



Key State Flexibilities for Consideration in Medicaid Reform

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As potential reforms to the financing structure of Medicaid take more concrete shape in Congress, the National Association of Medicaid Directors (NAMD) seeks to provide the insights of our members to ensure that federal policymakers consider the operational realities of having to effectively administer the program in a more resource-constrained environment.

The following comments and considerations draw in part upon our previous [ACA Repeal and Replacement Considerations and Medicaid Structural Reform and Technical Considerations documents](#) and our [2017 Legislative and Regulatory Priorities](#) released in December 2016.

As a bipartisan, consensus-based association, NAMD has not taken a position on the broader political questions around repealing and replacing the Affordable Care Act, nor on the efforts to change the financing structure of Medicaid. However, there are several key messages we wish to share.

Medicaid Plays a Key Role in the Nation's Health Care System

Medicaid is the largest health care safety net program and is responsible for the health care of 73 million Americans, including those with the most complex health care needs. The program covers 50 percent of all U.S. births, promotes children's achievement of developmental milestones and school readiness and, enables adults to maintain good health in support of work readiness and job retention, and furthers the values, dignity, safety and integration of individuals who require long-term services and supports. States and the federal government jointly finance and operate Medicaid, making an effective federal-state partnership critical to success of the program.

In recent years, state Medicaid agencies have demonstrated successes and improvements in a wide array of program areas. States have strengthened programmatic eligibility documentation, data reporting, and quality assurance activities, key steps for ensuring the integrity of the Medicaid program. Medicaid has improved access to preventative services, supported individuals with emerging models of integrated behavioral health care, and enabled choice and integration in the community for older adults and individuals with disabilities. More fundamentally, Medicaid has led the way for payers in implementing care delivery innovations and value-based payment reforms. These activities demonstrate Medicaid Directors' commitment to ensuring effective, efficient administration of their programs and contributing to the meaningful improvement in beneficiary health and well-being.

Medicaid Reform Must Consider Impacts from Broader Health System Changes

While a key player in the nation's health care system, Medicaid does not operate alone – it is one payer among many. The policy decisions impacting Medicare, employer-sponsored insurance, and the individual and small group markets will all make themselves felt in the Medicaid space. Therefore, we



encourage federal policymakers to consider health system reform holistically, taking into account the downstream impacts on Medicaid that may accompany changes to cost and coverage requirements for Exchange plans and other coverage sources.

Specifically, we recommend policymakers work to ensure the accessibility and affordability of private coverage in the individual and small-group markets. We also recommend consideration of how long-term services and supports costs are accounted for across the health care system, such as via the adoption of tax benefits for the purchase of long-term care insurance, developing systems to support long-term care insurance as a self-funded and/or employer-matched benefit, and a reassessment of the scope and administrative rules for Medicare's nursing home and home health services benefit.

Regulatory Flexibility is Necessary, but Not Sufficient, for Success in Resource-Constrained Environments

To date, the Administration and Secretary Price have focused in their communications on proposed structural changes in the manner in which federal funding is provided to the program, as well [as focus areas for regulatory flexibility](#), such as expediting administrative process in review of amendments and waivers, enhanced use of Section 1115 demonstration authority, and alignment of Medicaid with private insurance coverage. NAMD agrees that substantial progress can be made through administrative action. However, the proposed regulatory flexibilities represent a necessary, but not sufficient, component for ensuring Medicaid's future viability and sustainability.

Federal Medicaid Resource Limitations Must be Paired with Statutory Flexibility for States

Current proposals impacting the Medicaid program envision an environment in which the federal contribution to the program is no longer open-ended, as is the case under current law. As Medicaid Directors consider their program structures, they articulate a need for statutory flexibility in other areas of the program to operate in such an environment. Any efforts to modify federal financial participation in the program must be directly accompanied by amendments to federal statutes to enable programs to address well documented, fundamental cost drivers, in addition to regulatory flexibility. Medicaid currently lacks the clear statutory authority to directly and effectively confront many of these fundamental, system-wide cost drivers. Without this authority, states will be unable to fulfill the role of providing the nation's health care and long-term services and supports safety net in a resource-constrained environment.

At its most basic level, Medicaid must be given statutory authority to manage five core program functions:

1. Create, invest in, and sustain delivery system transformation;
2. Control the amount, scope, and duration of covered services;
3. Set appropriate reimbursement levels for covered services;
4. Set eligibility levels across the program; and
5. Impose reasonable beneficiary cost-sharing requirements.



With these tools in place, Medicaid may begin to address several specific program cost-drivers which themselves require statutory modification. These include, but are not limited to:

- Liberalizing available options for management of the optional Medicaid prescription drug benefit;
- Enabling states to enter into quality-focused, cost saving, value-based payment arrangements with Federally Qualified Health Centers; and
- Enabling needed access to services and care coordination for individuals with behavioral health conditions through repeal or modification of the Medicaid Institutions for Mental Disease (IMD) payment exclusion, and sharing of currently protected data across providers.

Finally, Medicaid must also be given statutory certainty around its ability to support holistic initiatives addressing the social determinants of health, which may cross federal programmatic and funding silos. These types of initiatives represent the next horizon for health care transformation, and with federal support, states may lead the way.

NAMID encourages federal policymakers to maintain an ongoing dialogue with Medicaid Directors as reform proposals continue to take shape, in order to be fully informed of relevant considerations.