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Secretaries' Innovation Working Group

December 11, 2024

Preparing for Health Policy in 2025

Expiration of Obamacare enhanced subsidies after 2025

Likely deregulatory efforts by Trump administration: short-term plans, AHPs, ICHRAs, price transparency, HSAs

Medicaid

1) Work/community engagement requirements
2) Requirements or permissions to do more frequent eligibility reviews
3) Medicaid program integrity efforts, including additional scrutiny of financing gimmicks, supplemental payments, and managed care contracting

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The Great Obamacare Enrollment Fraud

Brian Blase, PhD Drew Gonshorowski

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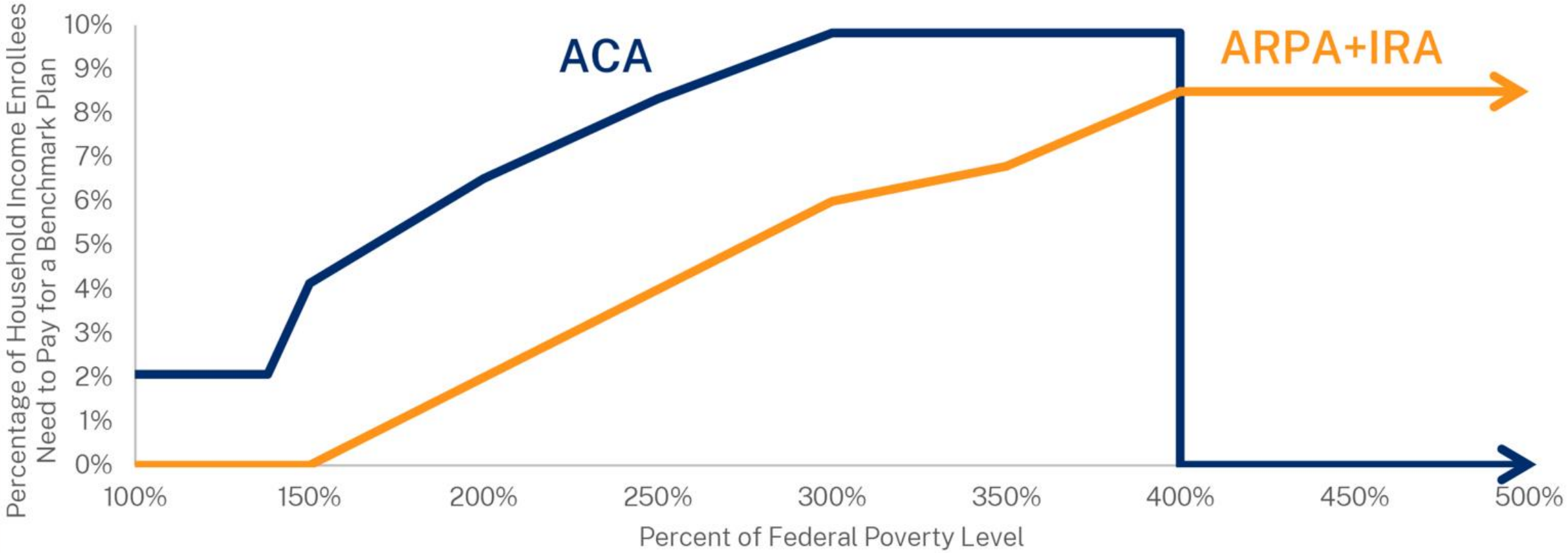
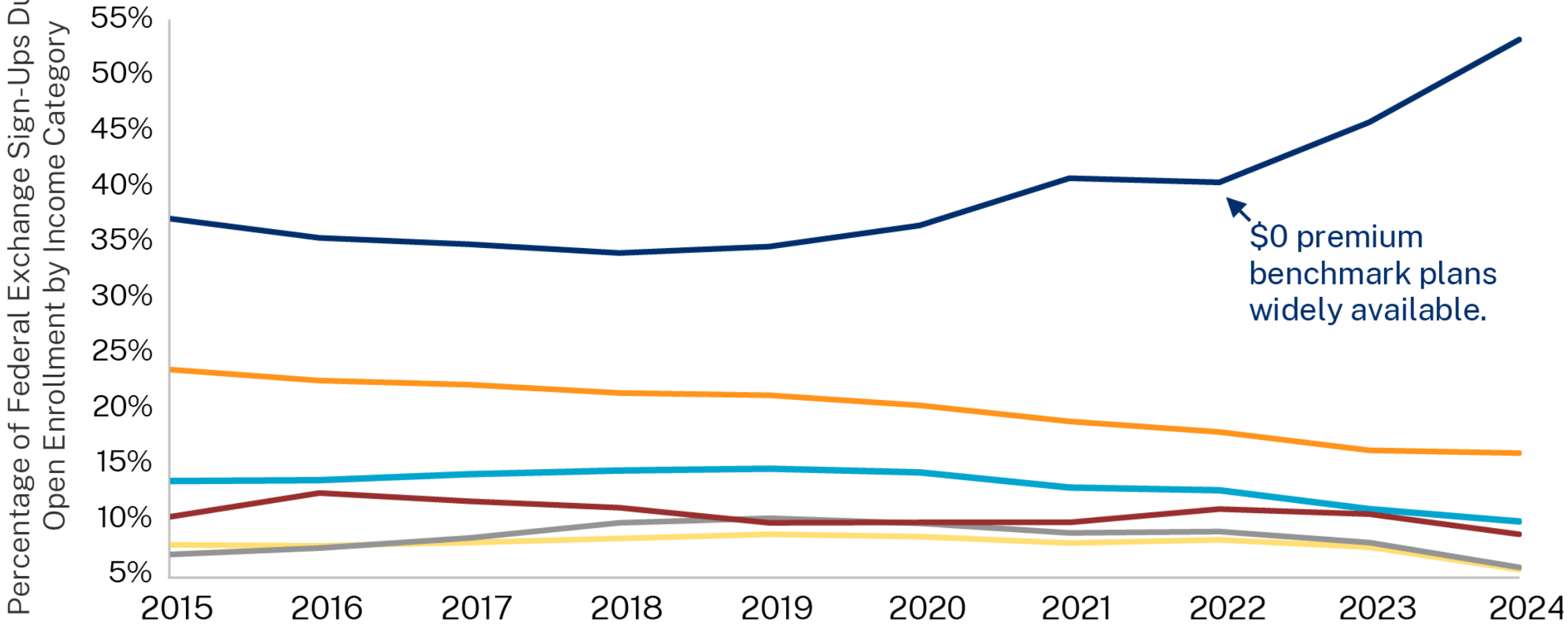
JUNE 2024

