

Medicaid: What to Watch in 2020

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Medicaid, the provider of health insurance coverage for about one in five Americans and the largest payer for long-term care services in the community and nursing homes, continues to be a key part of health policy debates at the federal and state level. Key Medicaid issues to watch in 2020 include: Medicaid expansion developments; Section 1115 waiver activity; enrollment and spending trends; benefits, payment and delivery system reforms, and the implications of the 2020 elections.

Medicaid Expansion

At the start of 2020, [37 states](#) had adopted the ACA Medicaid expansion. This total includes Idaho and Utah, which implemented the expansion on January 1, 2020, and Nebraska, where the expansion was adopted but not yet implemented. A review of over [300 studies](#) points to positive effects of expansion on coverage, access to care, service utilization, and state budgets and economies. [Millions of adults](#) could gain Medicaid eligibility if additional states expanded their programs. [Expansion activity](#) is ongoing in a number of states that have not adopted the expansion. Initiatives are underway in Oklahoma and Missouri to put Medicaid expansion on the ballot in November 2020, while Kansas announced an agreement between the Governor and the Senate Majority Leader to adopt the Medicaid expansion in the 2020 legislative session. In addition, North Carolina came close to passing the Medicaid expansion through the state legislature during the 2019 session, but ultimately failed to do so, adjourning the session without a budget. Since the Governor continues to support expansion, the issue may come up again in 2020.

Some states are seeking waiver authority to implement a new expansion or make changes to an existing expansion. After Nebraska voters approved a Medicaid expansion ballot measure in November 2018, the state delayed implementation until October 1, 2020 to allow time for the state to seek a [Section 1115 waiver](#) to implement expansion. The waiver calls for a tiered benefit package; to access enhanced benefits, enrollees must meet certain wellness and personal responsibility requirements as well as work/community engagement requirements. Georgia submitted a waiver to the Centers for Medicare and Medicaid Services (CMS) seeking approval for a Medicaid expansion with enhanced ACA funding with coverage up to 100% of the federal poverty level (FPL) for individuals who meet work requirements. However, the state acknowledges recent CMS guidance indicating that the enhanced match rate will be available only to states that cover the entire adult expansion group (up to 138% FPL). The waiver proposal also contains other provisions that would restrict eligibility and benefits.

What to Watch:

- Will additional states move to adopt the Medicaid expansion in 2020?
- What strategies will states use to adopt the expansion (i.e., ballot initiative or state legislative process)?
- What restrictions will states impose through waivers (e.g., work or wellness requirements) as part of plans to expand Medicaid?

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. The focus of Section 1115 waivers has changed over time reflecting changing priorities for states and CMS. Under the Trump Administration, CMS issued [guidance](#) for state Medicaid waiver proposals that would impose work requirements on individuals as a condition of Medicaid eligibility, and several states have received approval for or are pursuing these waivers. [As of January 2020](#), seven states had approved waivers with work requirements, ten states had pending waivers and three other states (Arkansas, Kentucky and New Hampshire) have had waivers set aside by the courts, citing the Secretary's failure to consider the impact on Medicaid's primary objective of providing affordable coverage. Litigation challenging waiver approvals is pending in Indiana and Michigan, and an appeal of the court decision setting aside Arkansas's waiver approval is also pending. The Kentucky waiver that had been set aside by the courts has since been rescinded by the new Governor, and the case has now been dismissed. Michigan is the only state currently implementing a work requirement waiver. Other states with approval have not yet implemented (Ohio, South Carolina, Utah, and Wisconsin) or have put the program on hold due to pending litigation (Arizona and Indiana). [Data show](#) that the majority of adult Medicaid enrollees are working and that prior implementation of a work requirement in Arkansas resulted in coverage losses for [over 18,000 people](#) without gains in employment.

Beyond work requirements, CMS has issued guidance and has been approving waivers to allow states to use Medicaid funds to provide short-term inpatient and residential treatment for enrollees with substance use disorder (SUD) and enrollees with serious mental illness (SMI) or serious emotional disturbance (SED) in institutions "institutions for mental disease" (IMDs). As of [January 2020, 27 states](#) have approval for such waivers for SUD services, and two states have approval for SMI/SED services. [Without the waivers, states have limited authority to finance these services for nonelderly adults in IMDs.](#)

While CMS has focused on increasing flexibility for states through waivers, some waiver requests have not been approved, including allowing for the ACA enhanced match for partial expansion (in Utah, Arkansas and Massachusetts), enrollment caps for the expansion group (in Utah) and closed prescription drug formularies (in Massachusetts). Some states continue to seek approval for similar waivers. CMS has been developing guidance and will consider a [waiver from Tennessee](#) seeking a modified block grant with shared savings provisions. New guidance on block grants and the outcome of the pending Tennessee waiver will have broader implications for other states interested in similar types of waivers.

