

Medicaid Managed Care

Understanding the Health Insurance Business (Part 4)

Tuesday, September 25, 2018

3:00 PM ET - 3:30 PM ET



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Overview of Business Line

2

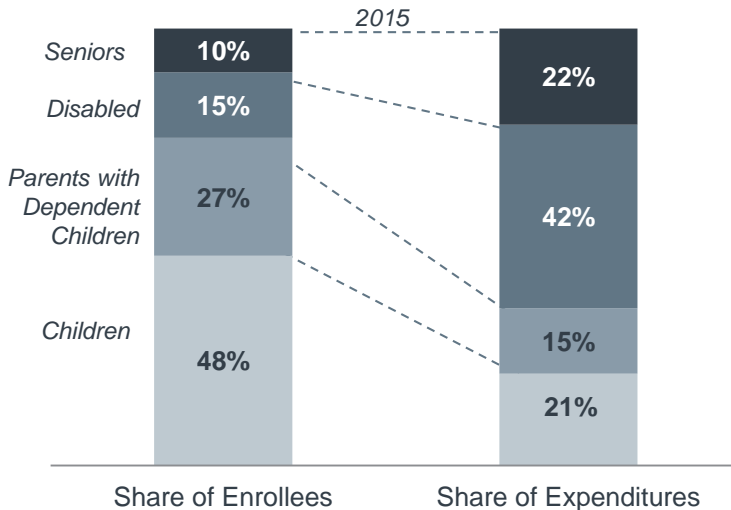
Major Trends Impacting Medicaid Plans

3

Understanding Key Advisory Board Resources

The Nation's Health Care Safety Net

Medicaid Enrollees and Benefits Expenditures by Enrollment Group



Medicaid in Brief

\$575B

Total Medicaid expenditures
(FY2017)

76M

Total Medicaid enrollees
(FY2017)

63%

Percent of Medicaid costs
covered by Federal
government funds (FY2016)

Source: Kaiser Family Foundation, "Medicaid Moving Forward," Kaiser Commission on Medicaid and the Uninsured, available at: www.kff.org; Mitchell, Alison, "Medicaid's Federal Medical Assistance Percentage", Congressional Research Service, February 9, 2016, <https://fas.org/sgp/crs/misc/R43847.pdf>; "Total Medicaid Spending", Kaiser Family Foundation, <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>; Rudowitz R, Valentine A, "Medicaid Enrollment & Spending Growth: FY 2017 & 2018," Kaiser Family Foundation, October 19, 2017, <https://www.kff.org/medicaid/issue-brief/medicaid-enrollment-spending-growth-fy-2017-2018/>; Health Plan Advisory Council research and insights.

No Typical Medicaid Benefits Package

States Have Flexibility in Medicaid Benefits Offered

Sample Medicaid Benefits

Selected from CMS¹ list of 15 mandatory benefits and 28 optional benefits (2017)

Mandatory Benefits

Required by federal government

- Inpatient hospital services
- Outpatient hospital services
- Nursing facility services
- Laboratory and X-ray services
- Transportation to medical care



Optional Benefits

Determined by state government

- Prescription drugs (50 states²)
- Case management (48 states)
- Dental services (46 states)
- Hospice care (41 states)
- Physical therapy (35 states)

1) Centers for Medicare and Medicaid Services.

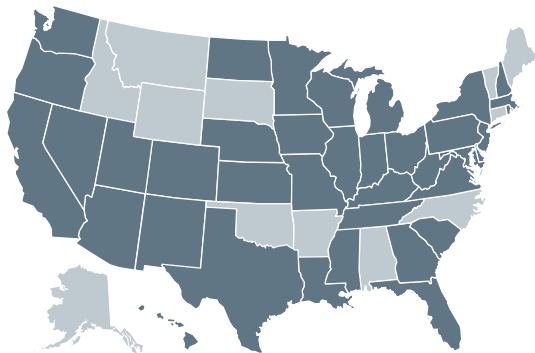
2) Number of states out of 50 offering the benefit in parentheses for fee for service beneficiaries (2012).

