

MEDICAID REFORM PROPOSAL TRACKER

2/2011

Review of State Medicaid Reform



Medicaid Reform Proposal Tracker

REVIEW OF STATE MEDICAID REFORM

Introduction

In states across the nation, Governors and State Legislatures are considering strategies to slow Medicaid growth. The National Association of States United for Aging and Disabilities (NASUAD) is following these developments as they emerge and as they move forward among the states with an emphasis on Medicaid-financed programmatic changes that will impact the state systems delivering home and community based services and supports for people who are older or have a disability, and their caregivers. Figure 1, below provides a quick national overview. This document will be updated monthly. For more information, please contact Sara Tribe at stribе@nasuad.org.

Figure 1: National Overview of States that have proposed broad Medicaid reform (in red)



Source: NASUAD Medicaid Reform Tracker

California

California Governor Jerry Brown has proposed a wide array of Medicaid savings initiatives that would impact older adults and persons with disabilities. Key provisions include proposals to eliminate a Medicaid State Plan Adult Day Health Care benefit, new caps on benefits, and provider rate reductions such as home health care and nursing home providers.

Medi-Cal, California's Medicaid program, serves 7.7 million Californians which represents 19.7 percent of the total state population. Like all Medicaid programs, Medi-Cal costs generally fluctuate based on the number of enrolled beneficiaries, the rates paid to providers, and the level of benefits provided. California Governor Jerry Brown's proposed budget focuses on reducing the level of benefits, increasing beneficiary cost-sharing, and reducing payment to providers. The proposal establishes a maximum annual benefit dollar cap on hearing aids (\$1,510), durable medical equipment (\$1,604), incontinence supplies (\$1,659), urological supplies (\$6,435) and wound care (\$391), limits non-life saving drugs (six per month), and limits the number of annual doctor visits to ten. The above limits are projected to result in a combined state savings of \$206.6 million in 2011-2012, while an anticipated 90 percent of current beneficiaries would experience no change in their Medi-Cal benefits. The proposed caps would apply to all Medicaid beneficiaries including those who are categorically eligible under Aged, Blind, or Disabled eligibility groups.

The Governor's budget proposal would eliminate state plan Adult Day Health Care (ADHC), affecting 27,000 beneficiaries and 330 ADHC centers throughout the state. This cut would result in a proposed combined savings of \$178 million in 2010-2012. Also, included in the proposal is an increase from a voluntary \$1 copayment to a mandatory \$5 copayment for physician, clinic, dental, and pharmacy services (\$3 on lower-cost preferred drugs) which would result in a proposed cost offset of \$294.4 million in 2011-2012. Under the Deficit Reduction Act, Federal law allows providers to deny services if the beneficiary does not provide the required copayments, as long as they give a referral to a county indigent health program. Additionally, the proposed copayment on emergency room services is \$50, while hospital stays would require a copayment of \$100/day (\$200 maximum). The proposal would eliminate cough and cold medications and nutritional supplements from Medi-Cal coverage.

The budget proposal reduces provider payments by 10 percent for home health, nursing homes, physicians, pharmacy, clinics, medical transportation, and certain hospitals. Though recent State and Federal court rulings have prevented states from implementing rate freezes and reductions, California has appealed to the U.S. Supreme Court to overturn adverse appellate court rulings that have blocked provider payment reductions of up to 10 percent. The proposed state savings of \$719 million in 2010-2012 on the above rate reductions assumes that California prevails in the pending rate legislation.

For More Information

Budget summary: <http://www.ebudget.ca.gov/pdf/BudgetSummary/HealthandHumanServices.pdf>
HHS Budget Detail: <http://www.ebudget.ca.gov/StateAgencyBudgets/4000/agency.html>

Illinois

In January, the Illinois General Assembly approved and submitted House Bill 5420, a Medicaid reform measure designed both to reduce spending and to improve health care to Medicaid recipients. The Medicaid program currently supports 2.8 million Illinois residents; the proposed changes are expected to save the state \$770 million over five years. The main areas of focus in the reform measure are cost saving improvements to long term care, coordinated care, technology, fraud reduction, eligibility determination, and state payments to providers.

Key proposal changes impacting older Americans and persons with disabilities include a new budgeting strategy that will allow the governor to reallocate money from institutional to community care (which costs roughly three times less) without approval from the General Assembly, and creating a global budget to track how all long-term care funding is spent across programs, agencies and age groups. The Medicaid reform measures require that at least 50 percent of all Medicaid consumers enroll in coordinated care by 2015 (i.e., one primary physician tracking and making all health care decisions with the patient). Coordinated care reform would include state payment for performance-related outcomes, and the use of best practices and electronic medical records. Improved technology is expected by legislators to lead to better data collection and sharing among state agencies which will increase the state's ability to track Medicaid eligibility, enrollment, re-enrollment, and to identify fraud. Reform measures also allow the state to pursue more fraud cases and assess higher fines.