What to Watch:

- How will the courts rule in the appeal of the Arkansas waiver related to work requirements and what will that mean for other states?
- Will CMS issue guidance about block grant waivers and will the pending Tennessee waiver be approved? How much flexibility will states be given under these block grant waivers?

Enrollment and Spending Trends

Medicaid spending and enrollment trends not only reflect policy changes at the state and federal level but also reflect changes in the economy as well as demographic changes. Over the last decade, Medicaid [spending and enrollment](#) peaked during the Great Recession (when incomes fell and more people qualified and enrolled in Medicaid and other public programs) and then again with implementation of the Affordable Care Act (ACA). Future Medicaid enrollment and spending trends will likely be affected by an inevitable economic downturn as well as the aging population.

In recent years, enrollment growth has slowed or declined in many states and [declined nationally by 1.9 million](#) from December 2017 through July 2019 as unemployment has reached historically low levels and the number of people in poverty has declined. While some enrollees leaving Medicaid may have gained other coverage, survey data show a rise in the uninsured rate between 2017 and 2018, suggesting that some individuals losing Medicaid are [becoming uninsured](#). Some of this rise in the uninsured was among people with higher incomes, indicating that as people's incomes rise due to the strong economy, they may not be transitioning to private coverage after losing Medicaid eligibility. A portion of Medicaid enrollment declines may reflect some states catching up on eligibility renewals after delays following implementation of new computer systems under the ACA. [Experiences in some states](#) suggest that some people who remain eligible may be losing coverage due to barriers maintaining Medicaid associated with renewal processes and periodic eligibility checks that have been encouraged by CMS as part of [program integrity efforts](#). Other factors contributing to enrollment declines may be [reduced funds to support outreach and enrollment assistance](#) as well as the shifting [immigration policy environment](#) that may be deterring some families from enrolling themselves or their children in coverage or continuing coverage at renewal, despite being eligible.

While slower enrollment has moderated spending growth, rising costs for prescription drugs, provider rate increases, and costs for the elderly and people with disabilities (including increased utilization of long-term services and supports) are expected to put upward pressure on total Medicaid spending. In response to concern about the rising cost of new specialty prescription drugs as well as increasing costs for some generic drugs, states are continuing to [adopt strategies to contain costs](#). Prescription drug efforts include addressing pharmacy benefit manager (PBM) [spread pricing](#) (the difference between the payment the PBM receives from the MCO and the reimbursement amount it pays to the pharmacy), negotiating additional supplemental rebates, and implementing new purchasing arrangements, including value-based contracts. Some states have more unique models, including a modified subscription model

for hepatitis C drugs in Louisiana. CMS [program integrity](#) efforts including audits, heightened oversight of state claiming for enhanced federal matching funds for the ACA expansion and a new proposed rule related to supplemental payments and other [state financing practices](#) could have broader implications for Medicaid that could reduce federal spending in the program. In some cases, reduced federal spending may be tied to additional oversight to ensure states are complying with current rules, while in other cases the reductions may reflect CMS changes or proposed changes in policies.

Finally, Medicaid [funding for the territories](#) will continue to be an issue. As [ACA funds and other disaster funds](#) were set to expire Congress authorized additional [funding of \\$5.7 billion](#) for FY 2020 and FY 2021 (including \$5.3 billion for Puerto Rico). However, the short extension and new disasters like the [earthquakes](#) in Puerto Rico mean that long-term funding is not secure and new health care needs will emerge.

What to Watch:

- Will Medicaid enrollment continue to decline?
- How will other CMS policy changes related to increased oversight, audits and policy changes affect Medicaid spending and enrollment?
- How will changes in Medicaid coverage affect the number of uninsured?
- What strategies will be successful in stemming cost increases for Medicaid prescription drugs while maintaining access to new medications?
- How will changes in the economy and the continued aging population affect Medicaid spending and enrollment trends in the future?

Benefits, Payment and Delivery System Reforms

Managed care continues to be the dominant delivery system for Medicaid. As of July 1, 2019, among the 40 states with comprehensive risk-based managed care organizations (MCOs), [33 states reported](#) that 75% or more of their Medicaid beneficiaries were enrolled in MCOs. States continue to expand the scope of services included in MCO contracts by carving in behavioral health and long-term care services into MCO contracts. Nearly all states have managed care [quality initiatives](#) like pay for performance or capitation withholds in place, and many states are implementing alternative provider payment models (APMs) to incentivize quality and outcomes. In addition, both within managed care (often leveraging MCO contracts) and outside of managed care, states are experimenting with ways to address [social determinants of health](#), though there are limitations in how far states can go in using federal dollars to pay for non-medical services. States are also working with their MCO and corrections partners to coordinate care for justice-involved individuals prior to release with the goal of improving continuity of care and smoothing community transitions. Many states are also implementing [initiatives to improve birth outcomes and/or reduce maternal mortality](#). A number of states are also implementing [payment policies to promote access to rural hospitals or other rural providers](#).

