Medicaid in a Time of Historic Change and Transformation

for
Community Health Care Association of New York State

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Objectives for Today

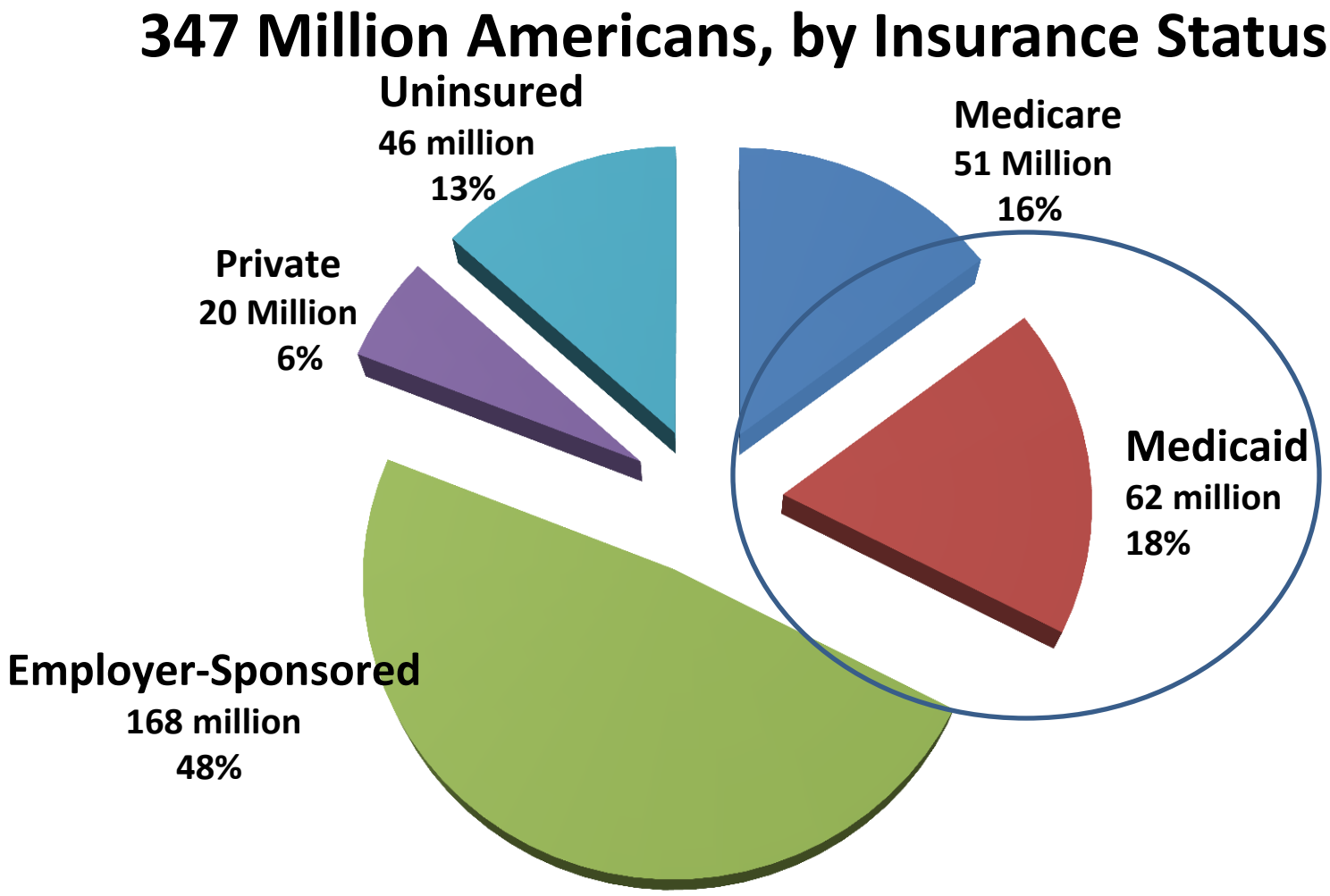
- *How we got to where we are – Health system trends driving Medicaid*
- *How the ACA is impacting coverage so far in expansion and non-expansion states*
- *Why delivery system and payment reforms are the Medicaid real story of 2014*
- *Implications and challenges for health centers*

"Medicaid coverage…

… is extremely valuable to the low-income families and individuals who qualify for the services provided by the program…[and] also valuable to society at large, as it enables the least-fortunate members of the population to obtain the health care they need in an orderly way."

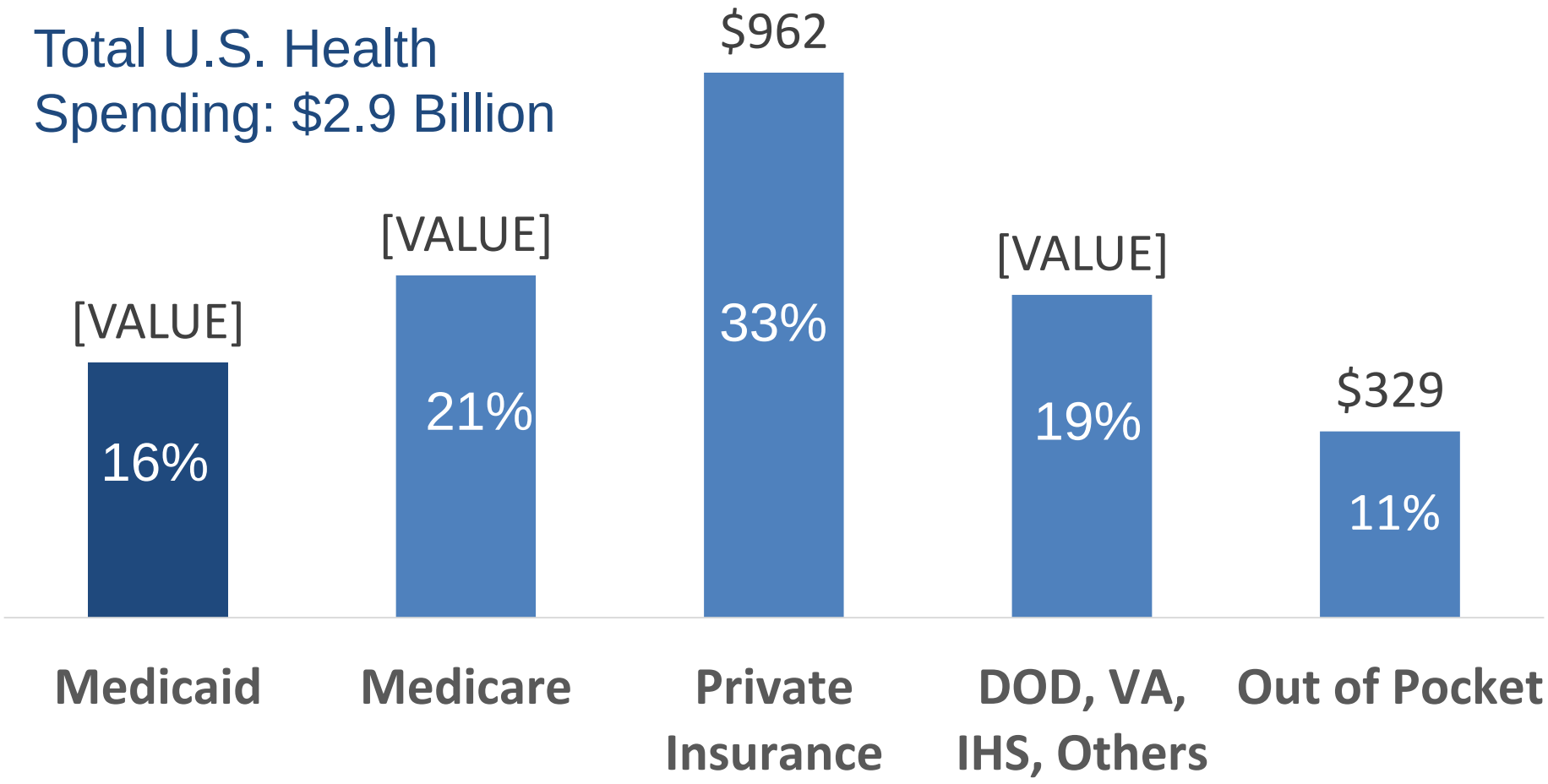
– CMS, ***2013 Actuarial Report on the Financial Outlook for Medicaid***, April 25, 2014.

Health Coverage in U.S., 2013



Source: HMA, based on CMS, Office of the Actuary, September 2013.

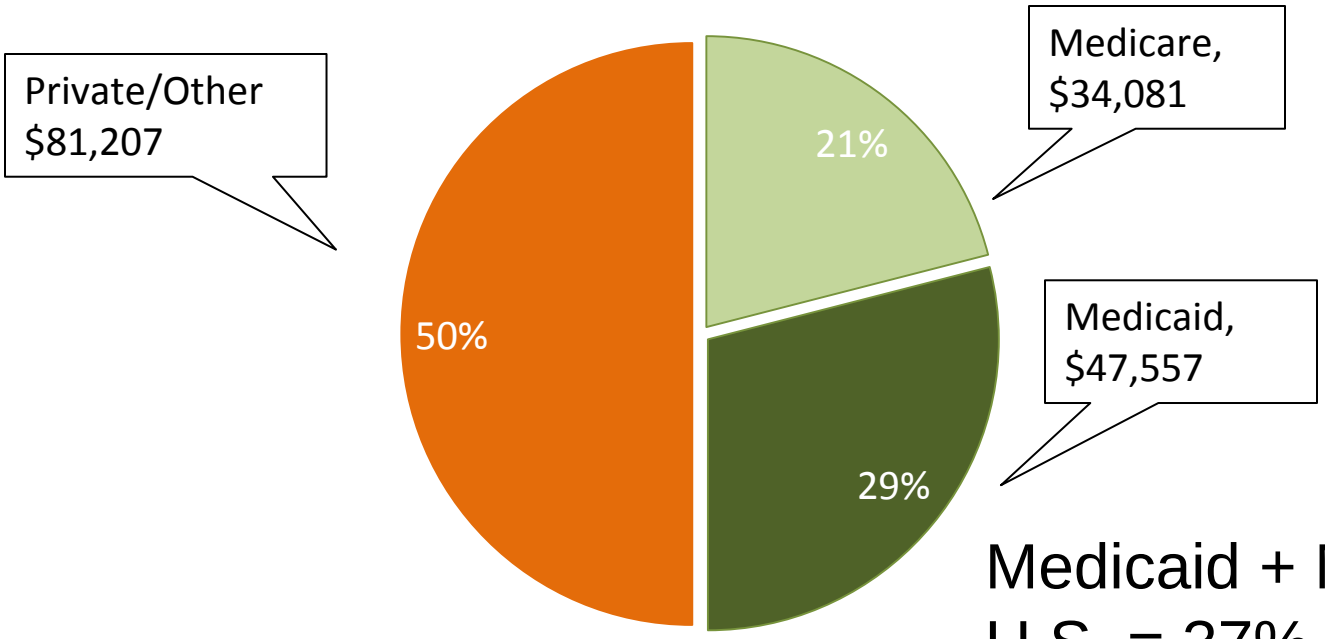
U.S. Health Expenditures, by Payer 2013



Note: Medicaid includes CHIP. Source: HMA, based on CMS, NHE Projections, 2014.

New York Health Spending Is Evenly Split Between Public and Private Payers

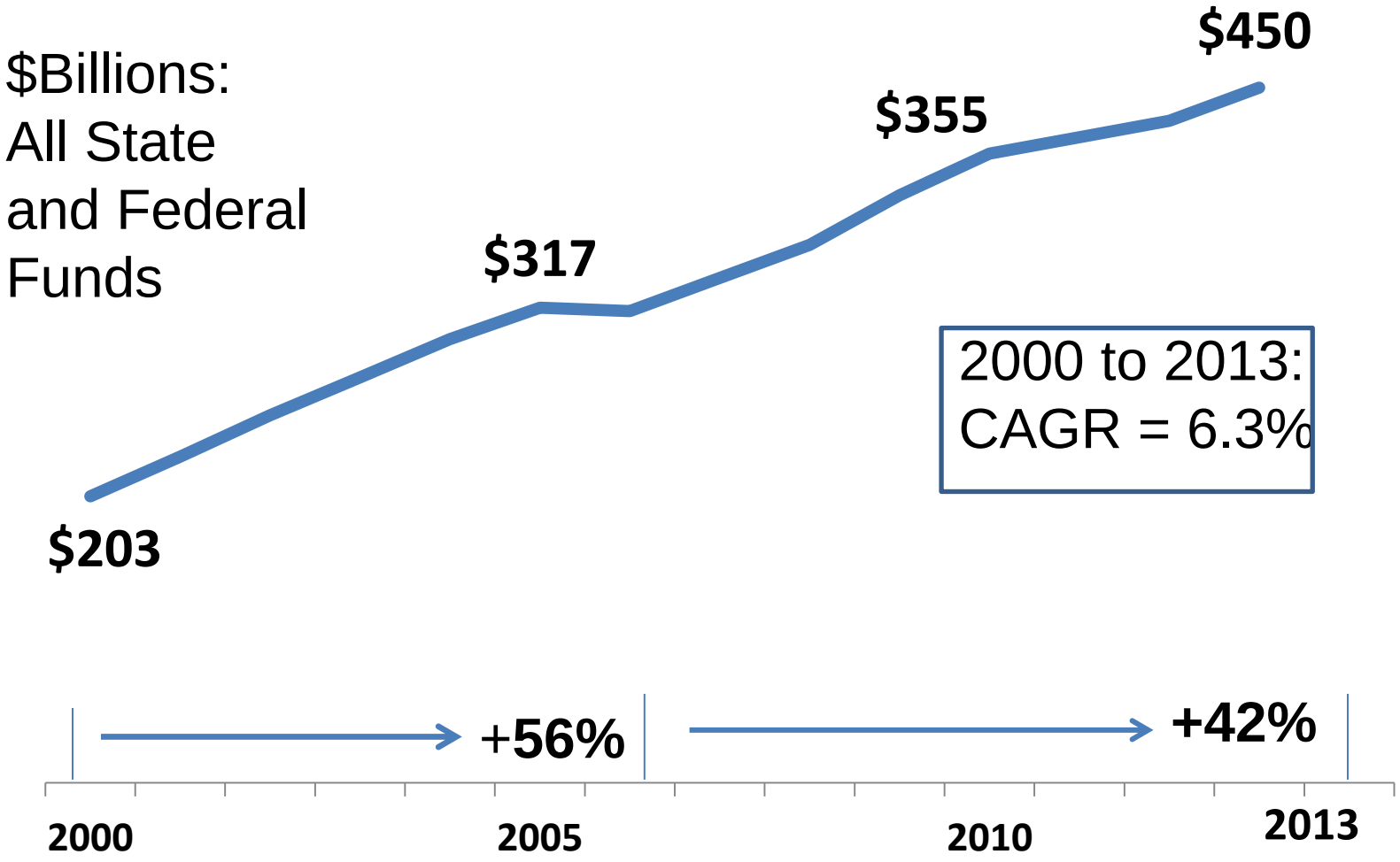
TOTAL HEALTH CARE EXPENDITURES BY PAYER IN NEW YORK, 2009 (MILLIONS)



Medicaid + Medicare:
U.S. = 37%
NY = 50%

Source: Centers for Medicare & Medicaid Services (CMS), *Health Expenditures by State of Residence*, 2011. Note: Data are for 2009.

U.S. Medicaid Spending Trend: Up 122% from 2000 to 2013

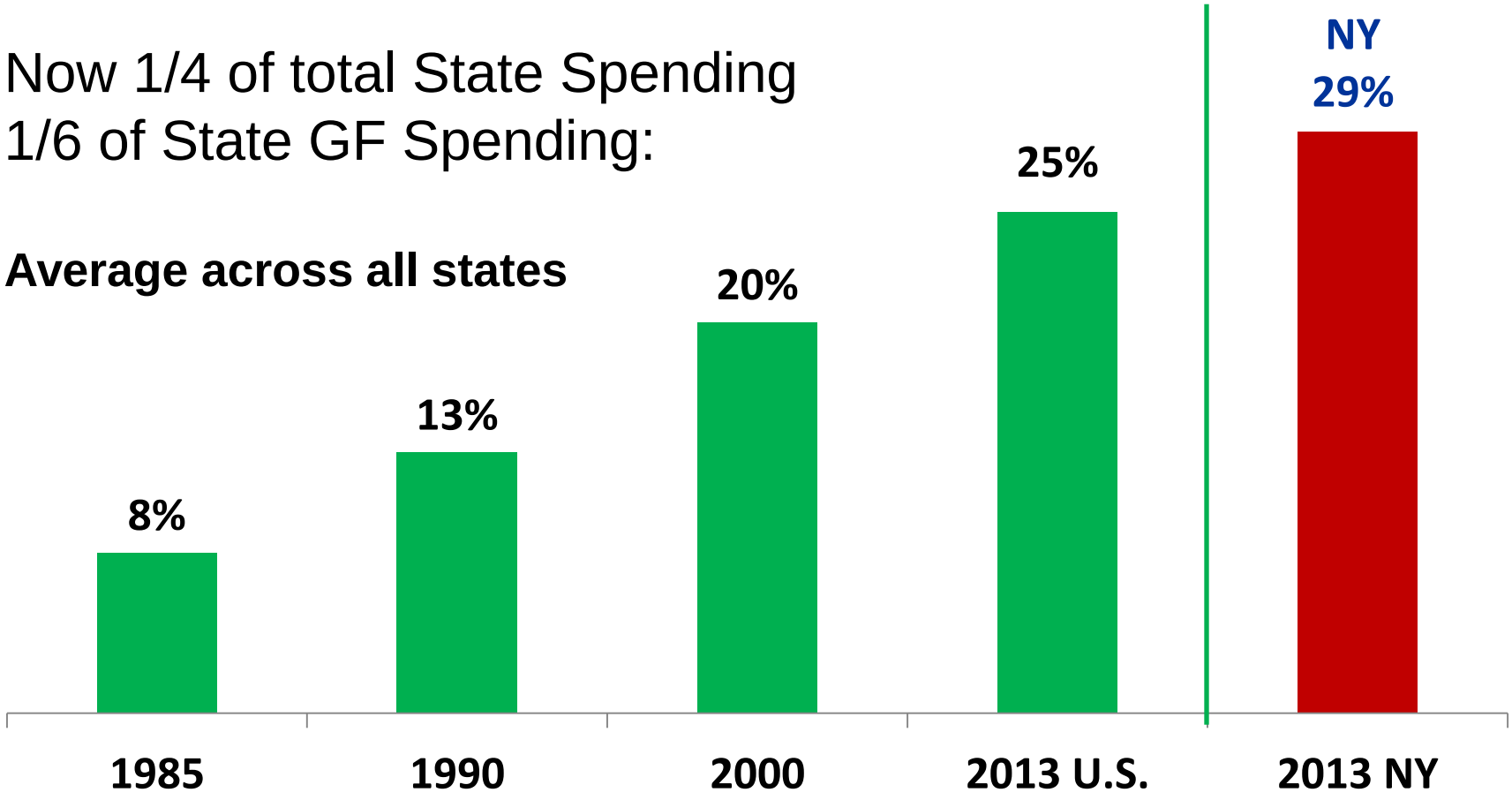


Note: Includes Medicaid and CHIP enrollment.
Source: HMA, based on CMS, Office of the Actuary, 2013 and prior years.

