

The American Rescue Plan: An Overview of Medicaid Provisions and State/Local Relief

Manatt Health
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STATE
Health & Value
STRATEGIES
COVID-19

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About State Health and Value Strategies

State Health and Value Strategies (SHVS) assists states in their efforts to transform health and health care by providing targeted technical assistance to state officials and agencies. The program is a grantee of the Robert Wood Johnson Foundation, led by staff at Princeton University's School of Public and International Affairs. The program connects states with experts and peers to undertake health care transformation initiatives. By engaging state officials, the program provides lessons learned, highlights successful strategies, and brings together states with experts in the field. Learn more at www.shvs.org.

Questions? Email Heather Howard at heatherh@Princeton.edu.

*Support for this webinar was provided by the Robert Wood Johnson Foundation.
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Housekeeping Details

All participant lines are muted. If at any time you would like to submit a question, please use the Q&A box at the bottom right of your screen.

After the webinar, the slides and a recording will be available at **www.shvs.org**.

COVID-19 Resources for States

State Health and Value Strategies has created an accessible one-stop source of COVID-19 information for states at www.shvs.org/covid19/. The webpage is designed to support states seeking to make coverage and essential services available to all of their residents, especially high-risk and vulnerable people, during the COVID-19 pandemic.

About Manatt Health

Manatt Health, a division of Manatt, Phelps & Phillips, LLP, is an integrated legal and consulting practice with over 160 professionals in nine locations across the country. Manatt Health supports states, providers, and insurers with understanding and navigating the complex and rapidly evolving health care policy and regulatory landscape. Manatt Health brings deep subject matter expertise to its clients, helping them expand coverage, increase access, and create new ways of organizing, paying for, and delivering care. For more information, visit www.manatt.com/ManattHealth.aspx

Agenda

- **Overview of the American Rescue Plan Act of 2021**

- **Key Provisions and Policy Considerations for States:**
 - **Medicaid/Children's Health Insurance Program (CHIP)**
 - **State/Locality Relief Funding**
 - **COVID-19 Vaccine, Testing, and Tracing Funds**
 - **Other Funds for Health Care Initiatives**

- **Discussion**



Overview of the American Rescue Plan Act of 2021

Level Setting: The American Rescue Plan

On March 11, President Biden signed the \$1.9 trillion American Rescue Plan Act of 2021, providing funding for COVID-19 response plans and enacting significant but temporary coverage policies.

Key Health Care Provisions Included in the American Rescue Plan:

Marketplace	COBRA*	Medicaid and CHIP	State/Locality Relief Funding	COVID-19 Vaccine, Testing, Tracing Funds	Other Funds for Health Care Initiatives
<ul style="list-style-type: none"> ✓ Temporary enhancements to the PTC* and CSRs*. ✓ State-Based Marketplace (SBM) funding. 	<ul style="list-style-type: none"> ✓ Temporary 100% premium assistance for individuals who lose employer-sponsored coverage. 	<ul style="list-style-type: none"> ✓ Enhanced federal match for states newly expanding Medicaid. ✓ Postpartum coverage extension. 	<ul style="list-style-type: none"> ✓ \$350 billion in fiscal relief for states, Tribal governments, territories, counties, cities, and localities. 	<ul style="list-style-type: none"> ✓ Funding to carry out the National Strategy for the COVID-19 Response and Pandemic Preparedness. 	<ul style="list-style-type: none"> ✓ \$8.5 billion for rural providers. ✓ Funding for mental health/substance use programs. ✓ Other public health initiatives.

★ *Today's Focus* ★

Major Economic Stimulus/Anti-Poverty Measures Included in the American Rescue Plan:

 The legislation also includes significant measures such as enhanced federal unemployment insurance, child tax credits, and stimulus checks for Americans that make under \$80,000 per year.

Source: [American Rescue Plan Act of 2021](#).

