

## **Analysis of the Full Year 2020 President's Budget**

The President's federal budget was introduced on March 11, 2019. The general budget's themes related to Medicaid funding reflect the policy framework of President Trump since he took office:

- Allow states to limit the size of the program by permitting the use of per capita spending caps and the imposition of work requirements.
- Eliminates the expansion of Medicaid as an entitlement program and converts that portion of the program and the Federal exchange subsidies into a federal block grant.

With the US House of Representatives being controlled by the Democratic party, the budget and many of its included policy proposals have little chance of passing and becoming law. Nevertheless, the budget document provides insights into ways the administration plans to manage Medicaid going forward. And while the consensus is that Congressional approval is necessary for many of the funding and policy strategies outlined in the annual budget, the Centers for Medicare and Medicaid Services (CMS) has been open to considering individual state proposals (1115 Waivers), like block grants, as a viable option to achieving the President's policy objectives.

Below is a summary of the key provisions and their potential impact on NJ Medicaid.

### **Test Innovative Medicaid Drug Coverage and Financing Reforms**

- The Budget calls for a new Medicaid demonstration authority to test drug coverage and financing reforms that build on private sector best practices. Participating States would determine their own drug formularies, coupled with an appeals-process to protect beneficiary access to non-covered drugs based on medical need, and negotiate drug prices directly with manufacturers.
- This provision would allow up to five states to test the use of the State-based formulary with sufficient protections to ensure that Medicaid patients are not subjected to unreasonable limitations to access to their medication. Last year, CMS rejected a Massachusetts waiver request that was similar in concept.

- Effectively this allows states to operate a preferred drug list (PDL). With a PDL, a state can negotiate better pricing and rebates from manufacturers in exchange for participation on the PDL. The downside to this is that there are products that become unavailable as manufacturers may choose not do business with a state who is seeking additional rebates, an important benefit of a PDL, beyond those already required under federal statute.

**Key national Medicaid advocates including Families USA and AARP oppose the of PDLs due to their concerns that patients will lose or be denied access to necessary medications. The New Jersey Medicaid Program has not considered this approach in recent years.**

### **Prevent Manufacturer Gaming of the Medicaid Drug Rebate Program**

- The Budget calls for a legislative change to clarify the Medicaid definition of brand drugs, which would address inappropriate interpretations that allow leading manufacturers to classify certain brand and over-the-counter drugs as generics for Medicaid rebate purposes, reducing rebate amounts owed.
- This provision is intended to clean up and better police manufacturers that have been manipulating the ambiguity in generic classification to reduce the overall amount of expense of rebates they are required to pay state Medicaid programs.

**There is no impact on the delivery of care and should only serve to offset New Jersey Medicaid expenditures.**

### **Consolidate and Utilize Block Grants for Graduate Medical Education (GME) Payments**

- This proposal is listed as a line item and serves to consolidate the various Medicare and Medicaid GME programs. CMS has long considered cuts to GME, under multiple administrations. CMS does not consider GME to with the existing system



proving to be an effective mechanism for furthering medical education and encouraging physicians to practice in access-challenged locations.

In New Jersey, hospitals receive \$242M in annual GME payments from Medicaid and approximately \$300M annually in GME payments from Medicare. Medicaid GME payments have grown steadily in recent years and block grant could limit any future growth.

### **Expand Post-Partum Maternity Coverage**

- The Budget enables States to more easily provide one year of post-partum Medicaid coverage for women with a substance use disorder, to improve health outcomes for mothers and their infants.

There is currently state legislation pending to expand post-partum for a full year regardless of whether they have a substance use disorder. If enacted this change would reduce New Jersey's share for the cost of these services.

### **Block Grants**

- Beginning in 2021, States would be eligible to convert their Medicaid programs to block grants. The Medicaid program's growth would be subjected to a per capita cap – allowing for growth in enrollment in an economic downturn.
- The Medicaid expansion funding along with the federal subsidies provided for individuals to purchase insurance would be combined and provided to the states as block grant - the Market-Based Health Care Grant Program.
- The growth in per capita cap and the block grant would be limited to the growth of the Consumer Price Index (CPI).

Occasionally offered a solution to entitlement growth – these proposals have historically lacked the support of the Governors and consequently have never been enacted. New Jersey has consistently opposed attempts to block grant any

portion of the Medicaid program which could ultimately force the state to reduce eligibility or eliminate services.

## Medicaid Eligibility

- **Reduce funding for Eligibility Administration** – the budget proposes to reduce the matching rate for eligibility administration from 75% to 50% the pre-ACA rate.
- **Imposition of Work Requirements** – the budget assumes substantial growth in the number of states that will implement work requirements
- **Asset Test for Eligibility** – the budget would allow states to include any assets a family has in determining their eligibility for Medicaid - Adding an asset test would for families and children could eliminate a coverage for thousands of NJ residents– there is a currently an asset test of up \$4,000 for the aged and disabled beneficiaries.
- **Reduce Maximum allowable home equity** – The would increase the cost of nursing home services by reducing the amount of home equity the family is permitted to retain while Medicaid eligibility is being determined.
- **Increased Recoveries from incorrect eligibility determinations** - the Budget proposes to strengthen CMS’s ability to partner with States to address improper payments and ensure Federal recovery of incorrect eligibility determinations.

Most of the eligibility changes being proposed would be at the State’s option. New Jersey Medicaid is unlikely to consider adopting any of these options which effectively shift more health care costs to families. However, the proposed reduction in funding for eligibility processing would apply to all states and if enacted could have deleterious effect on county welfare agencies ability to process applications and redeterminations.