Medicaid reform measures include eligibility cost savings which would require proof of Illinois residency, one month of income verification, elimination of automatic enrollment or re-enrollment (presumptive eligibility) of any group of people except for pregnant women. Medicaid reform also tightens eligibility requirements for children under the ALL KIDS program, by creating an Illinois residency requirement and an income limit (income at or below 300% of the federal poverty level).

For More Information

List of Medicaid Reforms - <http://www.senatedem.ilga.gov/index.php/features/1377-illinois-house-approves-senate-led-reforms-to-medicaid>

Overview of Medicaid Reform: <http://www.senategop.state.il.us/index.php/home-mainmenu-1/67-newspaper-stories/889-illinois-senate-advances-medicaid-reform-measure>

House Bill 5420: <http://www.senatedem.ilga.gov/index.php/sen-wilhelmi-home/1447-medicaid-reform-becomes-law-saving-illinois-millions>

Ohio

Governor John Kasich signed an Executive Order on January 13, 2011, establishing the Governor's Office of Health Transformation (OHT) and named Greg Moody to be its executive director. The Executive Order points to the opportunity to “reset the basic rules of health care competition so the incentive is to keep people as healthy as possible.” This includes the transformation of primary care to a prevention-based system that helps reduce both chronic disease and chronic care costs. The immediate needs addressed by the OHT will be Medicaid spending issues, the long-term efficient administration of the Ohio Medicaid program, and improvement of overall health system performance in Ohio.

Noted in the Executive Order, Ohioans spend more per person on health care than residents in all but 13 states, however, higher spending has not led to better health outcomes for 2.4 million Medicaid recipients. Together with the state health and human services agencies (Aging, Health, Mental Health, Developmental Disabilities, Job and Family Services/Medicaid, Alcohol and Drug Addiction Services), as well as the Office of Budget and Management and the Department of Administrative Services, the new OHT will lead the effort to modernize the state's fragmented Medicaid program, incentivize preventative health practices, and improve cost-containment strategies. OHT will also draw upon public and private sector best practices to improve Medicaid's overall performance.

For More Information

Executive Order establishing the Office of Health Transformation:
http://governor.ohio.gov/portals/0/pdf/EO_2011-02K.pdf

Columbus Dispatch: http://www.dispatch.com/live/content/local_news/stories/2011/01/13/13-cabinet.html?sid=101

New York

Governor Cuomo signed an Executive Order on January 5, 2011, creating the Medicaid Redesign Team which is tasked with figuring out ways to reduce costs while maintaining high quality health care. Modeled after the Wisconsin Medicaid Rate Reform Project, Cuomo has given the Medicaid Redesign Team a budget reduction target of \$2.85 billion for New York's 4.7 million Medicaid beneficiaries, and members will work to meet this goal. The team will seek ideas from the public at large as well as stakeholders in the following areas: health care delivery workforce, insurance, economics, business, and consumer rights among others. Jason Helgeson, the former Wisconsin Medicaid Director who led that state's Medicaid Rate Reform Project, has been appointed New York's first Medicaid Director, and will lead New York's Medicaid Redesign team as well.

Governor Cuomo stated that the Medicaid Redesign Team will undertake the most comprehensive examination of New York Medicaid since its inception. The Team must submit its first report with findings

and recommendations to the Governor by March 1, for consideration in the budget process, and shall submit quarterly reports thereafter until the end of Fiscal Year 2011-12, when it will disband.

For More Information

Executive Order - Medicaid Redesign Team: <http://www.governor.ny.gov/press/01052011medicaid>

NY Medicaid Redesign Team Info: http://www.health.ny.gov/health_care/medicaid/redesign/;

<http://governor.ny.gov/press/011011medicaid>

Additional Details on Medicaid Redesign Team: <http://www.nyaprs.org/e-news-bulletins/2011/2011-01-06-Cuomo-Launches-Medicaid-Redesign-Team.cfm>

Governor's Budget Information: <http://www.governor.ny.gov/press/020111transformationplan>

Texas

To assist with his commitment to balancing the state budget, Governor Perry expressed his intention of not raising taxes on Texas families and businesses, working within the available state revenue, and requiring each state agency to evaluate all programs for potential cost saving measures. On January 15, 2010, the Governor, Lieutenant Governor and House Speaker directed state agencies to identify a five percent state budget savings (\$205 million reduction) for the 2010-2011 biennium, an additional 2.5 percent for the 2011 fiscal year, and 10 percent for the 2012-2013 biennium. Lt. Governor Dewhurst added, "Contrary to taking an across-the-board approach, the House and Senate will continue to work through program by program to identify savings and determine our funding priorities with the revenue we have available."