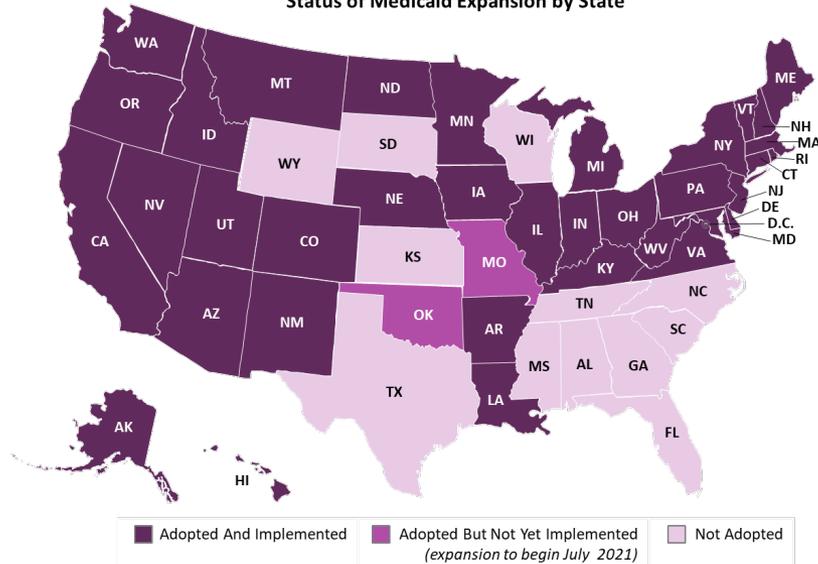
*Notes: PTC = premium tax credit; CSR = Cost-Sharing Reduction; COBRA = Consolidated Omnibus Budget Reconciliation Act.



Explanation of Key Provisions and Policy Considerations for States

Provisions That Will Improve Access/Coverage And Advance Health Equity

Status of Medicaid Expansion by State



Enhanced FMAP for Medicaid Expansion:

- Provides states that implement Medicaid expansion with a 2-year, 5 percentage point increase in FMAP* for most *non-expansion* eligibility groups.
- Increased matching rate is available at any point after enactment and is tied to when a new expansion state begins enrolling people in the adult expansion group.
- States that begin enrolling adults in the expansion group during the PHE* will receive both the 6.2 percentage point bump under FFCRA* and the 5 percentage point increase.

Extension of Medicaid and CHIP Coverage for the Postpartum Period:



- Provides a new state plan option to continue Medicaid/CHIP eligibility for 12 months postpartum for pregnant individuals.
- CMS* will need to issue guidance to clarify outstanding questions (e.g., the specific eligibility groups for which the extension applies, whether the extension is continuous coverage).
- Takes effect 1 year after the bill's enactment; in effect for 5 years.
- States that adopt the option must provide full benefits to pregnant and postpartum individuals.

Source: SHVS/Manatt Health, [Finishing the Job of Medicaid Expansion](#).

*Notes: FMAP = federal medical assistance percentages; PHE = public health emergency; FFCRA = Families First Coronavirus Response Act; CMS = Centers for Medicare & Medicaid Services.

Increased Funding to Promote Coverage/Access

State Option for Community-Based Mobile Crisis Interventions

- Authorizes matching funds for Medicaid mobile crisis intervention services for a period of 5 years beginning 1 year after enactment.
- Establishes an 85% FMAP for the first 3 years during which states provide services.
- Authorizes \$15 million state crisis intervention planning grants.

Enhanced FMAP for Urban Indian Health Organizations

- Provides a 2-year, 100% FMAP for Medicaid services provided by 2 types of organizations that do not currently qualify for enhanced match: Urban Indian Organizations and Native Hawaiian Health Care Systems.
- Begins in the first quarter following enactment.

Enhanced FMAP for Home and Community-Based Services (HCBS)

- Provides a 1-year, 10 percentage point FMAP increase for specified Medicaid HCBS.
- FMAP increase takes effect April 1, 2021, through March 31, 2022.
- States must enhance, expand, or strengthen HCBS; new funding must supplement, not supplant, state spending.

Maintaining Medicaid Disproportionate Share Hospital (DSH) Allotments

- Requires the Secretary, for any fiscal year in which the FFCRA matching rate increase applies, to recalculate states' DSH allotments to ensure DSH allotment amounts (federal and state shares) are the same as they would have been without the enhanced match.

COVID-19 Vaccine and Treatment Coverage



COVID-19 Vaccines and Vaccine Administration

- Provides coverage, without cost-sharing, for COVID-19 vaccines and vaccine administration for Medicaid and CHIP populations for one year following the end of the federal PHE.
- Provides 100% FMAP for vaccine and vaccine administration services during this period.
- Addresses a gap in vaccine coverage for “limited benefit” populations, such as individuals eligible only for pregnancy-related or family planning coverage.



COVID-19 Drugs, Biologics, and Other Treatments

- Provides coverage, without cost-sharing, for COVID-19 drugs, biologics, and other treatments for most “full benefit” Medicaid and CHIP populations, plus the optional Medicaid COVID-19 testing group, until 1 year following the end of the PHE.

Drug Pricing

The bill imposes additional new rebate obligations under the Medicaid Drug Rebate Program (MDRP).

Elimination of Rebate Cap: Eliminates, as of January 1, 2024 the statutory cap on Medicaid rebates that limits those rebates to 100% of the average manufacturer price (AMP).

