

Summary of Kaiser Family Foundation FY 2020 and 2021 Budget Survey: State Medicaid Programs Respond to Meet COVID-19 Challenges

Overview

The Kaiser Family Foundation (KFF) conducts an annual budget survey of state Medicaid programs to explain trends in state Medicaid policymaking, assess fiscal challenges faced by states, and provide insights to federal lawmakers. This year, KFF's budget survey described states' efforts to meet Medicaid beneficiaries' needs during the COVID-19 pandemic. Out of 50 surveyed states, 43 responded in time to be included in KFF's analysis. The survey found that "most policy changes made in state Medicaid programs and issues identified for FY 2021 were related to responding to the COVID-19 [Public Health Emergency]," with many states' policies focusing on providing services for a growing number of Medicaid beneficiaries as states face unique financial difficulties. KFF's survey groups trends in policymaking into six major groups: eligibility, provider rates and taxes, delivery systems, long-term services and supports (LTSS), benefits and telehealth, and prescription drugs. After analyzing these policymaking trends, the survey describes states' unique financial challenges and priorities. See KFF's [executive summary of their 50-state survey](#) here.

Eligibility

As a part of the Families First Coronavirus Response Act and the Coronavirus Aid, Relief and Economic Security (CARES) Act, states can receive a 6.2 percentage point increase in the Federal Medical Assistance Percentage provided they meet certain "maintenance of eligibility" (MOE) conditions. Key among these conditions is the requirement that states provide continuous eligibility through the end of the month in which the public health emergency (PHE) ends for those enrolled as of March 18, 2020, or at any time thereafter during the PHE period. In addition to meeting these MOE requirements, several states reported plans to make permanent changes to streamline the Medicaid eligibility process; five states indicated their intention to introduce self-attestation of certain eligibility criteria, and 10 states reported expanding enrollment assistance or member call center capacity. Two states, Missouri and Oklahoma, are implementing Affordable Care Act (ACA) Medicaid expansion in Fiscal Year 2021 (FY 2021).

Provider Rates and Taxes

Facing increased financial strain as a result of the pandemic, more states are implementing policies to provide targeted support to providers rather than cut provider rates. KFF's survey found that more responding states "implemented or were planning fee-for-service rate increases relative to rate restrictions in FY 2020 and FY 2021". Nearly half of states said federal provider relief funds were not adequate for Medicaid providers, but states will be partially reimbursed by \$175 billion in provider relief funds disbursed to states from the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act.

Delivery Systems

12 states that provide Medicaid services through managed care organizations (MCOs) indicated plans to adjust MCO contract rates in response to lower rates of Medicaid service utilization and unanticipated treatment costs. Other delivery system-related policy trends include implementation of directed payments to certain provider types (14 MCO states), and "notable" changes in benefits and services covered under MCO contracts (12 states in FY 2020, seven states in FY 2021). Health plans are also increasingly focused on addressing social determinants of health (SDOH), with 27 responding states indicating an intention to introduce new policies addressing SDOH.

Long-Term Services and Supports

A majority of responding states reported concerns about the COVID-19 pandemic's impact on the LTSS direct care workforce, access to personal protective equipment (PPE), access to COVID-19 testing, and risk of COVID-19 infections for LTSS direct care workers. States' responses to these LTSS concerns have varied. Some states also noted their intention to retain some LTSS policy changes adopted in response to the pandemic, including the continuation of home- and community-based telehealth expansions.

Benefits, Cost-Sharing, and Telehealth

A majority of responding states added or expanded telehealth services in response to the COVID-19 PHE, and many states plan on extending these policy changes beyond the PHE period. Most responding states indicated that services delivered via telehealth had payment parity compared to similar face-to-face services.

Prescription Drugs

Despite the COVID-19 emergency, states continued to adopt pharmacy cost containment strategies. Managing the Medicaid prescription drug benefit and pharmacy expenditures remain top priorities for state Medicaid programs, with thirty-three responding states reporting plans to implement or expand upon at least one initiative to contain prescription drug costs in FY 2021.

Ongoing Challenges and State Priorities

Almost all responding states reported economic and budgetary challenges as a result of the pandemic. States are facing swelling numbers of Medicaid beneficiaries while also facing drastically decreased revenue and widening state budget gaps. However, Medicaid programs across states quickly adapted to deal with the pandemic while still staying focused on pre-pandemic priorities, including Medicaid expansion and pharmacy benefit reforms. Going forward, states still face many uncertainties, including the potential legal overturn of the ACA, persisting financial challenges after the end of the COVID-19 pandemic, and an ever-changing political landscape.