Medicaid Spending Continues to Increase as a Share of State Budgets

1985 - 2013

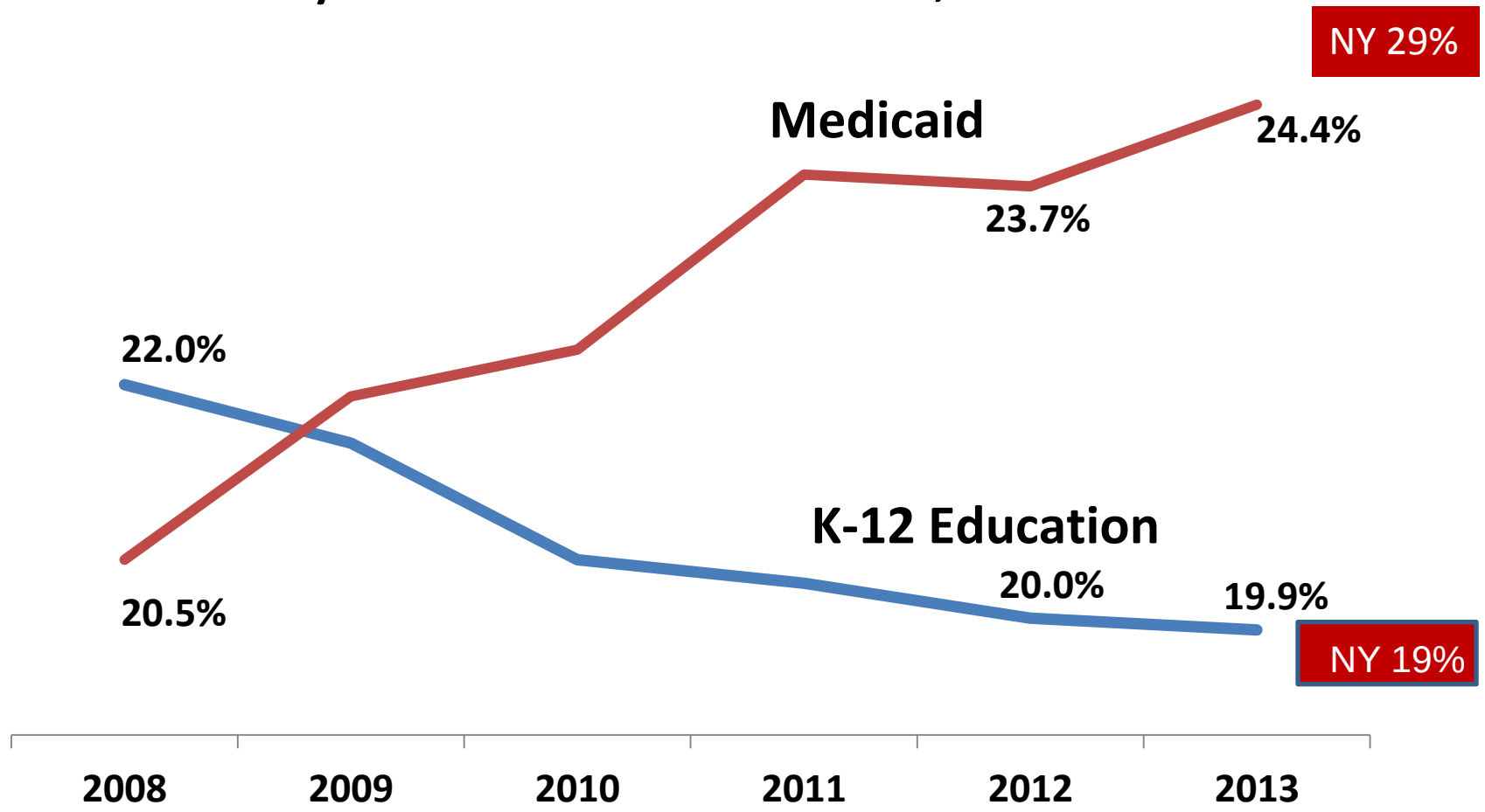
Now 1/4 of total State Spending
1/6 of State GF Spending:



Source: HMA, based on NASBO, *State Expenditure Report*, 2013 and earlier years.

State Spending on Medicaid and K–12 Education as % of Total State Spending

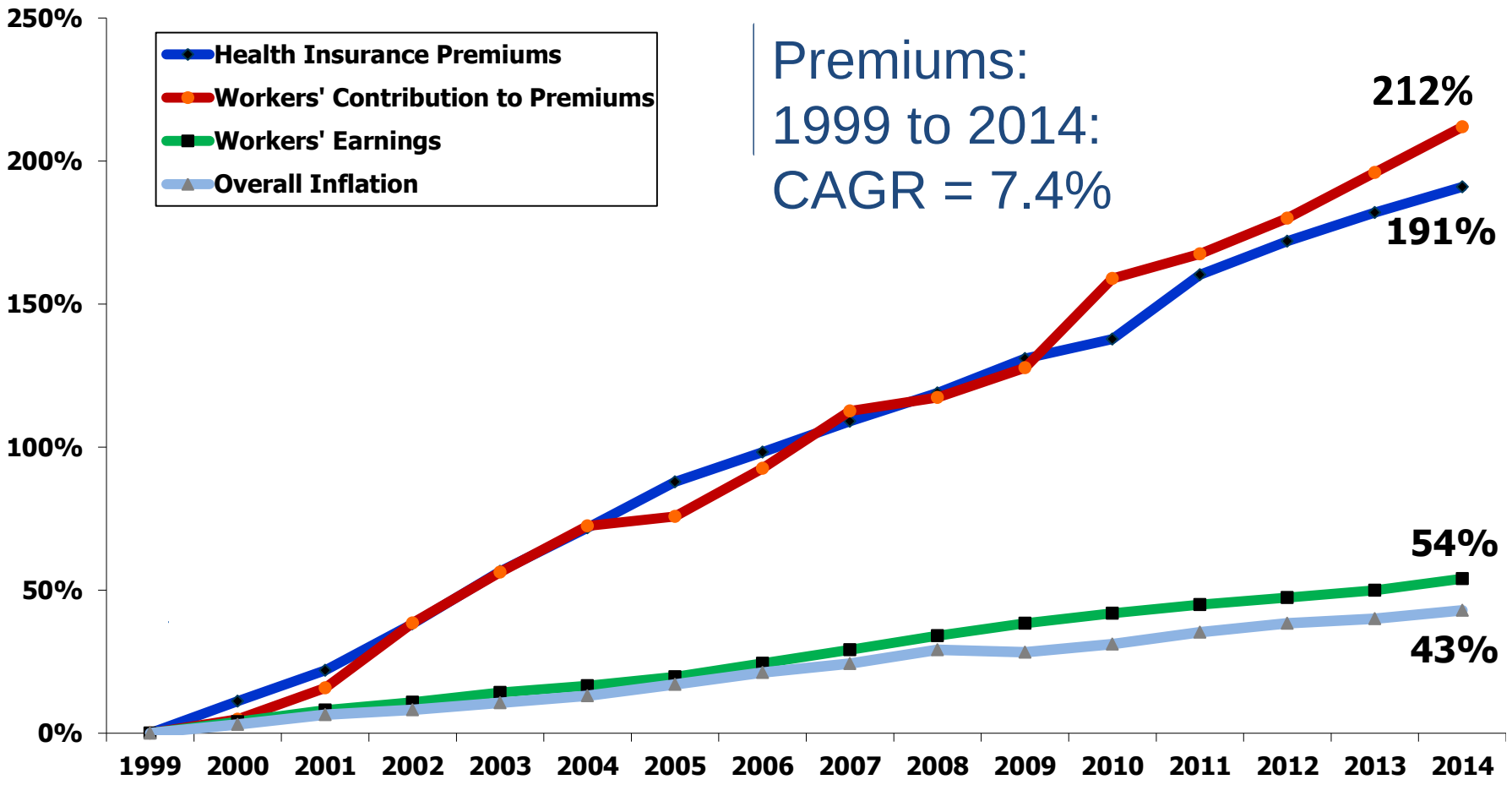
Fifty States 2008 – 2013, NY in 2013



Source: HMA, based on data in: NASBO, *State Expenditure Report*, 2013 and Earlier Years.

Health Insurance Premiums (Reflecting Medical Costs) Have Increased Much Faster than Inflation and Earnings

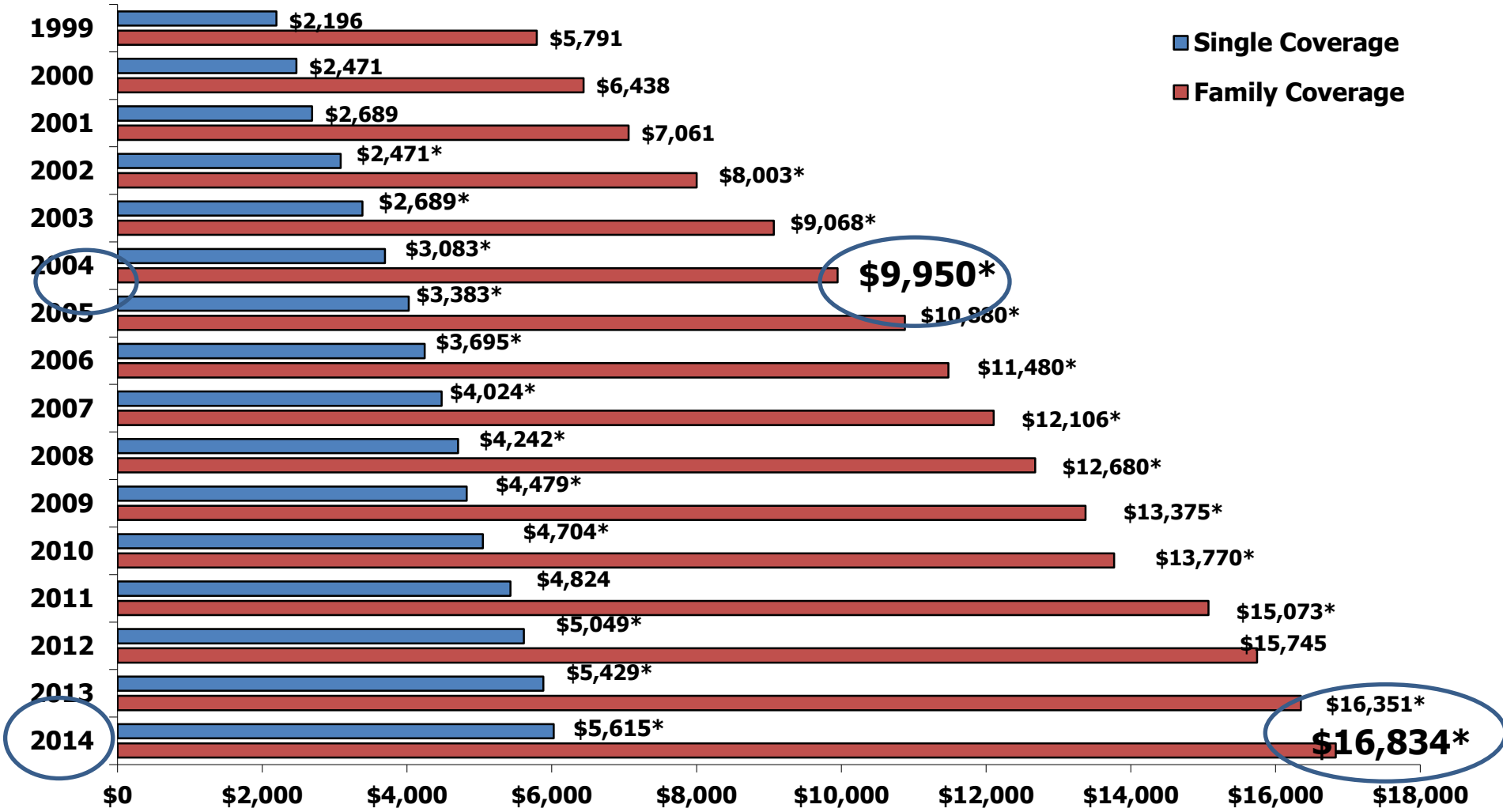
Cumulative Percent Increases 1999-2013



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2014. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1999-2014; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2014 (April to April).

Premiums Have Almost Doubled over Last Decade:

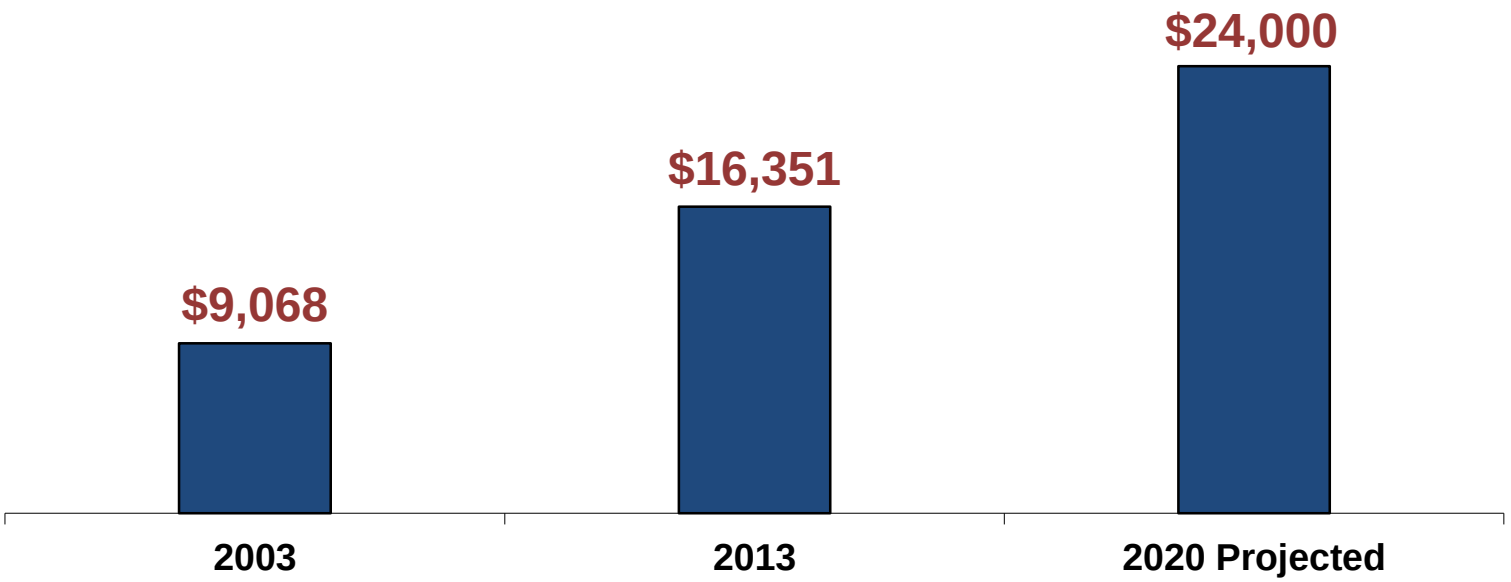
Average Annual Premiums for Single and Family Coverage 1999-2013



- indicates estimate is statistically different from estimate for the previous year shown.
- Source: Kaiser/HRET, Employer Health Benefit Survey, 2014.