Introducing Medicaid Managed Care

Most States Delegate Medicaid FFS to Medicaid Managed Care

38 States and DC Have At Least One Medicaid Managed Care Organization

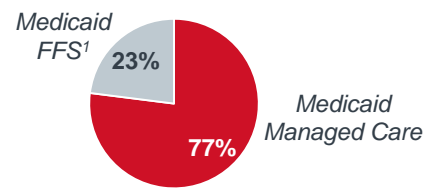
As of March 2018



■ MCOs ■ No MCOs

Medicaid Managed Care Enrollment

As of Spring 2017



Types of Managed Care Entities

- Managed Care Organization (MCO)
- Primary Care Case Management (PCCM)
- Prepaid Inpatient Health Plan (PIHP)
- Prepaid Ambulatory Health Plan (PAHP)

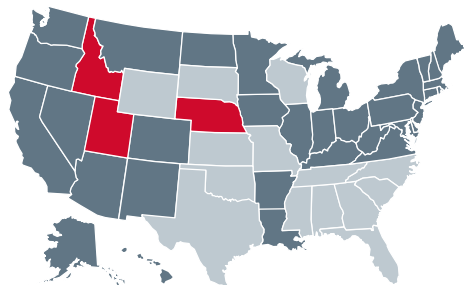
Source: KFF, "Total Medicaid MCOs," Mar 2018, <http://kff.org/medicaid/state-indicator/total-medicaid-mcos/?currentTimeframe=0&sortModel=%7B%22colld%22:%22Location%22,%22sort%22:%22asc%22%7D>; "Medicaid Managed Care Enrollment and Program Characteristics", Centers for Medicare and Medicaid Services, 2014, <https://www.medicaid.gov/medicaid-chip-program-information/by-topics/data-and-systems/medicaid-managed-care/downloads/2014-medicaid-managed-care-enrollment-report.pdf>; "Managed Care Entities", Medicaid.gov, <https://www.medicaid.gov/medicaid/managed-care/entities/index.html>; "Mid-Year 2017 Medicaid Market and Enrollment Trends," Mark Farrah Associates, November 3, 2017, <https://www.markfarrah.com/mfa-briefs/mid-year-2017-medicaid-market-and-enrollment-trends/>; Health Plan Advisory Council Research and Analysis.

1) Fee-for-service.

Federal Medicaid Funding Set to Phase Down

ACA's¹ Medicaid Cuts Have Taken Effect Beginning in 2017

34 States and DC Have Approved Expansion²



■ Adopted ■ Considering Expansion ■ Not Adopted

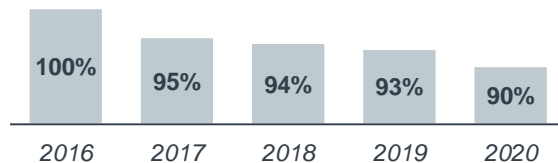
\$68B Federal spending on Medicaid expansion population, FY2015

\$4.3B State spending on Medicaid expansion population, FY2015

28.8% Total growth in Medicaid enrollment since ACA, 2017

Impending Federal Cuts to Safety Net Spending Threaten Stability

Federal Matching Rate for Expansion Population



\$43B Cut to federal Medicaid DSH² payments, 2018-2026

25 States face revenue shortfalls, Jan. 2018

“Medicaid could make up close to half of Louisiana's state budget”
 “We can't control our costs. We're growing out of control,” said state Rep. John Schroder.”

Source: Mitchell, A., “Medicaid's Federal Medical Assistance Percentage (FMAP),” *Congressional Research Service*, Feb. 9, 2016; Maness, R., “Twenty-Five States Face Revenue Shortfalls in 2018,” *Multi-State*, Jan. 9, 2018; O' Donoghue, J., “Medicaid could make up close to half of Louisiana's state budget,” *nola.com*, April 5, 2017; Mitchell, A., “Medicaid Disproportionate Share Hospital Payments,” *Congressional Research Service*, June 17, 2016; Health System Strategy in the Post-ACA Era, Health Care Advisory Board, The Advisory Board Company.; “Status of State Action on the Medicaid Expansion Decision,” Kaiser Family Foundation, July 27, 2018; “Medicaid enrollment changes following the ACA,” MACPAC, 2017, Health Care Advisory Board analysis.

1) Affordable Care Act.

2) As of July 2018.