Legislation Signed by President Biden Significantly Increased ACA Subsidies by Lowering Enrollee Premium Share



Source: CMS, *Plan Year 2023 Qualified Health Plan Choice and Premiums in HealthCare.gov Marketplaces*, October 26, 2022, https://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/2023QHPPremiumsChoiceReport.pdf.
Note: ARPA is the American Rescue Plan Act and IRA is Inflation Reduction Act.

Over Half of Federal Exchange Enrollees Now Report Income Between 100-150% FPL



SOURCE: Compiled from CMS Marketplace Open Enrollment Period Public Use Files.

Exchange Sign-Ups Reporting Income 100-150% FPL Compared to Total Potential Enrollees

State	Platform	Expansion Status	Exchange Sign-Ups (1)	Total Potential Enrollees (2)	Percentage (1)/(2)
Florida	HC.gov	Not Adopted	2,718,501	676,297	402.0%
Georgia	HC.gov	Not Adopted	834,058	338,044	246.7%
South Carolina	HC.gov	Not Adopted	301,553	147,569	204.3%
Mississippi	HC.gov	Not Adopted	210,749	104,613	201.5%
Texas	HC.gov	Not Adopted	2,133,460	1,097,793	194.3%
Utah	HC.gov	Adopted	133,065	79,712	166.9%
North Carolina	HC.gov	Adopted	507,098	304,295	166.6%
Tennessee	HC.gov	Not Adopted	310,781	207,288	149.9%
Alabama	HC.gov	Not Adopted	228,883	160,429	142.7%

SOURCES: American Community Survey 2022 1-year PUMS file and 2024 Open Enrollment File.

