March 16, 2017

The Honorable Mitch McConnell
Leader, U.S. Senate
Washington, DC 20510

The Honorable Paul Ryan
Speaker, U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
Minority Leader, U.S. Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Minority Leader, U.S. House of Representatives
Washington, DC 20515

Re: Concerns of Connecticut Consumers and Providers with Proposed Federal Medicaid Cuts

Dear Majority Leader McConnell, Minority Leader Schumer, Speaker Ryan, and Minority Leader Pelosi:

We are a broad coalition of consumers, consumer advocates, providers, provider organizations and others from Connecticut, who share a concern that the successful Medicaid program in our state be preserved. We share a commitment to advancing the health of the 770,000 low-income Medicaid enrollees in our state — about 1/5 of the population --including older adults, people with disabilities, children and their families. We are writing to urge you to reject any proposal to reduce the federal reimbursements to the states for the optional Medicaid expansion under the Affordable Care Act (ACA), or to make any radical changes to the regulatory or financing structure of any part of Medicaid – by providing federal funding to the states through block grants or per capita caps.

Medicaid is one of the most important financial resources available for older adults needing help to cover the cost of care as they age, whether in their homes and communities or in nursing homes. Medicaid has become the default payer for long-term services and supports because there are no significant alternative source of payment, other than out-of-pocket. And it has become equally important in providing people with disabilities, children and families, as well as individuals struggling with opioid addiction, with access to basic health services necessary to allow them to avoid use of more expensive crisis care resources and to become, or maintain the ability to be, productive members of society.

All of these proposals are designed to reduce federal support to state Medicaid programs, not to better serve Americans who rely on Medicaid. And the claimed flexibility which would come with these proposals is neither needed nor desired by our state. Medicaid block grants and per capita caps would impose rigid limits on the amount of federal money available to states for Medicaid, endangering the health and well-being of Medicaid enrollees throughout our state.[1] They also would severely damage Medicaid's role as a cornerstone of our state economy: by covering health care services for individuals who could not otherwise afford them, Medicaid provides income and jobs to hospitals, private physicians and other health care providers.

Existing Federal Regulatory Structure and Reimbursement Methodology under which Connecticut's Medicaid Program Has Thrived

Connecticut has had significant success in care coordination, improved access to care, increased provider participation and innovation since we made the important decision to move beyond risk-based contracting for families and children in our Medicaid program five years ago. Since January of 2012, Connecticut has contracted

[1] *See*, Park, Edwin, Center on Budget and Policy Priorities, "Medicaid Per Capita Cap Would Shift Costs to States and Harm Beneficiaries" available at: *http://www.cbpp.org/blog/medicaid-per-capita-cap-would-shift-costs-to-states-and-harm-beneficiaries*

with non-risk Administrative Services Organizations (ASOs) for **all** Medicaid enrollees, and adopted innovative care management models through nationally-accredited Patient Centered Medical Homes (PCMH), our intensive care management program, health homes and other initiatives, all under an innovative managed fee-for-service system. We have cut administrative costs under the program to only about 5% of total costs. On average, Connecticut achieved a reduction of almost 2% in per person/month costs in the Medicaid program over a previous four-year period, amounting to over $200 million in savings,[2] proof that our system is a sustainable success.

All of this success in quality improvement and cost control has been accomplished through the very flexible federal regulatory structure and the existing federal reimbursement methodology, both under the Medicaid Act and, for the expansion group, under the ACA. The key components of the federal regulatory scheme are:

- Carefully-balanced federal mandatory Medicaid **coverage groups** with flexibility for the states to decide whether to cover other groups, including the expansion group under the ACA.
- Carefully-balanced federal mandatory **benefit categories**, like doctors' visits and hospital care, with flexibility for states to decide which other categories are necessary for their populations.
- Protections for Medicaid enrollees in such important areas as eligibility processing, scope of coverage, cost-sharing protections and due process (notice and hearing rights).
- Flexibility to innovate with non-risk ASOs and alternative care delivery models like PCMH and intensive care management.
- Flexibility to craft innovative waivers both to keep individuals needing long-term care in their own homes (Section 1915 waivers) and to experiment with waivers of existing statutory and regulatory requirements (Section 1115 waivers).

The key components of the federal reimbursement methodology are:

- A fixed and guaranteed rate of reimbursement for each dollar spent on covered health care, at a reimbursement rate depending upon the broad category of coverage or the kind of services at issue, ranging, in our state, from 50% (for most services) to 95% (for enrollees under the ACA expansion).
- No cap on the number of dollars reimbursed to the state at this rate, allowing Connecticut to count on that level of reimbursement even if there is an increase in enrollment due to economic conditions or an increase in per-person expenses due to unusual health needs or significant advances in treatments for serious medical conditions.

Within this existing flexible federal regulatory scheme, Connecticut has wisely chosen various coverage and eligibility options, as well as care delivery reforms, which have allowed us to substantially improve the quality of care while saving state and federal taxpayers hundreds of millions of dollars over these years.