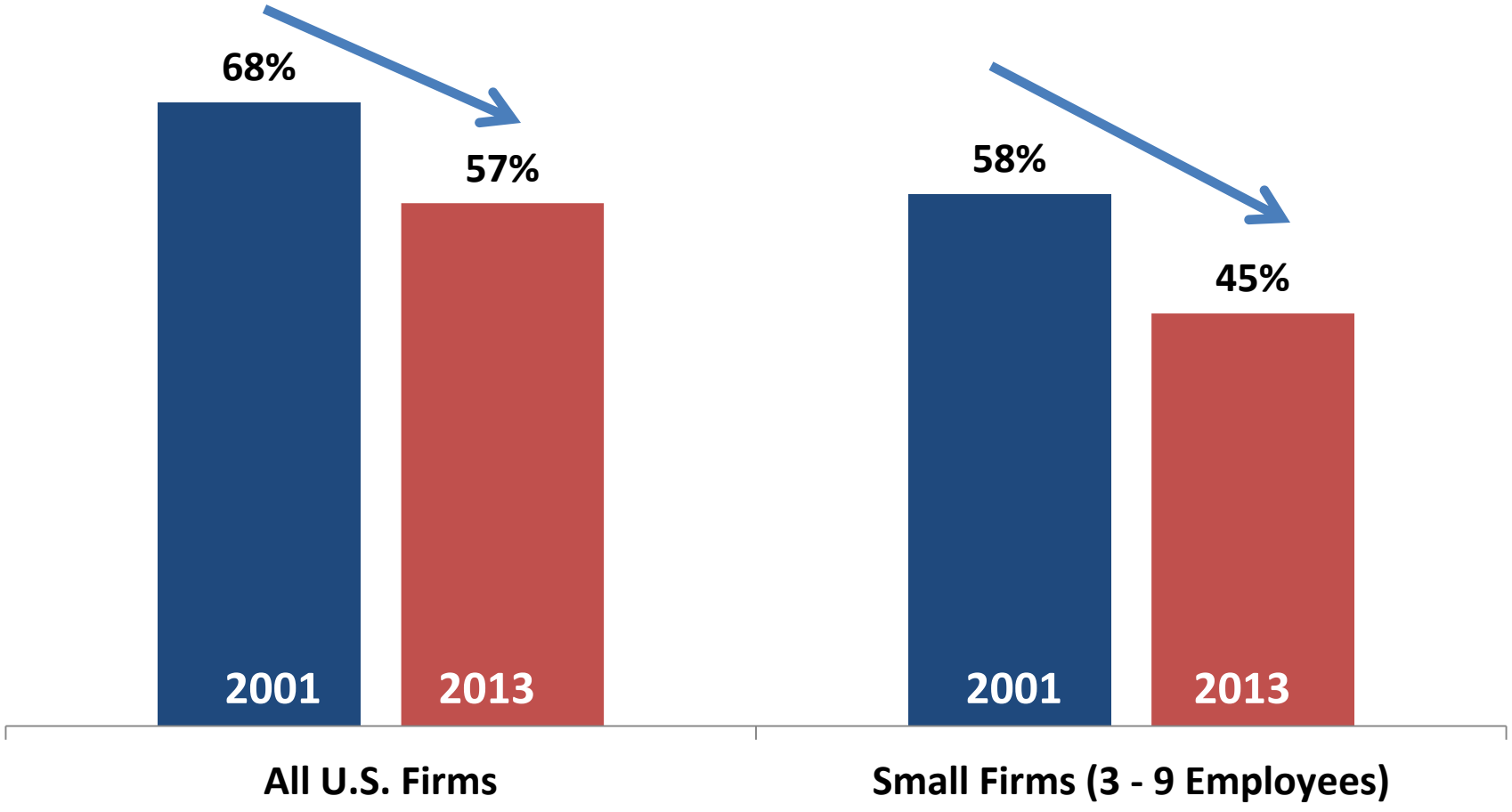
Premiums Will Continue to Grow – With or Without Reform

Family Coverage



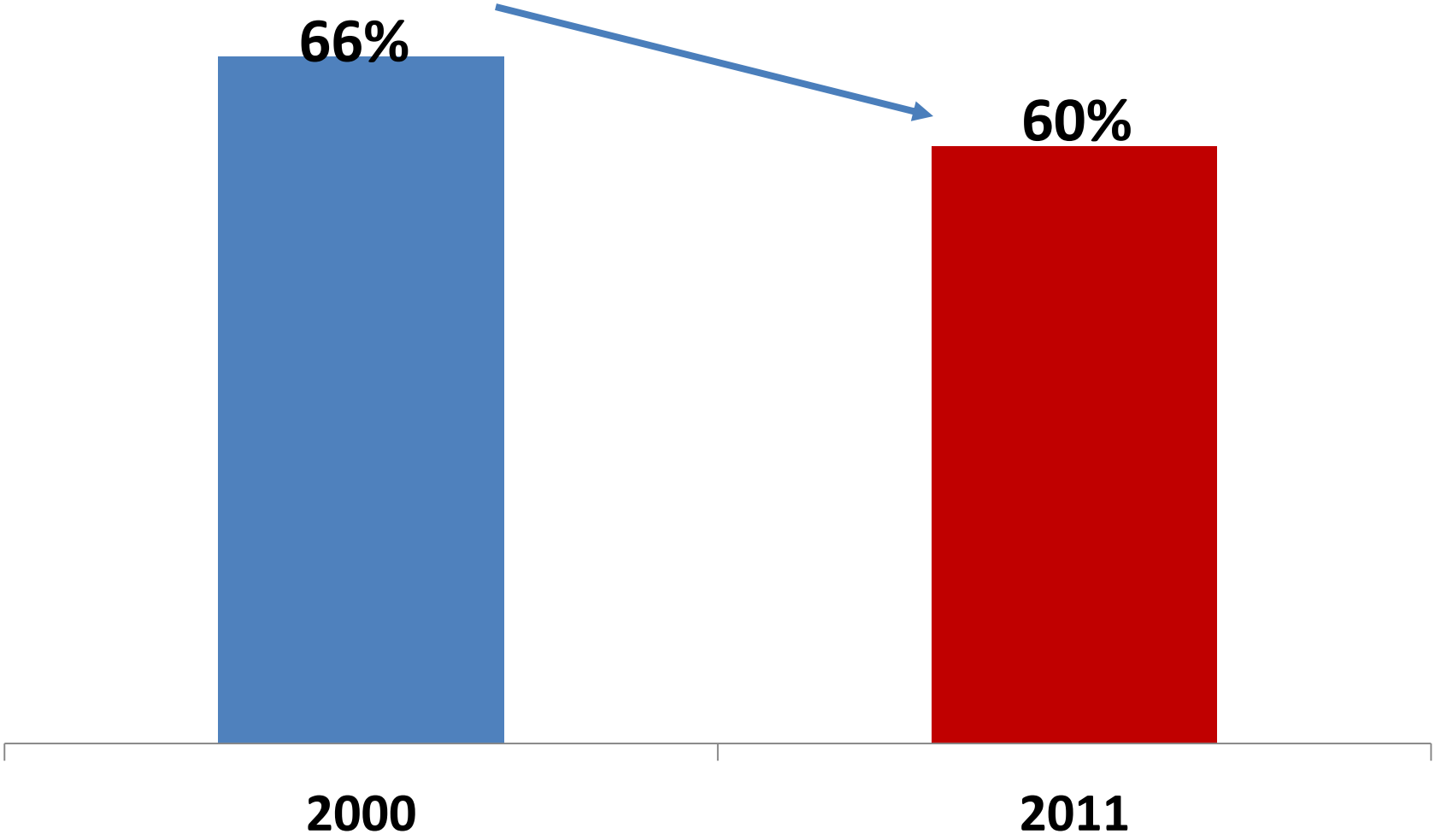
Source: For 2001 and 2011, Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011; 2020 based on CMS, Office of the Actuary, National Health Statistics Group, national health expenditures per capita annual growth rate, cited in: C. Schoen, J.L. Nicholson, S.D. Rustgi, *Paying the Price: How Health Insurance Premiums Are Eating Up Middle-Class Incomes, State-by-State Health Insurance Premium Projections With and Without National Reform* (New York: The Commonwealth Fund) August 2009.

As Premiums Increase, Fewer Firms Offer Coverage: Share of U.S. Firms Offering Health Insurance: 2001 and 2013



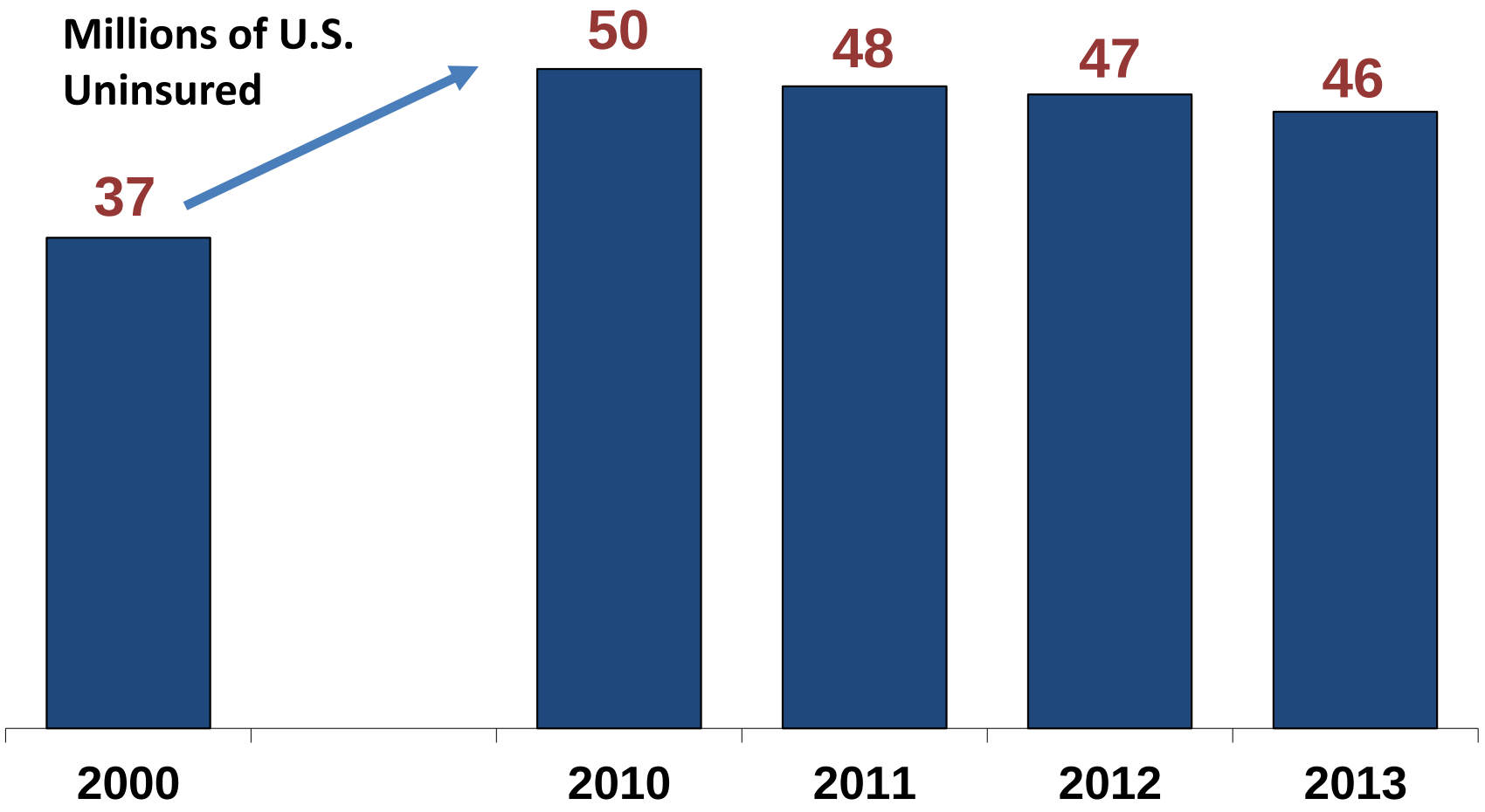
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2013.

New York Workers with Employer Sponsored Insurance Also Dropping



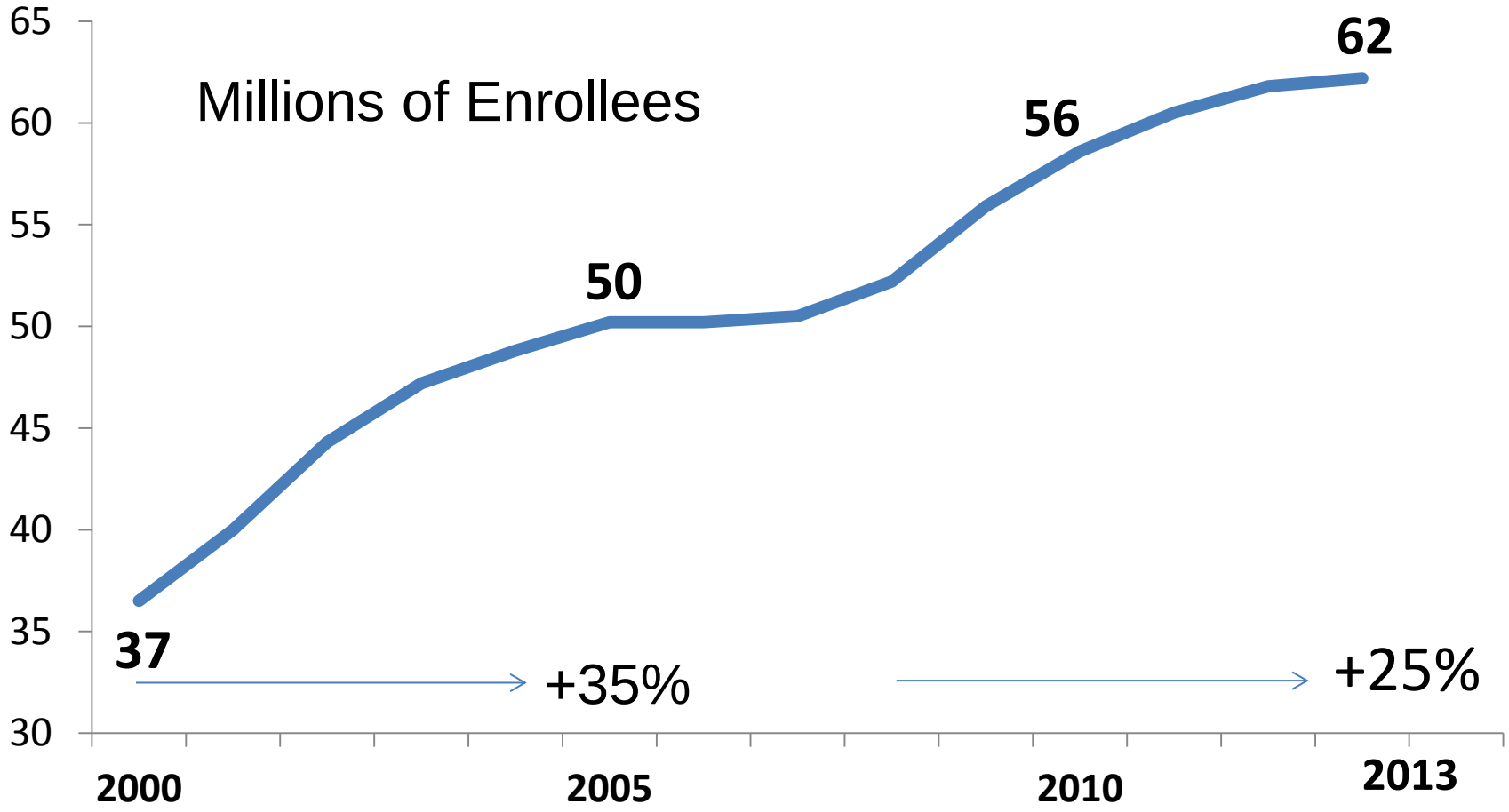
Source: HMA, based on: State Health Access Data Assistance Center, "State-Level Trends in Employer-Sponsored Insurance," April 2013. Includes workers and dependents.

Uninsured Increased by 13 Million Last Decade – but Dropped since 2010, primarily due to ACA



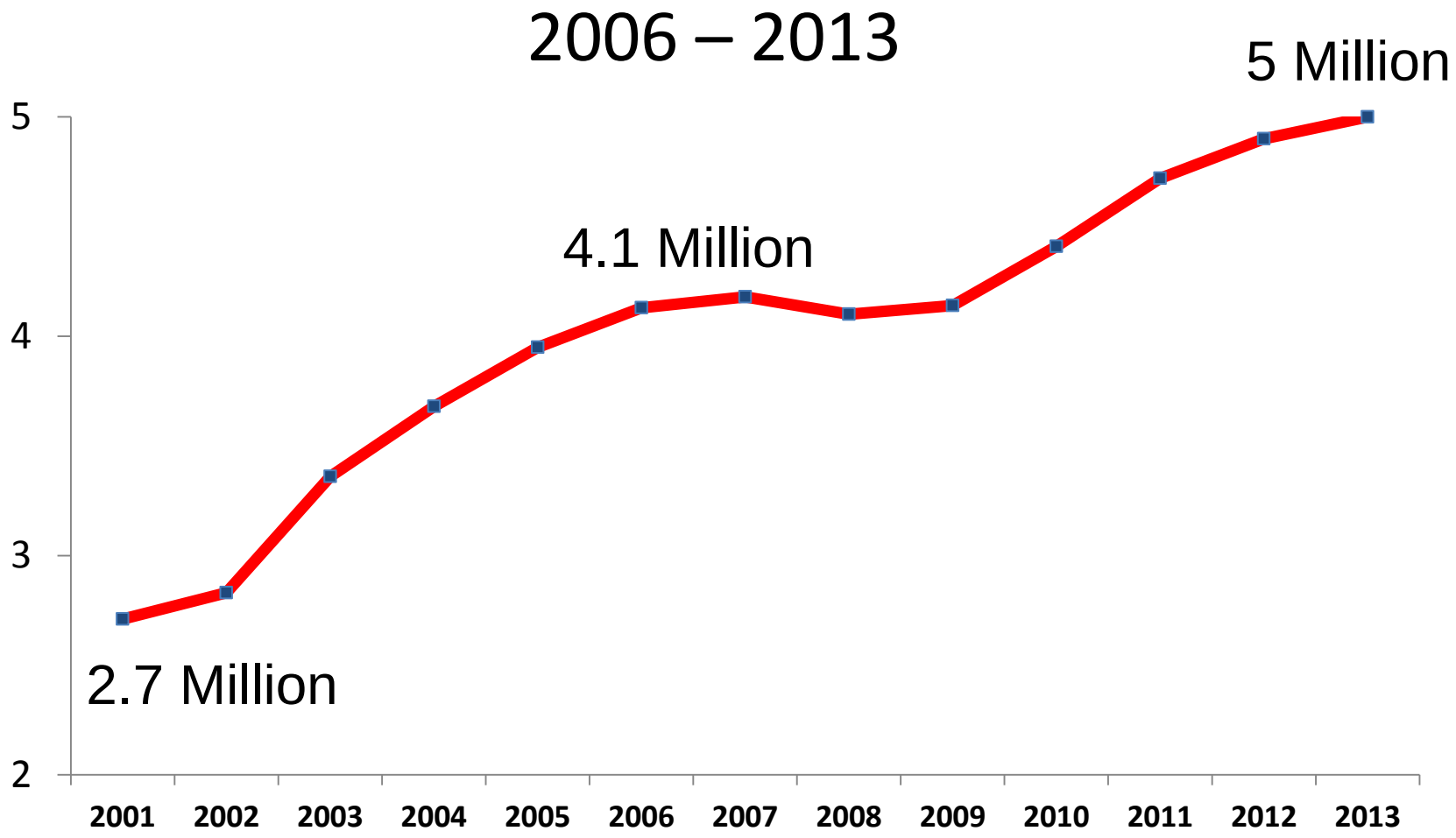
Source: HMA, prepared from: U.S. Census Bureau and CMS NHE projections, 2013.

U.S. Medicaid Enrollment Trend: Up 67% from 2000 to 2013



Note: Includes Medicaid and CHIP enrollment.
Source: HMA, based on CMS, Office of the Actuary, 2013 and prior years.

