2017 FORECAST

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2017 Will be Monumental for Healthcare Policy

Few things are certain. As Benjamin Disraeli once said: "That which you anticipate seldom occurs." But here is one forecast you can take to the bank: Congress will repeal the ACA as one of its first acts of 2017, and President Trump will sign it, most likely the very day he's inaugurated. It is a campaign promise he will keep. The effective date of repeal will likely be the end of 2018 or even 2019, giving the new Congress ample time to come up with a replacement and a transition for beneficiaries and health plans into the new TrumpCare.

What the TrumpCare–ACA replacement will be isn't so certain, especially for Medicaid. In 2017 we can expect a contentious national discussion about the administration and financing of Medicaid. That discussion will go to fundamental questions about the role of federal and state governments in healthcare.

We will hear a lot about "state flexibility," particularly for eligibility and benefits, and about "personal responsibility," meaning higher cost sharing, incentives and penalties for healthy and unhealthy behaviors, and even work requirements. With new federal flexibility, some of the 19 states that haven't yet expanded Medicaid – and some of those that already have – will opt in with new waivers that include personal responsibility provisions that go beyond what Indiana was able to get from the Obama administration for its HIP 2.0 plan.

The truly important 2017 discussion will be about the financing of Medicaid. Congress will discuss block grants and per capita caps that would reduce federal spending over time by shifting fiscal risk to states. Proposals will come from the federal level, because the motivation is to reduce federal spending. They will offer new flexibility to states, and possibly an end to the Medicaid entitlement, meaning that states could put caps on enrollment and use other means to achieve savings.

Federal policy makers will want to change from the historic Medicaid matching approach as quickly as possible, while Medicaid costs are growing slowly, as they are now. It will be harder to adopt, and harder for states to accept, a limit on federal funding during the next economic downturn, when Medicaid costs typically grow more rapidly and state revenues decrease. By the time Trump takes office, the current economic recovery will already be the third longest since 1850, so the window of opportunity before the next downturn may be short.

In many ways, 2017 will be a tumultuous year for healthcare, and we can expect to be surprised. As Disraeli also said: "What we least expect generally happens." Whatever happens, 2017 looks to be a watershed year. Policy decisions this coming year will be momentous and will shape all of U.S. healthcare for decades to come, with implications that are particularly important for the healthcare, health security and lives of over 73 million lower-income Americans who now depend on Medicaid for their health coverage, as well as for the health plans and medical providers who serve them.