

## SB 6540, to request a Medicaid waiver to stabilize and improve the state Medicaid program

By Dr. Roger Stark, MD, FACS, Policy Analyst, Center for Health Care

February 2018

### Key Findings

1. Medicaid began in 1965 and has grown into one of the largest health coverage plans in the world. It is one of the largest yearly budget items for every state government, including Washington state.
2. Washington state officials expanded Medicaid as allowed under the Affordable Care Act (ACA) to any able-bodied person 18 to 64 years of age who earns less than 138 percent of the federal poverty level.
3. The ACA also increased the use of 1115 Medicaid waivers (1115A waivers) by providing billions of federal taxpayer dollars for innovative, pilot projects.
4. SB 6540 would require the state Health Care Authority to submit an 1115A waiver request to the federal Center for Medicare and Medicaid Services that would institute a work requirement where applicable, end retroactive benefits, and seek a capitated payment method.
5. SB 6540 would serve the public interest by helping to improve and stabilize Washington's Medicaid program.

### Introduction

The Medicaid entitlement program began in 1965 as a government health insurance safety-net for children of low-income families and the disabled. It has since grown into one of the largest health insurance plans in the world and is one of the largest budget items for the federal government and state governments.<sup>1</sup>

Last year, total public spending on Medicaid was \$545 billion and this spending is projected to increase to \$700 billion by 2020. Although some individuals have successfully accessed health care through Medicaid, independent research shows that, in general, having Medicaid health insurance provides patients with no better medical outcomes than being uninsured.

The federal government has allowed states to request and receive Medicaid waivers since the beginning of the program. These waivers must follow strict guidelines, must be budget neutral, and are subject to federal oversight. In the past 50 years, the federal government has granted over 500 Medicaid waivers nationally, with 14 being granted to Washington state.

The Affordable Care Act (ACA) expanded Medicaid to any able-bodied, childless person 18 years of age to 64 years of age who earns less than 138 percent of the federal poverty level, or about \$16,000 per year. In 2012, the U.S. Supreme Court ruled that the federal government could not force states to expand Medicaid, thus making participation in Medicaid expansion optional for states. To date, officials in 32 states, including Washington, have expanded Medicaid under the ACA.

The ACA also increased the use of 1115 Medicaid waivers (1115A waivers) by providing billions of federal taxpayer dollars for

---

1 "Administrative improvements to the Affordable Care Act and state options for health care reform," by Roger Stark, MD, Policy Brief, Washington Policy Center, January 2018, at <https://www.washingtonpolicy.org/library/doclib/Stark-Administrative-improvements-to-the-Affordable-Care-Act-and-state-options-for-health-care-reform.pdf>.

innovative, pilot projects in the states. In order to be approved, these plans must reduce costs and improve health quality in the Medicaid program for the state making the application.

## Summary of SB 6540<sup>2</sup>

SB 6540 would require the state Health Care Authority (HCA) to submit an 1115A waiver request to the federal Center for Medicare and Medicaid Services. The waiver would include three parts.

First, the waiver would ask for a work requirement for able-bodied adults 18 years of age to 64 years of age. The work requirement would be satisfied by holding a job, attending school, job-seeking, work training, or caring for a dependant person.

Second, the waiver would eliminate the three month retroactive coverage benefit in Medicaid, except for pregnant women and children under the age of one.

Third, the waiver would seek a capitated (per-person) payment method per enrollee rather than open-ended coverage.

The bill would also ask the HCA to consider imposing co-pays for inappropriate emergency room use, asset assessments (total worth rather than income alone) and limitations for Medicaid enrollment, and a penalty of cost-share if an enrollee has a non-Medicaid annuity for long-term care.

SB 6540 would require public input, status reports from the HCA to the joint select health care committee, and identification of the necessary changes to state law.

## Policy Analysis

Federal officials report that Medicaid is not financially sustainable in its present form.<sup>3</sup> The program began as a popular, limited safety-net entitlement for the most needy. Over the years it has become an unsatisfactory health insurance plan that is a financial burden on

state governments. It also crowds-out funding for other necessary functions of government such as education, transportation, and law enforcement.

To protect the most vulnerable people in our state, Medicaid reform is mandatory.

Placing a work requirement on able-bodied enrollees is a simple step to allow people to assume their full potential and independence. It would provide an opportunity for enrollees to work their way out of poverty and create a more financially stable future. It would encourage healthy people to have the dignity of providing for themselves, without relying on subsidized health care or other forms of tax-funded welfare.

As it stands now, Medicaid is an open-ended entitlement based on the fact that the more a state spends on the program, the higher the matching payments are from the federal government. Placing a cap on the amount that the state can spend per enrollee would force officials to prioritize the most needy in the program. The capitation policy would also strengthen Medicaid by controlling costs and making the program more reliable.

## Conclusion

Based on the research presented in our January 2018 study, SB 6540 would serve the public interest by helping to improve and stabilize the Medicaid entitlement program.<sup>4</sup> The bill would give state officials the flexibility to adjust the program to meet the needs of the people of Washington state. It would also ensure the benefits of the program are directed at families and individuals who need them most.

SB 6540 not only deserves a hearing so it can be properly discussed and debated, it should be embraced and supported by officials who want the best for the most vulnerable people in Washington state.

*Dr. Roger Stark, MD, FACS  
is Washington Policy Center's  
Health Care Policy Analyst*

*Nothing here should be  
construed as an attempt to  
aid or hinder the passage of  
any legislation before any  
legislative body*

*Published by  
Washington Policy Center  
© 2018*

*Visit [washingtonpolicy.org](http://www.washingtonpolicy.org)  
to learn more.*

<sup>2</sup> "Washington State Legislature, bill information, SB 6540-2017-2018," at <http://app.leg.wa.gov/bills/bills/BillNumber=6540&Year=2017>.

<sup>3</sup> "Medicare and Medicaid at fifty," by Roger Stark, MD, Policy Note, Washington Policy Center, September 2015, at <https://www.washingtonpolicy.org/library/doclib/Stark-Medicare-and-Medicaid-at-50.pdf>.

<sup>4</sup> "Administrative improvements to the Affordable Care Act and state options for health care reform," by Roger Stark, MD, Policy Brief, Washington Policy Center, January 2018, at <https://www.washingtonpolicy.org/library/doclib/Stark-Administrative-improvements-to-the-Affordable-Care-Act-and-state-options-for-health-care-reform.pdf>.