

The New Era of Medicaid Waivers

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Medicaid's Role

- Provides comprehensive, free or low-cost health insurance to 45 million people
 - Covers 1 in 5 children and pays for 40% of all births
- Picks up where other insurance leaves off
 - Supplements Medicare for 6 million beneficiaries
 - Covers families with earnings but no access to employer sponsored coverage
 - Provides comprehensive benefits to 7 million people with disabilities
 - Covers nearly 70% of nursing home residents and pays for nearly half of all nursing home spending

Medicaid's Role in the Health Care System and for States

- Program is now larger than Medicare
 - \$155 billion in federal dollars, \$116 billion in state dollars in 2003
 - Accounts for nearly 17% of the nation's health care expenditures
- Single largest source of federal financing to states (43%)
- Provides key financial support to safety net health centers and hospitals

Waiver Authority Under Federal Law

- Waivers permit states to receive federal Medicaid funds for expenditures not otherwise allowed by federal law
- Narrow waiver authority (section 1915)
 - Managed care
 - Home and community based services
- Broader authority under “section 1115”

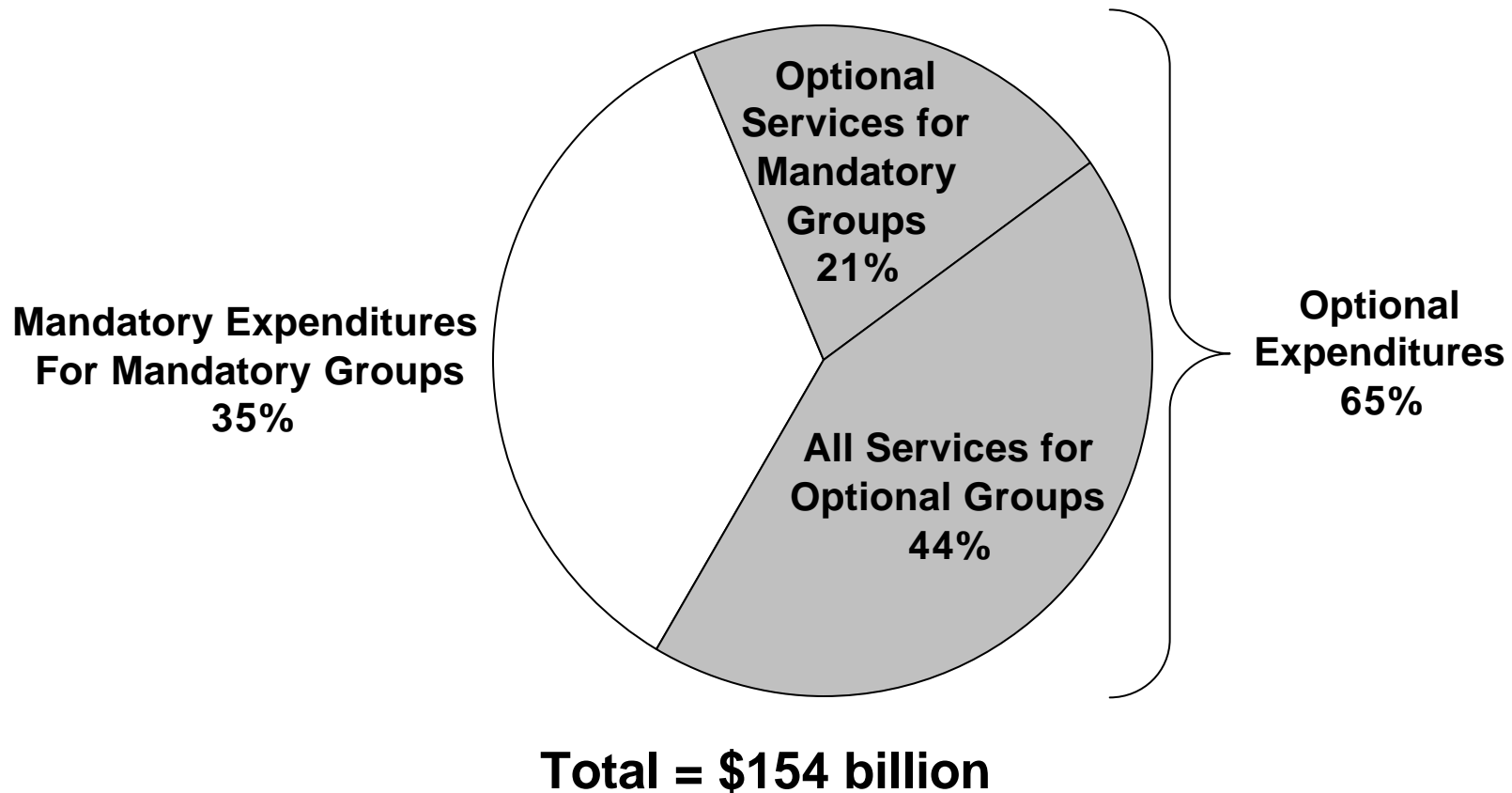
Federal Standards, State Options and Waivers: Sorting Through the Differences

