The State of Medicaid Today

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Medicaid Timeline of Recent Events, 2005-2006

- Medicaid Commission provides short-term recommendations
- Florida enacts Medicaid reform plan
- Deficit Reduction Act (DRA) Signed Into Law
- Massachusetts enacts legislation to provide nearly universal coverage
- Vermont implements global-cap reform plan
- 6.4 million dual eligibles are auto-enrolled into Medicare Part D
- WV, KY, and ID receive HHS approval to create new “benchmark” plans
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

Medicaid is currently the biggest item in state budgets – a trend expected to continue in future years.
The Medicaid Program of Old

Services

Funding

Cost-Sharing

*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

- 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

“Building on the...approached 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

- West Virginia
- Kentucky
- Idaho
- South Carolina?
- Others?
Medicaid Programs Are Becoming the Framework for Broader Health Care Reform

- 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?

- 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

Federal Government → State

Managed Care Organization

Uninsured Individuals

Premium Assistance for 100-300% FPL

Employee Premium (<$200)

Pre-Tax Employee Contribution

Managed Care Organization

Insurance Exchange

Premium Contribution

Uninsured Individuals

Slimmer Benefit Packages than other Individual Insurance Products

Higher Cost-Sharing

Individual Mandate with Penalties for Non-Compliance

Funding

Medicaid DSH Funding

Medicaid Waiver Savings

Employers

Employee Premium Assistance for 100-300% FPL

Pre-Tax Employee Contribution

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Future Events to Come

July
- Major state reforms approved by CMS (South Carolina)?

Jan
- Medicaid Commission releases long-term recommendations
- Supreme Court rules on constitutionality of clawback?

April
- Congressional consideration of Commission recommendations?
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?