

## Trump officials plotting path for Medicaid block grants

By Rachana Pradhan and Dan Diamond  
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The Trump administration is quietly devising a plan bypassing Congress to let states receive block grants for Medicaid, a longstanding Republican goal, several sources with knowledge tell POLITICO.

Three administration sources say CMS is drawing up guidelines on what could be a major overhaul of Medicaid in some states. Instead of the traditional open-ended entitlement, states would get spending limits, along with more flexibility to run the low-income health program.

Aware of the political sensitivity, the administration has been deliberating and refining the plan for weeks, hoping to advance an idea that Republicans since the Reagan era have unsuccessfully championed in Congress against stiff opposition from Democrats and patient advocates. During the Obamacare repeal debate in 2017, Republican proposals to cap federal Medicaid spending helped galvanize public opposition, with projections showing millions would be forced off coverage. In addition to potential legal obstacles presented by moving forward without Congress, the effort could face strong opposition from newly empowered House Democrats who've vowed to investigate the administration's health care moves.

The administration's plan remains a work in progress, and sources said the scope is still unclear. It's not yet known whether CMS would encourage states to seek strict block grants or softer spending caps, or if new limits could apply to all Medicaid populations – including nursing home patients – or just a smaller subset like working-age adults.

A spokesperson for CMS did not comment on the administration's plans but indicated support for the concept of block grants.

"We believe strongly in the important role that states play in fostering innovation in program design and financing," the spokesperson said. "We also believe that only when states are held accountable to a defined budget — can the federal government finally end our practice of micromanaging every administrative process."

Republicans have sought to rein in Medicaid spending, especially as enrollment swelled under Obamacare's expansion of the program to millions of low-income adults in recent years. CMS Administrator Seema Verma has warned increased spending on the Medicaid expansion population could force cutbacks on sicker, lower-income patients who rely on the program.

The administration wants to let states use waivers to reshape their Medicaid programs, but the effort could face legal challenges in the courts. Waivers approved by the Trump administration to allow the first-ever Medicaid work requirements for some enrollees, for example, are already being challenged in two states.

Also complicating the administration's push: the newfound popularity of Medicaid, which has grown to cover about one in five Americans. Voters in three GOP-led states in November approved ballot measures to expand Medicaid, which has been adopted by about two-thirds of states. Newly elected Democratic governors in Kansas and Wisconsin are pushing their Republican-led legislatures to expand Medicaid this year.

Verma has been trying to insert block grant language into federal guidance for months but has encountered heavy scrutiny from agency lawyers, two CMS staffers said. She mentioned interest in using her agency's authority to pursue block grants during a meeting with state Medicaid directors in the fall but did not provide details, said two individuals who attended.

There is some precedent for the federal government capping its spending on the entitlement program. Former President George W. Bush's health department approved Medicaid spending caps in Rhode Island and Vermont that would have made the states responsible for all costs over defined limits. However, those spending caps were set so high there was never really any risk of the states blowing through them.

In recent years, governors have complained about the rising costs of Medicaid, which is eating up a bigger share of their budgets. States jointly finance the program with the federal government, which on average covers 60 percent of the cost - though the federal government typically shoulders more of the burden in poorer states. The federal government covers a much higher share of the cost for Medicaid enrollees covered by the Obamacare expansion.

An official from a conservative state, speaking on background to discuss an effort not yet public, said states would consider a block grant as long as the federal government's guidance isn't overly prescriptive.

CMS is hoping to make an announcement early this year, but it could be further delayed by legal review, which has already been slowed by the prolonged government shutdown.

Some conservative experts said the administration's plans ultimately may be limited by Medicaid statute, which requires the federal government to match state costs. However, they say the federal government can still try to stem costs by approving program caps.

"There's no direct provision of authority to waive the way that the federal government pays the states," said Joe Antos of the American Enterprise Institute, a right-leaning think tank. "However, that doesn't mean that you can't try to have some of the effects that people that like block grants would like to see, in terms of encouraging states to be more prudent with the ways they spend the money."



## **GOP seeks health care reboot after 2018 losses**

Alexander Bolton 01/09/19 06:00 AM EST

Republicans are looking for a new message and platform to replace their longtime call to repeal and replace ObamaCare, after efforts failed in the last Congress and left them empty-handed in the 2018 midterm elections.

Republican strategists concede that Democrats dominated the health care debate heading into Election Day, helping them pick up 40 seats in the House.

President Trump hammered away on immigration in the fall campaign, which helped Senate Republican candidates win in conservative states but proved less effective in suburban swing areas, which will be crucial in the 2020 election.