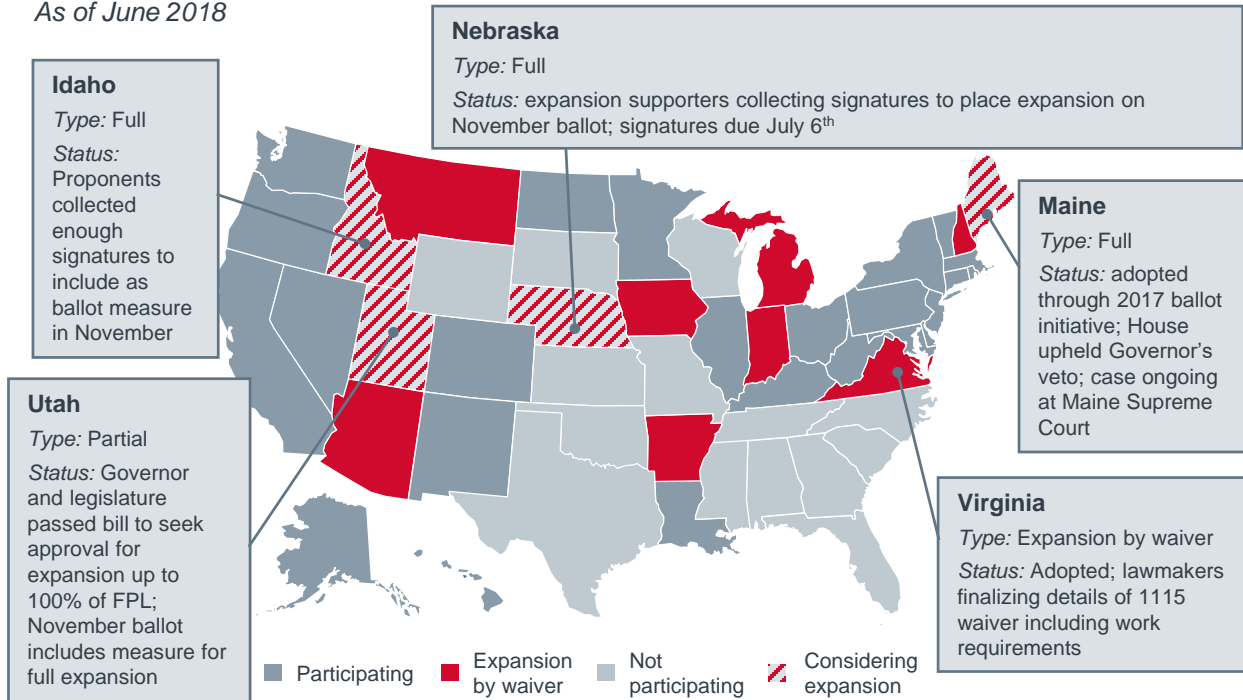
3) Disproportionate Share Hospital.

Medicaid Expansion Gets a Second Wind

As Repeal Prospects Dim, Some Reconsidering Medicaid Expansion

Four States Weighing Decision to Join 32 Existing Expansion States

As of June 2018



Source: KFF, "Medicaid Waiver Tracker: Which States Have Approved and Pending Section 1115 Medicaid Waivers," May 16, 2018; Health Care Advisory Board interviews and analysis.

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Major Challenges Faced by Medicaid Stakeholders

Medicaid Plans Prioritize Addressing These Unique Challenges



State Policy Experimentation

In response to federal regulatory changes, states are pursuing a range of new Medicaid waivers to modify how the program is run and who can participate



Limited Access to Care

Medicaid members have limited access to care compared to other business lines, leading to downstream health consequences



Adverse Social Determinants

Medicaid members have a higher prevalence of socioeconomic factors and behavioral health illnesses

Waivers Extend Reform Flexibility to States

States Adding Eligibility Restrictions and Monitoring to Manage Budgets

1115 Waivers

UNDERSTANDING THE BASICS

Definition

Established by Social Security Act to enable demonstrations furthering goals of Medicaid, CHIP

Potential Uses

- Implement Medicaid payment reforms
- Amend Medicaid eligibility requirements
- Change Medicaid benefits, cost-sharing

Recent State Medicaid Program Experimentation Initiatives¹

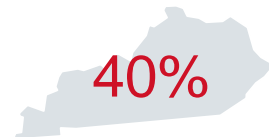
PREVIOUS REFORMS: **BENEFIT EXPANSIONS**

Waivers for behavioral health expansion, MLTSS² expansion, and delivery system reform³

NEW REFORMS: **COVERAGE RESTRICTIONS**

Sample waivers proposed and implemented:

- Work requirements (**3** approved, **8** pending, **1** invalidated)
- Premium and cost sharing contributions
- Waive retroactive eligibility
- Time limits on coverage
- Lock-out for failure to timely renew eligibility



Increase in Kentucky's
administrative costs
after implementing
work requirements

1) Section 1115 Medicaid Demonstration Waivers, as of August 2018.

2) Managed long term services and supports.

3) Examples include DSRIP and operating Uncompensated Care Pools.

