



2017 FORECAST

KATHLEEN NOLAN

knolan@healthmanagement.com

Managing Principal

Washington, DC

HEALTH MANAGEMENT ASSOCIATES

Some States Won't Wait

Much of the attention of the nation will be focused on Congressional decisions about the future of Obamacare and of entitlement reform. But action at the state level is likely in 2017. In particular, we can expect a number of states with conservative politics—both expansion and non-expansion—to work with the new administration to negotiate favorable deals around Medicaid reforms.

For those “red” states that expanded Medicaid previously, you can expect an appeal to the incoming CMS leadership to make immediate changes. Many of these states have worked up proposals that were not acceptable previously, but could quickly be turned into active requests. These may be pitched as an interim solution to more substantial reforms, or just considered as quick action to revamp the expansion program in states like Arizona, Ohio or Kentucky.

In states that did not expand Medicaid in the last three years, there may be a desire to test the waters for crafting an Indiana-like expansion or even going further. For example, Utah sought many of the same changes, but the Obama Administration denied certain components state leaders viewed as essential, and they did not move forward. Many states felt that the ACA provided considerably more room for flexible solutions than a democratic administration was willing to grant. Furthermore, these states may want to get into the action while the funding is still available. Expansion states have considerably higher rates of federal dollars. If there is an effort to convert to a block-grant like funding structure, states with higher funding in the base year are likely to benefit more.

Even if states do not choose to fiddle with their expansion coverage, they may look to be at the cutting edge of the kinds of reforms that Republicans advocate. Many of these kinds of changes include a focus on personal responsibility. For example, states may want requirements for adults enrolled in Medicaid to seek work or pay premiums in order to maintain access to Medicaid. Disincentives to use emergency rooms needlessly or other similar requirements may also be requested.

As the Trump presidency begins, some states will believe that they have strong ideas and the state-level support to propose reforms. Early in the new year, forward-leaning states may reach out to CMS to explore ideas and test willingness and capacity to take on new challenges. These discussions, and the new programs that potentially come into play, will be the harbinger for the future. As is often the case, state waivers and reform packages in a handful of states will serve as the foundation and guide for Federal changes.

The Republican majority across the Federal government is echoed in many state houses. With the predominance of leadership all tilted toward conservative principles, Medicaid proposals are likely to have a number of new elements—particularly related to services and coverage for adults. But it remains to be seen how far states will be inclined to go for other, more traditional Medicaid populations, and how interested the Federal government is in spending the time and energy on state-by-state reforms versus sweeping national changes.