

Medicaid Capped Funding: Findings and Implications for Mississippi
April 5, 2017

On March 24, 2017, the House of Representatives determined not to move ahead with the American Health Care Act (AHCA), its proposal to repeal and replace the Affordable Care Act (ACA). The AHCA included provisions that would have capped federal Medicaid funds through per capita caps and block grants, and reduced or eliminated federal funding for the expansion of Medicaid to low-income adults. While the AHCA failed to advance, these Medicaid proposals are likely to remain a priority for Congressional leadership. To assist states in evaluating how they might fare under a capped funding model, Manatt Health analyzed state-specific data for all 50 states and the District of Columbia. The Mississippi-specific data provided here offers insight into how base payment calculations and trend rates, as well as state policies and demographics, could impact Mississippi under capped funding proposals. The data are drawn from a tool kit prepared by Manatt Health for the Robert Wood Johnson Foundation's State Health Reform Assistance Network.¹

Medicaid capped funding proposals are designed to provide the federal government with greater budget certainty and to reduce federal spending, and thereby reduce federal Medicaid funding for states, especially in the out years. In several recent proposals, including the AHCA, the size of the cap for each state is set based on its historical spending in Medicaid, trended forward by an annual, national "trend rate," rather than a state-specific trend. As a result, under a capped financing formula, federal Medicaid funding to states would no longer respond automatically to increases in state-specific health care expenditure growth, break-through therapies, public health crises, or, depending on the design of the cap, increases in enrollment due to growing populations, changing demographics, economic downturns or other factors. States might have additional flexibility to reduce eligibility, benefits or provider payment rates, but ultimately they bear the risk of costs exceeding the cap.

Data Considerations

This memo relies on the most recent publicly available data, and in some instances, it references 2011 data. While a state might have more recent data on its own program spending, 2011 is the most recent year for which per enrollee spending and historical growth rates are publicly available by eligibility group for all states. The lack of more recent 50-state data is challenging, but the comparison across states is helpful. In any event, faced with the lack of more recent 50-state data, Congress will likely need to rely on older and aggregated data in setting capped funding levels.

¹ <http://statenetwork.org/resource/data-points-to-consider-when-assessing-proposals-to-cap-federal-medicaid-funding-a-toolkit-for-states/>

Key Data Findings

- **Mississippi has low per capita Medicaid spending levels relative to other states, putting it at risk of being “locked in” to a relatively low capped payment.** Since nearly all capped funding proposals start with a state’s historic spending, Mississippi may be locked into low capped federal payments.
 - Mississippi spent an average of \$5,913 per enrollee in federal fiscal year 2011 (21st lowest among states), below the national average of \$6,502.
 - Mississippi has relatively low spending for people with disabilities and adults – \$12,960 per disabled enrollee compared to \$18,518 nationally (5th lowest), and \$3,983 per adult enrollee compared to \$4,141 nationally (20th lowest).
- **Under a capped funding model, Mississippi could be disadvantaged relative to states that receive federal funding for the ACA Medicaid expansion.** Expansion states and states with higher eligibility levels could see higher funding allowances than non-expansion states with respect to any block grant proposal.
 - The 31 expansion states received nearly \$73 billion in additional federal funding in 2016.
 - Mississippi has among the lowest eligibility levels for adults in the country (23% FPL for parents, 0% FPL for childless adults), which contributes to the risk of a relatively small allotment under any model using a block grant.
- **Between 2000-2011, Mississippi’s Medicaid spending on a per capita basis grew much more rapidly for most eligibility groups than the national trend rates typically advanced in capped funding proposals, and faster than most other states.** If Mississippi’s historical spending rates are indicative of its future spending rates, over time federal Medicaid funding under a capped funding proposal would be short of Mississippi’s needs.
 - Mississippi’s average annual per enrollee spending growth was significantly above average for most eligibility groups from 2000 - 2011: 10.8% for the aged (2nd in nation), 6.9% for the disabled (3rd in nation), and 6.2% for the children (16th in nation).
 - Mississippi’s Medicaid spending growth on these groups significantly outstripped per capita GDP (2.9%), CPI (2.5%), and medical CPI (4%) during that period.
- **Mississippi relies on DSH and UPL payments; depending on how they are treated in a capped funding approach, these federal funds may be at risk.** This is a critical issue for Mississippi to monitor.
 - DSH and UPL payments made up 15% of all Mississippi’s Medicaid benefit spending in 2015.
- **Mississippi Medicaid spending is disproportionately for seniors and people with disabilities.** As a result, capped funding is likely to disproportionately impact these populations.
 - In FY 2011, 65% of Mississippi’s Medicaid spending was for elderly and disabled enrollees even though they accounted for 33% of the State’s Medicaid enrollment.
- **Mississippi has among the highest uninsured rates in the nation – leaving Mississippi with a bigger “hole” to address if and when the State is looking to cover additional residents.** Capped funding proposals to date do not take into account the size of each state’s remaining uninsured population.

- As of 2015, the uninsured rate in Mississippi was 12.5% - the 6th highest in the nation.
- While the current Medicaid structure preserves Mississippi's option to expand its Medicaid coverage, a capped model may eliminate or reduce federal financial support for any such expansion.
- **Mississippi's State budget relies heavily on federal Medicaid funding.** Medicaid represents the single largest source of federal funding for the State. A loss of federal Medicaid funding could shift costs to the State, posing a threat to the Mississippi budget and other State priorities.
 - Federal Medicaid funding (nearly \$3.8 billion in 2015) makes up approximately 46% of all federal funding in Mississippi's budget – slightly below the average share among non-expansion states. By comparison, the next largest source of federal funds—for public assistance—is 12.4% of the federal funds received by the State.