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Medicaid: What to Watch in 2018 from the Administration, Congress, and the States

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Medicaid provides health insurance coverage for about one in five Americans and is the largest payer for long-term care services in the community and nursing homes. Efforts in 2017 to repeal and replace the Affordable Care Act (ACA) and cap federal financing for Medicaid were unsuccessful but help to set the stage for 2018. As 2018 begins, there is a focus on administrative actions using Medicaid Section 1115 demonstration waivers, state actions on Medicaid expansion, and funding for the Children's Health Insurance Program (CHIP) and other federal health care priorities. Medicaid in 2018 is also likely to continue to be part of both federal and state budget deliberations. Pressures to control the federal deficit may reignite efforts to reduce or cap federal Medicaid spending. In addition, Governors will soon release proposed budgets for state FY 2019 that will need to account for uncertainty around CHIP and Medicaid, changes in the economy and the effects of the recent tax legislation as well as funding for rising prescription drugs and initiatives to combat the opioid epidemic. This brief examines these issues.

MEDICAID WAIVERS

Section 1115 Medicaid demonstration waivers provide states an avenue to test new approaches in Medicaid not otherwise [allowed under current law](#), provided the demonstrations meet the objectives of the program. As of [January 2018](#), there are 35 states with 43 approved waivers and 21 states with 22 pending waivers. The focus of 1115 waivers has changed over time reflecting changing priorities for states and the Centers for Medicare and Medicaid Services (CMS). On November 7, 2017, the CMS posted [revised criteria](#) for evaluating whether Section 1115 waiver applications further Medicaid program objectives; most notably, the revised criteria no longer cite expanding coverage of low-income individuals as a key criterion. On January 11, 2018, CMS released additional [guidance](#) for states pursuing waivers to impose work requirements in Medicaid. This guidance was followed by the approval of the Kentucky waiver on January 12, the first state to receive approval to implement work requirements as a condition of Medicaid eligibility.

What to Watch:

- What other pending waivers with work requirements will CMS approve? Will such approvals include work requirements for expansion and non-expansion (traditional) populations? How will these requirements be enforced?
- Will CMS approve other provisions that restrict eligibility such as time limits, drug testing, lock-outs as well as premiums and cost-sharing?
- With added complexity, how will these new waivers affect enrollment, program costs and administrative burden and costs?

MEDICAID EXPANSION

As of January 2018, [33 states had adopted the ACA Medicaid expansion](#). Finding from over [150 studies](#) about the Medicaid expansion point to increased coverage, increased access to and utilization of care, as well as positive effects on multiple economic outcomes. A number of states had previously considered expansion but efforts were put on hold during the repeal and replace debates in 2017. In November 2017, Maine voters adopted the Medicaid expansion through a ballot initiative.

What to Watch:

- Will other states take up the Medicaid expansion? Will other states pursue Medicaid expansion through a ballot initiative? Will other non-expansion states pursue expansion using new Administration rules on waivers?
- How will the use of Medicaid waivers affect Medicaid expansion (for example, will pending waivers in Massachusetts and Arkansas to allow for partial expansions up to 100% of poverty with enhanced match be approved by CMS)?

CHIP, CHCs, AND DISASTER RELIEF FUNDING

On December 21, 2017, Congress provided \$2.85 billion in federal CHIP funding as part of its continuing resolution (CR) to keep the federal government operational through January 19, 2018. These CHIP funds are for the period October 1, 2017 through March 31, 2018; however, it is unclear if there is sufficient funding for all states to continue CHIP program through March 31, 2018. Early in 2018, Congress will need to act on the expiring CR and CHIP funding.

On January 5, 2018, the Congressional Budget Office (CBO) released a new score for extending CHIP funding for five years of \$800 million over ten years, much lower than its previous estimate of \$8.2 billion.¹ It noted that the federal costs of extending CHIP decreased because the repeal of the individual mandate in the 2017 tax legislation and other regulatory changes affecting Marketplace premiums made federal costs for Marketplace coverage more expensive. Therefore, extending CHIP, which would increase CHIP coverage and decrease Marketplace coverage reduces the federal budget impact of funding CHIP. Media accounts and statements indicate that CBO also projects that a ten-year extension of CHIP funding would result in net savings to the federal government of \$6.0 billion.

The CR also included short-term funding for Community Health Centers for the first and second quarters of FY 2018 at levels below FY 2017. The House passed an \$81 billion disaster aid bill for recovery from hurricanes and wildfires in California, Florida, Puerto Rico, Texas and the Virgin Islands, but the Senate did not act. CHC funding and disaster relief are issues that will require additional Congressional action in 2018.

What to Watch:

- Will Congress act to reauthorize CHIP early in 2018? How long will a CHIP reauthorization be in effect (temporary, 5 year or 10 year, permanent)?
- Will states continue to take action to notify beneficiaries and reduce CHIP coverage if Congress does not act by February?
- Will Congress act to fund CHCs and disaster recovery efforts? Will disaster recovery aid for Puerto Rico and US Virgin Islands include additional funds for Medicaid?

MEDICAID IN 2018 FEDERAL AND STATE BUDGET DEBATES

While Congress, including Speaker Paul Ryan, said that broader entitlement reform proposals are unlikely to emerge in 2018, it is still possible that pressure to reduce the deficit federal could lead to legislative proposals to restrict funding for Medicaid and/or transition the program to a block grant or per capita cap. The 2017 debate over the structure and funding of Medicaid revealed that Medicaid has broad general support and intense support from special populations served by the program. In addition, the proposed changes would have different implications for states given the program variation across states, including whether a state implemented the ACA Medicaid expansion as well as other health status, demographic and state fiscal circumstances.

At the state level, debate in 2017 to repeal and replace the ACA created a lot of uncertainty about Medicaid funding and the effects on coverage. Despite the uncertainty, many states continued efforts to expand managed care, move ahead with payment and delivery system reforms, develop initiatives to address the opioid epidemic and expand benefits as well as community-based long-term services and supports. At the end of 2017, Congress passed the Tax Cuts and Jobs Act that included a repeal of the penalty for the individual mandate in the ACA and limits on deductions for state and local taxes. These provisions will have a varied effect on state budgets and coverage around the country.

What to Watch:

- Will the President's budget proposal include reductions to federal Medicaid spending or a per capita cap or block grant for federal Medicaid funding? Will Congress consider legislation to cut and cap Medicaid in 2018?
- How will the tax bill and the repeal of the individual mandate affect state budgets and Medicaid coverage? How will uncertainty about revenues and federal legislation affect state actions on Medicaid?
- What initiatives will states develop to address the growing substance use disorder and opioid epidemics and what role will Medicaid play?

¹ S. 1827, Keep Kids' Insurance Dependable and Secure Act of 2017, Updated Estimate from the Congressional Budget Office, January 5, 2017. <https://www.cbo.gov/publication/53442>