



The American Health Care Act: Considerations for Tennessee March 23, 2017

PROTECTING TENNCARE MATTERS

- 1 in 5 Tennesseans access care through TennCare, including 50% of the state's children.¹
- TennCare is the single largest segment of the state budget.
- The federal government covers 61% of total TennCare spending (current FMAP is 65%).²
- 51% of all federal dollars spent in Tennessee in FY 2014-2015 were spent on TennCare.²

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BLOCK GRANT AND PER CAPITA CAP FORMULA CONSIDERATIONS FOR TENNESSEE

Base Year

- AHCA sets FY 2016 as the base year for per capita caps.
- FY 2016 was a low-cost year for TennCare spending per enrollee (\$7,085). Over the past decade, overall per enrollee spending was the highest in FY 2012-2013 (\$8,072 per enrollee).³
- Available figures are total TennCare expenditures per enrollee; TennCare spending and enrollment data by eligibility categories outlined in AHCA are not available for FY 2016.

Growth Rate

- AHCA's growth rate is the medical care component of CPI (CPI-M), except for the elderly and disabled eligibility categories, which would have a growth rate of CPI-M +1.
- The average annual growth in TennCare per enrollee spending has been slightly less than CPI-M over the past decade. TennCare per-enrollee growth did exceed CPI-M in 4 of the last 10 fiscal years.³
- However, excluding negative annual per-enrollee cost growth in FY 2013-2014 and FY 2014-2015, due to lower-cost enrollees remaining on the rolls, TennCare's spending grew faster than CPI-M.
- The structure of the per capita cap proposed in AHCA would not allow the federal government to cover more than 65% of state spending on TennCare, even if TennCare spending is less than the target or cap.³

Other Considerations

- Since AHCA is a reconciliation bill, budget rules prevent it from including provisions increasing state Medicaid flexibility.³ Legislation providing state flexibility would have to secure at least 60 votes in the Senate.



PROGRESS TOWARDS COVERING THOSE WITH BEHAVIORAL HEALTH NEEDS IN TENNESSEE

The Tennessee State Assembly's 3-Star Health Task Force, appointed by Speaker Harwell in April 2016, explored options for increasing access to care for Tennesseans. Its initial focus was on those with behavioral health needs. The Task Force visited CMS with Dr. Wendy Long in June, and Health Committee Chairman Cameron Sexton continues to lead a new Task Force on the Opioid Crisis.

We estimate that there are more than 1.1 million adults (ages 18-64) with a mental health or substance use disorder in Tennessee (28% of individuals aged 18-64). Of those, 232,000 are uninsured, with 97,000 falling below 138% of the Federal Poverty Level (FPL). We estimate that between 49,126 - 65,857 uninsured adults (ages 18-64) in Tennessee have a severe mental illness.⁴

If the base year for per capita caps is set at FY 2016 and legislators pursue Medicaid coverage for low-income Tennesseans with behavioral health needs in 2017, the state would be adding a high-cost population after the AHCA base year of 2016. Subjecting Medicaid to the changes outlined in AHCA will effectively terminate any real possibility of expanding coverage to individuals identified by the legislative task force as the most at-risk Tennesseans.

In addition, one of AHCA's manager's amendments bars new states from expanding Medicaid and receiving enhanced federal funding for that population after 2017. This amendment would make it difficult for the 3-Star Taskforce to move towards covering Tennesseans with behavioral health needs.

For more information about our work with the 3-Star Task Force, go to: <https://medschool.vanderbilt.edu/health-policy/featured-publications-presentations-resources-0>.

POSSIBLE SAFETY NET FUNDING FOR TENNESSEE

For non-expansion states, AHCA creates a \$2 billion/year pool of safety net funds for 4 years. These funds could only be used to increase Medicaid providers payments and would be allocated based on each state's share of individuals with incomes under 138% FPL in 2015. Tennessee could potentially be eligible for approximately \$115 million per year – or \$460 million over 4 years (CY 2018-2021).³ This is less than the amount of additional federal funding that the 3-Star Taskforce envisioned funds for improving access to care for those with behavioral health needs.

ACA & AHCA TAX CREDITS

ACA tax credits are based on an individual's income and the cost of health insurance premiums in that individual's area. AHCA's proposed tax credits would be based on an individual's age and change only with annual inflation.⁵

The CBO concluded that AHCA's tax credits would be less generous than the ACA's for people in areas with higher premiums, for those with lower incomes, and for older adults.⁶ In addition, premiums in Tennessee's individual market are high relative to the national average, so Tennesseans would be disadvantaged relative to those in states with lower premiums.



¹ HCFA 2017 Budget Presentation, <https://www.tn.gov/assets/entities/hcfa/attachments/HCFABudgetFY17.pdf>.

² "Medicaid Reform 101: More than Just Block Grants," Sycamore Institute, January 26, 2017, <http://www.sycamoreinstituten.org/wp-content/uploads/2017/01/Medicaid-Reform-101-TSI-Brief-5-of-5-2017-05.pdf>.

³ "How U.S. House Medicaid Reforms Could Impact TennCare," Sycamore Institute, March 10, 2017, <http://www.sycamoreinstituten.org/wp-content/uploads/2017/03/U.S.-House-Medicaid-Reforms-and-TennCare-by-The-Sycamore-Institute-2017-07.pdf>.

⁴ ASPE's prevalence estimates for Tennessee updated by VUSM Dept. of Health Policy with 2015 ACS population data, <https://aspe.hhs.gov/system/files/pdf/190506/BHMedicaidExpansion.pdf>.

⁵ "AHCA vs ACA: Tax Credits, Insurance Premiums, and the Big Picture," Sycamore Institute, March 16, 2017, <http://www.sycamoreinstituten.org/2017/03/16/ahca-vs-aca-individual-market/>.

⁶ Congressional Budget Office Cost Estimate: American Health Care Act, March 13, 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/americanhealthcareact.pdf>.