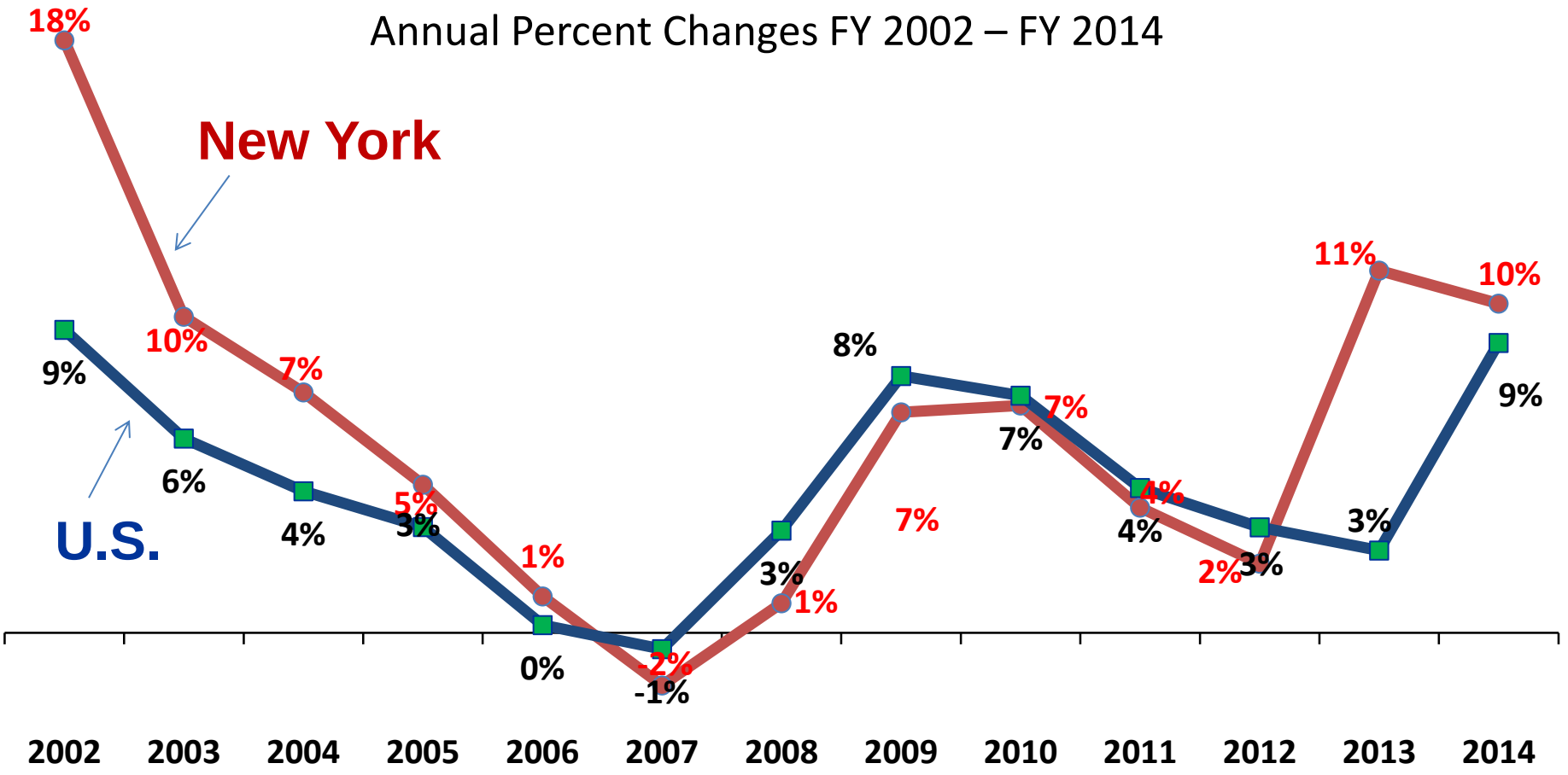
New York Medicaid Enrollment



Source: Health Management Associates, based on data compiled by HMA for the Kaiser Commission on Medicaid and the Uninsured. 2000 – 2005 from "Medicaid Enrollment: June 2012 Data Snapshot," August 2013.; 2006 – 2013 from "Medicaid Enrollment: June 2013 Data Snapshot," January 2014. http://kff.org/medicaid/issue-brief/medicaid-enrollment-june-2013-data-snapshot/

New York and U.S. Medicaid Enrollment: Similar Annual Rates of Growth

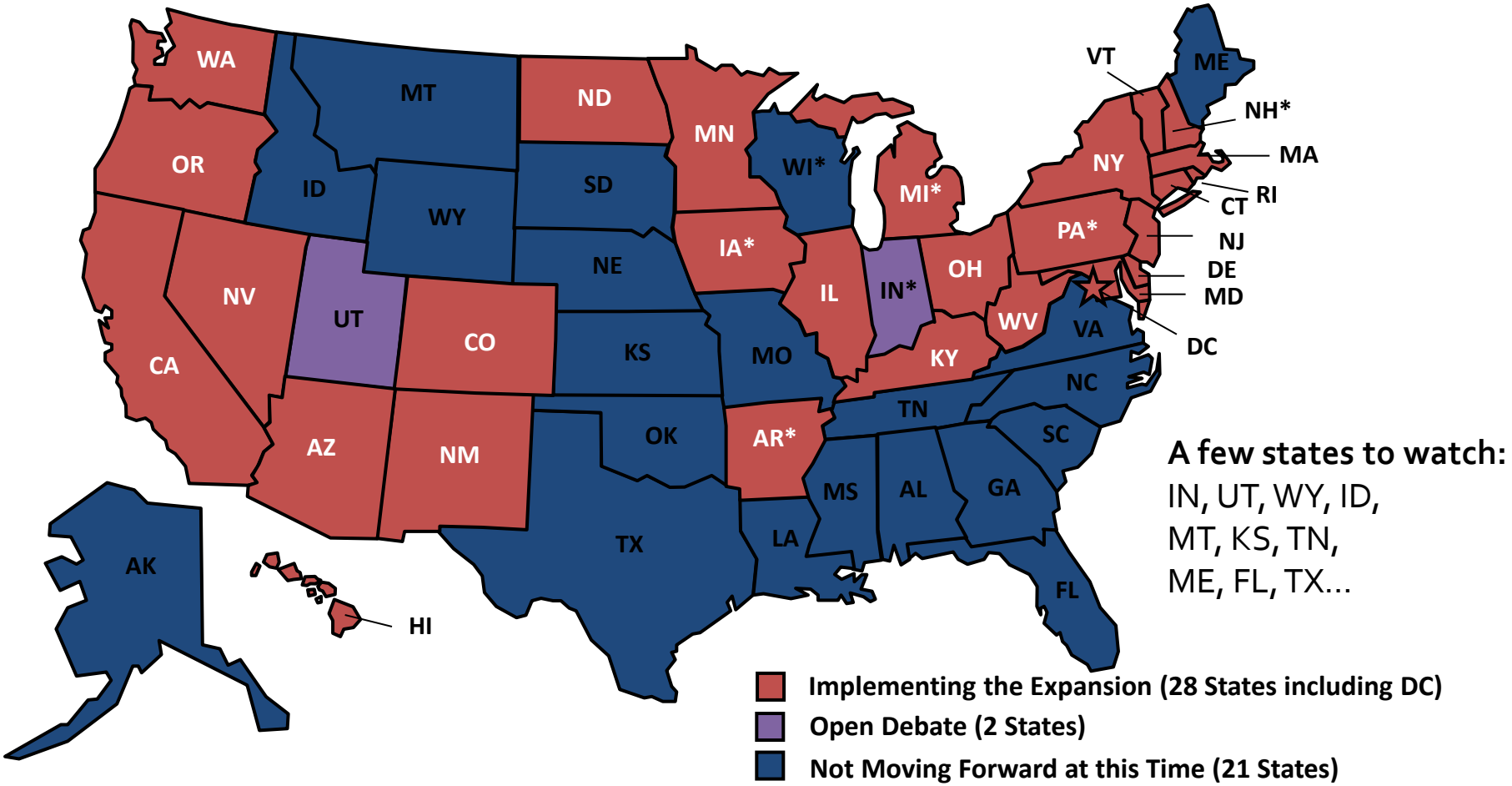
Annual Percent Changes FY 2002 – FY 2014



NOTE: Enrollment percentage changes from June to June of each year. Spending growth percentages in state fiscal year.

SOURCE: *Medicaid Enrollment June 2012 Data Snapshot*, KCMU, August 2013. FY 2013 - 2014 data based on KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2013.

28 states are implementing the Medicaid expansion: Debate continues in other states.



NOTES: Expansion decisions as of October 20, 2014. *AR, IA, MI, and PA have approved Section 1115 waivers for Medicaid expansion. PA is to begin January 2015. IN has a pending waiver to implement expansion. WI amended its Medicaid state plan and Section 1115 waiver to cover adults up to 100% FPL in Medicaid, but did not adopt the expansion.

SOURCES: HMA based on Centers for Medicare and Medicaid Services, and KCMU analysis of current state activity on Medicaid expansion.

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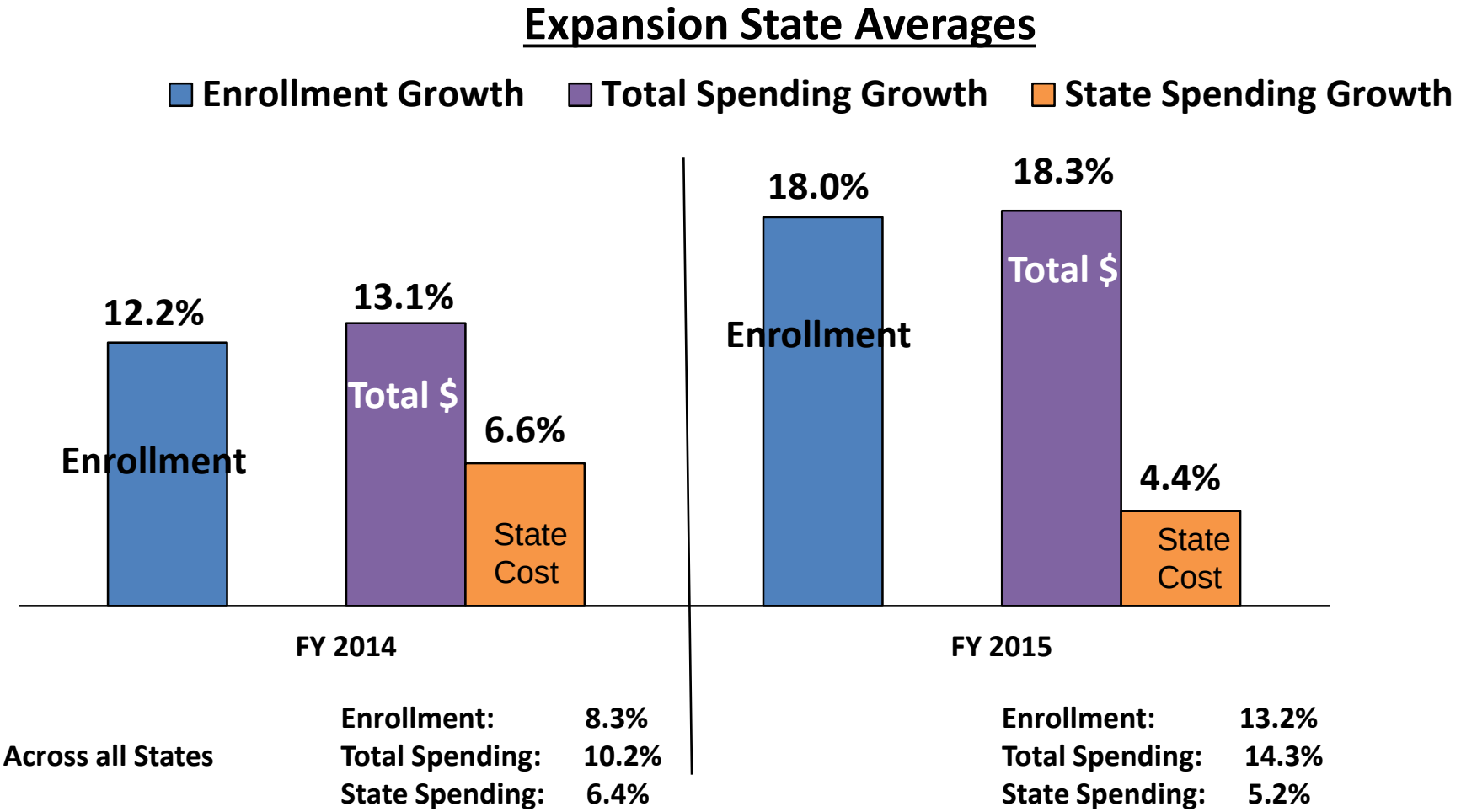
Expansion states: higher enrollment and total spending tied to the ACA, but lower rates of state spending.

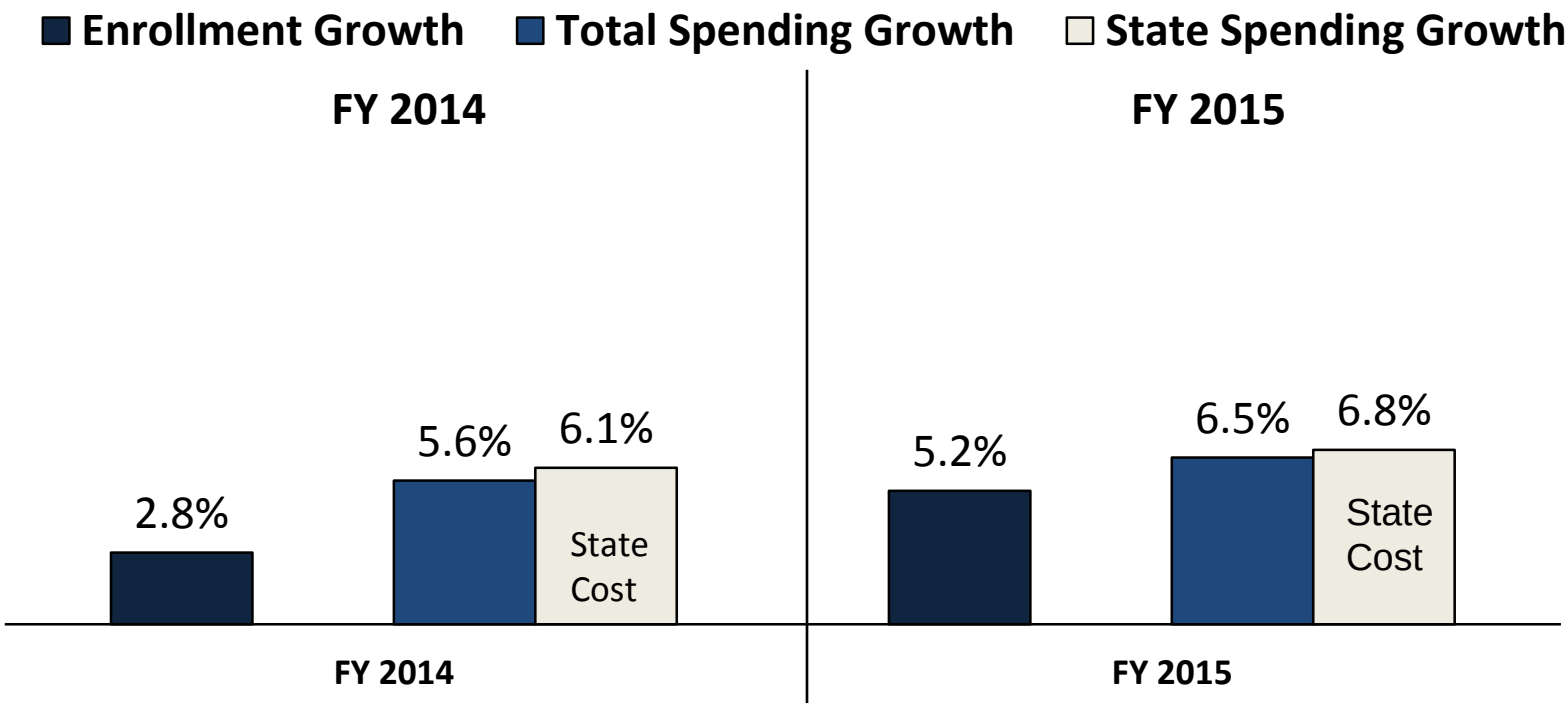


NOTE: : Data for graph shows annual growth only for states implementing the ACA Medicaid Expansion in FY 2014 and FY 2015. For FY 2014, includes 26 states. For FY 2015 includes 28 states (two additional states are NH and PA).

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2014.

Non-expansion states: Lower growth rates across enrollment, total spending and state spending

***Non*-Expansion State Averages**

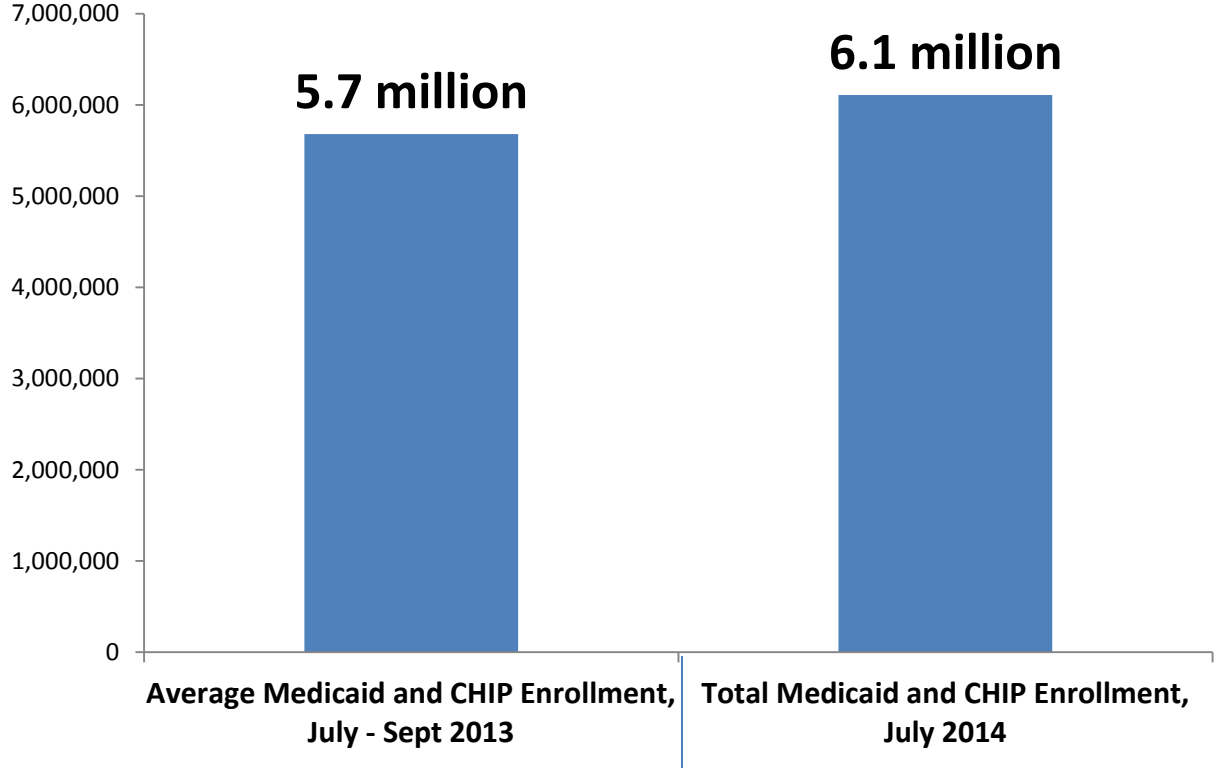


Average Across all States	**Enrollment:**	**8.3%**	**Enrollment:**	**13.2%**
	Total Spending:	**10.2%**	**Total Spending:**	**14.3%**
	State Spending:	**6.4%**	**State Spending:**	**5.2%**

NOTE: Data for graph shows annual growth only for states not implementing the ACA Medicaid Expansion in FY 2014 and FY 2015. For FY 2014, includes 25 states. For FY 2015 includes 23 states (two fewer states are NH and PA).
SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2014.