The Department of Aging and Disability Services (DADS) proposed reductions in Home and Community Based Services rates based on a methodology change, long-term care provider rates, and non-Medicaid programs, In-Home Family Support, MR¹ In-Home Family Support, MR Community Services, and the state's Promoting Independence program. Additionally, with the goals of maintaining essential Medicaid services and accountability while cutting costs, each of five agencies comprising Texas's Health and Human Services System individually submitted their requests for legislative appropriations for FY2010-11. Some of the major resulting cost-saving budget items are as follows: a reduction in the number of hours of Medicaid State Plan Personal Care Services, provider rate reductions (\$64.3 million savings); revenue management of federal funds (\$39.5 million); administrative reductions, program delays and salary savings (\$64.7 million); client service reductions including no services for 285 children on the wait list for Children with Special Health Care Needs program, and trauma funds for hospitals (\$36.6 million). Additional cost-saving measures for FY2012-13, include capitating services in both Medicaid and CHIP and an expansion of managed care including STAR-Plus programs in which the state pays a fixed amount per Medicaid enrollee.

¹ Texas uses the term "mental retardation" for the title of this program. Current nomenclature used for this population is persons with intellectual and developmental disabilities (ID/DD).

For More Information

Consolidated Budget FY12-13: http://www.hhsc.state.tx.us/about_hhsc/Consolidated-BudgetFY12-13.pdf
Gov. Perry on Fiscal Responsibility and Budget: <http://governor.state.tx.us/news/press-release/15563/>

Washington

In an executive order designed to reduce budget expenditures for 2011, Governor Gregoire mandated the Medicaid Purchasing Administration (MPA), as well other state agencies reduce their current budget expenditures by 6.3 percent. To achieve this budget reduction, MPA is eliminating state payment of Medicare prescription drug copayments for full benefit dual-eligible (Medicare and Medicaid) recipients, effective January 1, 2011.

In a budget plan designed to save \$26 billion in health care costs over the next ten years, Governor Gregoire of Washington State has proposed major changes to the Medicaid program that are intended to both improve health care quality and save money. On the forefront of health care delivery reform, Washington State has already implemented several initiatives that have reduced health care costs while improving health care delivery: a) implementing intensive chronic care management programs for high-need older adults and persons with disabilities ; b) creating pilot projects to divert patients from more expensive emergency room care to community clinics; c) nonpayment to hospitals for readmissions that are directly related to a recent admission; d) coordinating and monitoring care for consumers with a history of overusing high-cost services; and e) reducing the number of avoidable Caesarian deliveries.

To continue the practices of Medicaid cost saving and quality improvement, Governor Gregoire has proposed further changes including consolidating a majority of the state's health care purchasing into a single agency, and taking advantage of federal health reform provision (the Affordable Care Act). Washington State will be working with the federal Center for Innovation on a pilot project that will assist with transitioning the focus of Washington's health care system to payment on the basis of quality of outcomes instead of number of medical procedures performed, coordinated care, and encouraging personal responsibility for health and cost-effective treatment decisions. To facilitate this health care transition, the Governor and state agencies will bring public and private purchasers and payers to the table to identify best practices and develop plans to reproduce successes over time.

For More Information

Medicare Prescription Drug Copayments: http://bnaregs.bna.com/?id=WA_30903
Governor's Budget: http://www.governor.wa.gov/priorities/budget/health_care_reform.pdf

ABOUT NASUAD

The National Association of States United for Aging and Disabilities, founded in 1964, represents the nation's 56 officially designated state and territories agencies on aging and disabilities. The association's mission is to design, improve, and sustain state systems delivering home and community based services and supports for people who are older or have a disability, and their caregivers.

NASUAD works to:

Innovate

Collect, analyze and facilitate use of information among states on innovation and effective policies and programs

Advocate

Represent states' interests in design and development of comprehensive long term services and supports

Assist

Provide state specific technical assistance on systems design, information, planning, and transformation

Collaborate

Foster the development of strategic partnerships

Convene

Facilitate communications among federal, state and local decision makers through various media including national meetings

NASUAD Contact Information:

National Association of States United for Aging and Disabilities
1201 15th Street, NW
Suite 350
Washington, DC 20005
202-898-2578
www.nasuad.org