“Making Medicaid Work for the 21st Century”—Discussion of a Report from the National Academy for State Health Policy

A DISCUSSION FEATURING:

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*Executive Director*  
National Academy for State Health Policy

WITH COMMENTS FROM STAFF OF THE:

House Committee on Energy and Commerce and the Senate Committee on Finance

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**Friday, February 18, 2005**

9:00 am — Continental Breakfast  
9:30–11:30 am — Discussion

Hyatt Regency on Capitol Hill  
400 New Jersey Avenue, NW  
Yorktown Room

To register:  
Please send your contact information to nhpfmeet@gwu.edu as soon as possible. Space is limited.

For additional information:  
“Making Medicaid Work for the 21st Century”—Discussion of a Report from the National Academy for State Health Policy

Medicaid is now larger in its number of beneficiaries and cost than Medicare and is thus a hot topic in Washington. The state-based National Academy for State Health Policy (NASHP) weighed in with a thoughtful consideration of the program and published their conclusions in the report, “Making Medicaid Work for the 21st Century.” Centered around discussion and recommendations on Medicaid eligibility, benefits, and financing, the report is the result of over a year of meetings, consensus development, and writing by a 25-member group of state officials and national experts. Because Medicaid is a federal-state partnership, with states largely operating the program within a broad framework of federal law, regulation, and guidance, the recommendations provide Washington policymakers with information and ideas grounded in the reality of state Medicaid administration. The full report, together with an overview of the recommendations contained in the report, are available at NASHP’s Web site, at www.nashp.org/Files/Making_Medicaid_Work_for_the_21st_Century.pdf.

SESSION OVERVIEW
This meeting features members of a workgroup convened by the National Academy for State Health Policy to discuss their report, “Making Medicaid Work for the 21st Century.” The group, through a year-long effort to consider the future of the Medicaid program, produced a detailed analysis of Medicaid, including a series of recommendations in areas of Medicaid eligibility, benefits, and financing designed to improve the program. The report includes detailed background information on each area of recommended change, including careful descriptions of problems and issues. These consensus-based recommendations will be described at this Forum session, with comments by senior congressional staff whose work in coming months will likely include significant discussions about potential Medicaid challenges and changes.
A nonprofit, nonpartisan organization, NASHP was founded nearly 20 years ago to conduct policy analysis, provide training and technical assistance to states, produce informational resources, and convene state, regional, and national forums, including an annual state health policy conference. The organization has long been concerned that state health care programs do not reside in a single state agency, and thus NASHP attempts to provide a unique forum for interchange of ideas across all state health policy activities, working to include views of a variety of executive and legislative offices at the state level. In keeping with this approach, the workgroup that produced “Making Medicaid Work for the 21st Century” includes state officials from different types of health agencies, state legislators, national experts, and advocates.

The report contains background information and recommendations for Medicaid changes in three broad thematic areas: eligibility, benefits, and financing. Over 70 pages long, the report provides extensive descriptions of current policy issues and statements about the intent and rationale for the workgroup’s recommendations. The report notes examples of problems in particular states, describes the historical context for current policy, and explains the options and discussion undertaken in reaching the recommended change.

The recommendations offered are extensive and expansive, and they are likely to generate debate and controversy once federal decision makers review the report. Perhaps the centerpiece recommendation is in the area of eligibility, where the report calls for Medicaid to provide coverage for all Americans with incomes at or below the federal poverty level for acute and primary care and for long-term care as well. (In the areas where current national minimum eligibility levels specify coverage at higher than federal poverty, such as for children under age 6 and pregnant women, the report specifies that these should be preserved.) Because the current Medicaid statute gives states many options for defining who is eligible for the program, implementation of this recommendation would result in major changes in many states.

Other eligibility recommendation language suggests that federal Medicaid rules continue to allow states the option of extending Medicaid to individuals above the minimum national level. In addition, the report articulates the need to simplify Medicaid eligibility by eliminating the many current categories of eligibility and suggests that eligibility should be based on income alone, rather than involving asset tests if states opt for this approach. An independent analysis of the core eligibility recommendation concluded that it would extend coverage to 4 million currently uninsured individuals and improve coverage for another 1.3 million insured individuals at a cost of $16.6 billion in 2005 dollars. A phase-in period of four years is
recommended, as well as enhanced federal matching funds to help states cover their share of the increased cost.

In addressing Medicaid benefits, the report recommends that for all people with income below the national minimum level, the Medicaid program should continue to guarantee comprehensive acute and primary care and long-term care benefits, as is available in the current program. However, the report also recommends additional flexibility be granted to states in serving people with income above the mandatory national level of eligibility. In serving this higher income group, the report recommends that a lesser “but still comprehensive” set of benefits could be used by states if they meet certain standards. In addition, states could offer acute and preventive care without long-term care to these optional groups of people, or they could choose to offer a different long-term care benefit package to optionally eligible people than the benefits provided to those in the mandatory group.

The report is detailed in its description of the problems, issues, and concerns related to Medicaid’s long-term care coverage, as well as to the population of seniors and disabled who primarily use these long-term care benefits. The recommendations in this area seek to correct the balance between institutional, nursing home–based long-term care as provided under the Medicaid statute, and home- and community-based services, which for many years have been provided under special waivers. All states have these waivers, and the NASHP workgroup recommends statutory change to allow this care as a regular part of the Medicaid program, no longer subject to cost neutrality provisions or review and periodic renewal by federal officials as currently required by the waiver program. The report also describes and recommends a number of ways to more effectively manage long-term care services and pleads for better coordination between Medicare and Medicaid for people eligible for both programs.