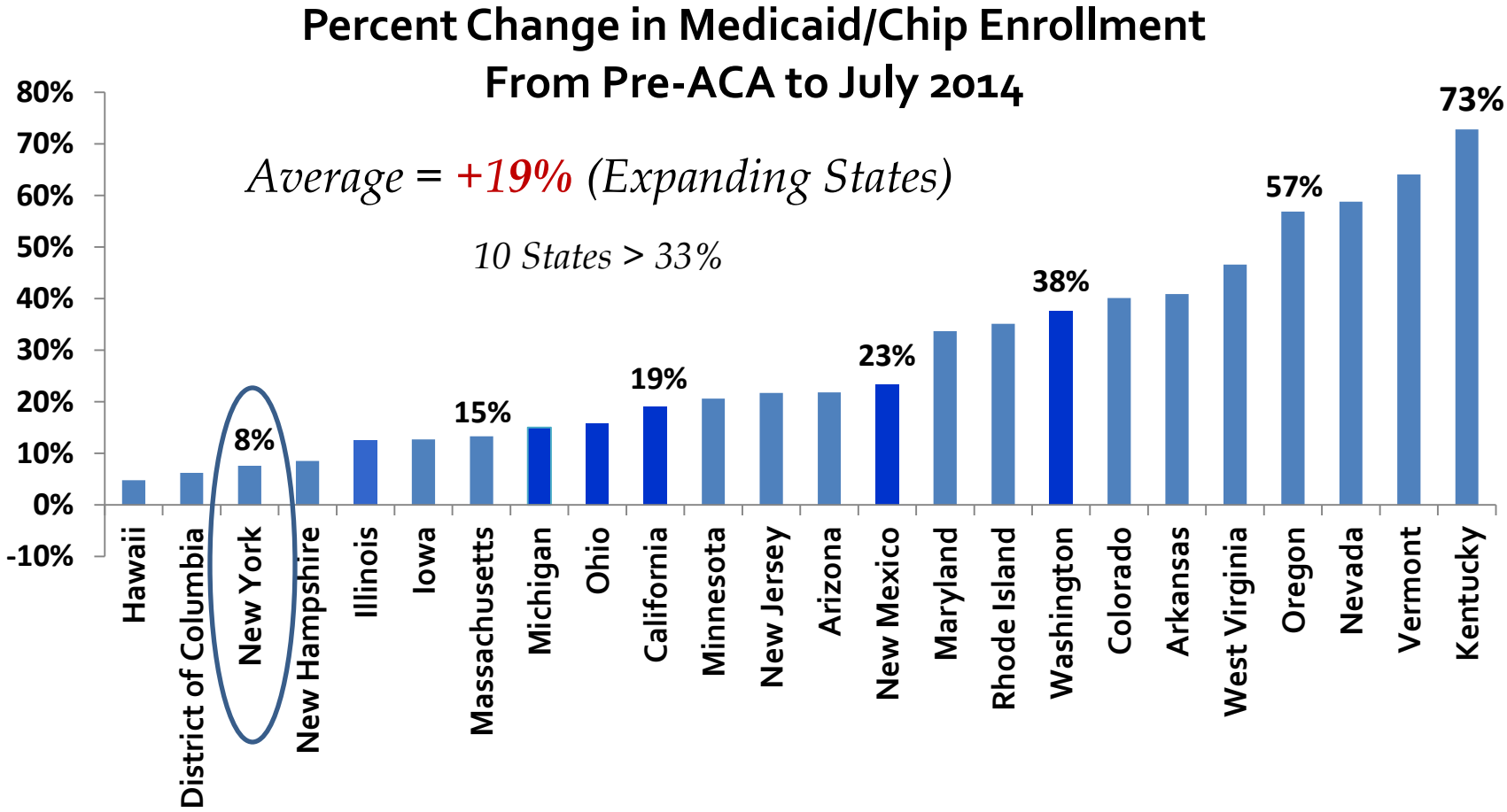
ACA Medicaid Expansion Has Substantially Increased NY Medicaid Enrollment

CMS indicates NY added 428,671 people to Medicaid/CHIP from the start of ACA open enrollment in 2013 to July 2014, an increase of 7.6%



Source: CMS, "Medicaid & CHIP: July 2014 Monthly Applications, Eligibility Determinations and Enrollment Report," September 22, 2014.

Most "Expansion States" Have Seen Robust Growth in Enrollment

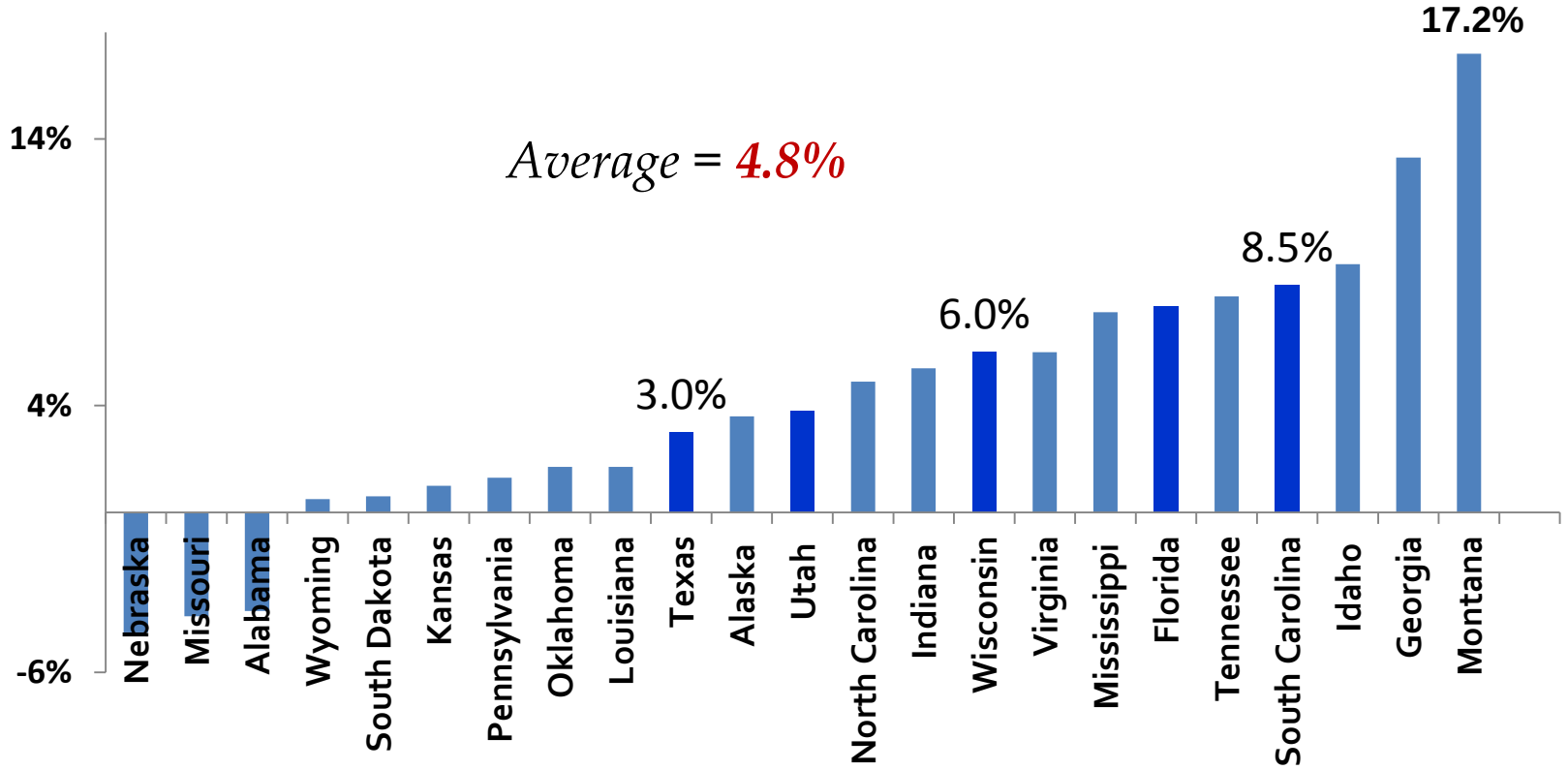


Note: Connecticut, Delaware and North Dakota are excluded because of missing data.

SOURCE: CMS, "Medicaid & CHIP: July 2014 Monthly Applications, Eligibility Determinations, and Enrollment Report," Sept. 22, 2014.

"Non-Expansion States" Enrollment Is Up Somewhat in Most States

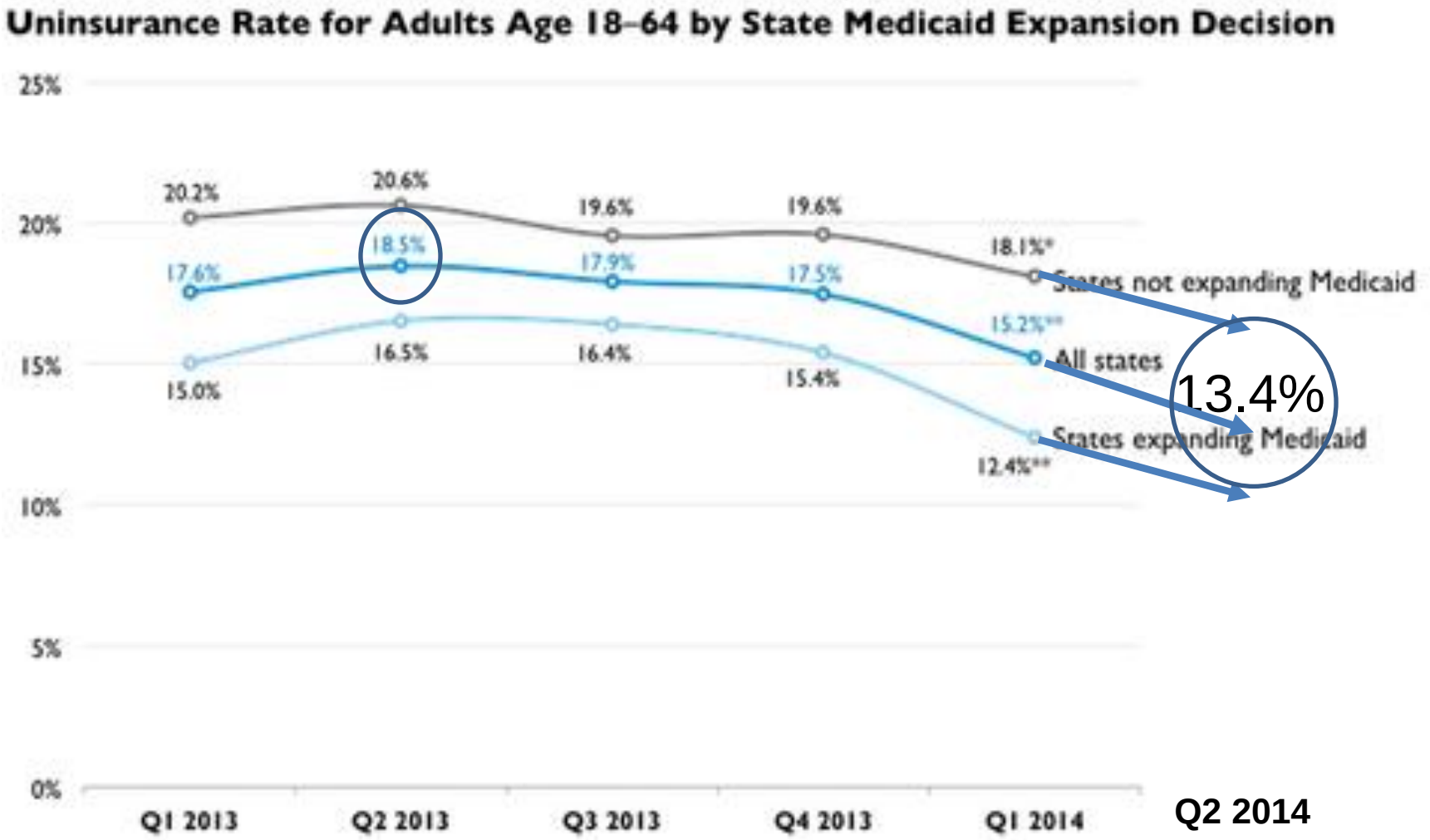
Percent Change in Medicaid/Chip Enrollment From Pre-ACA to July 2014



Note: Maine data omitted by CMS because data not comparable to other states.

SOURCE: CMS, "Medicaid & CHIP: July 2014 Monthly Applications, Eligibility Determinations, and Enrollment Report," Sept. 22, 2014.

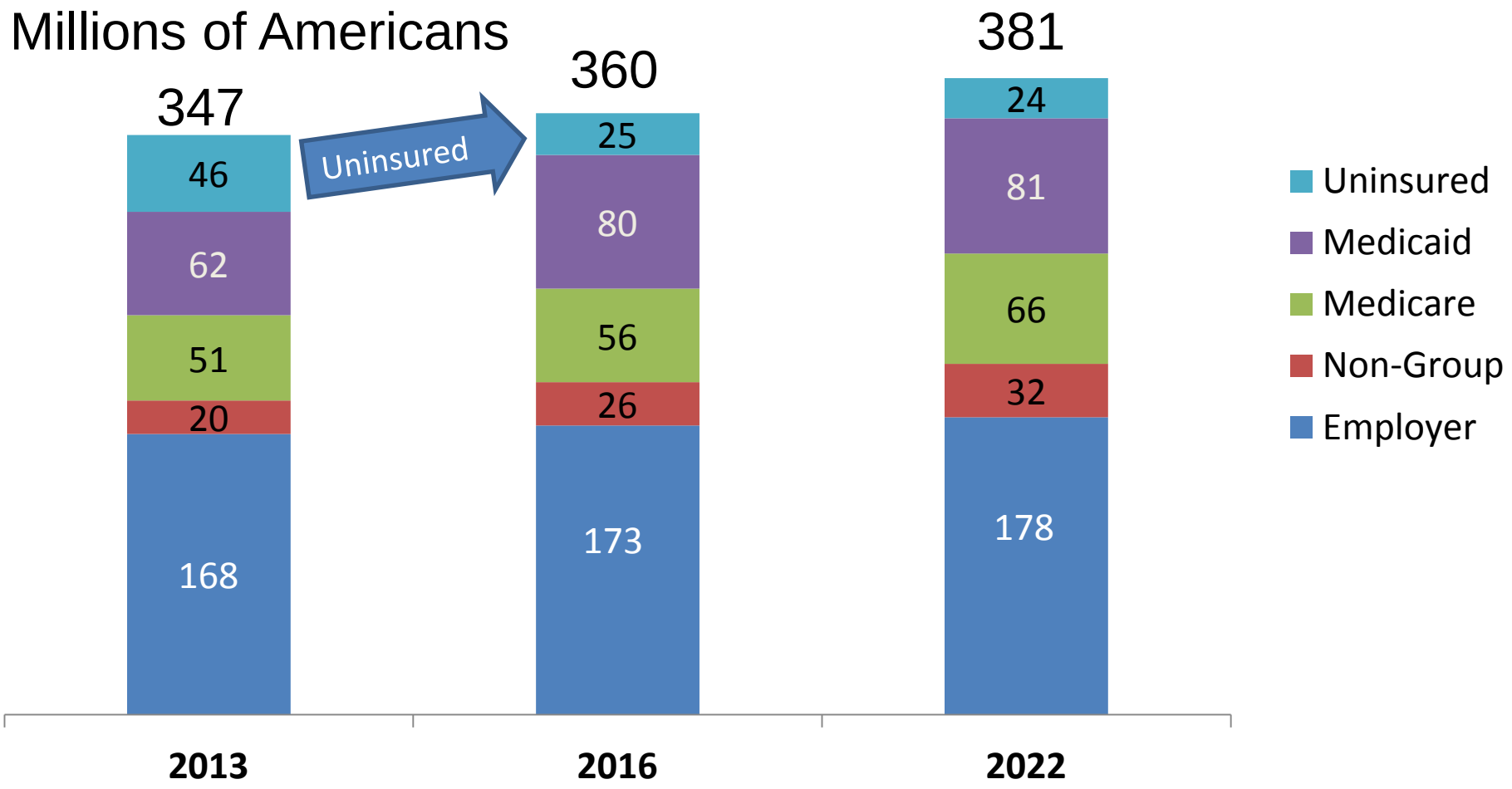
New Coverage is Reducing Uninsured, Through Medicaid and Marketplace



Source: Gallup, April 14, 2014.