It is unclear how elimination of the cap would impact state Medicaid programs, enrollees, and manufacturers. The Congressional Budget Office (CBO) estimates that the change would save the federal government and states nearly \$14.5 billion over ten years, a significant cost saving.

Rebates for COVID-19 Drugs: Creates new rebate obligations under the MDRP to accompany the expanded coverage of COVID-19 drugs.

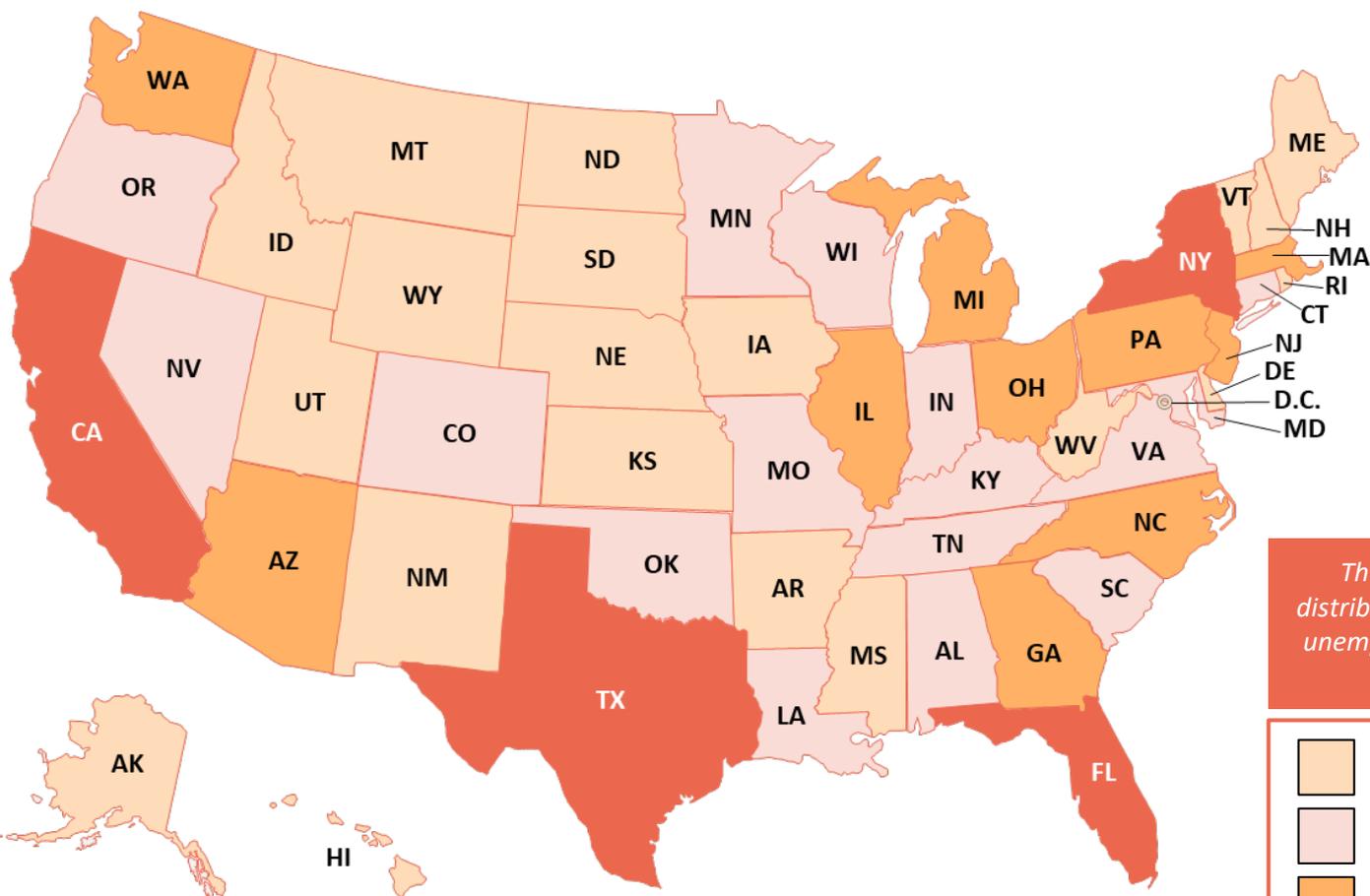
Under existing law, a manufacturer that signs a Medicaid drug rebate agreement owes rebates to Medicaid programs for any drug (other than a vaccine) that is paid for by a Medicaid program and that receives full U.S. Food and Drug Administration (FDA) approval. To date, the drugs being used to treat or prevent COVID-19 generally have not received full FDA approval, but instead have been approved under an Emergency Use Authorization (EUA). The legislation appears intended to require manufacturers to pay rebates for such drugs. However, ambiguities in the text of the bill make it unclear whether such rebate obligations would apply only to small molecule drugs authorized under an EUA or would also apply to biologics and vaccines.