Federal Standards	State Options	Section 1115 Waivers
<p>As a condition of receiving federal Medicaid funds, states must follow minimum federal eligibility, benefits & cost sharing standards.</p>	<p>States have options to expand eligibility and benefits, set provider payment rates, and design enrollment procedures & service delivery systems.</p>	<p>Secretary can grant waivers that are “experimental, pilot or demonstration projects” and “promote the objectives” of the program.</p>
<p>Standards set by law and regulation</p>	<p>Options set by law and regulation.</p>	<p>No regulations; some nonbinding guidance.</p>

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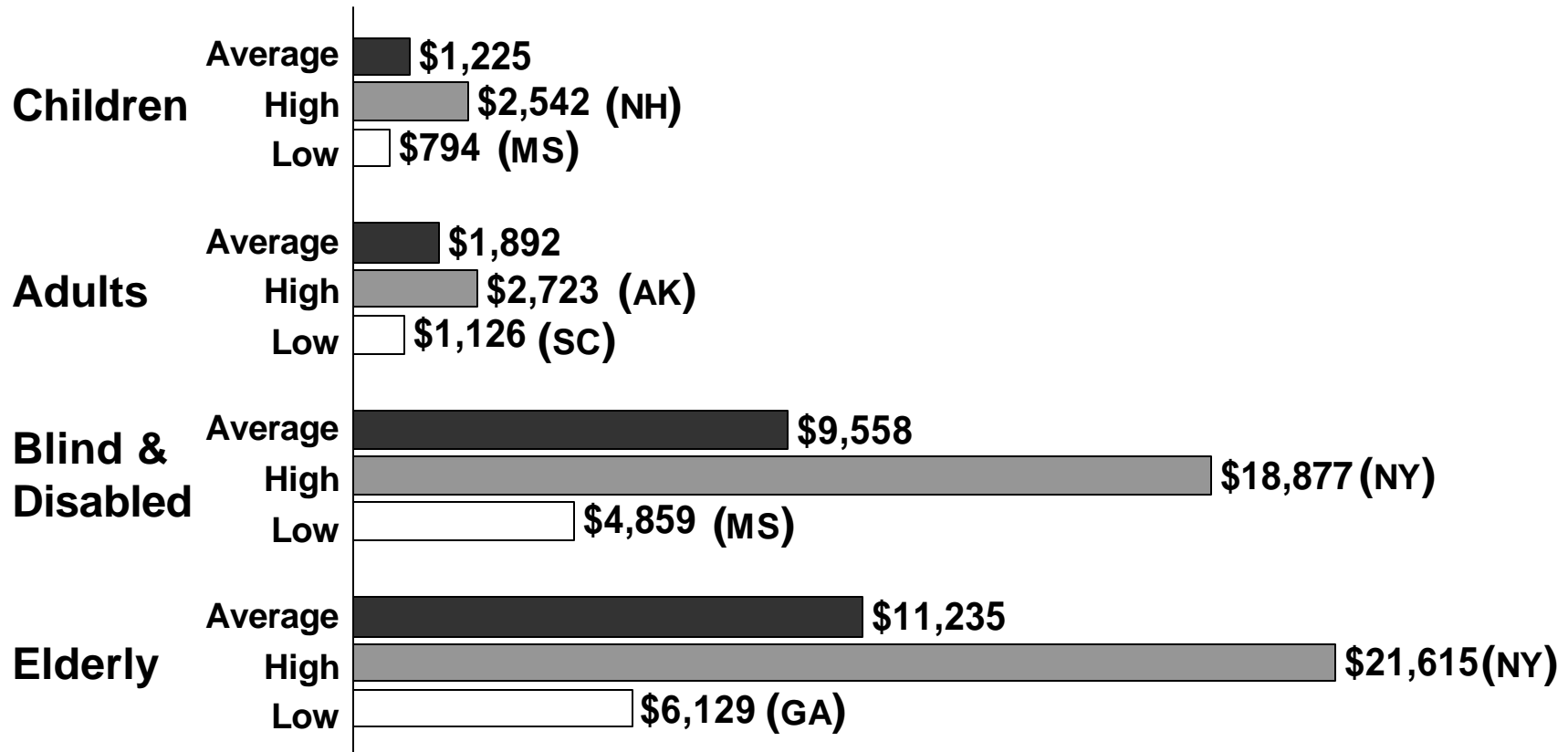
Federal Standards	State Options	Section 1115 Waivers
<p>For example:</p> <p>If a state participates in Medicaid:</p> <ul style="list-style-type: none">-All poor children <i>must be</i> covered-Hospital, physician services <i>must be</i> covered-No charges can be imposed for children's services	<p>For example:</p> <ul style="list-style-type: none">-States <i>may</i> cover (and may stop covering) children with incomes above minimum standards- States <i>may</i> cover (and may stop covering) prescription drugs, speech and physical therapy- States <i>may</i> charge adults copays and premiums within certain limits	<p>For example:</p> <ul style="list-style-type: none">-The Oregon Health Plan allows the state to offer a prioritized list of services- Wisconsin's BadgerCare waiver allows premiums to be charged families with children with incomes >150% of FPL