With ACA, U.S. Health Coverage Changes: 2013 – 2016 – 2022

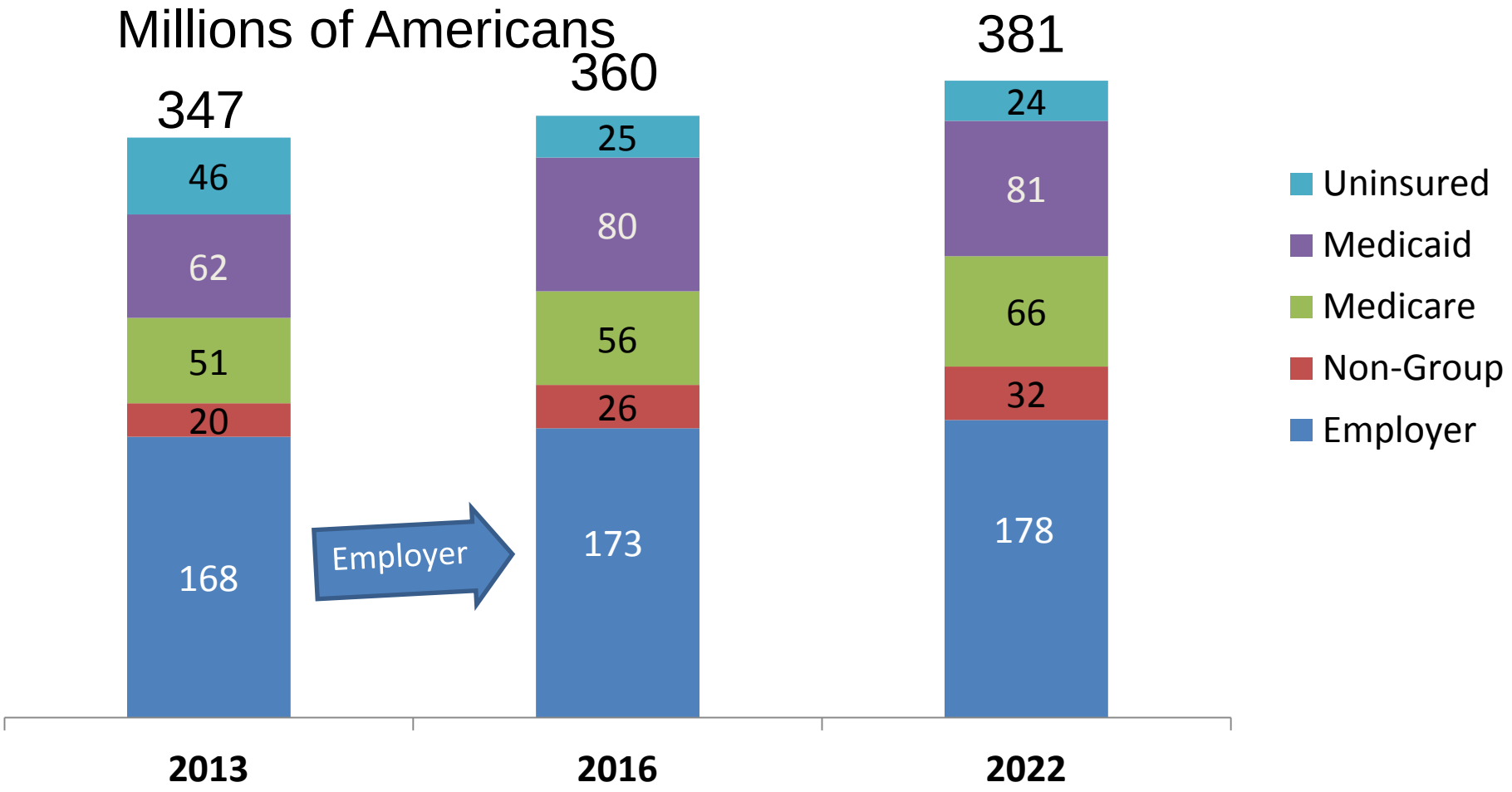
Number Uninsured Drops by 46%



Source; HMA, based on CMS, Office of the Actuary, 2014.

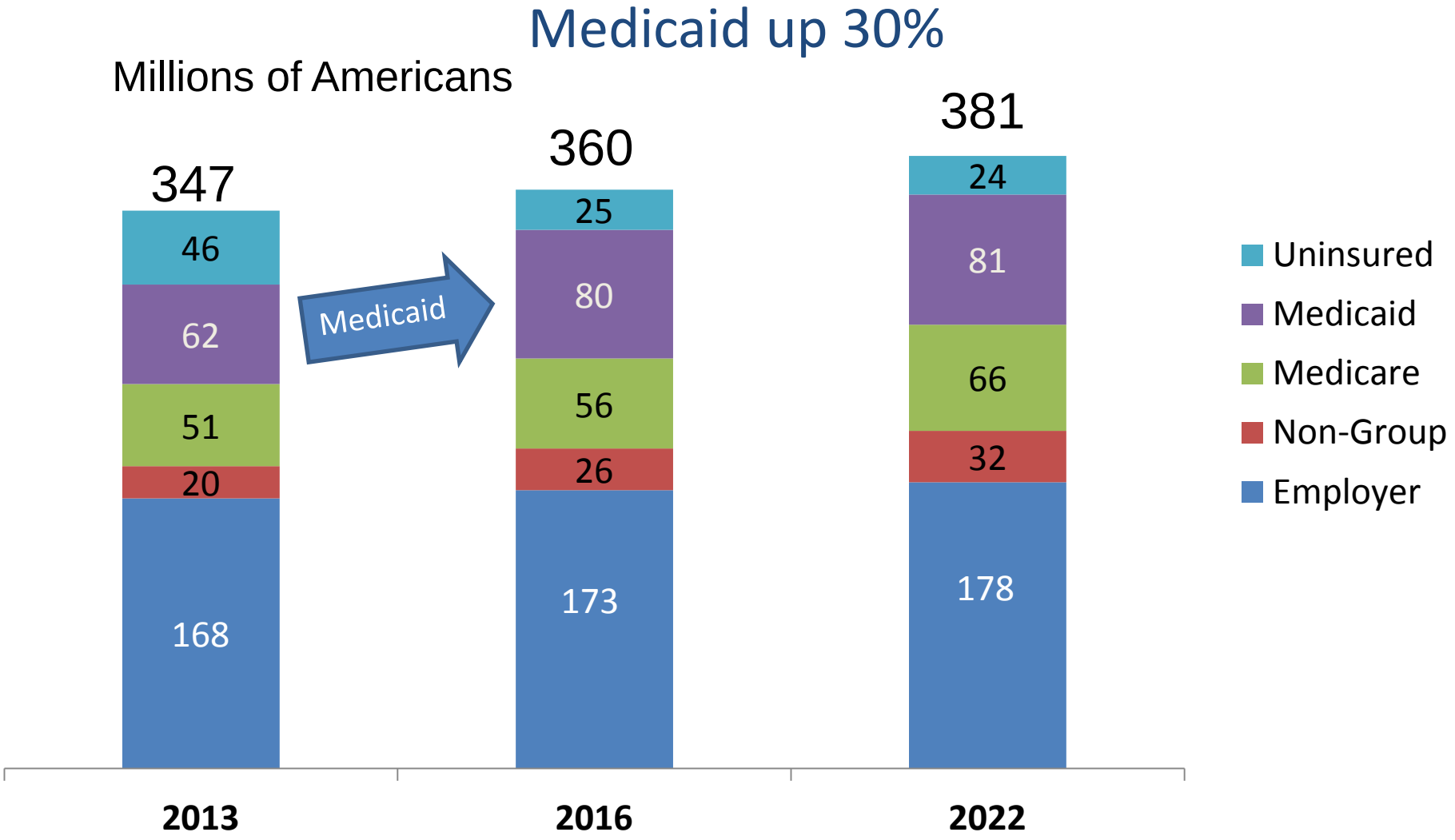
With ACA, U.S. Health Coverage Changes: 2013 – 2016 – 2022

Employer coverage up slightly



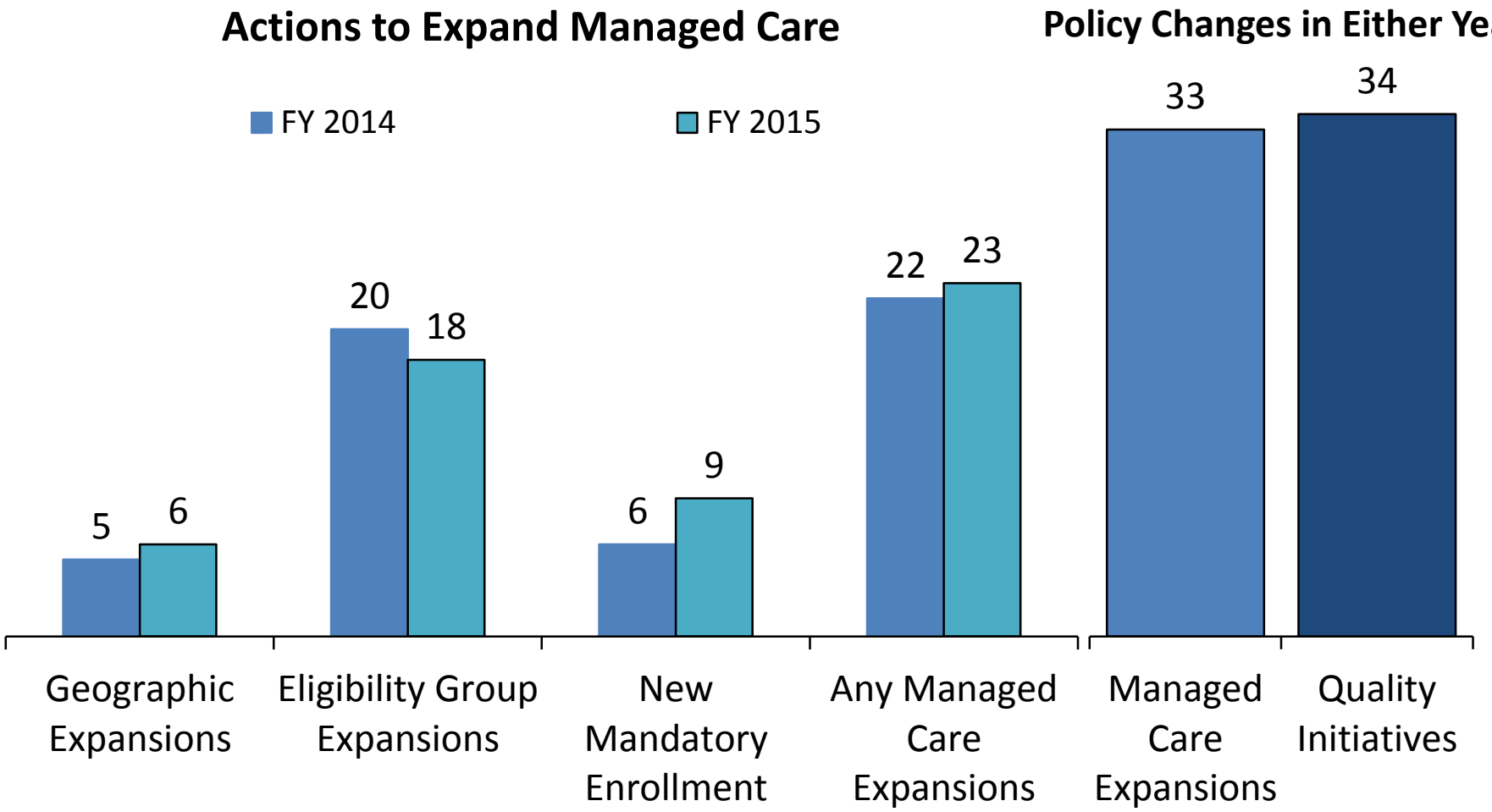
Source; HMA, based on CMS, Office of the Actuary, 2014.

With ACA, U.S. Health Coverage Changes: 2013 – 2016 – 2022



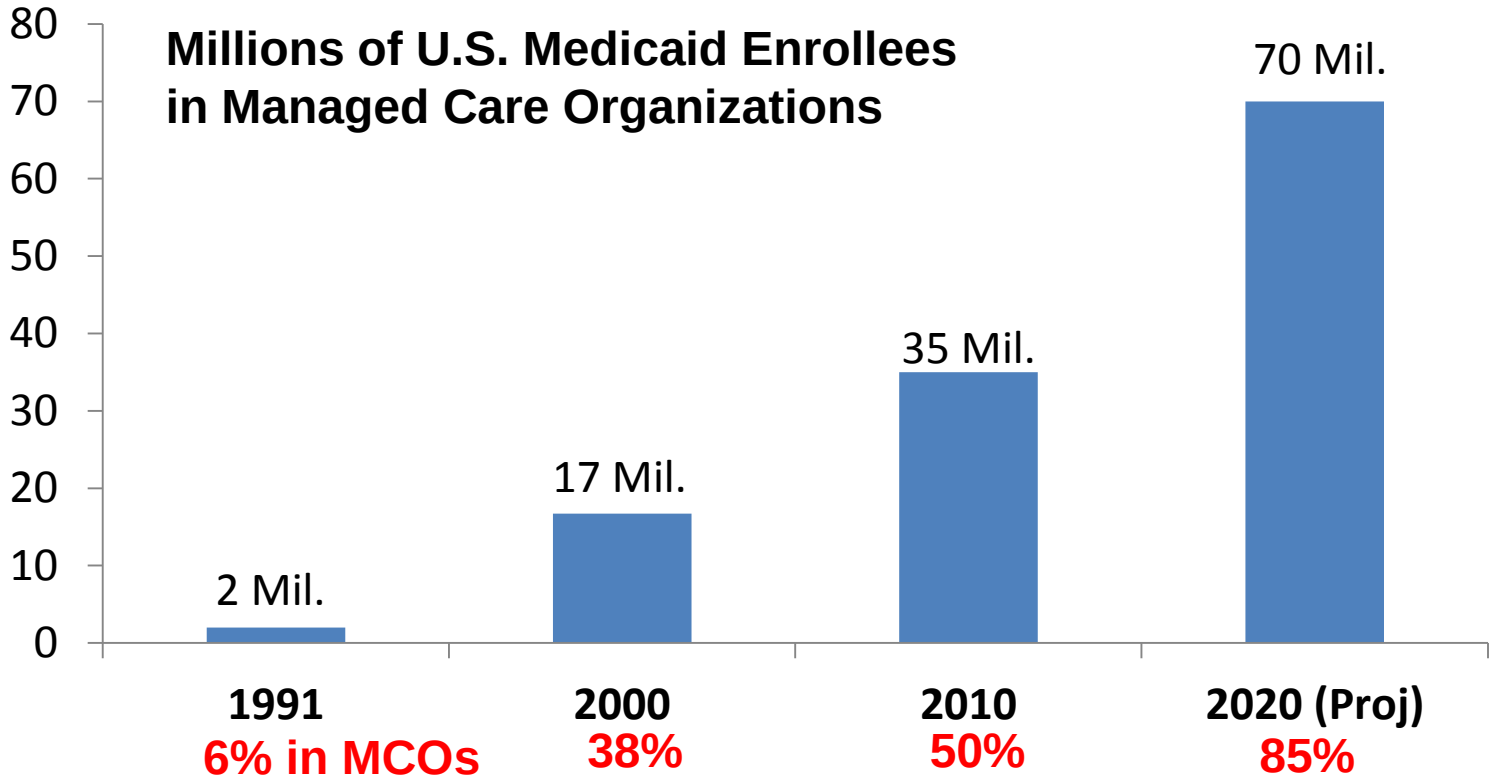
Source; HMA, based on CMS, Office of the Actuary, 2014.

In FY 2014 - FY 2015, States Continue to Expand Reliance on and Improve Managed Care.



SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2014.

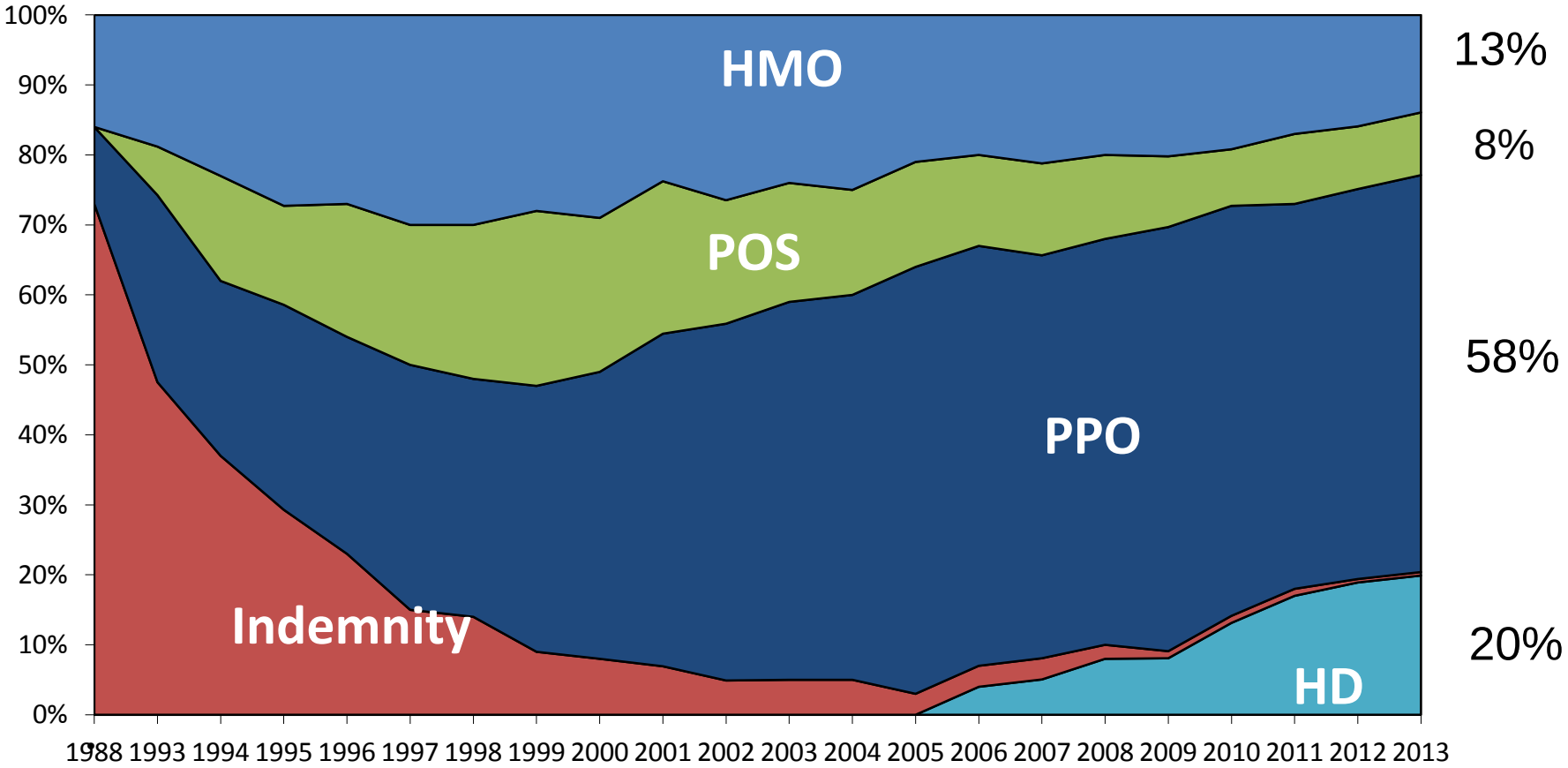
Medicaid Managed Care Enrollment Projected to Double 2010 to 2020



Source: HMA estimate for 2020, accounting for Supreme Court decision and CBO estimate of state adoption of expansion; 2010 data from: Kathy Gifford, Vernon Smith, Dyke Snipes and Julia Paradise, "A Profile of Medicaid Managed Care Programs in 2010: Findings from a 50-State Survey," The Kaiser Commission on Medicaid and the Uninsured, September 2011. 1991 – 2000 data from HMA analysis of CMS Managed Care Reports, various years.