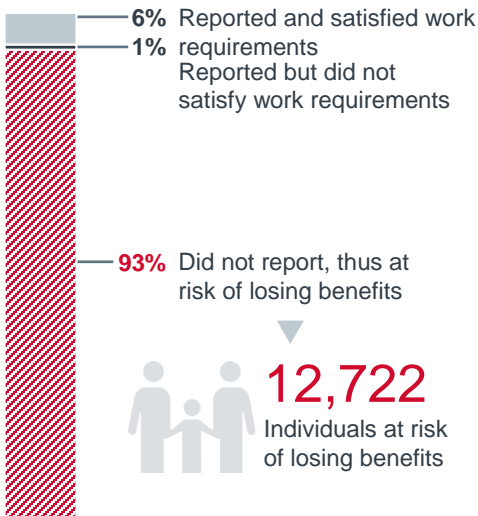
Source: "[Medicaid Waiver Tracker: Which States Have Approved and Pending Section 1115 Medicaid Waivers?](#)" Kaiser Family Foundation, August 29, 2018; Musumeci, M. et al, "[Section 1115 Medicaid Demonstration Waivers](#)," Kaiser Family Foundation, 2018; Japsen, Bruce, "[Trump's Medicaid Work Rules Hit States with Costs and Bureaucracy](#)," Forbes, July 22, 2018; Health Plan Advisory Council interviews and analysis.

The Internet is Closed?

Arkansas Work Reporting, July 2018

6% of Arkansas Works population required to report work¹

Percentage of reporting-required population



Potential Work Reporting Hurdles in Arkansas

66% of interviewed Medicaid recipients **not** aware of requirement

31% of estimated required reporters with no home internet access

Online portal operating hours: **7 a.m.–9 p.m.**

Welcome to **Access Arkansas**

Please click on one of the sections

Am I Eligible? See if you qualify for 30 program Arkansas Works, ARKids First, S Assistance, Pregnant Woman C

Log-In/App We are sorry, but the Arkansas Works/Medicaid website is currently unavailable due to scheduled maintenance. The portal is available from 7:00 am to 9:00 PM daily. [Close](#)

Log-In/Apply or Renew Medicaid Arkansas Works Program Form

Arkansas WORKS **Select Your Health Plan** If you have been approved for th click here to go directly to insure

¹ Number of members who must report divided by total Arkansas Works population as of July 1, 2018.

Source: "Arkansas Works Program", Arkansas Department of Human Services, July 2018; Greene, J, "Medicaid Recipients' Early Experience with the Arkansas Medicaid work requirement," HealthAffairs, September 5, 2018; Gangopadhyaya, Anuj, et al, "Medicaid Work Requirements in Arkansas", Urban Institute, May 2018; Access Arkansas website; "Medicaid Overview Booklet SFY 2017," Division of Medical Services, Arkansas Department of Human Services, 2017; Health Plan Advisory Council interviews and analysis.

Indiana Tests Medicaid Coverage Reform

Injecting Consumer-Driven Principles Into Medicaid Market



Case in Brief: Healthy Indiana Plan

- Section 1115 Medicaid expansion-enabled model modifying traditional program elements implemented in 2015
- Includes enrollee premiums, co-pays, incentives for preventive services, two plan tiers, and penalties for non-payment
- Providers reimbursed at Medicare rates to encourage provider acceptance of Medicaid
- 73% of eligible Medicaid beneficiaries participated in 2015, the first year

HIP¹ Attempts to Encourage Three Behaviors:

1

Taking Personal Responsibility

- Requires monthly contributions to “POWER” health savings account; failure to pay results in reduced benefits
- No retroactive coverage

2

Using Preventive Services

- Free preventive services
- POWER account balances roll over if beneficiaries access these services

3

Staying on Employer-Sponsored Coverage

- HIP Link program offers Medicaid-eligible individuals with employer-sponsored insurance a state-funded POWER account with \$4,000 to cover out-of-pocket expenses

1) Healthy Indiana Plan.

Mixed Results in First Year of Healthy Indiana Plan

Challenges with Cost, Complexity Somewhat Offset by Coverage Expansion

First-Year Results

60%



Of enrollees **were previously uninsured** or became eligible due to a change in income

75%



Members that remained in the program for a year who **accessed preventive care**

46K



Applicants earning above the FPL¹ **were never enrolled** because they didn't make their first payment², Feb. 2015-Nov. 2016

13K



Beneficiaries were **disenrolled after failing to pay**, Feb. 2015-Nov. 2016

Key Takeaways

Program Impact

- ▶ Significantly expanded number of individuals with coverage
- ▶ Not yet clear if POWER accounts truly encourage enrollees to shop for the highest value providers and services

Provider Response

- ▶ Employed navigators to assist eligible individuals with enrollment

Current Status

- ▶ In February 2018, CMS approved waiver extension through 2021, with the addition of voluntary job-related services

1) Federal poverty level.

2) Either because they had not heard of a POWER account or because they could not afford the payment.