NOTES: Total potential enrollees are ages 19-64 and do not report Medicaid or Medicare coverage. NY, MN and DC are excluded from this analysis. NY and MN both have Basic Health Programs and do not provide detailed income information. DC is omitted because the majority share of plan selections in DC do not have income information recorded. The ACS data is adjusted to account for population growth, but this adjustment might not fully account for changes in distribution by FPL by state.

Cost of Great Obamacare Enrollment Fraud

We estimate 4-5 million fraudulently enrolled people.

We estimate fraudulent spending at $15-$26 billion in 2024.

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Potential Trump Reform Efforts (with Ideas for State Supporting Actions)

1) Expansion of Association Health Plans
2) Expansion of Short-Term Plans (**States Should Make Sure They Fully Permit Short-Term Plans & Permit Farm Bureaus to Sell Health Benefits**)
3) Building on ICHRAs
4) Implementation of Price Transparency Rules (**States Should Take Steps to Enforce Compliance**)
5) Pursuing Site Neutral Payments in Medicare (**States Should Consider Implementing Site Neutral Payments in their Medicaid Programs**)
6) **States Should Consider Implementing Reforms in the State Employee Health Plan**

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Main Problems with Medicaid

1) Obamacare expansion discriminates against the most vulnerable.
2) Enormous degree of 'money laundering' activities that lack transparency, raise costs, and favor politically-connected providers.
3) Formula advantages wealthy states over poorer states.
4) Too many people are on the program so the program is too large to serve those who need it well.
5) Large amount of misspending and waste, including through managed care organizations.
6) High improper payment rates, mostly from poor eligibility determinations.
7) Large expansions of Medicaid to adults have not produced beneficial health outcomes. *New Paragon paper*

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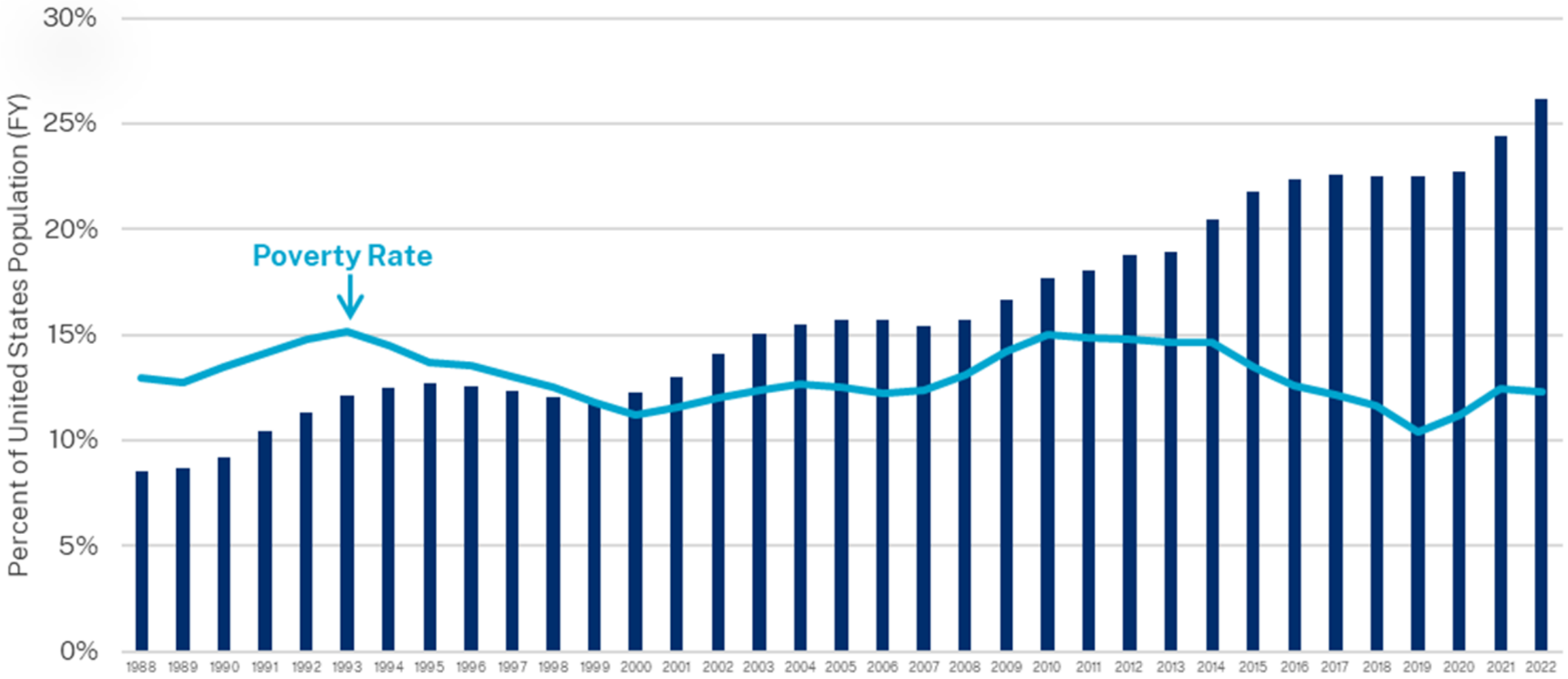
Medicaid is No Longer for the Poor