Most Medicaid Spending is “Optional” (1998)



Note: Expenditures do not include disproportionate share hospital (DSH) payments, administrative costs, or accounting adjustments.
SOURCE: Urban Institute estimates of federal and state expenditures, based on data from federal fiscal year 1998 HCFA 2082 and HCFA-64 reports, 2001.

Medicaid Per Capita Spending, by Enrollee Group (1998)



SOURCE: Urban Institute estimates based on data from HCFA-2082 and HCFA-64 reports, 2000.

Key Waiver Issues

- Flexibility to do what? What federal standards will remain intact?
- Who decides?
- What will be the fiscal impact of waiver financing?
- How will waivers affect those who rely on Medicaid for their coverage?

Recent Waiver Activity

- “HIFA” waiver (federal) guidance released August 2001
 - Invites states to expand coverage “within existing resources” and through employer-based initiatives
 - Offers states new flexibility to make changes in benefits, eligibility and cost sharing for new and current beneficiaries
- Pharmacy Plus federal waiver initiative announced February 2002
- Prompted by state fiscal pressures, some states are seeking waivers principally to reduce state costs by
 - Refinancing existing coverage through SCHIP or Medicaid (to gain better federal match rate)
 - Reducing benefits, increasing beneficiary costs, and capping enrollment in ways not otherwise permitted by law

Flexibility to Do What?

Recent waiver activity affects each of the key elements of the Medicaid program

- ❖ Eligibility for coverage
- ❖ Guarantee of coverage (“entitlement”)
- ❖ Affordability
- ❖ Scope of benefits
- ❖ Shared federal-state financing

❖ Eligibility for Coverage

Recent waiver provisions :

- Poor and some near-poor parents and childless adults (up to \$347/week for a family of 3) are now eligible for Medicaid in Utah, subject to enrollment fee and enrollment cap. (Some were eligible for state-funded coverage prior to waiver.)
- Near-poor parents (\$291 - \$582/week for a family of 3) will be eligible for Medicaid and SCHIP in Arizona.

❖ The Guarantee of Coverage

Recent waivers provisions:

- Utah can stop enrollment of newly eligible poor parents and other adults based on state budget constraints.
- Washington seeks authority to freeze enrollment of some currently eligible children and adults with incomes above the poverty line.

❖ Affordable Coverage

Recent waivers provisions:

- A single poor adult (e.g., someone with earnings of \$90/week) will need to pay \$50 to take advantage of the new Medicaid coverage in Utah. Once enrolled, copays will apply.
- A poor parent with two children (e.g., a parent earning \$200/week) would be charged a \$250 hospital admission fee under Oregon's waiver proposal.

❖ Comprehensive Coverage

Recent waiver provisions:

- A newly eligible poor parent in Utah (earnings below \$291/week for a family of 3) is covered for primary physician care and prescription drugs but not hospital services, specialty physician care, and mental health services.
- Six-year old children with family income just above poverty and one-year old children with family income above 133% FPL (\$395/week for a family of 3) are no longer eligible for EPSDT services in Tennessee.

❖ Shared Federal-State Financing

Waivers cap the federal government's financial obligations

- Per person caps in most cases – state at risk if costs per person exceed projections
- Global caps for pharmacy waivers for the elderly—state at risk for higher per person costs and higher-than-projected enrollment. Cap covers all services for all elderly enrolled in Medicaid, not just “Pharmacy Plus” beneficiaries.

Who Decides?

- Waiver process outside of lawmaking or regulatory process
- States directed to give notice to public; may or may not be robust public participation at the state level
- Waiver terms negotiated by state and federal agencies; generally a closed process

What Will be the Fiscal Implications of Waiver Financing?

- Waivers could prompt states to make further reductions in program coverage or provider payments to keep costs within caps.
- A SCHIP waiver for one state could reduce SCHIP coverage in other states (through lower reallocations).

The Role of Waivers

- Promote experimental and pilot demonstrations?
- Expand coverage without new federal resources?
- Provide states fiscal relief ?
- Back door way to restructure the program?

The Tensions Inherent in Medicaid

- Substantial federal dollars invested to address a matter of national importance
- Significant state dollars, and a natural state desire to set the rules
- Much at stake for low-income children, pregnant women, parents, elderly and disabled people who rely on Medicaid for their health care
- What mix of federal standards, state options and waiver authority strikes the proper balance --- and who decides?