Block-Granting or Per-Person Caps on Federal Reimbursement Would Be Highly Destructive to Our Success under the Medicaid Program

Proposals to cap Medicaid funding to states, either through block grants or per capita caps, are actually *de facto* cuts to Medicaid. These proposals would harm Medicaid enrollees in our state and undermine our successes under the program. Inevitably, they will result, and apparently are intended to result, in reductions in federal reimbursement over time, if not immediately. Recent proposals to impose block grants or per capita caps on Medicaid provide yearly increases that do not follow the rate of annual medical inflation costs, thus not keeping up

[2] *See* "Connecticut HUSKY Health: Improving Outcomes, Enabling Independence and Integration, Controlling Costs," DSS Presentation to the Human Services, Appropriations, Public Health and Aging Committees, February 22, 2016 (slides 23, 26, 28), available at https://www.cga.ct.gov/med/council/2016/0222/20160222ATTACH_DSS%20Presentation.pdf These savings were realized prior to provider rate cuts.

with projected reasonable increases even for a well run, efficient program, like Connecticut's program. If federal funding is not maintained, any state, particularly one like Connecticut in a difficult budget climate, will inevitably have to limit eligibility, reduce benefits and/or aggressively cut provider rates, resulting in a reduction in the level of provider participation.

Apart from the inability to keep up with normal medical inflation over time, under a block grant, another downturn in the economy would strike a devastating blow to our ability to provide for new Medicaid enrollees. The only way a block grant could cover any new individuals is if it included broad authority for states to disregard the protective rules in the Medicaid Act, giving the states further "flexibility" to cut benefits or eligibility for **existing** beneficiaries in order to free up funds for the new individuals.

While per capita federal caps might seem less onerous, they still will straight-jacket any state where there is no allowance for reasonable medical cost indexing of the caps or if per-person costs go up due to an epidemic or a significant increase in effective life-sustaining treatments, which could occur anywhere, including in our state. And, in the case of the proposed caps in the House leadership bill, the states would also start off with a cut, since the baseline for costs in 2020 would be 2016 average costs. Thus, per capita caps necessarily require giving states "flexibility" to dispense with basic consumer protections so as to make cuts, such as the provision in the House leadership bill which would eliminate the important protection that Medicaid expansions at least cover the "essential health benefits" specified in the ACA. Connecticut should not have to choose between keeping those who need coverage insured, cutting their benefits or cutting payments to those willing to make sure these individuals have access to care.

Accordingly, neither a block grant nor per-person caps are the right direction for our Medicaid program. We urge you not to include any change in the regulatory **or** funding structure for any part of the Medicaid program.

The Medicaid Expansion Should Continue to be Reimbursed at the 95% Rate Promised to the States by the Federal Government, Permanently Decreasing to 90% as Provided in the ACA Formula

One of the important successes under the ACA is its authorization of, and funding for, expansion to cover non-disabled, non-elderly and non-custodial parent low-income adults who lack access to other insurance coverage. As a result of the ACA expansion, Connecticut now is covering 217,000 low income adults with essential Medicaid benefits. The expansion has allowed us to cover individuals who, while very low-income, did not fit into one of the narrow categories into which Medicaid was previously limited, but are equally needy. Despite very tough fiscal times, we have been able to sustain coverage for this large group of individuals because of the 100% federal match for the first three years of the ACA roll-out.

The drop to 95% reimbursement for the expansion population on January 1, 2017 has presented some challenges, but we have managed. However, providing this coverage at only 50% reimbursement, as proposed in the House leadership bill for new or returning applicants starting in January 2020, would result in a devastating loss to Connecticut. The enhanced match is worth about $700 million per year to our state (FY 2017), out of a $20 billion annual state budget, and its eventual elimination would ensure the eventual elimination of coverage for most or all needy adults under the expansion.

Conclusion

Medicaid is already a lean program, with spending per person considerably lower than private insurance and with growth in spending per person slower than under private insurance -- very lean, in the case of Connecticut. Block grants and per capita caps are nothing more than cuts to Medicaid, reducing the dollars flowing to the states, rationing access to needed care, and threatening job opportunities and growth. Accordingly, lacking any

alternatives, the proposed caps would increasingly force our state to cut services and eligibility for everyone who relies on Medicaid. We urge you to reject these proposed structural changes to the Medicaid safety net program, as well as any reductions in the rate of federal reimbursement to the states for their Medicaid expansions promised under the ACA, either immediately or over time.

Thank you for your attention to our collective concerns.

Respectfully yours,

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cc: The Honorable Orrin Hatch, Chairman, Committee on Finance
The Honorable Ron Wyden, Ranking Member, Committee on Finance
The Honorable Lamar Alexander, Chairman, Committee on Health, Education, Labor & Pensions
The Honorable Patty Murray, Ranking Member, Committee on Health, Education, Labor & Pensions
The Honorable Susan Collins, Chairman, Senate Special Committee on Aging
The Honorable Bob Casey, Ranking Member, Senate Special Committee on Aging
The Honorable Kevin Brady, Chairman, Committee on Ways & Means
The Honorable Richard Neal, Ranking Member, Committee on Ways & Means
The Honorable Greg Walden, Chairman, Committee on Energy & Commerce

The Honorable Frank Pallone, Ranking Member, Committee on Energy & Commerce
The Honorable Richard Blumenthal
The Honorable Chris Murphy
The Honorable Rosa DeLauro
The Honorable John Larson
The Honorable Joe Courtney
The Honorable Jim Himes
The Honorable Elizabeth Esty