State Health Reform Assistance Network
Charting the Road to Coverage
A Robert Wood Johnson Foundation program

Medicaid Capped Funding: Findings and Implications for Oklahoma
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 Oklahoma-specific data provided here offers insight into how base payment calculations and trend rates, as well as state policies and demographics, could impact Oklahoma 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

- **Oklahoma has among the lowest per capita Medicaid spending level in the country, putting it at high risk of being "locked in" to a low capped payment.** Since nearly all capped funding proposals start with a state's historic spending, Oklahoma is at risk of being locked into low capped federal payments.
    - Oklahoma spent an average of $5,107 per enrollee in federal fiscal year 2011 (6th lowest among states), well below the national average of $6,502.
    - Oklahoma has relatively low spending for its most costly enrollees. Per capita spending for the aged ranked 5th lowest ($12,315 compared to national average of $17,522, and the highest spending state at $32,199) and per capita spending for the disabled ranked 10th lowest ($15,010 compared to national average of $18,519, and the highest spending state at $33,808).
- **Under a capped funding model, Oklahoma 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.
    - Oklahoma has relatively low eligibility levels for adults (41% for parents, 0% for childless adults), which contributes to its risk of a relatively small allotment under any model using a block grant.
- **Between 2000-2011, Oklahoma's Medicaid spending on a per capita basis grew more rapidly than the national trend rates typically advanced in capped funding proposals, and faster than many other states.** If Oklahoma's historical spending rates are indicative of its future spending rates, federal Medicaid funding under a capped funding proposal would fall well short of Oklahoma's needs.
    - Oklahoma's average annual per enrollee spending growth was above or on par with the national average from 2000 – 2011 for all eligibility groups: 5.3% for the aged (17th in nation), 6.2% for children (18th in nation), 4.5% for the disabled (26th in nation), and 9.9% for adults (8th in nation).
    - Oklahoma's Medicaid spending growth on these groups outstripped per capita GDP (2.9%), CPI (2.5%), and medical CPI (4%) during that period.
- **Oklahoma 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 Oklahoma to monitor.
    - DSH and UPL payments made up 19% of all Oklahoma Medicaid benefit spending in 2015 – the 5th highest share in the nation.
- **Oklahoma Medicaid spending 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, 57% of Oklahoma's Medicaid spending was for elderly and disabled enrollees even though they accounted for approximately 22% of the State's Medicaid enrollment.

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- **Oklahoma has one of the highest uninsured rates in the nation – leaving Oklahoma 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 Oklahoma was 14.1% - the 3rd highest in the nation.
    - The uninsured rate in Oklahoma is the 2nd highest in the nation for adults (20%), and the 5th highest in the nation for children (8.3%).
    - While the current Medicaid structure preserves Oklahoma's option to expand its Medicaid coverage, a capped model may eliminate or reduce federal financial support for any such expansion.
- **Oklahoma'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 Oklahoma budget and other State priorities, such as education.
    - Federal Medicaid funding ($3.1 billion in 2015) makes up 42% of all federal funding in Oklahoma's budget, lower than the average share for other non-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 just over 10% of the federal funds received by the State.

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