

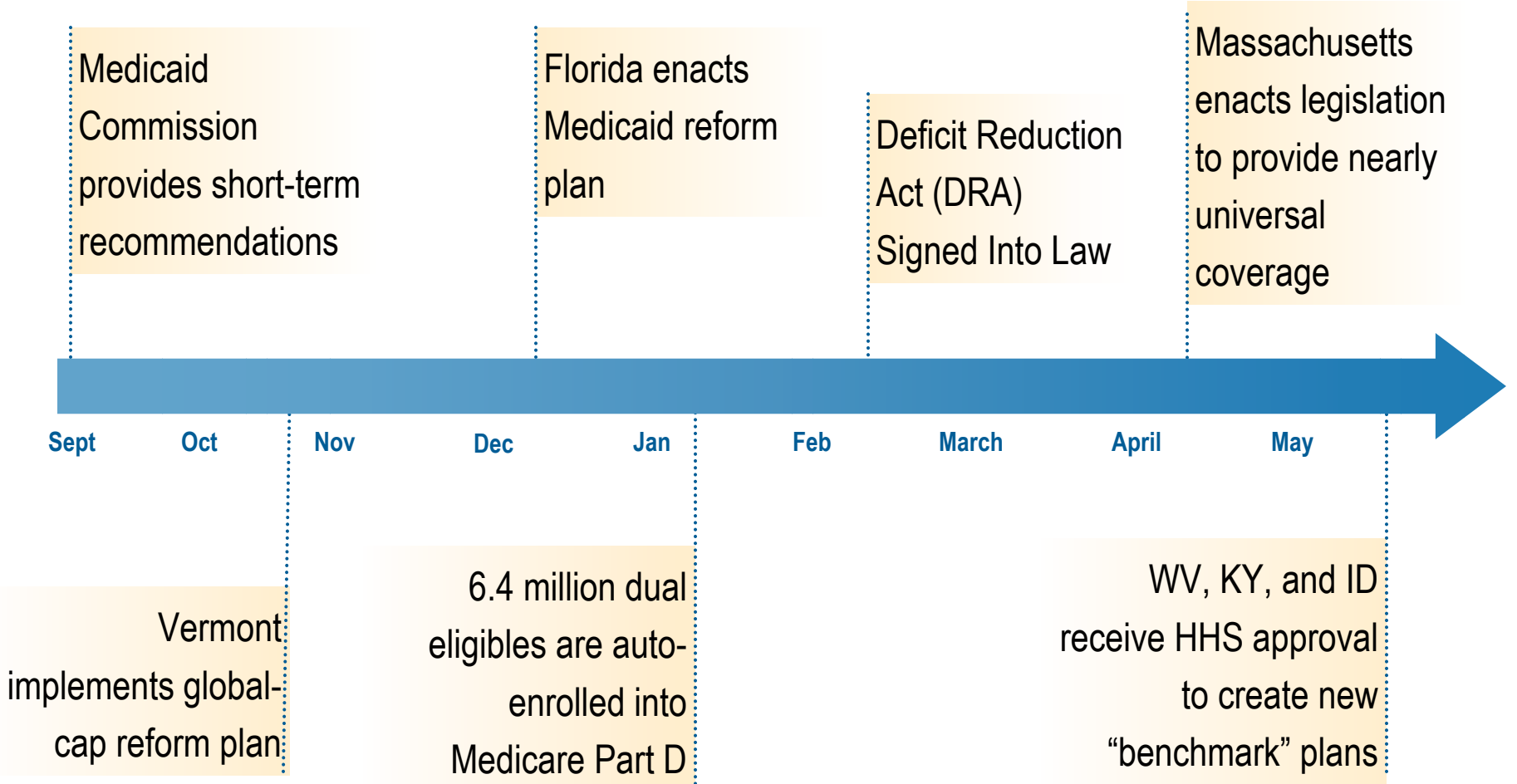


# The State of Medicaid Today

June 5, 2006

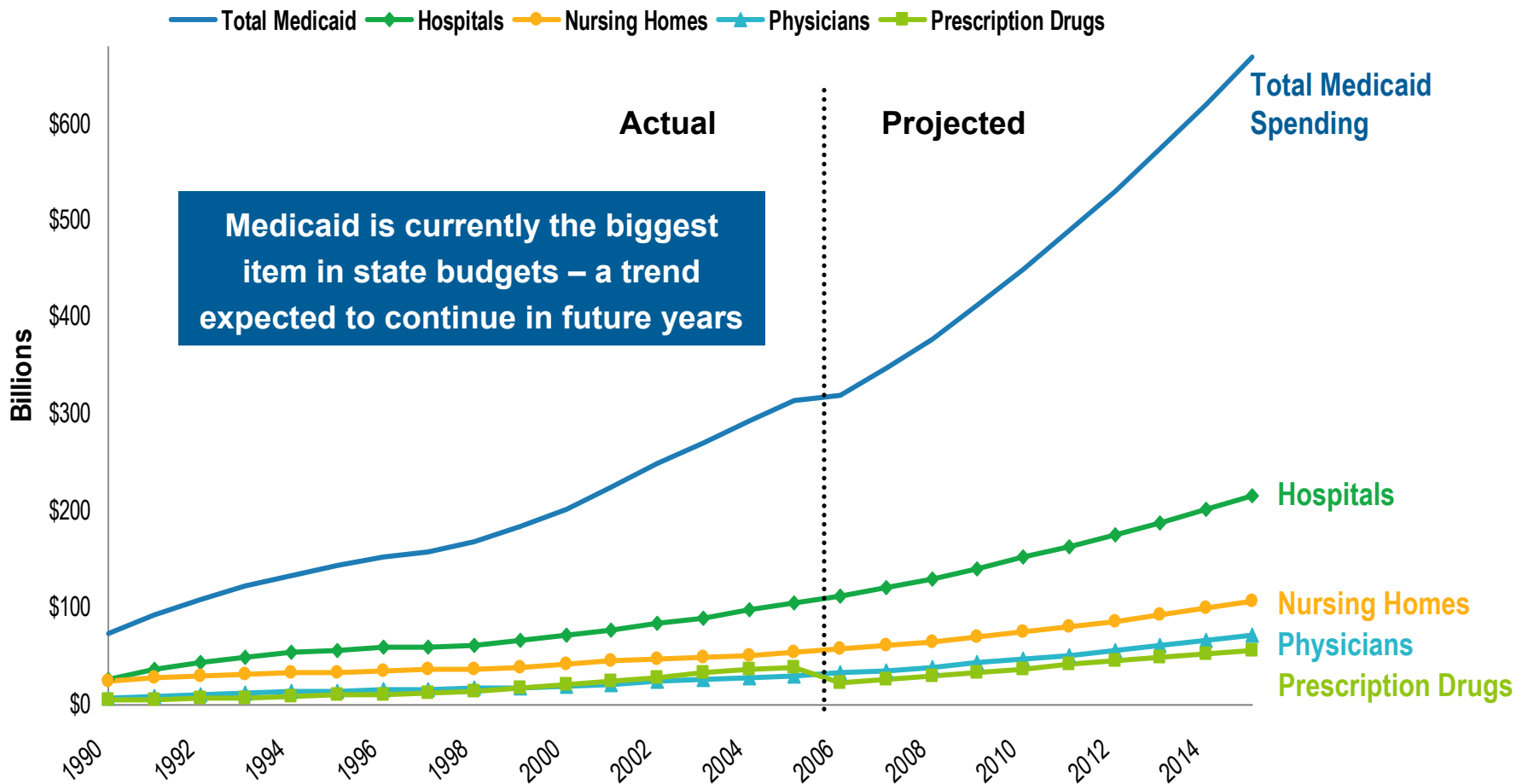