While Trump is focused on raising the profile of illegal immigration during a standoff over the border wall, other Republicans are quietly looking for a better strategy on health care, which is usually a top polling issue.

“Health care is such a significant part of our economy and the challenges are growing so great with the retirement of the baby boomers and the disruption brought about by ObamaCare that you can’t just cede a critically important issue to the other side,” said Whit Ayres, a Republican pollster.

“Republicans need a positive vision about what should happen to lower costs, expand access and protect pre-existing conditions,” he added. “You’ve got to be able to answer the question, ‘So what do you think we should do about health care?’ ”

A recent Associated Press-NORC Center for Public Affairs Research poll showed that 49 percent of respondents nationwide said government should tackle health care as a top priority, second only to economic concerns.

During his 2016 presidential campaign, Trump vowed to lower prescription drug costs, but the Republican-controlled Congress over the past couple of years focused on other matters. House Democrats who are now in the majority say they are willing to work with the White House on drug pricing, but it’s unclear if Republicans will take on the powerful pharmaceutical industry, long considered a GOP ally.

Republican candidates made the repeal of ObamaCare their main message in the 2010, 2012, 2014 and 2016 elections. But after repeal legislation collapsed with the late Sen. John McCain's (R-Ariz.) famous "no" vote, the party's message became muddled and Democrats went on the offensive.

Some Republicans continued to work on alternative legislation, such as a Medicaid block grant bill sponsored by Sens. Lindsey Graham (S.C.) and Bill Cassidy (La.), but it failed to gain much traction and the GOP health care message was left in limbo.

"We should be the guys and gals that are putting up things that make health care more affordable and more accessible," said Jim McLaughlin, another Republican pollster. "No question Democrats had an advantage over us on health care, which they never should have had because they're the ones that gave us the unpopular ObamaCare."

"We need to take it to the next level," he added. "You can't get [ObamaCare] repealed. Let's do things that will make health care more affordable and more accessible."

Senate Health Committee Chairman Lamar Alexander (R-Tenn.), a close ally of Senate Majority Leader Mitch McConnell (R-Ky.), says finding an answer to that question will be his top priority in the weeks ahead.

Alexander will be meeting soon with Sen. Patty Murray (Wash.), the top Democrat on the Health Committee, as well as Sens. Chuck Grassley (R-Iowa) and Ron Wyden (D-Ore.), the leaders of the Senate Finance Committee, to explore solutions for lowering health care costs.

"I'll be meeting with senators on reducing health care costs," Alexander told The Hill in a recent interview. "At a time when one-half of our health care spending is unnecessary, according to the experts, we ought to be able to agree in a bipartisan way to reduce that."

He recently announced his retirement from the Senate at the end of 2020, freeing him to devote his time to the complex and politically challenging issue of health care reform without overhanging reelection concerns.

Alexander sent a letter to the center-right leaning American Enterprise Institute and the center-left leaning Brookings Institution last month requesting recommendations by March 1 for lowering health care costs.

In a Dec. 11 floor speech, Alexander signaled that Republicans want to move away from the acrimonious question of how to help people who don't have employer-provided health insurance, a question that dominated the ObamaCare debate of the past decade, and focus instead on how to make treatment more affordable.

He noted that experts who testified before the Senate in the second half of last year estimated that 30 to 50 percent of all health care spending is unnecessary.

"The truth is we will never have lower cost health insurance until we have lower cost health care," Alexander said on the floor. "Instead of continuing to argue over a small part of the insurance market, what we should be discussing is the high cost of health care that affects every American."

A Senate Republican aide said GOP lawmakers are prepared to abandon the battle over the best way to regulate health insurance and focus instead on costs, which they now see as a more fundamental issue.

"There's no point in trying to talk about health insurance anymore. Fundamentally, insurance won't be

affordable until we make health care affordable, so we have to do stuff to reduce health care costs,” said the aide.

“There are lots of things that can be done to reduce health care costs that aren’t insurance, that aren’t necessarily partisan,” the source added.

“We’re looking at ideas that aren’t necessarily partisan and don’t advance the cause of single-payer health care and don’t advance the cause of ‘only the market’ but are about addressing these drivers of health care cost and try to change the trajectory.”

Another key player is Cassidy, a physician and member of the Health and Finance committees, who has co-sponsored at least seven bills to improve access and lower costs.

One measure Cassidy backed is co-sponsored by Sen. Tina Smith (D-Minn.), and would develop innovative ways to reduce unnecessary administrative costs.

