State Health Reform Assistance Network
Charting the Road to Coverage

A Robert Wood Johnson Foundation program

Medicaid Capped Funding: Findings and Implications for New York

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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 New York-specific data provided here offers insight into how base payment calculations and trend rates, as well as state policies and demographics, could impact New York 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

- **Expansion brought $8.2 billion in federal funding to New York in 2015, and helped drive down the uninsurance rate.** If Medicaid restructuring eliminates or reduces funding for the Medicaid expansion, it would pose a significant threat to coverage in New York and to the State's budget.
    - Nearly 2.1 million individuals are covered through the Medicaid expansion adult group in New York, 43% of the State's Medicaid population as of March 2016.
    - New York's uninsured rate dropped by nearly 35% from 2013 to 2015 (from 10.8% to 7.0%), an uninsured rate that ranks 31st among states, due in large part to the Medicaid expansion.
    - Beyond coverage, reducing or repealing federal support for expansion would have an outsized impact on New York's budget. Federal funding for new adults accounts for 24% of all federal Medicaid funding for New York.
- **New York'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 New York budget and other State priorities.
    - Federal Medicaid funding (nearly $33.5 billion in 2015) makes up approximately 64% of all federal funding in New York's budget – the 5th highest share among expansion states. By comparison, the next largest source of federal funds—for primary and secondary education—is just nearly 8% of the federal funds received by the State.
- **New York has among the highest per capita Medicaid spending levels relative to other states.** Although nearly all capped funding proposals start with a state's historic spending, under some proposals, New York may be expected to move the state's per capita expenditures toward the median over time.
    - New York ranked 2nd among states in total per capita Medicaid spending per enrollee. In fiscal year 2011, average spending was $10,307 per enrollee, well above the national average of $6,502.
    - New York has relatively high spending across all eligibility groups: $33,808 per disabled individual compared to a national average of $18,518 (highest in the nation); and $28,336 for per elderly enrollee compared to a national average of $17,522 (4th highest); $2,707 per child compared to a national average of $2,492 (18th highest); and $5,339 per adult compared to a national average of $4,141 (10th highest).
- **New York's Medicaid spending per enrollee grew significantly more slowly for all eligibility groups than many other states between 2000-2011 and matched or was slightly below the national trend rates typically advanced in capped funding proposals**. If New York decides that it needs to adjust its spending, for example, to ensure access to care, it is unlikely to have additional federal funding to rely on under capped funding.
    - New York's per enrollee spending growth for all eligibility groups was among the lowest across states: 3.0% for children (9th lowest), 2.9% for adults (5th lowest), 4.3% for the disabled (24th lowest), and 3.1% for the elderly (16th lowest).
    - New York's spending growth matched per capita GDP (2.9%) and CPI (2.5%), but fell below medical CPI (4%) for all but the disabled group during that period.

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- **New York relies on DSH, UPL, and waiver 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 New York to monitor.
    - DSH, UPL, and waiver payments made up 9.4% of all New York's Medicaid benefit spending in 2015.
- **New York 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, 69% of New York's Medicaid spending was for elderly and disabled enrollees even though they accounted for 23% of the State's Medicaid enrollment.
    - The expansion of Medicaid to low-income adults in New York undoubtedly has shifted the distribution of spending across eligibility groups, but, there is little doubt that when updated data become available, they will indicate that spending on the elderly and disabled remains substantial.

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