Jon Blum  
Avalere Health LLC

# Medicaid Timeline of Recent Events, 2005-2006



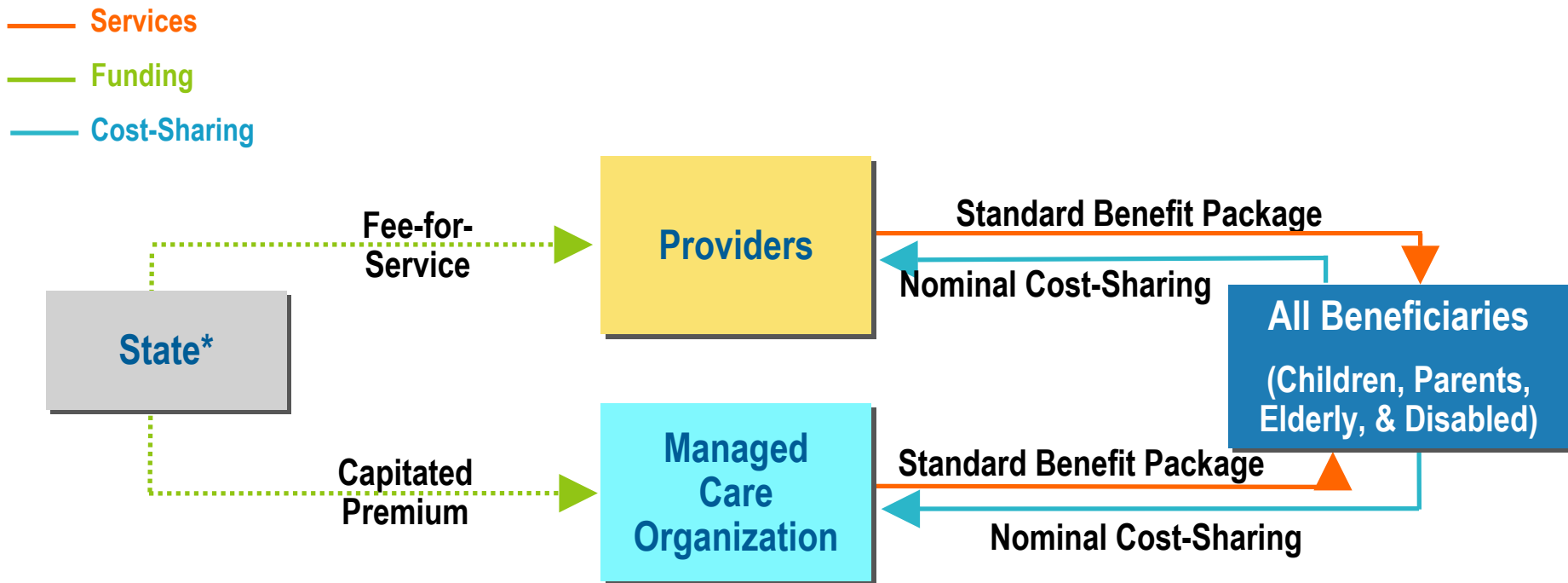
# As Medicaid Spending Increases, States Are Pursuing Innovative Reforms to Increase Efficiency & Reduce Costs