Managed Care Trend is Up for Medicaid, but Down in Commercial Health Insurance Market

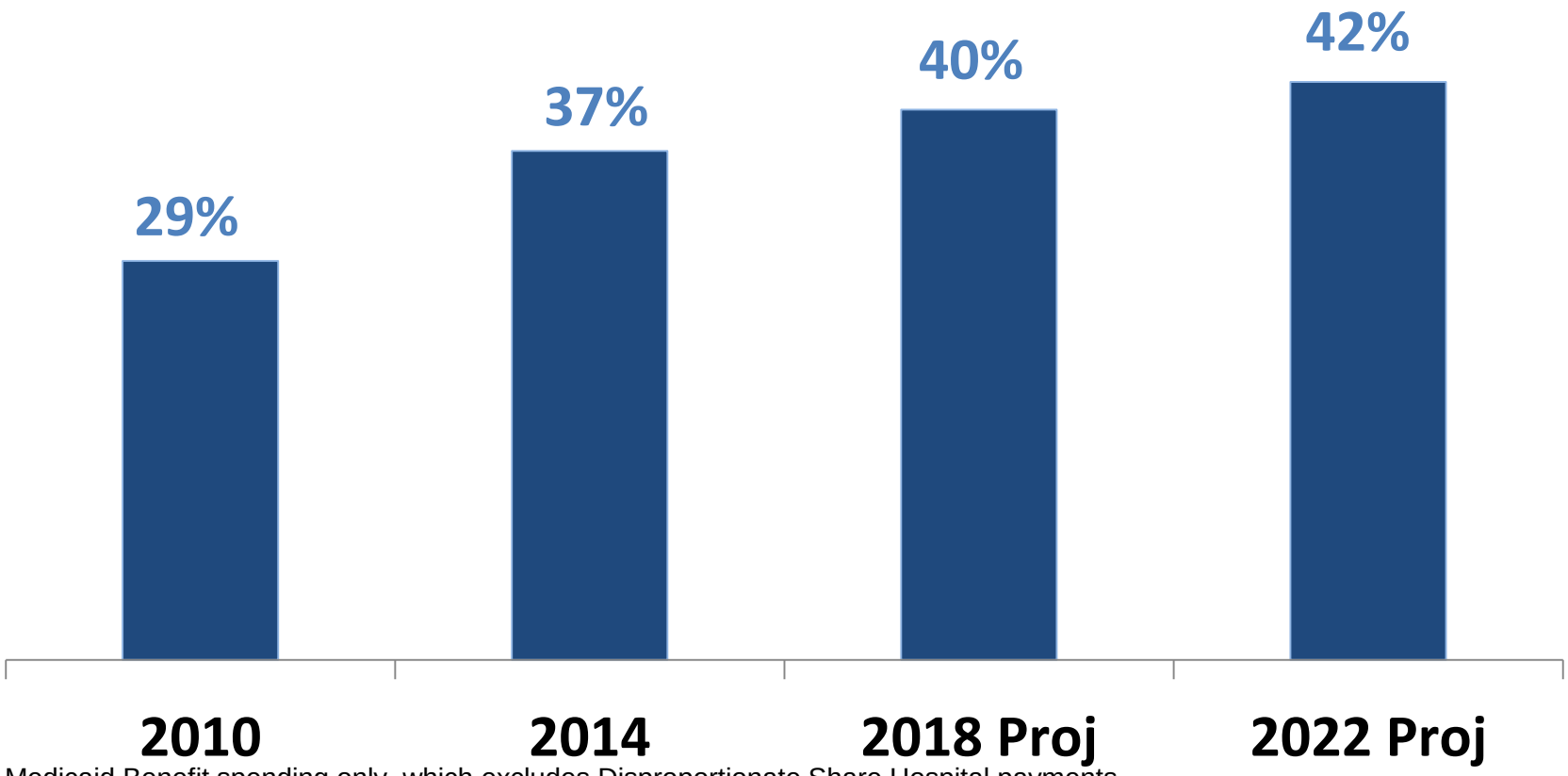
Percent of all covered employees, by type of employer sponsored plan



Source: HMA, based on: Kaiser/HRET, Survey of Employers, 2013.

Most Medicaid Enrollees Are in Managed Care, but Most Medicaid Spending is Not:

Share of Medicaid Spending in MCOs: 2010 – 2022 Projected



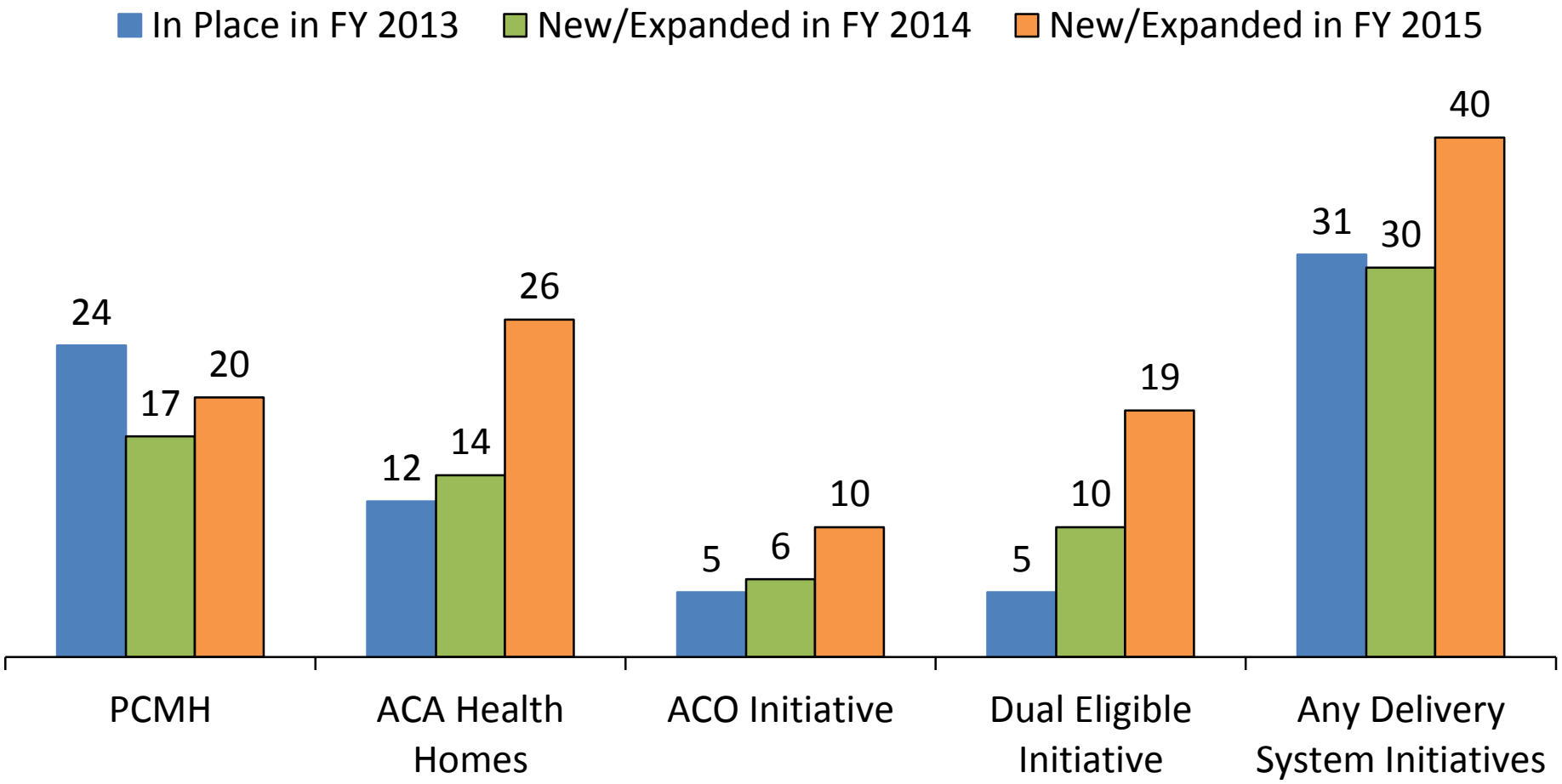
Note: Medicaid Benefit spending only, which excludes Disproportionate Share Hospital payments.
Source: HMA estimates, based on data in: CMS, Office of the Actuary, "2013 Actuarial Report on the Financial Outlook for Medicaid." April 25, 2014.

Delivery System and Payment Reforms: A Priority for Medicaid, Medicare in 2014:

– *Focus on high-need, high cost populations*

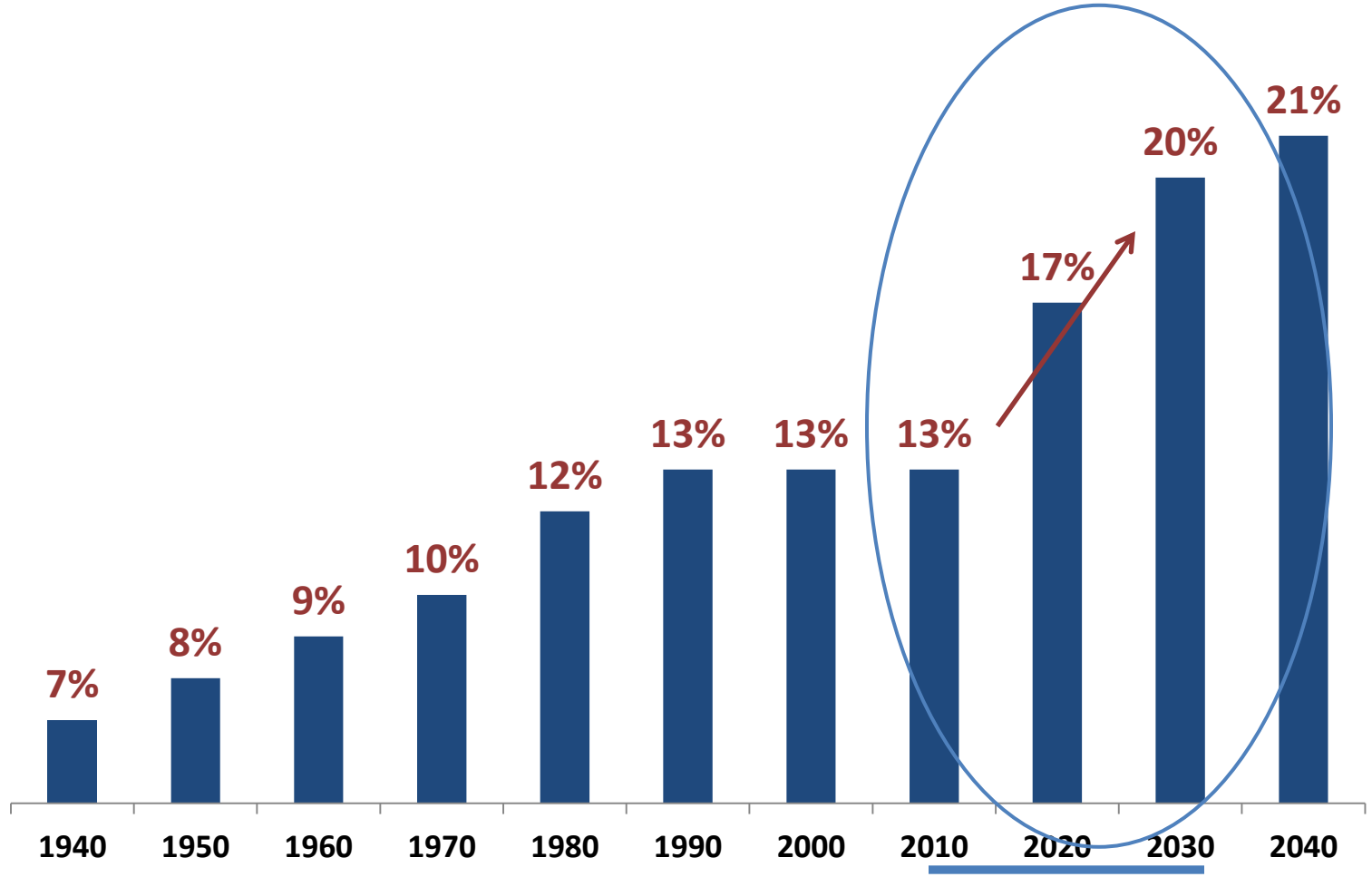
- Persons with complex, chronic conditions and disabilities, and persons on both Medicare and Medicaid (dual eligibles).
- Managed care, care management, coordinated and integrated care
- Payers are strengthening contractual requirements for health plans, with Pay-for-performance, special initiatives
  - e.g., excluding poor performers, reducing non-emergency ER use.

Delivery System Reforms to Coordinate Care and Control Costs Are in Almost All States 2014 - 2015



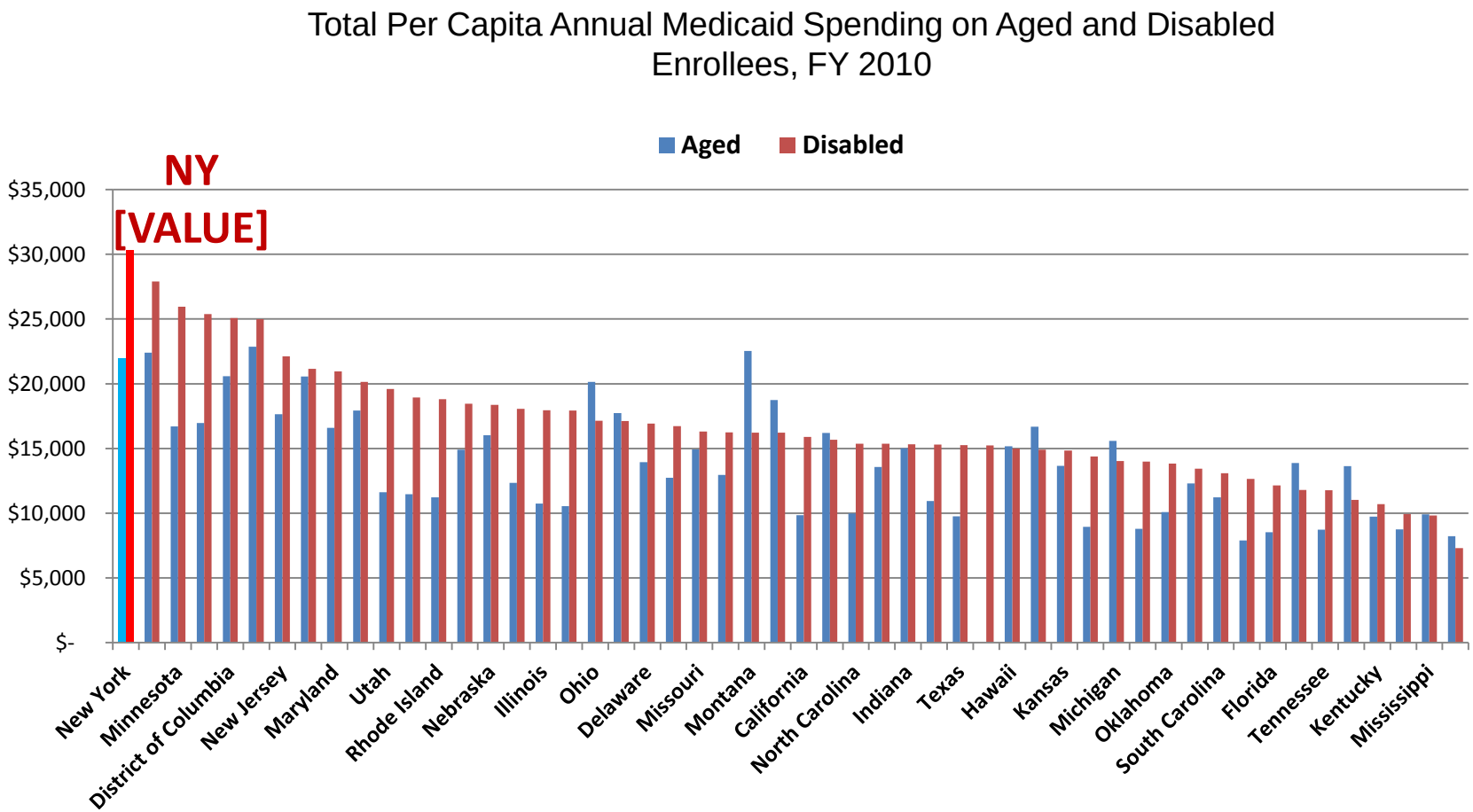
NOTE: Expansions of existing initiatives include rollouts of existing initiatives to new areas or groups and significant increases in enrollment or providers. Dual Eligible Initiatives include both those through and those outside the CMS financial alignment demonstration.
SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2014.

