed amount to each state, and these fixed amounts would increase over time based upon a formula that accounts for inflation and population growth.

##### >> Repeal of the Affordable Care Act (ACA):

- This could impact coverage programs, and while codified in State law, could change available federal funding for Advance Premium Tax Credits, Basic Health Program (Essential Plan), and Medicaid Expansion.
- **Cara:** Medicaid is funded by the feds through FMAP, which for NY means 50% of our allowable Medicaid budget is funded federally. This is the lowest funding available. Being considered are these two closed models: per capita cap, or block grant. In terms of a repeal of the ACA – NYS adopted many provisions of the ACA to codify it into state law (age 26 dependent coverage, pre-existing conditions protections, etc.) but the federal funding mechanisms in the ACA could be impacted, such as the APTC on NYSOH and the Basic Health Program (Essential Plan), and MedEx.
- **Josh:** I believe that the Republicans got their fingers burnt badly enough last time they tried to repeal the ACA so I don't think that will rise to the top of their agenda. The first time Republicans in Congress proposed Block Grants in Medicaid was during the Reagan administration, so it's not a new idea. I believe there will be at least some attempt to do per capita cap or block grant. A block grant is harder for NYS because part of the genius of Medicaid is it's counter-cyclical. If there was a per capita cap, the numbers would still spike when times are hard, so it would still be counter cyclical – but the counter cyclical would be removed if there was a block grant.





- **Cara:**
  - NY is required to continue providing coverage for immigrants under the *Aliessa* requirements. But those programs become vulnerable in this environment.
  - HRSNs as benefits (housing, nutrition, transportation) could be at risk
  - Programs perceived as “bloated” could be vulnerable, like LTSS
  - But in each model, there’s a lot of state discretion – and the programs that have value at the grassroots level, could be invested in by NYS without the federal government’s permission
- **Josh:** If you think about HRSN services rolling out under the existing 1115 demonstration, NY wanted to start that 2 years ago but ended up in a protracted negotiation under the federal government. If there were a block grant or per capita cap in place, NYS would have been able to just do it.

## HOW CAN IT BE MADE LESS BAD?

New Federal contribution schemes will require promulgation of guidance, regulation, and methodological considerations to set these changes in motion.

Overarching Items:	Block Grant:	Per Capita Cap:
<ul style="list-style-type: none"> <li>• Carve Outs/Exceptions: <ul style="list-style-type: none"> <li>○ Populations</li> <li>○ Services</li> <li>○ Programs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Methodology</li> <li>• Reference Year</li> <li>• Trend Factor/Growth Rate</li> </ul>	<ul style="list-style-type: none"> <li>• Distinguishing Population Cost Trends (i.e., BH, LTSS, Mainstream)</li> <li>• Maintains countercyclicality of Medicaid</li> </ul>

- **Cara:** For any of these new funding models to go forward, there will be regulation that will be subject to public comment. So some of the places that could be areas of influence, are shown here in the slide.
- **Josh:** You could imagine the feds saying “here’s the PCC for the general Medicaid system, a different PCC for LTSS, a different PCC for the HARP” or you could imagine the feds saying “there is a single PCC, and NYS, figure it out.” And the implications of that are very different.

## Q&A

- **Lara Kassel:** Congress will be considering budget reconciliation at least once, if not twice, in 2025. We also know that things could happen administratively without Congress. What would you say the timing will be of potential impact to the state budget? Because I think that this coming year probably isn’t the time we will see an impact on our state budget - I’m thinking the following state budget is when we would see the Governor making changes in response to something happening federally.
  - **Cara:** Yes.

- **Josh:** If you're the CBO (Congressional Budget Office) and you're scoring a per capita cap, the savings in year 1 are modest, those in year 10 are substantial, because it'll grow lower than the rate of Medical Consumer Price Index (CPI) has grown. So I could see it where, in the first year or two years, the impact on NYS's budget is relatively minimal. But once you get to years 3, 4, 5, 7, 9, that's when the squeeze really happens because NYS's cost are growing at 4% or 6% per year but the revenue is only growing at 2% per year.
- **Mark Hannay:** What are the chances these would be optional for states, not required?
  - **Josh:** Right now these are options. TN essentially imposed a PCC through a waiver in the first trump administration. But given the republican trifecta, that's not what they're going to waive for. They want to be done with the FMAP.
  - **Cara:** If for some reason it becomes too hefty an initiative to get done, I think the waiver avenue will be the avenue, and that will also give them data to inform future work – but I think only if they can't get it done otherwise.
- **Trina Rose:** Some programs get higher (enhanced) FMAP even within a certain state – like MAGI MedEx population, CFCO, 988 mobile crisis, and others.
  - **Cara:** Those enhanced matches are not reflected in the map (above) showing the state FMAP multiplier for FY 2025. The map just shows the mainstream population. There was a period of time when there was an enhanced FMAP when the ACA took effect, and it titrated down over time. There are still populations in MAGI that are getting an enhanced FMAP, mostly the childless adult expansion populations.
- **Denise Soffel:** Oz running CMS – how quickly is he going to turn to this set of questions and concerns about Medicaid per se, and have the staff and talent and capacity to actually think creatively about doing something really harmful? And who is he going to turn to?
  - **Josh:** This is what I expect Congress to do, not CMS. Some of those staffers have been around for a long time, and have maybe had the language drafted for as long. So there are ideologues on the Congressional staff who desperately want to do it, and they know they probably only have a 2 year window to make it happen – and that reconciliation is the way to get it done without a filibuster.
- **Rachel Holtzman:** Did I hear correctly that PCCs and Block Grants don't require 1115s? Would 1115 waivers go away altogether?
  - **Cara:** The reason waivers exist is to seek permission to do nontraditional benefits. Waivers are no longer needed because the feds would eliminate the red tape of the reasons why you'd need a waiver. You'd have within your budget the flexibility to fund the types of programs. But we don't know what types of fraud/waste/abuse caveats will come with that. But for the state funding portion, there would be very little rules for how the state could do that. So I'm not show if waivers go away, but the utility of waivers become less necessary.
  - **Josh:** The reason those waivers exist is because of the open-ended commitment, so the feds aren't writing blank checks. SO if the commitment isn't open ended, the impetus for the waivers and aggressive negotiating when a state asks for a waiver, there's no reason for the feds to do that anymore – because the check is the check is the check.

- **Valerie Bogart:** is the provider tax enacted last year dead? wouldn't get approved by CMS under Trump?
  - ? : NYS is trying to get it approved by CMS before Jan 20.
- **Judy Wessler:** We need to understand what the potentials are.
  - **Lara Kastle:** Our job is to bring consumer perspectives and data points.
  - **Josh:** This is the time to look for allies – even unconventional ones.