**State Health Reform Assistance Network**
Charting the Road to Coverage

A Robert Wood Johnson Foundation program

# Medicaid Capped Funding: Findings and Implications for New Hampshire

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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 Hampshire-specific data provided here offers insight into how base payment calculations and trend rates, as well as state policies and demographics, could impact New Hampshire 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 billions in federal funding to New Hampshire and sharply increased coverage.** If Medicaid restructuring eliminates or reduces funding for the Medicaid expansion, it would pose a significant threat to coverage in New Hampshire and to the State's budget.
    - Almost 53,000 individuals are covered through the Medicaid expansion adult group in New Hampshire, about 28% of the State's Medicaid population as of March 2016.
    - New Hampshire's uninsured rate dropped by 37% from 2013 to 2015 (from 10.8% to 6.8%), and New Hampshire now has one of the lowest uninsured rates in the country (ranking 34th), due in large part to the Medicaid expansion.
    - Beyond coverage, reducing or repealing federal support for expansion would have an outsized impact on New Hampshire's budget. Federal funding for new adults (an estimated $320 million in 2015) accounts for 31% of all federal Medicaid funding for New Hampshire.
    - Even if it could absorb the fiscal hit of a reduction in federal support for expansion, New Hampshire is one of at least nine states that is required by state law to reduce or eliminate Medicaid eligibility and/or benefits for the expansion population if the Medicaid matching rate is reduced in 2017 or 2018.
- **New Hampshire'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 Hampshire budget and other State priorities, such as education.
    - Federal Medicaid funding ($1 billion in 2015) makes up nearly half (48%) of all federal funding in New Hampshire's budget – below the average share (59.3%) among expansion states, but still the largest single source of federal funding for the State. By comparison, the next largest source of federal funds—for transportation—is 15% of the federal funds received by the State.
- **New Hampshire has high 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 Hampshire may be expected to move the state's per capita expenditures toward the median over time.
    - New Hampshire ranked 12th among states in total per capita Medicaid spending per enrollee. In fiscal year 2011, average spending was $7,705, well above the national average of $6,502.
    - New Hampshire has relatively high spending across most eligibility groups: $3,241 per child enrollee compared to $2,492 nationally (7th highest), $26,794 per aged enrollee compared to $17,522 nationally (9th highest), and $21,545 per disabled enrollee compared to $18,518 nationally (13th highest).
- **New Hampshire's Medicaid spending per enrollee grew significantly more slowly for all eligibility groups than many other states between 2000-2011 but, for three out of four eligibility groups, largely kept pace with the national trend rates typically advanced in capped funding proposals.** If New Hampshire 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.

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- New Hampshire's average annual per enrollee spending growth from 2000 – 2011 was: .5% for the disabled (51st in nation), 3.4% for the aged (33rd in nation), 3.5% for children (39th in nation), and 4.5% for adults (40th in nation).

- New Hampshire's Medicaid spending growth on the aged, children, and adults generally tracked per capita GDP (2.9%), CPI (2.5%), and medical CPI (4%) during that period. The State's spending growth on the disabled fell far below these national trend rates.

- **New Hampshire 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 Hampshire to monitor.
    - DSH, UPL and waiver payments made up 6.7% of all New Hampshire Medicaid benefit spending in 2015 – well above average.
- **New Hampshire 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, two-thirds (67%) of New Hampshire's Medicaid spending was for elderly and disabled enrollees even though they accounted for approximately a quarter (28%) of the State's Medicaid enrollment.
    - Disabled enrollment in New Hampshire is also growing relatively rapidly. From 2000-2011, Medicaid disabled enrollment grew faster in New Hampshire than in any other state, at a rate of 7.9% on average each year.
    - The expansion of Medicaid to low-income adults in New Hampshire 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.
- **New Hampshire's aged population is growing more quickly than in most other states, which puts it at higher risk under capped funding.** A capped funding formula that does not take enrollment into account would leave the state at higher risk than other states. Even if enrollment growth is accommodated by a per capita cap model, it would be at risk for the higher costs attributable to an aging population.
    - By 2025, New Hampshire is expected to see its senior (age 65+) population – a group with high Medicaid costs – grow by 43%, among the fastest growth rates in the country (ranking 10th). The population aged 85+ is also growing faster than average, with growth of 22% expected by 2025 (ranking 21st).

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