Enrollment Has Tripled over Last Three Decades as Enrollees Now Double People in Poverty



Source: MACStats - Medicaid and CHIP Databook 2023 Edition, Census Bureau, Centers for Medicare & Medicaid Services

Diminished Capacity to Finance Medicaid:

Now Fewer Than Two Workers Support a Medicaid Enrollee—Down from Five Workers Three Decades Ago

1988
5.1 to 1

2004
2.9 to 1

2022
1.8 to 1

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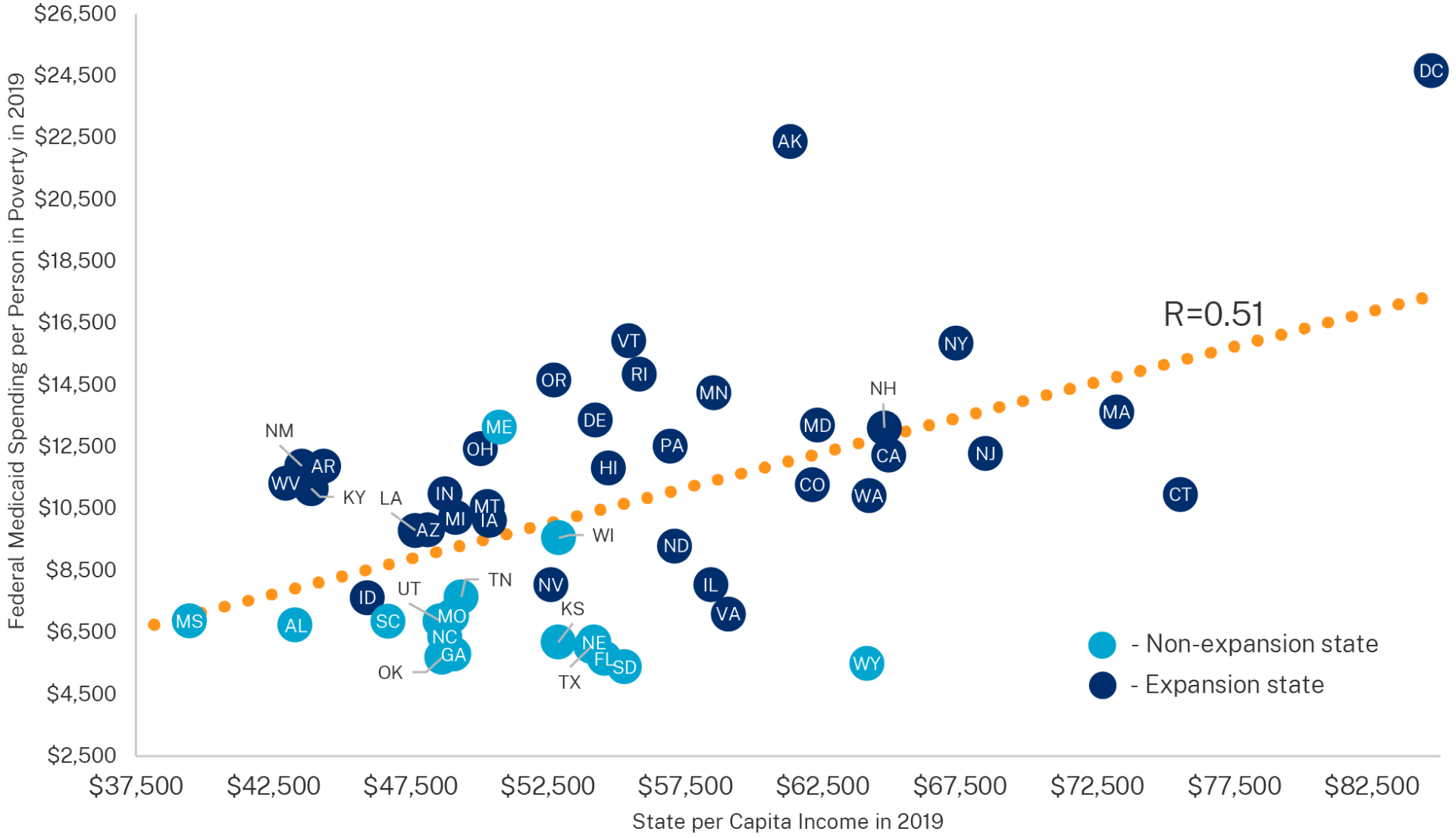
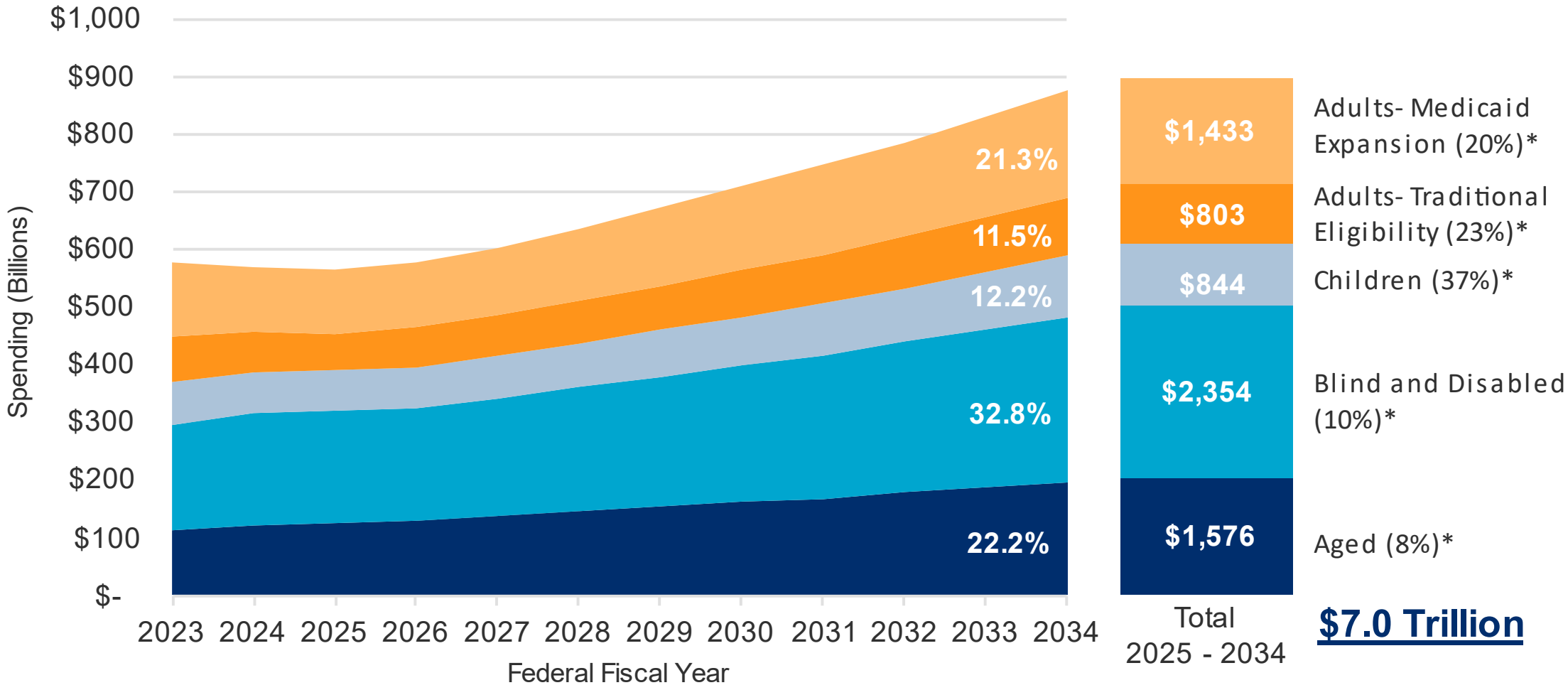
Higher Income States Receive More Federal Medicaid Money Per Person in Poverty (2019)



