FY 2019 President's Budget – Health Care

Today, the White House released its FY 2019 budget proposal, outlining its policy priorities for the fiscal year. This is the first real budget of the Administration. The Administration reports that the budget will reduce the deficit by $3.6 trillion over 10 years. The Administration's annual budget exercise is a way to offer priorities and elevate issues that may not be palatable legislatively. In health care, the President's budget focuses on prescription drug pricing and opioid funding. It also includes a focus on repealing and replacing the Affordable Care Act (ACA) specifically referring to the last ACA repeal and replace proposal Graham-Cassidy. The budget also includes Medicaid per capita caps and block grants, repeal of the Medicaid expansion, and increasing state flexibility in administering Medicaid. Proposals in the budget that are regulatory in nature are definitely items we need to watch, and it is likely they would be approved and implemented under this administration. However, it is important to remember that any changes that require legislation is a high bar to meet, especially in an election year. Below are highlights on the budget that are worth monitoring as Congress begins its work on the FY 2019 budget.

Prescription Drug Pricing

The budget has a significant focus on prescription drug pricing. It proposes CMS to establish a new Medicaid demonstration to allow up to five states to develop and test a new structure, coverage options, and financing for prescription drugs. (This sounds similar to the pending 1115 Medicaid proposal in Massachusetts, signaling that CMS is likely to approve that waiver.) It also proposes a legislative change to clarify the Medicaid definition of brand drugs with the intent to reduce inappropriate classification of drugs as generics under the Medicare rebate program. (An issue that was recently highlighted in Mylan's classification of EpiPen as a generic.)

The budget also calls for a number of Medicare changes as it relates to prescription drug pricing. These legislative changes include, but are not limited to, creating a Medicare Part D beneficiary out-of-pocket spending cap, enhancing Part D plans' negotiating power with manufacturers, eliminating cost-sharing for generic drugs for beneficiaries who receive the Medicare part D low-income subsidy, and lowering beneficiary costs at the pharmacy counter by requiring plans to share at the point of sale a portion of rebates that plans receive from drug manufacturers.

Of note, the budget also calls for changes to the 340B drug discount program. It proposes to restructure the program to base hospital 340B drug payment discounts off of the amount of charity care provided and reduce 340B discounts to hospitals that provide low levels of charity care. (However, it is not specified how charity care is defined.)

Finally, it also proposes to accelerate the time it takes for generic drugs to come on the market.

Opioid Funding
The budget includes $5 billion over the next five years to combat the opioid crisis. The funding would be used to prevent abuse and help those who are addicted through increased media campaigns, utilizing innovate technologies, and supporting research. In Medicaid, the budget proposes to expand Medicaid coverage to Medication Assisted Treatment options, and notes forthcoming guidance from CMS that would set minimum standards for State Drug Utilization Reviews to reduce clinical abuse, and proposes to require states to track and act on high prescribers and utilizers of prescription drugs. The budget also proposes to test and expand a nationwide Medicare bundled payment for community-based medication assisted treatment (including reimbursement for methadone treatment), prevent prescription drug abuse in Medicare Part D, and revoke a provider's controlled substance prescribing certificate when there is a pattern of abusive prescribing.

Medicaid
The President's budget includes legislative changes that would reduce federal Medicaid spending by over $1.4 trillion over 10 years. A major point in the President's budget is its continued push to repeal and replace the ACA. The budget supports the Graham-Cassidy proposal that was debated in late 2017. The budget supports legislative Medicaid structural and financing reform changes that were included in Graham-Cassidy, including Medicaid per capita caps and block grants, and eliminating the Medicaid expansion. The budget also calls for increased state flexibility in administering the Medicaid program, including legislative proposals such as increasing co-payments for non-emergent use of emergency room services, requiring individuals to prove their immigration status before receiving Medicaid benefits, increasing flexibilities of Medicaid managed care waivers, and allowing states to consider certain assets as a basis for Medicaid eligibility. Additionally, the budget proposes to allow Medicaid DSH cuts to continue to FY 2026-FY 2028.

On the regulatory side, it also directs HHS to improve data collection and transparency of Medicaid supplemental hospital payments and to make non-emergency medical transportation (NEMT) an optional service.

Medicare
The President's budget proposal includes almost $500 billion cuts in Medicare funding over 10 years. In Medicare, the budget includes a focus on Medicare hospital payments. Specifically, it proposes legislation to combine Medicare, Medicaid, and Children's Graduate Medical Education (GME) funding under a capped federal grant structure, reduce Medicare bad debt payment, and establish a "new process to distribute uncompensated care amounts to hospitals based on their share of charity care and non-Medicare bad debt." The budget also proposes increased savings through the expansion in flexibilities around Accountable Care Organizations (ACOs), expanding the use of telehealth services, and expanding the durable medical equipment bidding process. It also calls for modifying the Merit-based Incentive Payment System (MIPS) payment system.

On the regulatory side, it proposes to implement a new patient case-mix classification methodology for payments to home health agencies, resulting in a $16 billion cut over 10 years. It also proposes to eliminate excessive payment in Medicare Advantage by using claims data from patient encounters.

Marketplace

The budget references the Graham-Cassidy $1.12 trillion block grant to states to cover individuals in a design of the state's choice. As a refresher, Graham-Cassidy block grant was to be distributed to states through a complex formula that would change over time (2020-2026). The Graham-Cassidy block grant funding formula would pit states against each other, primarily rewarding states that did not expand Medicaid and harming states that did expand Medicaid. It also set up for a funding cliff in 2026.

Additionally, the budget proposes appropriating cost-sharing reduction (CSR) payments for FY 2018 through the end of calendar year 2019. Also of note, the budget includes reducing the current 90-day grace period for an individual receiving an APTC to repay any missed premiums to 30 days. Individuals would be terminated from plans if they didn't pay their premiums after 30 days.