The Need for Effective Systems of Care for Duals Is Seen in Increasing Share of Population Age 65+



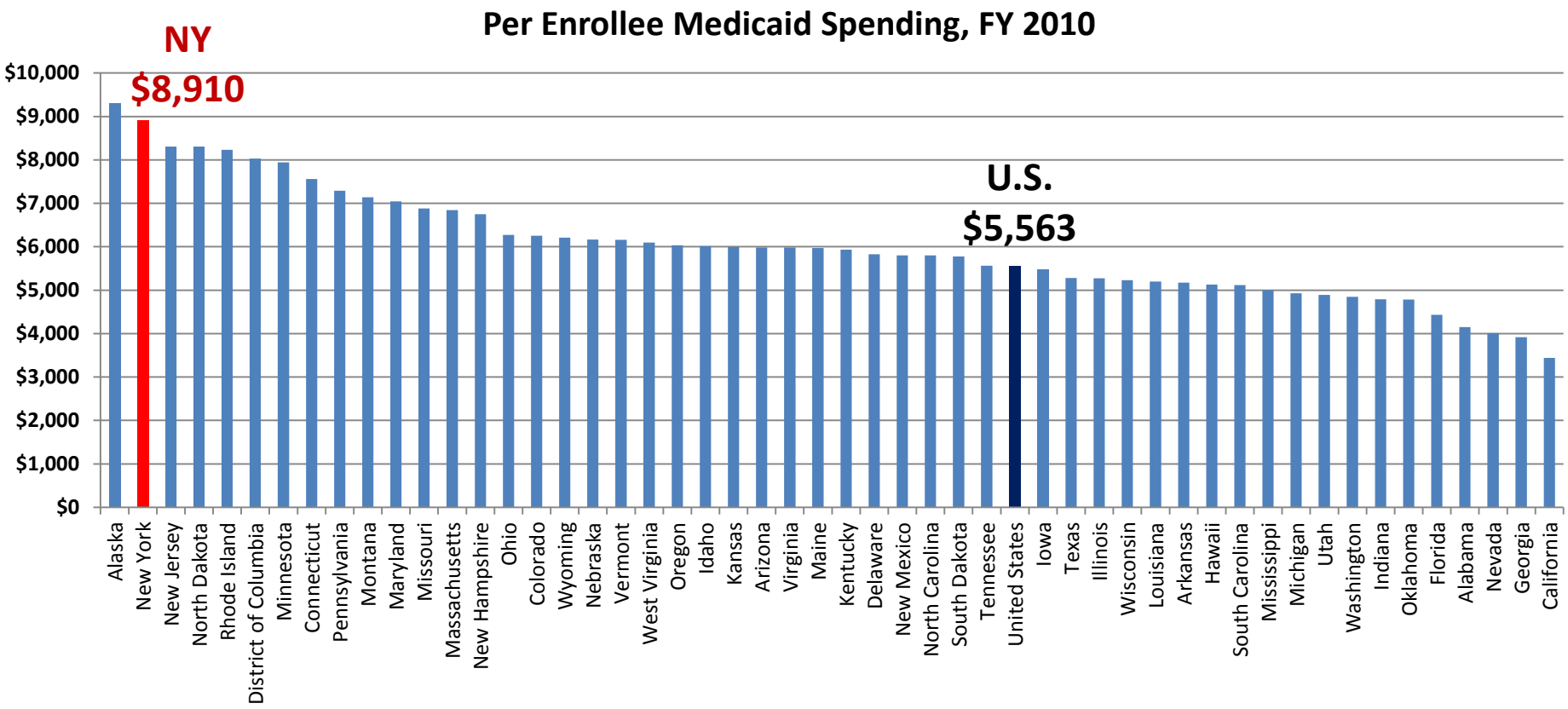
Source: U.S., Administration on Aging.

New York Medicaid Spending on Aged and Disabled Enrollees is Among Highest in the Nation, and Is Driving High Per Enrollee Spending



Source: The Kaiser Family Foundation State Health Facts. Data source: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates. Notes: The chart shows a sampling of states from all four quartiles, representing a range of spending levels. Spending includes both state and federal payments to Medicaid. These figures represent the average (mean) level of payments across all Medicaid enrollees. Spending per enrollee does not include disproportionate share hospital payments (DSH).

New York Has the 2nd Highest Per Enrollee Medicaid Spending Among States



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New York Strategy Is Comprehensive

- Medicaid Redesign Team (MRT)
- Delivery System Reimbursement Incentive Payment (DSRIP) iinitiative
- State Innovation Model (SIM) Initiatives

NYS Medicaid Redesign Team (MRT): Global Spending Cap

- MRT key feature: a **multi-year spending cap** with growth linked to the medical component of the Consumer Price Index.
- **The FY 2015 Enacted Budget cap** on State Medicaid spending set at $17.0 billion.
- **If spending is projected to exceed the spending cap:**
  - If Industry Led activities are not successful, DOH and DOB will develop and implement a plan (the " **Medicaid Savings Allocation Plans**") to bring spending in line with the cap.
  - Medicaid Savings Allocation Plans could include actions such as modifying/suspending **reimbursement methods** (e.g., fees, premium levels, rates) and modifying **program benefits**.

Source: https://www.health.ny.gov/health_care/medicaid/regulations/global_cap/monthly/sfy_2014-2015/docs/july_2014_report.pdf

Delivery System Reform Incentive Payment (DSRIP) Program

- NYS MRT's Medicaid Waiver
  - allows New York to reinvest $8 billion in MRT-generated federal savings back into the state's health care system over 5 years.
- Delivery System Reform Incentive Payment (DSRIP) Program is the Central Waiver Strategy

DSRIP Goals

- The overarching goals of DSRIP are to:
  - Transform the health care delivery system in New York
    - Reduce avoidable hospital use—by 25% statewide
    - achieve significant improvements in other health and public health measures at both the provider systems and state levels
  - Reduce Medicaid spending trend rates statewide.

What DSRIP Has to Do with Medicaid Payment

- New "Performing Provider Systems" (PPSs)
  - Developed and payment to be based on performance
- Medicaid managed care payment reform
  - to be done during DSRIP timeframe.
- PPSs, at the end of 5 years, are to contract *directly* with managed care plans to meet all health care needs of Medicaid beneficiaries.
  - 90% of managed care payments to providers will be based on value instead of volume.

CMS State Innovation Model (SIM) Grants

- New York:
  - Received model pre-testing award to develop plan
  - Submitted proposal for model testing funding for their **"State Healthcare Innovation Plan."**
  - Aligned with DSRIP
- "State Health Care Innovation Plans" describe
  - how each state would improve care,
  - improve community health,
  - reduce long-term health risks, and
  - reduce costs for Medicare, Medicaid, and CHIP

CMS Priorities for SIM Grants

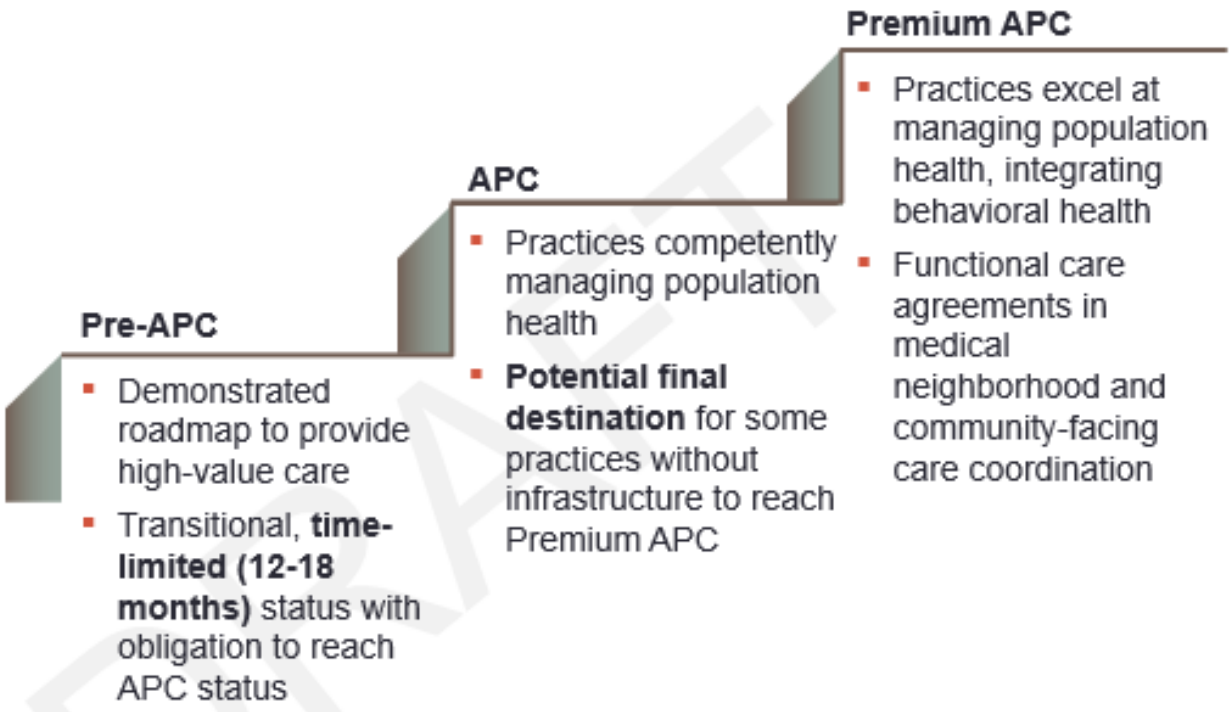
- Achieve triple aim: improve care and health and reduce costs
  - Multiple payers - Medicare, Medicaid, CHIP, State Employee Plans and private payer plans
  - Use Organized health care networks providing care that is:
    - integrated, seamless, coordinated, person – centered
- Accelerate broad health system transformation:
  - To move the delivery system away from fee-for-service to value and performance, outcome-based reimbursement.

New York's SHIP Includes Advanced Primary Care (APC) Model

- Builds on but *more than* a Patient-Centered Medical Home
- Integrates Prevention Agenda activities with clinical care delivered under the APC model
- Three core objectives within five years:
  - 80% of the state's population to receive primary care in an APC setting,
    - with a systematic focus on population health and integrated behavioral healthcare;
  - 80% of the care to be paid in a value-based financial arrangement
  - Consumers engagement and informed choices about their own care supported by increased cost and quality transparency.
- Graduated path to advance toward integrated care and risk-based payment

APC Path Toward High-Quality, Integrated Care

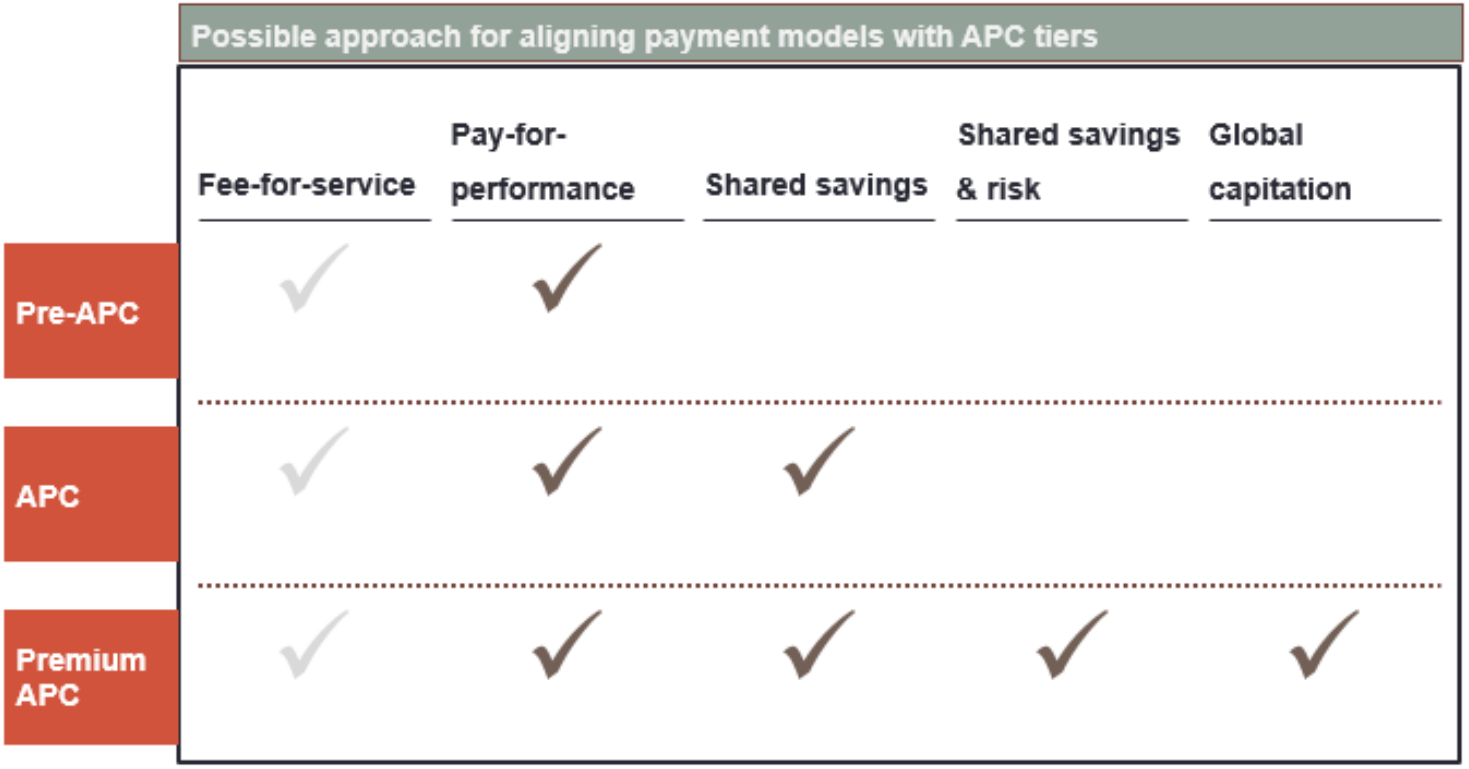
Figure 2: The APC model supports practices along a multi-tier continuum



A critical goal of design and implementation is for multi-payer alignment on this multi-tiered model

APC Path Toward Value-Based Payment

Figure 3: Value-based payment models by APC tier

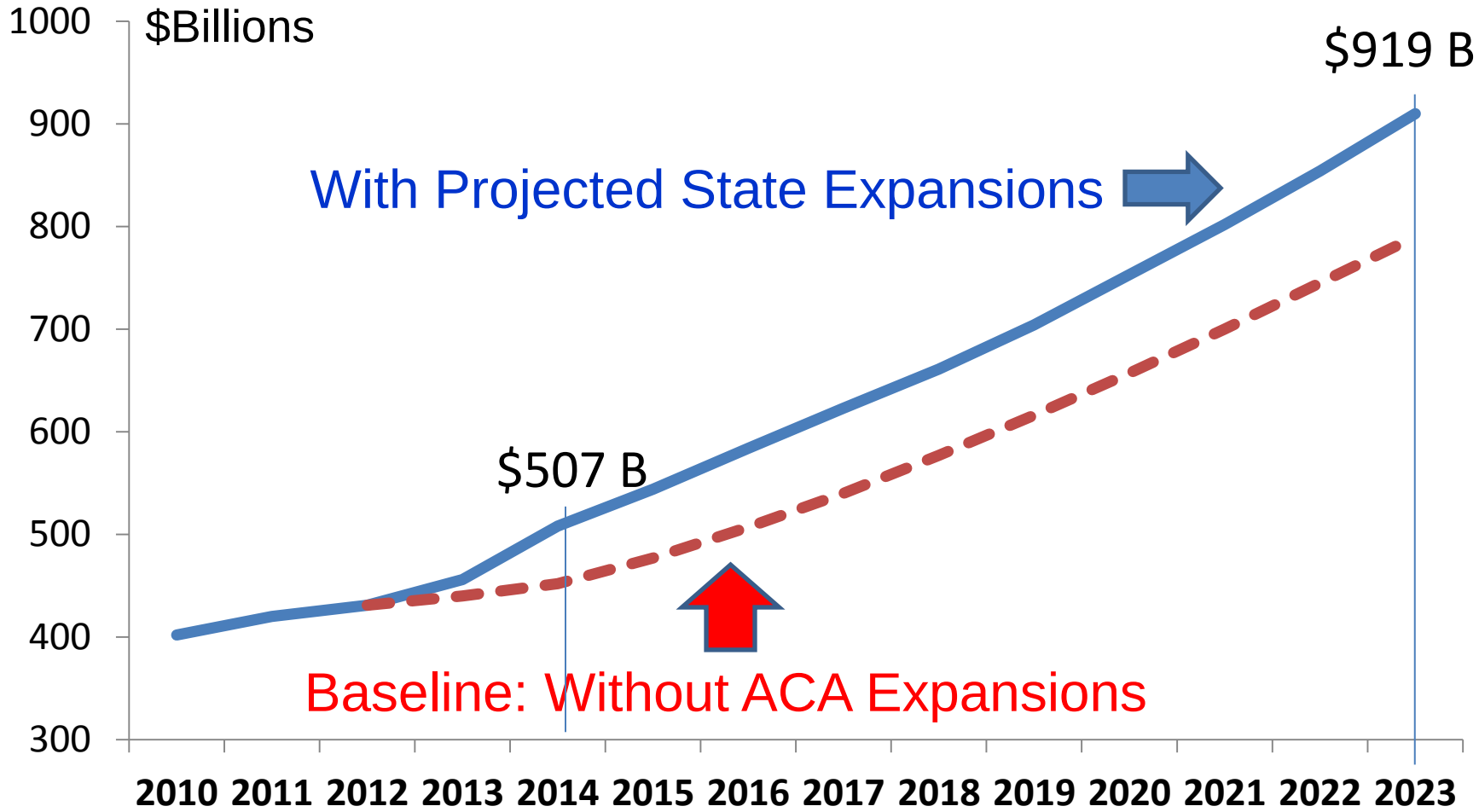


SIM Round 2: $730 Million To Be Awarded to States in 2014

- New York and other states submitted proposals July 21
- Awards to be very soon…Fall 2014
  - Up to 12 states: Awards of $20 million up to $100 million each for model testing, 2015 - 2018
  - Up to 15 model planning grants awards: $1 million to $3 million each

U.S. Medicaid Spending

Annual Growth of 7% Projected to 2023



SOURCE: Andrea Sisko, et al. (CMS), "National Health Expenditure Projections, 2013 – 2023: Faster Growth Expected with Expanded Coverage and Improving Economy," Health Affairs," online September 3, 2014.

Changes in U.S. Health Care Now Are Some of the Most Consequential Ever

- *ACA Medicaid expansions and Marketplaces implemented in a turbulent political environment*
- *New "Accountable systems of care" are platforms to improve care, health, and save costs*
  - *Delivery system and payment reforms*
  - *SIM and DSRIP are catalysts for multi-payer efforts to coordinate care across physical health, behavioral health, and long term care*
- *The future promises more challenges*

Significant Challenges Are Ahead: In the words of Joe Swedish, CEO, WellPoint

- *"The intersection of health, policy, financing, care delivery, government, consumers and the private sector has never been more challenging …."*
- *"Changes in health care delivery – consumer engagement, rapidly emerging technology, greater connectivity to health information, and increased provider collaboration have the potential to save lives and truly transform care."*
- *The challenge ahead is "…to think and act differently, through innovation and collaboration."*

Source: Modern Healthcare, 2014

Medicaid and Challenges for Health Centers: 2014 Issues

- The challenge for health centers:
- To earn a strong position in the emerging delivery systems by showing real — and measureable — value in achieving the Triple Aim of better care, better health, and lower costs.