SOURCES: NASBO, "2021 State Expenditure Report;" Census Bureau, "Poverty: 2018 and 2019;" BEA, GDP and personal income data; KFF, "Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier."

Projected Federal Spending on Medicaid

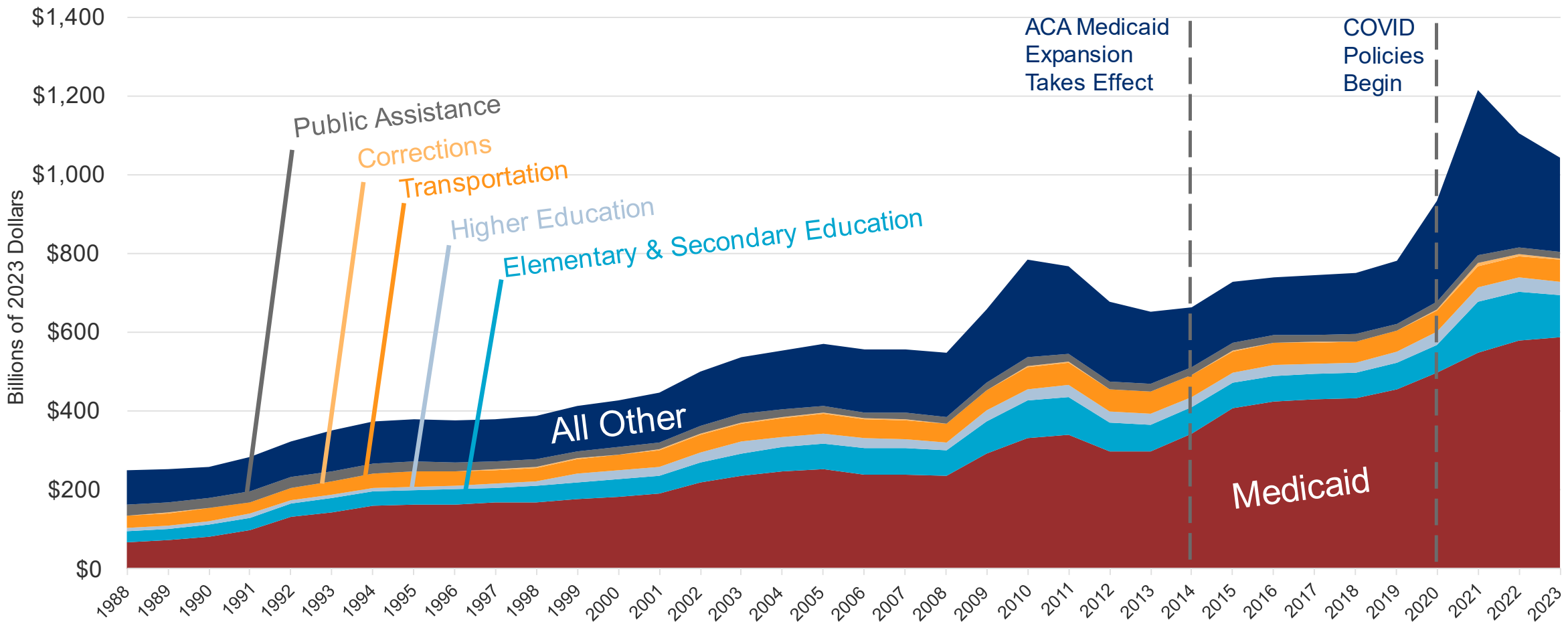


Source: Congressional Budget Office Baseline Projections (Jun. 2024)