Another measure Cassidy co-sponsored with Sens. Maria Cantwell (D-Wash.) and Tom Carper (D-Del.) would allow individuals to pay for primary-care service from a health savings account and allow taxpayers enrolled in high-deductible health plans to take a tax deduction for payments to such savings accounts.

He is also working on a draft bill to prohibit the surprise medical billing of patients.

McConnell signaled after Democrats won control of the House in November that the GOP would abandon its partisan approach to health care reform and concentrate instead on bipartisan proposals to address mounting costs, which Democratic candidates capitalized on in the fall campaign.

Asked about whether the GOP would stick with its mission to repeal ObamaCare, McConnell said “it’s pretty obvious the Democratic House is not going to be interested in that.”



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## The Pritzker Agenda

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Gov.-elect J.B. Pritzker takes office next week on the heels of the most decisive election victory in a generation. And he'll be working to pass his agenda through the biggest Democratic majorities in the General Assembly since the 1960s.

That raises a question: What precisely does that agenda consist of?

Watching campaign ads on TV, one could get the impression he promised little more than "fighting for the state of Illinois" and similar pap. But more substantive proposals are out there.

Early in his tenure, Gov. Bruce Rauner produced the "Turnaround Agenda." It included 44 bullet points of things he wanted to get done. But some of that was not what Rauner emphasized in his campaign — particularly his drive to weaken labor unions and their allies in the Democratic Party. So we thought it'd be useful to enumerate the Pritzker Agenda, at least as it existed when he was trying to convince Illinoisans to elect him.

We pulled the following list from primary and general election debates, speeches and news conferences before and after the election, and 21 separate "[J.B. on the issues](#)" pages from Pritzker's campaign website. (Taken together those pages comprise more than 19,000 words.)

Much of that consists of "principles" and "priorities" — vague ideas rather than specific initiatives. But to observers who judged him primarily on the platitudes heard in ads and debates, there is a surprising amount of detail.

This list will focus on the concrete proposals — things that can be enacted through legislation or through the executive branch of government — and may be more representative than comprehensive. The campaign cautions that these are priorities and principles, not demands. (That's in contrast with how Rauner asked legislators to approach his Turnaround Agenda in 2015: "We should consider it as a whole, not as a list of individual initiatives.")

Whether in five months after Pritzker's first legislative session, or in four years should he choose to run for reelection, this checklist can be used to judge Pritzker's progress toward enacting his agenda — and that of his opponents in trying to block him.

### Health Care

Pritzker made several promises in the area of health care, including the creation of a state "public health insurance option." The plan, called IllinoisCares, would let people buy into the state's Medicaid program.

His campaign says based on current Medicaid spending figures, that annual cost would be in the range of \$3,350 per adult and \$2,108 per child. Because people would have to buy in, he says the plan would have no cost to taxpayers.

### **Economy**

By my informal and likely erroneous tally, Pritzker's campaign pronouncements included the word "jobs" in every other sentence. Never mind that economists say governors don't have much influence on job creation — this is what modern politicians are compelled to say.

Pritzker says he would:

- Raise the Illinois minimum wage to \$15 an hour.
- Pass a big infrastructure spending bill — money used to build and repair highways, bridges, ports, public transportation, and government buildings.
- Make high-speed internet access available everywhere in Illinois.
- Upgrading the locks and dams on the Mississippi and Illinois Rivers.
- Update lead pipes in water systems.
- Make "microloans" more widely available.
- Pass a Truth in Lending Act, aimed at protecting small business owners.
- Increase funding for Small Business Development Centers.
- Review the Enterprise Zone Program to make sure the state is stimulating growth in the most economically distressed communities.
- Promote wind and solar power while also supporting the Advanced Coal and Energy Research Center at Southern Illinois University Carbondale. He's also pledged to "set Illinois on a path toward 100% clean, renewable energy."
- Make more money available to farms for investment in technology.
- Force "net neutrality" on internet service providers that have state contracts.
- Pursue legislation that prevents employers from asking about salary history.
- Support construction of a third Chicago airport near Peotone, in the far south suburbs, on the condition it doesn't take jobs away from O'Hare or Midway airports.

### **'Economic Inclusion'**

Pritzker outlined a number of policies intended to increase business opportunities for women and people of color:

- Increase the "aspirational goal" for the share of state contracts going to women- and minority-owned businesses to 30 percent.
- Create a cabinet-level position to make sure that aspiration becomes a reality.
- Have a loan program that helps minority business owners compete for state contracts.
- Start minority- and women-owned business "accelerators" to provide mentoring, financing and other help.
- Fund pre-apprenticeship programs to help people from disadvantaged communities get jobs in the building trades, both union and non-union.
- Expand employment programs for disadvantaged youth.
- Help "unbanked" communities by encouraging financial institutions to provide services in libraries and other public spaces.
- Cap rates for check cashing.