\$350 Billion Coronavirus State and Local Fiscal Recovery Funds

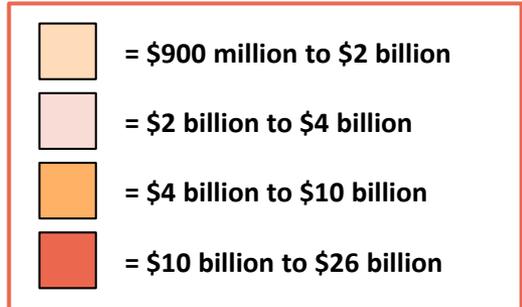
The American Rescue Plan appropriates to the Treasury \$350 billion to make payments to state, Tribal, territory, and local governments to mitigate the fiscal effects of COVID-19.

Recipient	Funding Amount	Distribution Timing	Eligible Uses of Funds
Coronavirus State Fiscal Recovery Fund Allocations			
States and D.C.	\$195.3 billion	The Secretary has discretion to distribute the full amount in a single payment, or to split the payments into 2 tranches, up to 12 months apart.	<p>Recipients may use the funds to respond to COVID-19 or its “negative economic impacts,” including:</p> <ul style="list-style-type: none"> ▪ Providing government services to the extent of the reduction in revenues due to COVID-19 (relative to the most recent full fiscal year); ▪ Providing assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel and hospitality; providing premium pay, directly to recipient employees or in grants to eligible employers; and ▪ Making necessary investments in water, sewer, or broadband infrastructure. <p>Recipients are precluded from using the funds to lower taxes or for pensions.</p>
Territories	\$4.5 billion		
Tribal Governments	\$20 billion		
Coronavirus Local Fiscal Recovery Fund Allocations			
Counties	\$65.1 billion	The legislation dictates that the Secretary make 2 payments, 12 months apart.	<p>See above – allowable uses of funds are the same.</p> <p>**Costs related to both state and local funds must be incurred by December 31, 2024.</p>
Metropolitan Cities	\$45.6 billion		
Non-Entitlement Units of Local Government	\$19.5 billion		

Estimated State Fiscal Relief Fund Breakdown



The majority of state funds are distributed based on the share of total unemployed workers in the last three months of 2020.



Source: Federal Funds Information from States Analysis.

Coronavirus Capital Projects Fund

The bill also establishes a \$10 billion fund available to states, territories, and Tribal governments, for critical capital projects directly enabling work, education, and health monitoring in response to COVID-19.

Recipient	Funding Amount	Specifications Related to Distribution of Funding	Distribution Timing
Territories	\$700 million	\$100 million to each territory.	Secretary must establish a grant process not later than 60 days after enactment.
Tribal governments and State of Hawaii	TBD	<ul style="list-style-type: none"> ▪ Not less than \$50,000 to each Tribal government. ▪ \$50,000-\$200,000 to Hawaii. 	
States	\$5 billion	\$100 million to each state.	
	TBD	<p>Of the amount remaining in the \$10 billion fund after allocating the funds in the above rows:</p> <ul style="list-style-type: none"> ▪ 50% based on each state's relative population. ▪ 25% based on each state's share of individuals living in rural areas. ▪ 25% based on each state's share of individuals with a household income below 150% of the federal poverty level (FPL). 	

COVID-19 Vaccine, Testing, and Tracing Funds

Funding Purpose	Funding Amount	Recipient	Eligible Uses of Funds
Vaccine Distribution and Promotion	\$7.5 billion	HHS	To carry out activities to plan, prepare for, promote, distribute, administer, monitor, and track COVID-19 vaccines.
	\$1 billion	CDC	To strengthen vaccine confidence and improve rates of vaccination throughout the U.S.
Vaccine, Therapeutic Supply Chain	\$6 billion	HHS	For necessary expenses with respect to research, development, manufacturing, production and purchase of vaccines, therapeutics and ancillary medical products to prevent, prepare for or respond to COVID-19 or any disease with potential for creating a pandemic.
	\$500 million	FDA	For the evaluation of vaccines, including with respect to COVID-19 variants, oversight of the supply chain and other purposes.
Testing, Contact Tracing, and Mitigation	\$47.8 billion	HHS	To implement a national testing, contact tracing, surveillance, and mitigation strategy; provide technical assistance, guidance, and awards to public health departments; support the development, manufacture, procurement, distribution, and administration of COVID-19 tests; expand and establish testing and contact tracing capabilities; enhance IT, data modernization, and reporting to support sharing of data related to public health capabilities; among other activities.
	\$1.75 billion	HHS	For genomic sequencing and surveillance.
Data Modernization/ Forecasting Center	\$500 million	HHS/CDC	To establish, expand, and maintain efforts to modernize the U.S. disease warning system to forecast and track hotspots for COVID-19, its variants, and emerging biological threats.

