DRAFT - NOT FOR CIRCULATION

MODIFIED 6/96

Archer-Bliley Proposal

1. Base Allotment

Federal spending is set in legislation.

States receive an allocation from the Federal pool, theoretically based on a "needs-based amount", but constrained by:

- Adjustment factor (which makes sure that all States' allotments sum to the Federal pool)
- Floors, or minimum allotments and
- Ceilings, or maximum allotments.

Needs-based amount = Program Need (Poor people and Casemix)
x National Spending per Poor
x CPI
x Health Care Cost Index

Issues:

- It is a block grant. Federal spending is fixed and allocated formulaically to States. If one State gets a higher allotment others get lower allotments as a result. It is a quid pro quo.

- Does not change Federal spending with changes in inflation or caseload.

- Does not include caseload growth in the State allocation formula. Inflation is nominally included, but over-ridden by the floors, ceilings and adjustment factor.

- No State consistently gets the needs-based amount. All States are affected by the floors, ceilings and adjustment factor.

2. Umbrella Payments

The umbrella allows States to access additional funds for unexpected enrollment increases in guaranteed populations and certain option populations. For each group, this amount is calculated by:

Umbrella Payment = Excess enrollment x Per-beneficiary costs x Old FMAP

Excess enrollment = Actual enrollment - "Anticipated enrollment"

Anticipated enrollment = Previous year's actual enrollment
x (Base allotment growth - CPI)

Per-beneficiary costs = 1995 Medicaid spending per beneficiary trended forward using CPI

The calculation is made for all groups and then added. This means that if one group has lower than anticipated enrollment it may offset spending in groups with higher than anticipated enrollment.

Example: Assume that Florida and New York each have 100 kids in 2000. Both have actual enrollment of 104 kids in 2001. New York's base allotment growth is 2%, Florida's is 7.2%. Also assume that both have a per-beneficiary rate of $2,000.

New York:		
Anticipated enrollment =	100	100 x (2% - 3%) Note: The bill says that the growth cannot be negative, so it is 0%
Excess enrollment =	4	104 - 100
Umbrella payment for kids=	$8,000	4 x $2,000
Florida:		
Anticipated enrollment =	104.2	100 x (7.2% - 3%)
Excess enrollment =	-0.2	104 - 104.2
Umbrella payment for kids=	-$400	-0.2 x $2,000

Issues:

- Only helps for temporary increase, not sustained enrollment increases. The States start from scratch every year, since the "anticipated enrollment" is based on the previous year's enrollment. This means that the umbrella funds will help in the first year that a State expands to a group such as kids 13 to 18. However, in the following year, if there is no unexpected increase in enrollment, the State would have to accommodate the expanded population within their base allotment — with no help from the umbrella.

- High-cost States, which usually receive the floor growth rates, have easier access to the umbrella than low-cost States, which receive ceiling growth rates. Since the "anticipated enrollment" is based on the base allotment rate, the lower the base allotment growth rate, the more likely it is that you get funding — irrespective of the State's enrollment trends.

- Per-beneficiary amount is low. The spending per beneficiary is indexed by CPI, which is considerably below private health spending growth per person.

3. Undocumented Pool

A Federal pool of $3.5 billion over the 1997 - 2002 period will be proportionally allocated to the 15 States with the highest number of undocumented aliens.

4. Indian Pool

A Federal pool of $0.5 billion over the 1997 - 2002 period will be allocated to the States with Indian Health Services facilities or related facilities, in proportion to the number of Indians in those States.