Capitalizing on a Shared Goal: Controlling Health Care Costs through Cooperative Federalism
Presentation Outline

- American federalism and health care
- Evolution of federal/state relationship
- An uneasy truce
- Threats to the truce
- A proposed path forward
- Challenges
- A little more context
Federalism

- Federalism is structural and political
  - Structure: Limited central government powers leads to use of spending power
  - Politics: Tradition of deference to states
- Historical reliance on federalist structure for poverty programs (cash, health, etc.)
- Compare to Medicare which is national
Evolution of Federal/State Relationship

• Federal incentives for state participation in low-income coverage programs

• Gradual expansion through
  – Converting options to mandates (e.g. pregnant women)
  – Enhanced incentives (e.g. lower middle class children)
  – Prohibitions on reductions (e.g. “maintenance of effort” during downturn)
An Uneasy Federalism Truce

- Restrained use of spending powers
- Restrained use of enforcement powers
- Operational flexibility
- Waivers
- Restrained encroachment in areas of traditional state control
The Affordable Care Act Breaks the Truce

- ACA dramatically expands intergovernmental programs
Source of Insurance Coverage Without Reform and Under Affordable Care Act, Assuming Full Medicaid Expansion 2016

Among 278 million people under age 65

* Employees whose employers provide coverage through the exchange are shown as covered by their employers. Note: ESI is employer-sponsored insurance; “Other” includes Medicare. Implementation of Affordable Care Act assume not all states implement Medicaid expansion.

The Affordable Care Act Breaks the Truce

• ACA dramatically expands intergovernmental programs
• Myriad new state requirements
• Increased federal fiscal oversight
  – Medicaid expansion (100 ➔ 90% federal)
  – Advance Premium Tax Credits in the health insurance exchanges (100% federal)
The Challenge

• Significant state resistance to additional spending and a desire to spend less
• Federal leverage is maxed out (can’t pay more than 100%)!
• Significant share of national leadership has a desire to spend less
• ACA anticipates expansion, not contraction of coverage and access
The Proposal: State Shared Savings Program

- Reaches major programs with intergovernmental financing
- Tied to robust, uniform performance measurement
- Provides bounded flexibility in state purchasing and regulatory behavior
- Provides states with share of savings (or costs)
State Shared Savings Program

State Share of Costs under Current Law and Proposed Medicaid Shared Savings Program

- Proposed Medicaid Shared Savings Program
- Current Law

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Major Challenges

• Is it enough?
• Is it too much?
• Can we measure performance?
• Can we measure changes in performance?
• Can we sustain intergovernmental accountability?
Preferable to the Alternatives

- Challenges to the underlying structure
- Retrenchment
- Waivers
- Doing nothing
"I think you should be more explicit here in step two."
State Innovation Models

Source: Centers for Medicare & Medicaid Services