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### Financing Changes and Added Flexibility to Medicaid

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### **Today's Conversation Built on Four Themes**

- **Theme 1:** The original vision of welfare reform
- Theme 2: Horizontal equity with simplicity and stability
- Theme 3: The ACA's Medicare "block grant"
- Theme 4: Social determinants of health



### General objectives of state flexibility to reach a national objective

- Encourage innovation through experimentation
- Share financial risks with states to provide incentive for efficiency and innovation
- Allow political adaptation (e.g. ACA Section 1332)

#### But the devil – and salvation – is in the details



# Major issues in providing state flexibility and spending limits to Medicaid

#### 1. <u>How much flexibility should states have?</u>

- "What would Alabama do?" guardrails
- Budget neutrality across health programs? The Daschle-Gingrich agreement
- Medicaid for housing and other social determinants?
- Different flexibility for different parts of redesigned Medicaid?



# Major issues in providing state flexibility and spending limits to Medicaid

#### 2. <u>Who decides</u> what a state can do?

- Waiver model
- A commission? the 2006 Baldwin-Price Health Partnership Act
- Statutory changes e.g. the four Republican Governors letter



# Major issues in providing state flexibility and spending limits to Medicaid

#### 3. Getting the <u>financial balance</u> right

- Taking account of economic downturns
- Taking account of population changes
- Indexing: cost reduction, efficiency, innovation, balanced risk
- Block grants or per capita?

