



National Association of State Medicaid Directors

an affiliate of the American Public Human Services Association



Medicaid on the Front Lines: Health Reform and States' Budgets

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Health Care Reform

Implementation:

- Staggered time-line of effective dates;
- Major Medicaid and private-market changes effective 2014;
- CMS, NASMD, NGA & State Representatives forming workgroups to address Medicaid Changes.

Key Components of Reform

- Medicaid Changes:
 - Expands Medicaid to everyone under 133% of FPL, with increased federal funds for this population;
 - Current eligibility levels, procedures and methodologies are frozen until 12/31/2013 for adults and 9/30/2019 for children (including CHIP);
 - Restructures income calculation for many Medicaid beneficiaries (but not people with Disabilities) to IRS income calculation including elimination of income disregards;
 - Elimination of asset/resource test for individuals who have the income calculation restructured;
 - Mandatory increase to the provider rates Medicaid pays for primary care services (100% federal funds).

Key Components of Reform

- Medicaid (continued):
 - Expands Medicaid to any individual under 25 previously served through Child Welfare;
 - Creates state-plan option for family planning services;
- Other programs:
 - Includes grants and incentives to expand and subsidize high-risk pools;
 - Increases funding for ADRCs;
 - Establishes grants for school-based health services.

Key Components of Reform

- Long-term Care:
 - Establishes the CLASS Act:
 - National long term care insurance program funded by payroll deductions;
 - Eligibility determined by ADLs, not finances;
 - Creates new options for community-based long-term care through Medicaid;
 - Provides FMAP incentives to increase long-term care in the community;
 - Provides grants and demonstrations to address IMD coverage.

Key Components of Reform

- Under Private Insurance:
 - “Community Rating” – limits on variation in premiums for individuals within a geographic area;
 - Prohibits exclusion of pre-existing conditions;
 - “Guaranteed Issue/Renewal” – no one can be denied coverage/dropped due to health conditions;
 - Removes annual/lifetime limits on care;
 - Required Benefits Package (Including Rehabilitation, Habilitation, MH treatment).

Key Components of Reform

- Individual mandate to buy insurance – allows some individuals to “opt-out” of mandate;
- Establishment of “Exchange”:
 - Based on Massachusetts “Connector” model;
 - Provides centralized marketplace to compare insurance and purchase plans;
 - Federal government provides subsidies for people with low-to-moderate income to assist with the purchase of insurance.
- Competition:
 - Establishes health care nonprofit cooperatives;
 - States may offer insurance plans up to 200% FPL
- State Innovation:
 - Waivers for states to try alternate coverage methods.

Potential Impact to State Programs

- Potential Issues:
 - Eliminating income disregards;
 - Increased costs on state budgets due to mandatory Medicaid expansions & costs associated with developing and operating the exchanges;
 - Changes to eligibility systems & interoperability with the exchanges;
 - Loss of revenue through restructuring of drug rebate programs;
 - Reduction in “DSH”;
 - Large expansion may cause access issues for everybody (not just Medicaid recipients).

Potential Impact to State Programs

- Potential Positive Changes:
 - Greater availability of insurance in the private sector;
 - Broader range of services available through private insurance plans;
 - No preexisting condition exclusion, denial of coverage or termination of coverage;
 - CLASS act – LTC without Medicaid funding;
 - New Medicaid coverage for low-income people – including individuals currently served in some state-only programs.

Impact of Recession on State Budgets



- Economic downturn and massive job losses are contributing to significant shortfalls in state budgets and increases in Medicaid enrollment
- States must have balanced budgets
- Many states forced to cut funding to Medicaid and other crucial programs
- Every 1% increase in unemployment = 1 million additional Medicaid clients

Future Considerations

- State Budget issues:
 - 48 states experiencing budget shortfalls;
 - Increased Federal Funds (FMAP) expire 1/1/2011;
 - Necessary to extend FMAP for additional six months
 - Requires states to maintain eligibility standards, methodologies and procedures at least at the levels that were in effect July 1, 2008
 - Loss of FMAP would lead to significant rate cuts & service reductions.
 - For more information on proposed cuts:
<http://www.aphsa.org/Home/Doc/WhitePaperFMAP.pdf>

For More Information:

<http://www.nasmd.org/>