NATIONAL TAXPAYERS UNION

August 17, 2018

The Honorable Seema Verma
Administrator, Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services
Submitted Electronically
Docket: Kentucky HEALTH - Application and CMS STCs

Dear Administrator Verma:

On behalf of National Taxpayers Union's (NTU) members in Kentucky and across the country, I am honored to provide comments in support of the Commonwealth of Kentucky's Section 1115(a) demonstration entitled, "Helping to Engage and Achieve Long Term Health."

Although much of the discussion over this application has centered on its proposed community engagement requirements, we wish first to offer our strong recommendation on behalf of its "My Rewards Account" and "Deductible Account" concepts. Similar mechanisms to these were a part of the "Healthy Indiana 2.0" initiative. While that effort contained many different elements and was certainly not perfect in achieving reform, overall Healthy Indiana 2.0 is widely acknowledged to have met with considerable success in providing increased access, encouraging healthier outcomes, and at least beginning to control Medicaid's untenable cost spiral within the state. It is therefore our belief that policies such as the My Rewards Account and Deductible Account can, given proper outreach and engagement with participants, gradually help to restore a key tenet of pro-taxpayer, patient-centered health care: that consumers are made more directly aware of the costs of care so that they may better collaborate with their providers in decisions that reflect the best personal value to them.

As noted earlier, however, the community engagement requirements of this application – though carefully drawn to prevent harm to the elderly, disabled, and others with special circumstances – seem to have elicited the most responses to the request for public comment. Many of these mention a June 2018 federal court ruling, which chided the Health and Human Services Secretary, claiming that "The record shows that 95,000 people would lose Medicaid coverage, and yet the Secretary paid no attention to that deprivation."

The ruling may have turned upon Administrative Procedures Act considerations, but the deciding judge's contention, expressed above, betrays a superficial analysis. For one, the Commonwealth's estimate includes those beneficiaries who would transition out of the program and obtain different kinds of non-Medicaid health coverage as their incomes increase. Near- or long-term self-sufficiency is, after all, a purpose of some of the community engagement requirements in the application, among them employment, education, or skills training. In addition, Kentucky's Governor has recently announced a partnership with the Foundation for a Healthy Kentucky with the goal of helping those Kentuckians who are eligible for Medicaid to meet the new waiver requirements, according to the Foundation's President Ben Chandler. Former Congressman Chandler (D) also noted that, "Not at any time have any of these folks here suggested to us they are trying to throw people off Medicaid."

Furthermore, the federal government itself has indeed "paid attention" to how some of the proposed community engagement requirements could improve the lives of low-income Americans and strengthen the social safety net for those who need it most. An exhaustive July 2018 overview from the Council of Economic Advisers, "Expanding Work Requirements in Non-Cash Welfare Programs," is the latest such contribution. The 64-page report, drawing upon research from programs that mandate work, community service, or other engagement for government benefits (e.g., Temporary Assistance to Needy Families and housing aid) as well as those that don't, drew three conclusions:

1) " [A] dramatic reduction in material poverty over the past several decades coincided with a substantial reduction in self-sufficiency of the non-disabled," suggesting that "it may be time for a renewed focus on increasing employment and reducing dependency."

2) "[E]xpanded work requirements would increase the incentive for individuals to work without exacerbating the high marginal tax rates faced by some current low-wage, part-time workers." This is an important consideration for organizations such as NTU, which advocate on behalf of all taxpayers, including those with moderate incomes.

3) "The evidence on welfare programs suggests that work-conditioned programs are uniquely able to both increase adult employment and improve child outcomes. Given the trends and evidence discussed here, along with a current economy in which labor markets are extremely tight, now is the ideal time to expand carefully designed work requirements to non-cash welfare programs."

Thoughtful stakeholders may not agree with these conclusions, and the evidence shows that small differences in the design of public policy responses to these matters can lead to significant differences in results. Nonetheless, it would be a mistake to infer that Kentucky's application is ungrounded in any kind of empirical foundation.

Amid these signs of serious deliberation among public officials is the court decision's apparent lack of forethought given to Kentuckians – and taxpayers across the nation – of a fiscally unsustainable Medicaid program. Approaches such as Kentucky's, and others of a similar vein in Arkansas, Indiana, New Hampshire, and elsewhere, are necessary to both the fiscal soundness and the quality of patient care in Medicaid.

Opinions vary about the degree of Medicaid's fiscal peril, but few would dispute that its condition is of major concern. According to the National Association of State Budget Officers, Medicaid comprised 29 percent of all state expenditures in Fiscal Year 2017, the fifth year in a row this share has risen. Only elementary and higher education *combined* would exceed this amount. Although the share is smaller when expressed as a calculation from own-source budgets exclusive of federal aid, this is little comfort to taxpayers, who must cover the entire program's costs in either case. The picture looks equally daunting ahead. The Centers for Medicare and Medicaid Services' statistical projections show that for the period from 2017 through 2026, Medicaid expenditures will grow by an astounding total of 72 percent – faster than inflation, population, or Gross Domestic Product.

The application itself aims to slow the growth of total Medicaid expenditures in Kentucky from 32 percent over 5 years, to a somewhat more manageable 21 percent over 5 years. Without this type of restraint, not only could other parts of the Medicaid program be subject to less-judiciously designed economies, but other services to the poor could also be squeezed.

Moreover, although these costs are real they tend to manifest themselves in even more insidious ways than other entitlement programs. Social Security and Medicare Hospital Insurance face fiscal dangers of their own due to a variety of factors, but for all their flaws the trust-fund accounting procedures under which they are governed provide at least some regular, visible assessment of their financial condition. Medicaid does not operate with even this minimal early warning mechanism. Thus, rising Medicaid costs can appear less prominently but just as perniciously, in the form of creeping tax increases and cannibalized budgets from other public services. This is why particular attention must be paid to the plight of Medicaid now.

Those Americans who depend on Medicaid, as well as those Americans who pay for it, are counting on policymakers to pursue many avenues of reform. Kentucky's application is one of those avenues that should deserve exploration.

Thank you for your consideration of our views. If I can provide any additional information, I am at your service.

Sincerely,

Pete Sepp President

122 C Street, NW, Suite 650 * Washington, DC 20001 * Phone: (703) 683-5700 * Fax: (703) 683-5722 * Web: www.ntu.org