* Percent enrollment in 2023

An Explosion of Federal Money To States For Medicaid

Federal funds for Medicaid are more than 5 times greater than Federal funds for Elementary and Secondary Education



Source: National Association of State Budget Officers' Annual Expenditure Reports

Medicaid Money Laundering

Financing Gimmicks

→ Washington reimburses artificial or fake expenditures, so providers and states develop accounting gimmicks and schemes to get money for nothing.

Supplemental Payments

→ An enormous and growing amount of Medicaid expenditures are targeted to politically favored providers and not in a way related to the Medicaid services provided.

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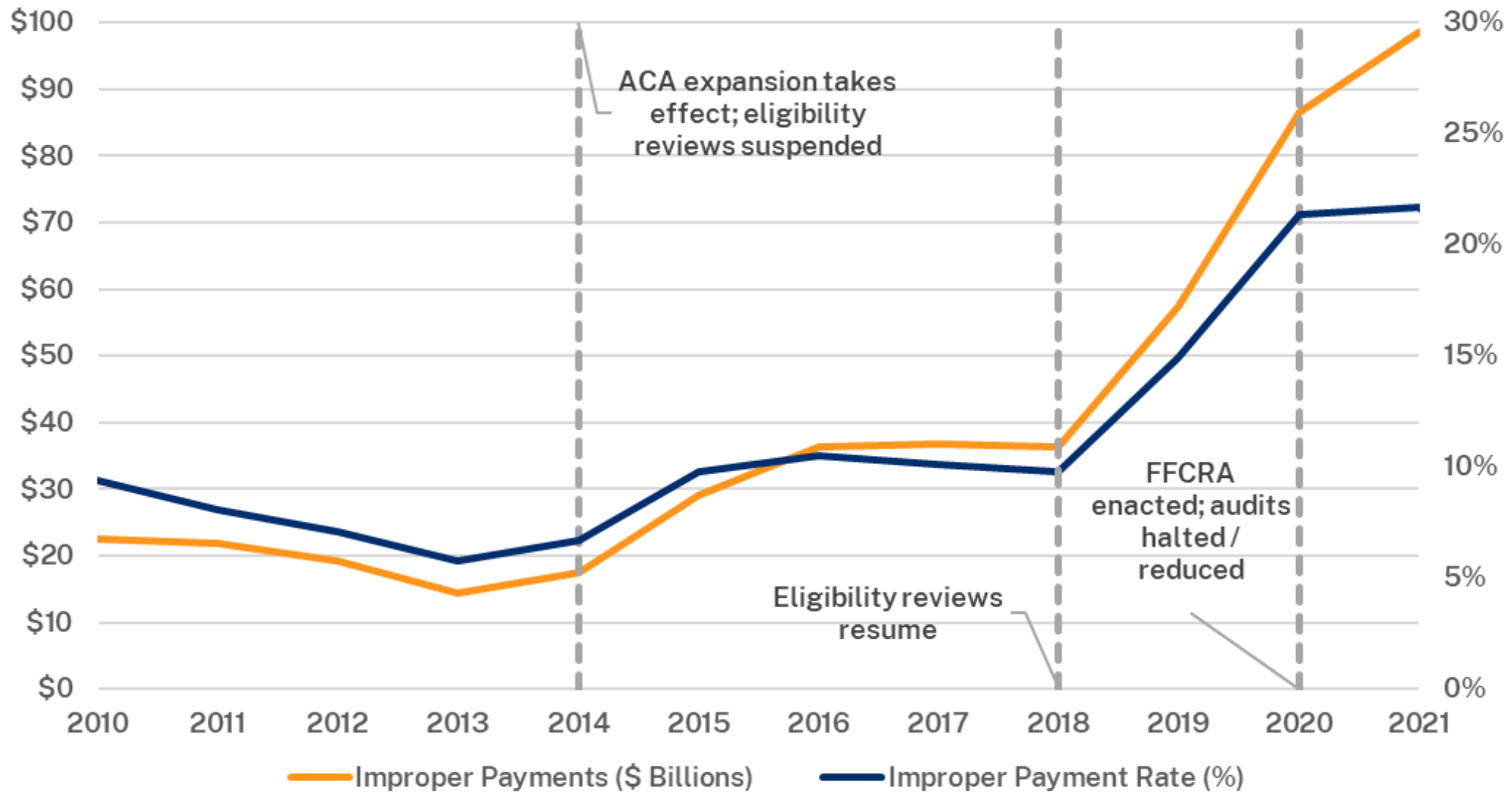
Medicaid's Growing Improper Payments



