

# HOW U.S. HOUSE MEDICAID REFORMS COULD IMPACT TENNCARE

## A TWO-WAY ANALYSIS OF RECENT PROPOSALS FROM THE U.S. HOUSE OF REPRESENTATIVES

March 10, 2017

### WHAT IS THE ISSUE?

Congress is considering proposals to reform Medicaid financing to save federal dollars and increase state flexibility. The U.S. House of Representatives, under the leadership of Speaker Paul Ryan, has taken the lead on initial action for Medicaid reform.

### WHAT ARE SOME OF THE MOST RECENT PROPOSALS IN THE U.S. HOUSE?

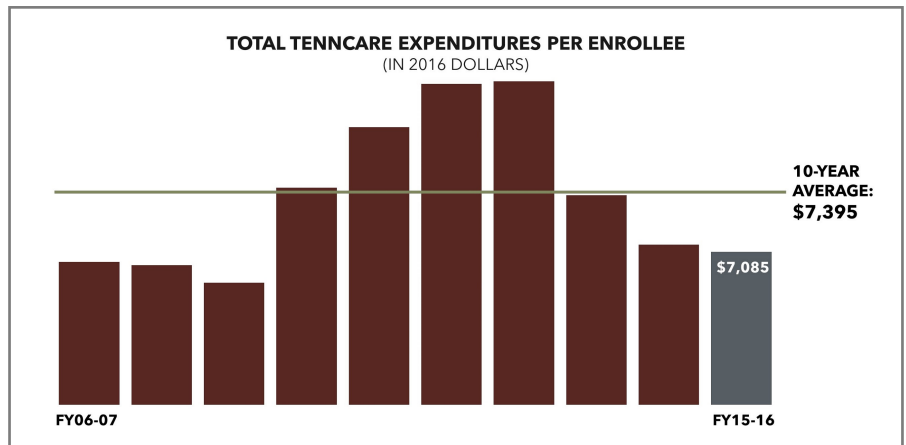
**THE AMERICAN HEALTH CARE ACT (AHCA)** (Mar 6, 2017) would set annual Medicaid spending targets based on each state's federal FY 2016 per enrollee spending, medical inflation, and enrollment. Estimated federal savings: **\$116 billion over 10 years**

**FEDERAL FY 2017 HOUSE BUDGET RESOLUTION** (Mar 23, 2016) was based on a framework that reforms Medicaid to save federal dollars and allow greater state flexibility. Estimated federal savings: **\$1 trillion over 10 years**

### HOW MIGHT THESE PROPOSALS IMPACT FEDERAL CONTRIBUTIONS TO TENNCARE?

What we learned from a **bottom-up analysis of the details of the American Health Care Act:**

- State **FY 2016 was a low-cost year** for TennCare spending per enrollee.
- The average annual growth in TennCare spending per enrollee has been slightly less than average medical inflation over the past decade, but the two measures have not tracked closely on a yearly basis.
- Unlike proposals examined in our Medicaid Reform 101 series, Tennessee **would not receive a windfall of federal revenue if TennCare per enrollee spending is less** than the annual targets.
- The AHCA is a **reconciliation** bill, which is a narrow legislative mechanism that restricts what can be included. Likely for this reason, the bill **does not include broad state program design flexibilities** for eligibility, benefits, or enrollee requirements. If these provisions cannot be included in the bill, these flexibilities would have to be granted in separate legislation that would require 60 votes to pass the U.S. Senate.
- As a state that has not expanded Medicaid, Tennessee could potentially receive approximately **\$115 million per year for 4 years from temporary safety net funding** provided in the bill.

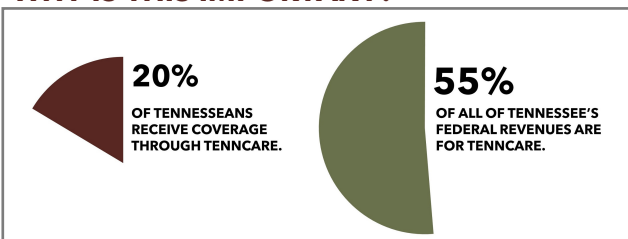


What we learned from a **top-down analysis of the savings targets for recent proposals:**

- If estimates of federal savings were **distributed proportionally to all states**, federal funding for TennCare could be **\$1 billion to \$2 billion lower over the next decade under the AHCA** relative to amounts expected under current law and **\$11 billion to \$17 billion lower under the FY 2017 Budget Resolution.**

TennCare funding and enrollment data at the level of detail prescribed in the AHCA were not available.

### WHY IS THIS IMPORTANT?



Reductions in federal TennCare dollars may provide **incentives** to find ways to operate TennCare more efficiently. Federal reductions may also put **pressure** on state lawmakers to constrain enrollment, reduce benefits, or find more state funding for the program through higher taxes or reduced spending in other areas. Understanding how the details of federal reform proposals impact these incentives and pressures will clarify **how state policymakers will need to plan and respond in the coming years.**

### HOW CAN I LEARN MORE?

- Our **full report** on recent U.S. House proposals can be found at: [bit.ly/ahcatenncare](http://bit.ly/ahcatenncare)
- Our **Medicaid Reform 101** series includes additional background on Medicaid reform concepts and efforts and their potential impact on TennCare. It can be found at: [bit.ly/tnmedicaid101](http://bit.ly/tnmedicaid101)