

Medicaid and Medicare Programs

OPPORTUNITIES, CHALLENGES, AND STRATEGIES AHEAD

Use this outline for a fancier presentation.



Agenda

Outlook Overview

Congress in Focus

Regulatory Agenda in Focus

Navigating Strategically

Q&A

SECTION #1

An Outlook Overview

Overviewing the Federal Policy Outlook



Current Congressional Focus: Budget Reconciliation

- **Topline Parameters:** With thin margins, House and Senate Republicans plan to use the budget reconciliation process to advance top priorities on party-line votes, with a focus on:
 - Extending tax reforms initially enacted in 2017 via the Tax Cuts and Jobs Act;
 - Enacting other tax cuts, to the extent feasible;
 - Increasing defense and immigration enforcement funding; and
 - Reducing federal spending, including for Medicaid, through a fluid combination of Biden Administration regulatory rollbacks, structural changes, and other policies that can command sufficient GOP votes in both chambers.
- **Target Timeline for Reconciliation:** Hill Republicans hope to send a final package to the President's desk by July 4, although deadlines/timelines remain fluid, and both external factors (such as the debt ceiling 'X' date) and internal debates (such as on the scope/substance of spending cuts) could impact timing.

SECTION #2

Congress in Focus

Budget Reconciliation: The Health Policy Outlook



Congressional discussions on the size, scope, and substance of health policies slated for inclusion in the reconciliation package remain fluid, although policymakers continue to focus on Medicaid as the primary source of deficit-reduction provisions in the health care context.

- The budget resolution setting parameters for the reconciliation package includes differential savings targets for the two chambers.
 - The resolution instructs the House Energy and Commerce Committee, which has jurisdiction over Medicaid, to reduce the deficit by at least \$880 billion.
 - The Senate has lower targets, but Senate GOP leadership has committed to prioritize deficit reduction, including through robust Medicaid reforms.
- Projections around the level of Medicaid cuts vary, with many analysts expecting a final figure between \$500 billion and \$800 billion.
 - Conservatives view these figures—and even the more ambitious \$880 billion target—as too low.
 - Moderates have raised both topline and substantive policy concerns with the scope and nature of Medicaid reductions in play.
 - The House Energy & Commerce package includes \$715 billion in net health care savings.

Medicaid in Reconciliation: A Fluid Proposition



While the reconciliation process remains in flux, Hill Republicans will most likely look to target Medicaid savings through a combination of regulatory rollbacks, work requirements, and, to the extent politically feasible, structural reforms. Immigration-related provisions could also come into play.

- Regulatory Repeals and/or Delays: Rescinding or indefinitely delaying a suite of Biden-Administration Medicaid regulations could produce anywhere from \$188 billion to more than \$300 billion.
 - Key targets include the nursing home staffing rule (\$22B), the enrollment and eligibility rule (\$162B), and rules related to state-directed payments and home and community-based services.
- Work Requirements: Mandatory work requirements for able-bodied adult Medicaid enrollees would save \$109 billion.
 - Certain modifications (optionality, exceptions/carve-outs, etc.) could reduce that figure, while other changes (such as a larger age range) could increase the topline number.
- Structural Reforms: Republicans have explored a number of potential structural reforms, such as reducing the provider tax safe-harbor threshold, lowering the enhanced FMAP for Medicaid expansion, and/or instituting per-capita caps on federal cost growth for the expansion population.
- Immigration-Related Provisions: Some Republicans have also floated enacting an FMAP or enhanced FMAP penalty (e.g. of 10 percent or a comparable figure) for states that choose to provide Medicaid coverage to undocumented immigrants (current law allows them to do so via state-only funding).

Zooming in on the House Energy & Commerce Proposal



Language put forth by the House Energy & Commerce Committee would achieve net savings of \$715 billion in health care policies, specifically. Notably:

- The E&C package does not include certain structural reforms advocated by some House conservatives, such as a broad-based federal match rate (FMAP) reduction for the expansion population, a provider tax threshold reduction (the bill would freeze provider taxes and implement program integrity measures instead), or per-capita caps.
- The package does include work requirements, more frequent eligibility checks, indefinite delays of Biden Administration Medicaid regulations, penalties for states that provide (state-funded) coverage for undocumented immigrants, and other reforms.
- CBO estimated, on a preliminary basis, that the health care reforms in the package would result in 8.6 million fewer insured individuals.

Relevant Impacts of Potential Medicaid Reforms



The impacts of the reconciliation package—if successfully enacted—on state Medicaid programs (and dental and vision benefits, specifically), will depend on a range of factors, from the scope and nature of the cuts themselves to policy responses from state governments and other actors.

- The nonpartisan Congressional Budget Office (CBO), in assessing various Medicaid deficit-reduction proposals, has projected that states would likely respond to changes with varying combinations of the following levers:
 - Replacing a portion of forgone resources via other revenue streams;
 - Reducing Medicaid enrollment (i.e. by scaling back optional coverage categories or expansion);
 - Limiting provider payments for certain services; and/or
 - Dialing back optional benefit offerings (which could include changes to adult dental or vision coverage).
- Certain policy changes, such as rolling back the Biden Administration's enrollment and eligibility rule, would affect only enrollment numbers, with limited impacts on state benefit offerings.
- Migration to ACA individual-market plans would offset some enrollment losses.

