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Trump Administration Asserts New Vision for Medicaid

Authors: Sheila P. Burke

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In 2018, Congress may revisit proposals to enact either per capita caps or a block grant for Medicaid and offer broader flexibility on Medicaid expansion rules. However, major structural reform to Medicaid remains unlikely this year. Instead, we expect the Administration to take significant action to grant states new Medicaid program flexibilities through regulations and section 1115 and 1332 demonstration waivers.

As shown in the President's FY 2018 budget proposal, Centers for Medicare and Medicaid Services (CMS) Administrator Seema Verma's engagement with lawmakers, and direct policy statements and guidance, the Trump Administration has articulated a vision for Medicaid that involves reducing long-term federal funding for the program and providing states with significant flexibility in program design and management. Taken together, the Trump Administration's Medicaid priorities represent a significant departure from the expanding federal-state partnership that characterized the program under President Obama.

States are already seeking or expected to apply for numerous Medicaid program flexibilities through 1115 waivers this year, including:

- *Eligibility*: Reducing Medicaid expansion eligibility;
- *Enrollment*: Implementing eligibility time limits and coverage lockout periods;
- *Cost Sharing*: Enacting beneficiary premiums and cost sharing;
- *Program Incentives*: Introducing work requirements and wellness programs to segments of the Medicaid population;
- *Drug Coverage*: Excluding or covering fewer drugs; and
- *Plan Design*: Altering benefit packages and restricting provider networks.

On January 11, 2018, CMS took a further step by releasing new guidance on Medicaid work requirements, which have not been previously implemented in the program's 52-year history. CMS will support state efforts under Section 1115 Medicaid demonstration waivers (budget-neutral) to test incentives that make participation in work or other community engagement a requirement for continued Medicaid eligibility or coverage for certain adult Medicaid beneficiaries. States may propose work and other community engagement requirements for "able-bodied adults," defined as working-age, non-pregnant, non-disabled Medicaid beneficiaries. CMS outlined several conditions for the work requirement waivers and claims to have received waiver requests from 10 states thus far: Arizona, Arkansas, Indiana, Kansas, Kentucky, Maine, New Hampshire, North Carolina, Utah and Wisconsin. On Friday, January 12, 2018, CMS approved Kentucky's waiver request, making it the first state to impose work requirements in Medicaid. It is likely that CMS will approve several more of these state waivers in 2018.