### **Taxes & State Government Administration**

Broadly speaking, Pritzker says he wants to "put the state back on firm financial footing." To that end, he says he would:

- Support a graduated or progressive income tax, where higher amounts of income are subject to higher tax rates. Such a change would have to be passed by the legislature and ratified by voters at a general election.
- Add progressively to the flat tax (while waiting for the progressive tax) by increasing the Earned Income Tax Credit and raising the overall tax rate. (That was during the campaign; after winning he backed off from this proposal.)
- Not in favor of increases in the gas tax, expanding the sales tax to cover services, or ending the tax exemption for so-called retirement income. (All three topics were presented at debates — those who supported the ideas were asked to raise their hands; Pritzker kept his down every time.)
- Support “fair maps” to stop legislators from gerrymandering their own district boundaries.
- Support term limits for leadership roles in the General Assembly, though not for legislators in general.
- Change annual state pension payments so they’re level every year, putting more money in up front rather than trying to cut benefits, thus fulfilling what he calls both a moral and legal obligation to workers and retirees.

### **Education, Preschool and Child Care**

- Lower property taxes, especially on lower-income households, as part of shifting the main funding burden for education from local government onto the state.
- Oppose the private school tax credit program or anything else that’s “siphoning off money from public schools.”
- Lowering the mandatory school enrollment age from 6 to 5.
- Incrementally enroll more 3- and 4-year-olds in preschool — about 12,500 a year for eight years.
- Increase access to state child care subsidies — to 200 percent of the federal poverty level from the current 185 percent, and let people gradually wind down participation as their income approaches 300 percent of the poverty level. (The campaign says 200 percent threshold would be about \$40,000 in annual salary for a family of three.)
- Add more preschool teachers and classrooms: “I’m going to establish new financial incentives for people to earn the appropriate credentials and enter the state’s early learning workforce.”
- Expand “birth-to-three” home visit services and create a “Family Engagement Portal” to educate new parents on child development.

### **Higher Education**

- Create a single, shared application for every state university in Illinois.
- Increase financial aid for low-income college students, known as Monetary Award Program or MAP grants, by 50 percent.
- Create a state-run program to help people refinance student loan debt.
- Restore funding for state universities and community colleges to levels that predate Gov. Bruce Rauner’s tenure.
- Assign a task force to study how Illinois might “set a course toward” free college.
- Make it so 90 percent of Illinois households can access the AIM-HIGH merit-based financial program.
- Ensure university credit for Illinois community college courses.
- Expand technical education and apprenticeships.
- Start new statewide competitions for university students to foster entrepreneurship.
- Have state grants seed start-ups based at universities.

## **Veterans**

- Let servicemen and -women more easily use past military experience to earn college credits.
- Make it easier to get a professional license based on military skills.
- Expand incentives for businesses to hire veterans.
- Reduce homelessness among veterans.
- Increase nursing staff at state veterans' homes.

## **Drugs: Opioids & Marijuana**

- Ensure physicians get more training in the dangers of opioid addiction, plus treatment options.
- Limit the number of days on someone's first opioid prescription.
- Increase access to drug courts and treatment facilities.
- Legalize marijuana for recreational use.
- Commute prison sentences of people incarcerated for marijuana (though very few people are in prison solely for marijuana offenses).
- Create a Cannabis Equity Program to promote minority entrepreneurs in the field, waiving fees and offering subsidized loans.

## **Criminal Justice**

- Ban assault weapons, bump stocks, and large-capacity magazines.
- Have universal background checks for all Illinois gun sales.
- Create a state license for gun dealers. (Legislation doing just that has already passed the General Assembly and is expected to be sent to Pritzker soon.)
- Direct state money to programs that interrupt violence and promote conflict resolution.
- Create a unit in the Illinois State Police to investigate gun trafficking and related crimes.
- Change sentencing laws by "adjusting" punishment for non-violent offenses, reducing the use of mandatory-minimum sentences, and giving judges more discretion to sentence people to probation.
- End monetary bail across the state.
- End the "unjust application of fees and fines" on people who cannot afford to pay them.
- Prioritize rehabilitation services in prison — job training, mental health and substance abuse treatment, and education.
- Place certain qualified ex-offenders in state jobs.
- Make the Traffic and Pedestrian Stop Statistical Study permanent.