As the need for Medicaid long-term services and supports is expected to rise as the population continues to age, states continue to expand the number of people served in [home and community-based settings](#); however, direct care workforce and affordable housing shortages remain challenges in meeting the demands to serve the elderly and people with disabilities in community settings. Existing authority to help states provide care in the community including [spousal impoverishment rules](#) and the [Money Follows the Person](#) program were set to expire at the end of 2019 but received an extension through May 2020.

Bolstered by a strong economy, an urgency to address the opioid and SUD crisis, and new options made available through the [SUPPORT Act](#), many states are expanding Medicaid mental health/substance use disorder benefits, including medication-assisted treatment (MAT), and are using an array of pharmacy benefit management strategies to prevent opioid related harms. Funding through the new CMMI [INCKids demonstrations](#) was recently awarded to eight states to develop new delivery system and payment models focused on prevention, early identification, and treatment of children's physical and behavioral health needs, including SUD.

What to Watch:

- How will states continue to use managed care to help advance quality and constrain costs? Will states increase oversight over managed care plans?
- How will states continue to leverage Medicaid to address key issues like maternal mortality, the opioid epidemic and other social determinants of health?
- How will states and the federal government develop capacity and meet workforce and housing challenges to meet the needs of the growing elderly population?

Implications of the 2020 Elections

Health care proved to be a dominant issue in the 2018 midterm elections and in some state elections in 2019. Once again, health care is a key [issue for voters](#) heading into the 2020 elections. Some Democratic presidential candidates support a [Medicare-for-All option](#) while others propose or endorse a "[public option](#)". While there are differences across all of the proposals and many lack sufficient details to fully understand the effects, these plans all could fundamentally change the broader health care system and would have significant implications for Medicaid and the [role of states](#), an issue that has not received much attention. [Medicare-for-all proposals](#) would shift responsibility for designing and implementing much of health policy from states to the federal government and would generally eliminate current variation in eligibility, enrollment and renewal processes, benefits, and payment and delivery systems that are part of the current structure of Medicaid where states have considerable flexibility to design programs. The proposals would extend coverage for certain Medicaid services such as comprehensive benefits for children and community based long-term care. Under some Medicare-for-all proposals, the federal government assumes all or a significant share state spending on Medicaid, leading to significant state

savings, while other proposals call for a maintenance of effort for all or some current state Medicaid spending.

In contrast, [public option proposals](#) vary in their implications for Medicaid. Some proposals would have little effect on Medicaid while others would cover low-income adults in non-expansion states and/or allow individuals with Medicaid or private coverage to, instead, opt-in to the public option. Some proposals would allow states to move current Medicaid enrollees to the public plan and some would require states to contribute to the costs through an MOE.

All Democratic presidential candidates differ sharply from policies advanced by the Trump Administration related to the ACA and Medicaid more broadly. The Trump Administration has proposed to significantly limit federal Medicaid funds, convert Medicaid to a block grant, and repeal the ACA (which would end the authority for the Medicaid expansion and other Medicaid provisions); these policies are not supported by any Democratic candidate. In addition, litigation challenging the ACA with support from the Trump administration is ongoing, with continued uncertainty about the law's future. On December 18, 2019, the 5th Circuit decided in [Texas v. Azar](#) to send the case back to the trial court for additional analysis on whether the individual mandate can be severed from the rest of the ACA, to determine if the entire ACA is struck down or not. In the meantime, a group of 21 states represented by Democratic state officials and led by California, and the Democratic-led House of Representatives has asked the Supreme Court for an expedited review of the case, which could result in a final decision before the 2020 election.

In addition to the presidential race, the make-up of Congress will affect the direction of federal health care policy. At the state level, there are 11 governors up for election in 2020 (four seats currently held by Democrats (DE, NC, NY and WA) and seven seats held by Republicans (MO, ND, NH, IN, UT, VT and WV)). The make-up of state legislatures also has direct implications for Medicaid policy as state law can authorize expansion, require a state to submit a demonstration waiver, set state budgets and direct other Medicaid changes. As mentioned earlier, initiatives are underway in Oklahoma and Missouri to put Medicaid expansion on the ballot in November 2020.

What to watch:

- How prominent of a voting issue will health care be in the 2020 elections?
- What will be the outcome of the election – at the presidential level, as well as in Congress and the states – and how will this affect Medicaid and broader health policy in 2021 and beyond?
- How much of a role will Medicaid play in state races, particularly in non-expansion states? Will Medicaid expansion ballot initiatives pass in Oklahoma and Missouri?