Medicaid Spending by Service, 1990-2015\*



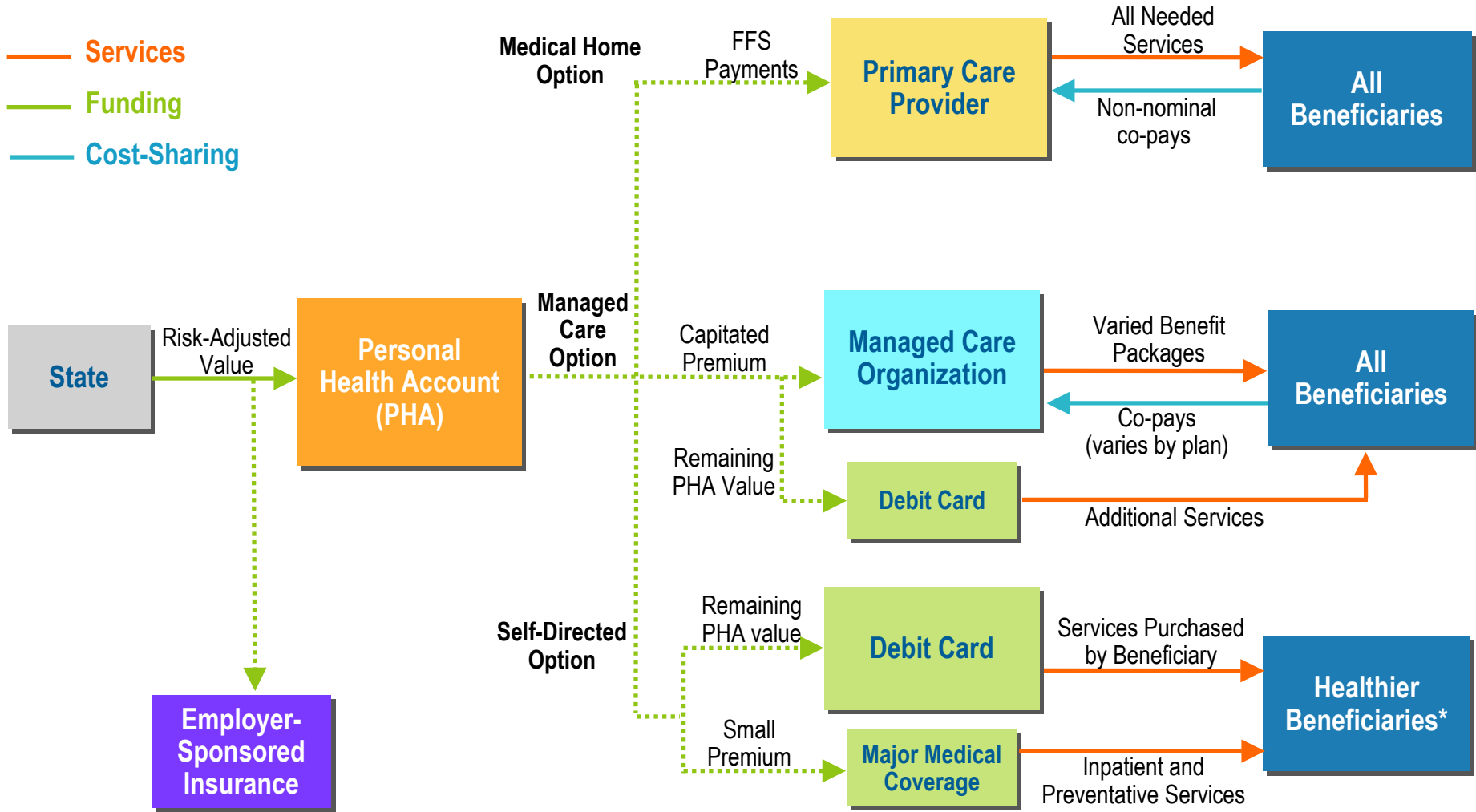
\* Source: CMS, National Health Expenditures. Years 2006 and beyond are projections

# The Medicaid Program of Old



\*In some states, counties make financial contributions to the state's Medicaid spending. Counties may also act as providers or managed care organizations in some cases.

# The Medicaid Program of New--the South Carolina Model



\*In order to be eligible for the self-directed care option, beneficiaries must not have a history of expensive acute care crises, must have a medical home (PCP), and must demonstrate a reasonable understanding of their healthcare needs.



# Key Themes of State Medicaid Reform Proposals

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- Consumer-Directed Care
- Defined-Contribution Models
- Tailored Benefit Packages
- Premium Assistance for Employer-Sponsored Insurance (ESI)
- Global Budgeting/Caps
- Healthy Lifestyle Rewards

# ■ ■ ■ The Federal Government is Encouraging State-Driven Reforms

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**“Building on the...approach adopted by innovative states such as Florida, the Administration will develop a new waiver initiative that emphasizes market-driven approaches to health care”**

*President Bush's FY 2007 Budget*

**“I intend to enter into serious discussion with Governors and Congress to decide the best way to provide states the flexibility they need to better meet the health care needs of their citizens.”**

*HHS Sec. Michael Leavitt, Feb 16 2005*



# States Have Responded to the New Incentives

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- West Virginia
- Kentucky
- Idaho
- South Carolina?
- Others?



