

Centers for Medicare and Medicaid Services (CMS) Proposed Rule on Medicaid Financing**SIGNIFICANTLY REDUCES THE FEDERAL MEDICAID COMMITMENT
TO STATES, PROVIDERS, AND PATIENTS****Introduction**

For decades, through both Republican and Democratic Administrations, the Centers for Medicare and Medicaid Services (CMS) has allowed states to apply hospital fees, Medicaid managed care plan taxes, intergovernmental transfers, state special funds, and other local sources of funding to the non-federal share of Medicaid financing to draw down federal matching funds. States use these tools largely to address provider shortages and increase provider participation in vastly underfunded state Medicaid programs. In November 2019, CMS issued a complex proposed rule that will dramatically limit the ways that states may finance the non-federal share of Medicaid in the future. The rule will significantly reduce Medicaid funding in many states, as at least 34 states are employing these mechanisms to ensure their state Medicaid programs are adequately funded. The rule has far-reaching implications that would be devastating to many state budgets.

Summary of the Rule

The proposed rule gives CMS broad discretion to determine on a case-by-case basis which state and local funding mechanisms may be used for the non-federal share of the Medicaid fee-for-service program and to what extent. There are no explicit guidelines for CMS to follow which could lead to inconsistent decisions. As drafted, the rule generally prohibits the use of any funding that does not come from state budget revenue. Therefore, it could eliminate state use of hospital fees, managed care plan taxes, intergovernmental transfers, and state special funds to fund state Medicaid programs. Because there are no clear-cut criteria outlined in the rule, states, providers, and patients will not be able to make budget decisions and plan for the future of their Medicaid programs. Moreover, there is little time to make such drastic changes at the state level. Finally, the rule lacks any kind of impact analysis on the federal budget, state budgets, provider participation and access to care so that states and the public understand its true impact.

Impact

It is clear that the proposed rule would substantially reduce the current state and federal commitment to the Medicaid program. It would reduce states' ability to fund the non-federal share of Medicaid and therefore, significantly reduce Medicaid funding for millions of children, pregnant women, working adults, and the disabled. Physicians, dentists, hospitals and other providers will be impaired in their ability to participate in the Medicaid program and patients will suffer greater challenges obtaining medical care. The rule will disproportionately harm rural and underserved areas where there are

already physician, dentist and nursing shortages, hospital closures, and access to care challenges. If further Medicaid cuts are imposed, the remaining providers will be forced to leave these already underserved regions and patients will be forced to delay care and travel long distances for physician specialists and hospital services. Patient conditions will worsen and ultimately become more challenging and costly to treat. Regions with high Medicaid populations across the country will be negatively impacted.

Emergency providers have a federal obligation to treat all patients under the federal EMTALA law regardless of a patient's ability to pay. The states and the federal government have an equal obligation to appropriately fund the Medicaid program rather than placing the entire uncompensated care burden on emergency physicians and hospitals. Medicaid studies show that reduced access to care increases avoidable emergency visits and hospitalizations which increase costs.

Finally, the proposed rule would create substantial Medicaid funding problems for most states.

CMA Position

Because the proposed rule will exacerbate provider shortages, patient access to medical care, and state budget problems, and does not establish clear standards by which future state Medicaid funding will be reviewed, CMA is urging CMS to rescind the proposed rule.

Comments are due February 1, 2020 to CMS. The proposal was published in the Federal Register on November 18 and can be found at the following link: <https://www.govinfo.gov/content/pkg/FR-2019-11-18/pdf/2019-24763.pdf>.

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KEEP THE COMMITMENT TO MEDICAID PATIENTS

