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Medicaid could struggle to cover breakthrough treatments under GOP's plans



Columbia Basin Herald/AP A woman holds one of three medications she uses to treat her HIV. Medicaid has helped to stem emerging threats like HIV/AIDS, and advocates worry it will be hindered under Republican plans.

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ASHINGTON — Under the GOP's vision for overhauling Medicaid, the program could struggle to afford expensive breakthrough treatments, cutting off its recipients from the latest medical innovations, warn policy experts and patient advocates.

Republican plans to institute some kind of Medicaid spending cap would mark a fundamental change in the nature of the program. Right now, the federal government (with mandatory matching funds from the states, which actually administer Medicaid) pays whatever costs recipients incur for care that is covered by the program.

The most recent versions of the GOP plan¹, however, would institute a per-capita spending cap, meaning states would receive a set dollar amount for each person eligible for the program. In turn, states would likely be given more flexibility to decide who is eligible for Medicaid, what to require of them, and what

care is covered. Republican lawmakers argue that the program must be changed if it is to be fiscally sustainable.

But critics of GOP plans say a spending cap would hinder Medicaid's ability to cover revolutionary, and expensive, new treatments in the future.

"It's a huge concern," said Barbara Otto, CEO of Health and Disability Advocates, a group that represents populations with complex medical needs that mostly depend on Medicaid. "When you're under per-capita caps, you're not able to be innovative."

Supporters of a Medicaid overhaul know it's an issue that they will have to grapple with. Lawmakers on the House Energy and Commerce Committee will meet on Tuesday and Wednesday² to begin working through the technical details of the GOP's plans, likely to be pursued as part of repealing and replacing the Affordable Care Act³.

"It's an appropriate concern," said Ed Haislmaier, a senior research fellow at the Heritage Foundation, who advised President Trump's team on health care policy during the transition. "We've had these issues before, and that will come up. That will have to be hashed out."

Lobbyists representing pharmaceutical and medical device companies here, as well as representatives at some top firms, are monitoring the GOP's plans closely. Medicaid isn't a cash cow for industry, because of federally mandated discounts, but it still spends more than \$20 billion per year on drugs⁴ even after those discounts.

Under the current system, state Medicaid programs have already fought to restrict access to⁵ new hepatitis C drugs that have been both life-changing and, in some cases, prohibitively expensive. That kind of fight could become more common if states have a hard cap on the Medicaid funding they receive from Washington and more flexibility to limit coverage.

Companies making those drugs — or others that treat conditions disproportionately affecting poor Americans, like end-stage renal disease — would be particularly at risk.

So would patients who stand to benefit from these breakthrough treatments, or who are most at risk of the latest medical scourge.

Medicaid has a history of responding to emerging threats by covering novel treatments. The program was instrumental in providing drugs to people with HIV/AIDS⁶ to help stem that epidemic. It also covers medications and other services for people with cystic fibrosis⁷, who are now living much longer after recent medical advances.

But that also means health care for medically vulnerable patients costs more in the long run.

"After you set these [spending] levels, you're not going to have as much ability to take into account advances in medical technology and new science," said MaryBeth Musumeci, who studies Medicaid at the Kaiser Family Foundation.

Republicans are only beginning to work on the kind of technical details in their plans that would account for that issue.

First, they'll decide how to come up with the new per-capita funding formula. Recent GOP proposals have provided different allotments for different populations: States would, for example, receive a bigger allotment for the disabled. Lawmakers will also have to decide what funding level to use as a starting point to create the caps and how to account for that fact that there are huge disparities in Medicaid spending across states. What federal rules will states need to abide by and how much flexibility will they have?

Then there's the big one, at least when it comes to paying for these future breakthrough treatments: How will the cap be increased in the future? Conservative policy experts point to that indexing, as well as the lower costs that come once drugs go off patent, as the best hope for addressing this conundrum.

In the short term, difficult choices will have to be made, they acknowledge. The program won't be able to adjust to an expensive new drug on the fly. Once states hit their federal spending caps, they could be on their own trying to cover these new treatments.

"There would have to be some economizing in other ways to fit it in," said Jim Capretta, a health care policy expert at the American Enterprise Institute. "Some state money might be needed."

The GOP's goal would be to create a formula that would be able to account for costs of future treatments and increase funding to states accordingly. Capretta said that formula "could reflect at least in part the pressures that built from those" expensive new treatments.

The question is whether they really can. Any hiccups, and any hard choices that states have to make under new spending caps, could have serious ramifications for the poorest and sickest Americans that Medicaid covers.

"Any delay in access to care, that could mean bad things for people who have a lot of health care needs," Otto said.

Links

1. <http://kff.org/report-section/overview-of-medicaid-per-capita-cap-proposals-issue-brief/>
2. <https://energycommerce.house.gov/hearings-and-votes>
3. <https://www.statnews.com/2016/11/09/obamacare-fate-president-trump/>
4. <https://www.macpac.gov/publication/medicaid-spending-for-prescription-drugs/>
5. <http://www.governing.com/topics/health-human-services/gov-hepatitis-coverage-solvaldi-lawsuits.html>
6. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4194687/>
7. <https://www.cff.org/Assistance-Services/Insurance/Medicaid/Medicaid-and-CF-An-Overview/>

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