# Medicaid Programs Are Becoming the Framework for Broader Health Care Reform

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- State Medicaid programs are unsustainable
- “Wal-Mart” bills and employer demands for health care cost relief
- Federal pressure to resolve Medicaid financing
- Apparent gridlock at the Congressional level

*“Massachusetts’ new health-insurance law is drawing attention from politicians in other states seeking to reduce the number of uninsured without waiting for a divided Congress to act. Officials in New York, Wisconsin, Washington and other states say they are inspired by the bipartisan nature of the Massachusetts law”*

*Wall Street Journal, May 27, 2006*

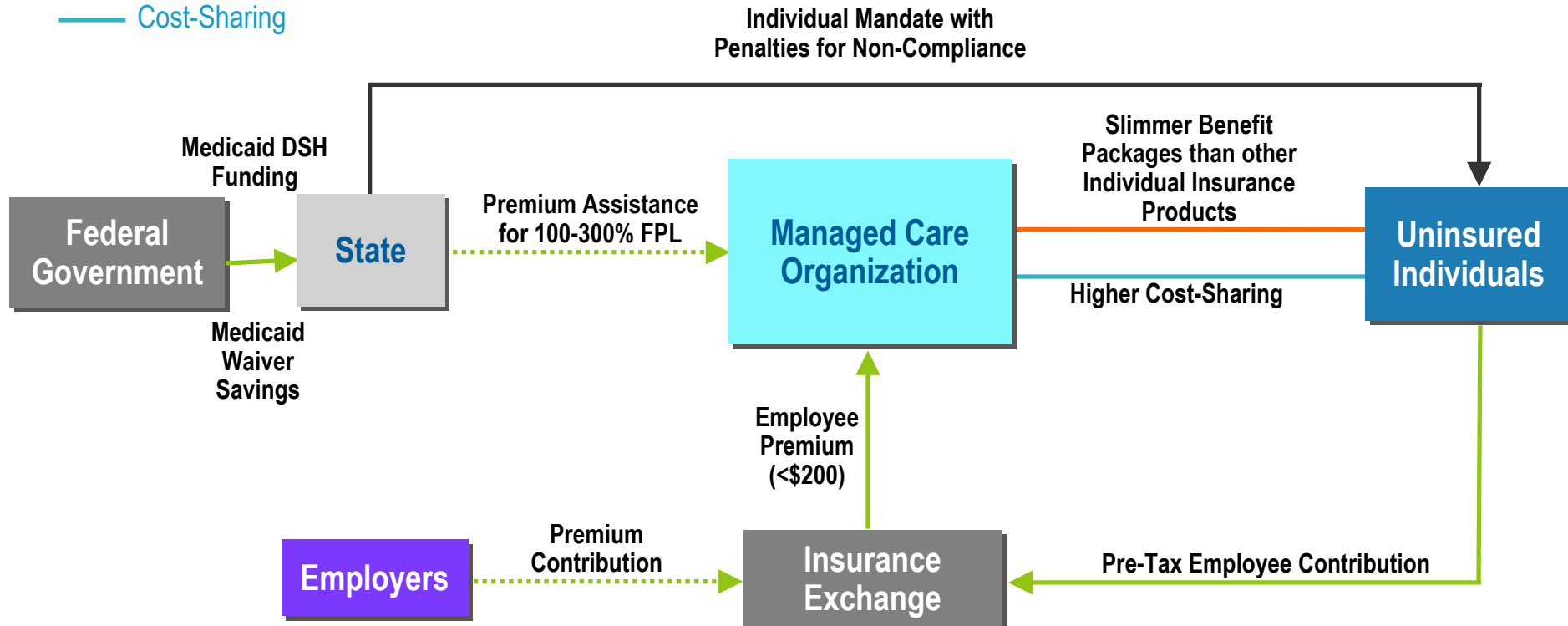
# ■■■ The Massachusetts Model—Have We Found the Grand Compromise?

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- Individual mandate on individuals
- Public program expansions
- Requirement for employers to play or pay
- Slimmed down benefit packages for those previously uninsured
- Federal and state funds to support the health care safety net should be targeted to covering the uninsured