Centers for Medicare and Medicaid Services, "Payment Error Rate Measurement (PERM) Program Medicaid Improper Payment Rates," Last Modified November 2022, https://www.cms.gov/files/document/2022-perm-medicaid-improper-payment-rates.pdf

Likely/Potential Medicaid Changes Coming

- More frequent reviews of eligibility
- Work/community engagement requirements for able-bodied adults
- Additional scrutiny of financing gimmicks and supplemental payments
- Additional scrutiny of 1115 waivers, including budget neutrality and MCO contracting

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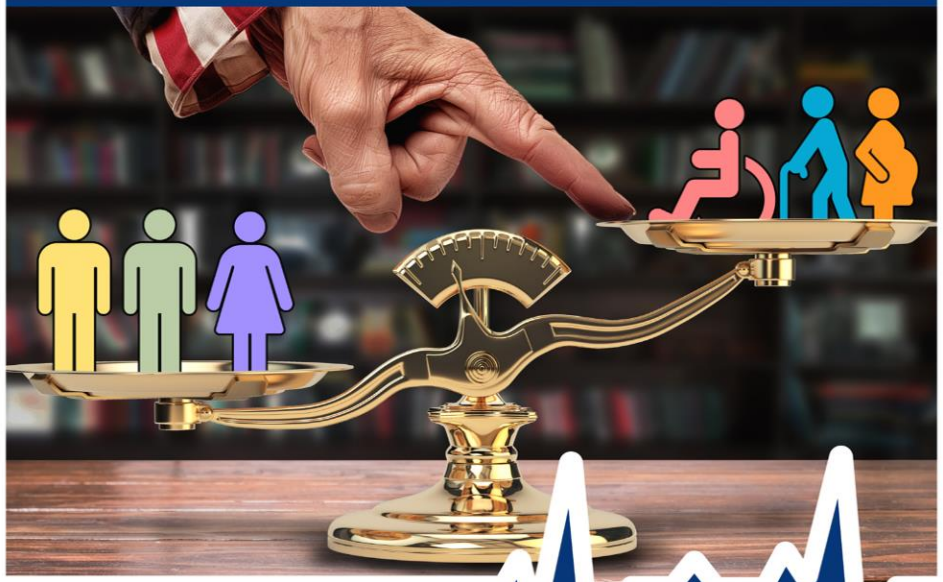

Medicaid Financing Reform

Stopping Discrimination Against the Most Vulnerable and Reducing Bias Favoring Wealthy States

Brian Blase, PhD Drew Gonshorowski

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JULY 2024

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Paragon Financing Proposal:
End Federal Discrimination Against the Most Vulnerable

1. Phase Down the 90% Expansion FMAP to Each State's Normal FMAP within a Decade

2. Move Expansion Enrollees with Income Above the Poverty Level to the Exchanges with a Premium Tax Credit

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Federal Fiscal Savings of Proposal #1, Reflecting Likely CBO Assumptions (2026-2034)

	CBO: Federal
Dropping Expansion for One-Quarter of <100% FPL Enrollees	$185.6B
Enrollment Loss for >100% FPL Enrollees Move to Exchanges	$92.6B
No Additional Medicaid Expansions	$40.3B
Reduction of 90% FMAP for < 100% FPL Enrollees	$166.2B
Medicaid to Exchanges for > 100% FPL Enrollees	$45.3B
TOTAL	$529.9B

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