Open Questions on the Congressional Front



A number of questions have emerged regarding both the ongoing reconciliation effort and the outlook for Congressional activity on other health-related issues. Examples include:

- How will Congressional GOP leadership bridge the growing divide between moderates and fiscal hawks on the desired scope and nature of deficit reduction policies (i.e. Medicaid cuts, SNAP reductions, other pay-fors)?
- Will non-Medicaid health care policies (e.g. Medicare provisions, premium subsidies for ACA plans, market reforms) come into play in reconciliation?
- Will Congress ultimately extend and/or modify the enhanced subsidies for individual-market plans codified under the previous administration?
- How will ongoing contention around administrative activities, along with the reconciliation process, shape, inform, and/or complicate the appropriations process and other post-reconciliation legislative opportunities?
- How—if at all—will Congress look to address the growing share of health care spending attributable to Medicare Advantage?

SECTION #3

Regulatory Agenda in Focus

Monitoring the Regulatory Landscape



Bolstering program integrity, effectuating burden reduction, and promoting fiscal responsibility have emerged as key themes for the Trump Administration's regulatory agenda thus far, introducing both opportunities and challenges for stakeholders.

- Program Integrity

- CMS plans to issue regulations related to Medicaid provider tax oversight, aiming to close what the administration describes as a loophole.
- The agency issued a regulation focused on improving Marketplace integrity.

- Burden Reduction

- CMS issued a request for information (responses due June 10th) focused on identifying areas ripe for regulatory relief and burden reduction.

- Fiscal Responsibility

- In April, CMS notified states that it plans to cease support for designated state health programs and designated state investment programs; some such initiatives involved dental and vision benefits.
- That said, CMS also finalized a 5.06 percent increase in payments to Medicare Advantage (MA) plans, up from the 2.2 percent proposed by the previous administration, signaling support for promoting MA.

Open Questions on the Regulatory Front

At this early stage, the Trump Administration's statements and actions to date have led to a number of questions as to how the regulatory agenda will play out in practice.

- **Oversight Priorities:** What areas will the administration prioritize and target for oversight, and will this oversight rely mostly on transparency, or also on enforcement?
- **Squaring the Circle:** How will the administration resolve tensions or conflicts between and among its regulatory priorities, such as in cases where burden reduction might impede program integrity initiatives—or where flexibilities for states and plans might raise costs, rather than reduce them?
- **MAHA in Action:** How will the Secretary's "Make America Healthy Again" (MAHA) agenda translate into concrete Medicaid and/or Medicare policy changes—if at all—and where will we see Secretary Kennedy's push for "radical transparency" implicate plans?
- **MA at a Crossroads:** How will the administration approach supplemental benefits in MA, which have accelerated the program's popularity and growth—but have also triggered program integrity and oversight questions?

SECTION #4



Navigating the Landscape Strategically

Key Challenges and Key Opportunities

Key Challenges

- **Medicaid Cuts:** Congress seems likely, as of now, to advance Medicaid reforms via reconciliation, which could drive states to dial back optional benefits, in addition to reducing enrollment.
- **Individual Market Uncertainty:** The impending expiration of ACA plan subsidies could constrain individual-market enrollment, especially in conjunction with related regulatory activities.
- **General Financial Pressures:** Congressional Republicans and the Trump Administration appear motivated to curb health care spending growth in a manner that could introduce new areas of uncertainty and volatility, among other headwinds, for providers and plans.
- **Congressional Outlook:** Razor-thin margins, contention around administrative policies, and the budget reconciliation process could all complicate efforts by policymakers to advance bipartisan legislative reforms and improvements, even in the midst of economic challenges.

Key Challenges and Key Opportunities (continued)



Key Opportunities

- **Dental and Vision Plans as Engines of Innovation and Cost Containment:** Plans can play a proactive role in advancing solutions aligned with the administration's fiscal responsibility agenda, including by elevating key strategies and success stories.
- **Regulatory Relief:** Stakeholders have a receptive and engaged audience for proposals to roll back duplicative, needless, and burdensome regulations and subregulatory requirements, including through RFI responses and public comments.
- **Alignment with Whole-Person Care Agenda:** Dental and vision benefits can facilitate preventive, whole-person care in a manner aligned with Secretary Kennedy's and Administrator Oz's stated priorities, including through program improvements and innovative payment models.
- **Improving MA:** Dental and vision benefits have attracted far less scrutiny and concern than certain other supplemental benefit offerings, enabling dental and vision plans to play a constructive and active role in MA enhancement discussions and efforts.

Strategic Navigation of the Federal Policy Landscape



Importance of Early Engagement (It's a marathon, not a sprint.)

- Regulatory agendas take years to bear fruit, with key policy changes first pursued in an administration's early days often resulting in actions near the end of the term.

Partners, not Adversaries (the "Help me help you" approach)

- Constructive input and feedback on areas of alignment and common ground, as well as on areas of policy differences, can result in productive partnerships.
- Helping agencies identify and develop solutions on one front, to that end, does not preclude raising concerns around other issues or policy actions.

Cutting through the Noise

- Not all headlines or X posts are created equal—focus on real, meaningful policy changes, initiatives, and actions.
- Effective engagement can shape and inform solutions.



202-774-1566



www.leavittpartners.com



@LeavittPartners

LEAVITT

PARTNERS

An HMA Company



202-774-1566



www.leavittpartners.com



@LeavittPartners