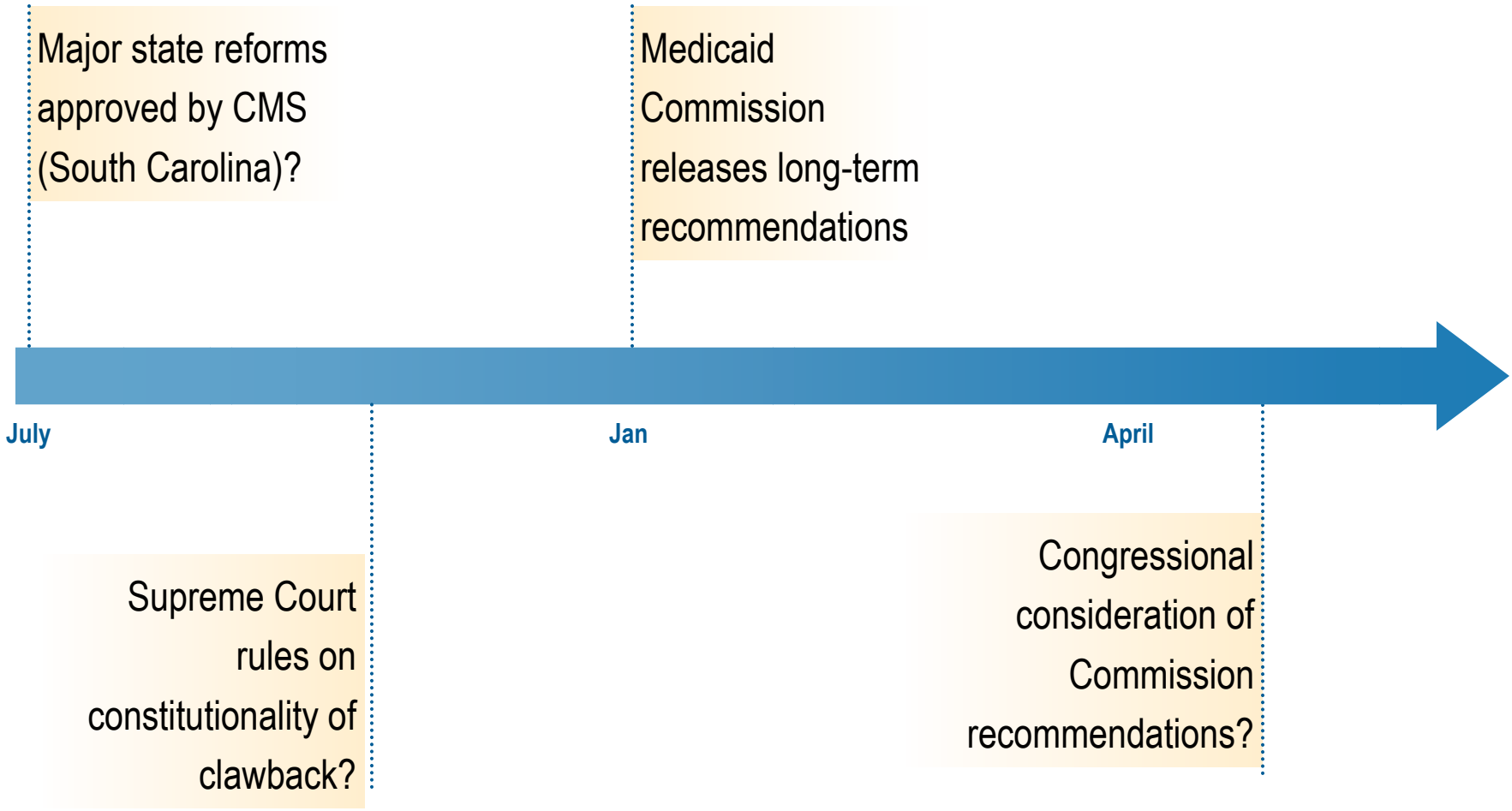
# The Massachusetts Model—have we found the grand compromise?

- Services
- Funding
- Cost-Sharing





# Future Events to Come



## Questions for the Future

- How will beneficiaries respond to new private delivery systems and financial incentives?
- Are the changes and coverage-expansions sustainable over time?
- Are the reform models applicable to all 50 states?
- Will more targeted, focused programs create true cost savings?
  - » Will broader health reform produce true Medicaid savings?
- What lessons of state reform—HIT, EBM, P4P—can be extrapolated to the rest of the health care system?
- Will the Medicaid Commission’s final report prod more significant change?
  - » What will be the focus of their cost-cutting recommendations?