Source: [National Strategy for the COVID-19 Response and Pandemic Preparedness](#).

*Notes: HHS = the U.S. Department of Health and Human Services; CDC = The U.S. Centers for Disease Control and Prevention.

Provider Relief Fund and Nursing Facilities Provisions

Funding for Rural Providers

- **\$8.5 billion to the Provider Relief Fund for rural Medicare and/or Medicaid enrolled providers** (bringing the Provider Relief Fund total to \$187 billion).
- Directs HHS to establish an application process whereby eligible providers submit a statement of need, including documentation regarding their lost revenue and health care-related expenses attributable to COVID-19.
- Codifies the existing statutory definitions of eligible uses of Provider Relief Fund payments.

State Nursing Home Strike Teams

- **\$500 million (Medicare and Medicaid funding) for states and territories to establish deployable strike teams** to respond to COVID-19 outbreaks in skilled nursing facilities and nursing facilities.
- Strike teams will assist with clinical care, infection control, and staffing (as needed) during the emergency period.

Skilled Nursing Facility Infection Control

- **\$200 million appropriated to HHS to carry out infection control support** related to COVID-19 in skilled nursing facilities through quality improvement organizations.
- Supports the development and dissemination of prevention and mitigation protocols.

Mental Health and Substance Abuse Provisions



Substance Abuse and Mental Health Services Administration (SAMHSA) Block Grant Programs

- Provides additional funding to several grant programs related to mental health and substance abuse:
 - \$1.5 billion to states and territories under the SAMHSA Community Mental Health Services program to provide comprehensive community mental health services for adults with a serious mental illness and children with a serious emotional disturbance.
 - \$1.5 billion to states and territories under the SAMHSA Substance Abuse Prevention and Treatment program.
- Gives states until September 30, 2025 to utilize the funding.



Other Mental Health Funding

- Funding for mental and behavioral health training and awareness campaigns for the health care workforce, including:
 - \$80 million for mental and behavioral health services training for frontline workforces;
 - \$20 million for an evidence-based education and awareness campaign; and
 - \$40 million for grants for health care providers to promote mental and behavioral health among their health professional workforce.
- \$80 million to develop SAMHSA grant programs for new grant recipients.
- \$10 million for the National Childhood Traumatic Stress Network.
- \$30 million in funding for Project AWARE to promote access to mental health services in schools.
- \$20 million in funding for youth suicide prevention activities.
- \$100 million to the Behavioral Health Workforce Education and Training Program.

Other Public Health Investments

Community Health Centers	Workforce	Title X Family Planning Program	Home Visiting Programs
<ul style="list-style-type: none"> ▪ Appropriates \$7.6 billion to HHS to award grants and cooperative agreements. ▪ Funds may be used for vaccine-related activities; testing and tracing; workforce needs; to modify, enhance, and expand health care services and infrastructure; and to conduct community outreach and education related to COVID-19. 	<ul style="list-style-type: none"> ▪ Provides \$800 million and \$200 million respectively for the National Health Services Corps and the Nurse Corps Loan Repayment Program. ▪ Provides \$330 million to expand the number of Teaching Health Centers (THC) Graduate Medical Education (GME) sites nationwide and increase the per-resident allocation. 	<ul style="list-style-type: none"> ▪ Provides an additional \$50 million to the Title X family planning program. 	<ul style="list-style-type: none"> ▪ Provides an additional \$150 million for the Maternal, Infant, and Early Childhood Home Visiting Program. ▪ Eligible uses of the funding include serving families with home visits, staff costs including hazard pay, training, helping families acquire necessary technology to conduct virtual visits, and providing emergency supplies to families.

Looking Ahead

Although health care coverage provisions included in the bill are temporary, many will have a lasting impact and could permanently alter the coverage landscape.

Congressional Democrats are in the early stages of developing a second reconciliation package that could include a wide range of additional health care priorities.

Discussion

The slides and a recording of the webinar will be available at www.shvs.org after the webinar

Thank You

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