In the final major area of recommendations, related to financing the Medicaid program, the report opposes converting Medicaid financing into a block grant to states. It goes on to recommend revisions in the formula for establishing the Medicaid federal matching percentage (FMAP) so that the program can more quickly respond to changes in the economy and the changing fiscal capacity of states. The report also recommends that the federal government play a larger role in financing care for people dually eligible for Medicare and Medicaid, with Medicare bearing a greater burden of the cost of long-term care services as well as acute care services for these people.

At this Forum session, five members of the NASHP workgroup will participate in a discussion of the report and provide background on the recommendations and the rationale used by the group in developing their consensus. In addition, staff of key House and Senate committees with jurisdiction over the Medicaid program will offer
their observations and comments. This will provide an opportunity for dialogue about some of the most critical Medicaid issues likely to be on the national policy agenda in coming months and years. Among the questions to be addressed by the group of NASHP workgroup members and congressional staff are those listed below.

KEY QUESTIONS

■ How did the NASHP workgroup approach this difficult and complex task of fully reviewing the Medicaid program? Can the recommendations be taken one by one, or should they be viewed as interrelated? Was there any consideration given to starting from scratch to build a completely new program for the poor and uninsured?

■ Does the group specifically recommend maintaining the Medicaid entitlement? Is this a key feature of the Medicaid program?

■ Was there an underlying desire to address the significant state budget crises and secure additional federal funding for Medicaid?

■ Are the eligibility and financing recommendations, which would likely add to the large and growing number of Medicaid eligibles, feasible in the current difficult federal and state budget climate?

■ How did the workgroup view the development of recommendations around the benefit package in light of the generous coverage mandated in the current federal Medicaid statute? Did the group consider differentiating benefits for the elderly and disabled versus families and children?

■ How will the flexibility recommended for optional groups of people eligible for Medicaid work? Does this allow states to tailor benefits for different groups of people? How does this differ from the current Bush administration’s policy with regard to programmatic waivers? Is the recommendation of flexibility in benefits inconsistent with the recommendation of more standardized national eligibility?

■ What is envisioned for additional state activity in the area of home- and community-based long-term care, and what recommendations address this? What impacts might be expected if these recommendations were to be implemented, in terms of people receiving care and the cost to the federal and state governments?

■ What recommendations did the workgroup offer to enhance coordination between those at the federal and state level who administer and operate Medicare and Medicaid so that they can better manage these programs for the most vulnerable dually eligible people?

■ Because “the devil is in the details,” does the NASHP workgroup recommend a particular new federal-state fiscal
matching system or a more general approach? Would the group be willing to spell out a new specific formula to ensure careful consideration of this recommendation?

■ Does the report comment on so-called Medicaid maximization funding strategies that states have developed to draw down the largest possible amount of federal funds? Is it possible to consider Medicaid financing without addressing this “gaming” issue?

PARTICIPANTS

Debbie Chang is senior vice president and executive director of Nemours Health and Prevention Services where she leads a new operating division devoted to child health promotion and disease prevention. She is a nationally known expert on Medicaid and child health policy and programs, and her experience includes more than 15 years in state and federal government, working in the area of health policy. From March 2003 to February 2004, she served as director of strategic development and policy at NASHP, where she initiated, led, and was project director for the “Making Medicaid Work for the 21st Century” project. Since joining Nemours, she has remained involved in the project as a senior advisor.

Barbara Coulter Edwards has been deputy director for the Office of Ohio Health Plans with the Ohio Department of Job and Family Services since 1997. She is responsible for the management and oversight of Ohio’s Medicaid and State Children’s Health Insurance Plan. Before joining Medicaid, Ms. Edwards was project manager of the Medical Cost Containment Council at Nationwide Insurance and served as chief of health policy at the Ohio Department of Health. She began her career in Michigan as an analyst for the Michigan Insurance Bureau and worked for the Michigan Governor’s Council on Jobs and Economic Development.

Donna McDowell is director of the Bureau of Aging and Long Term Care Resources in the Wisconsin Department of Health and Family Services. She is responsible for the administration of the state’s Older Americans Act programs, Senior Employment, the Community Options and Community Integration Programs for the elderly and people with disabilities, the WisTech and Independent Living Centers for adults with disabilities, and Alzheimer’s Family Caregiver Support and other community-based programs serving over 150,000 people statewide. She is a former president of the National Association of State Units on Aging and a fellow of the Gerontological Society of America, and she has served on the ABA Commission on the Legal Problems of the Elderly.

Vernon Smith is a principal with Health Management Associates. A former Medicaid director in Michigan, Dr. Smith has extensive
experience analyzing and developing health reform proposals, administering programs, and representing state agencies with federal and national organizations. At Health Management Associates, he assists state agencies in managed and long-term care and in understanding the impact of economic trends and welfare reform on Medicaid enrollment. He has authored reports on Medicaid and the State Children’s Health Insurance Program enrollment trends, the impact of welfare reform on Medicaid, the use of Medicaid as a source of financing in state health programs, and exemplary practices in Medicaid primary care case management programs.

Alan Weil was named executive director of the National Academy for State Health Policy in June 2004. Previously, he served for seven years as director of the Urban Institute’s Assessing the New Federalism, one of the largest privately funded social policy research projects ever undertaken in the United States. He has also served as executive director of the Colorado Department of Health Care Policy and Financing, the cabinet position responsible for Colorado’s Medicaid and Medically Indigent programs, health data collection and analysis functions, health policy development, and health care reform.