Source: Pradhan, R., "Indiana Medicaid expansion blocks out thousands, report finds," *Politico*, May 2, 2017; Harper, J., "With the Healthy Indiana Plan up for renewal, is the Medicaid expansion experiment working?" *MedCity News*, Feb. 28, 2017; The Lewin Group, Inc., "Indiana Healthy Indiana Plan 2.0: Interim Evaluation Report." July 2016; Health Care Advisory Board interviews and analysis.

Payment Reform an Increasingly Popular Strategy

State Demonstrations Span Value-Based Payment Spectrum



Pay-for-Reporting

- **New Jersey**
Funds private hospital projects focused on one of eight conditions
- **New York**
Offers provider coalitions incentive payments for delivery reform



PCMHs¹

- **Arkansas**
Offers PMPM² payments and shared savings potential if cost and quality thresholds are met
- **Colorado**
Distributes PMPM payments to cover enhanced services (e.g. care coordination)



Bundled Payments

- **Arkansas and Tennessee**
Accountable physicians rewarded or penalized based on quality and cost performance



Population-Based, ACOs

- **Alabama**
Regional Care Organizations
- **Oregon**
Coordinated Care Organizations
- **Vermont**
Accountable Care Organizations



Total Cost of Care

- **Maryland**
Global budget caps for hospital services

Upside Risk Only

Potential for Downside Risk

1) Patient Centered Medical Homes.

2) Per-member per-month.

Major Challenges Faced by Medicaid Stakeholders

Medicaid Plans Prioritize Addressing These Unique Challenges



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Adverse Social Determinants

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Certain Payers More Desirable Than Others

Lack of Access to Care Leads to Expensive Downstream Consequences

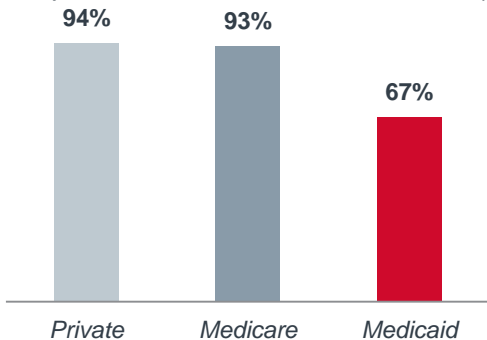


72%

Average percentage of Medicare fee-for-service physician rates paid to Medicaid physicians, 2016

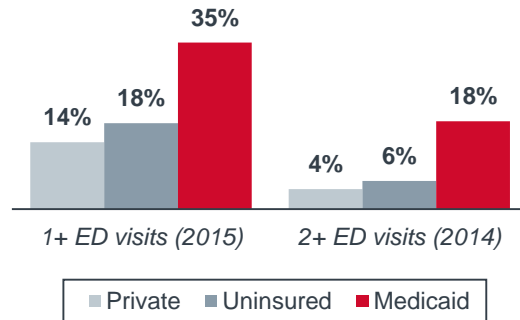
Fewer Physicians Accept Medicaid

Percent of primary care physicians accepting new patients based on insurance source (2015)



More Medicaid Members in the ED

Percent of adults with ED visits



\$1917

Median cost of an ED visit, 2016

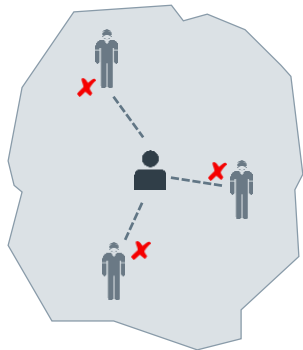
Source: Knowles M, "Cost of ER visits increased 31% between 2012-16: 5 findings," Becker's Hospital Review, <https://www.beckershospitalreview.com/eds/cost-of-er-visits-increased-31-between-2012-16-5-findings.html>; Lee, Michelle, "Paul Ryan's claim that more and more doctors just won't take Medicaid", *The Washington Post*, February 1, 2017, <https://www.washingtonpost.com/news/fact-checker/wp/2017/02/01/paul-ryans-claim-that-more-and-more-doctors-just-wont-take-medicaid/?hpid=hp-top-table-main-medicaid%3Ahomepage%2Fstory&hpid=hp-top-table-main-medicaid%3Ahomepage%2Fstory>; Bocutti C, et al., "Primary Care Physicians Accepting Medicare: A Snapshot", Kaiser Family Foundation, October 30, 2015, <https://www.kff.org/medicare/issue-brief/primary-care-physicians-accepting-medicare-a-snapshot/>; "Health, United States, 2016", Center for Disease Control and Prevention, <https://www.cdc.gov/nchs/data/abus/hus16.pdf#074>; Health Plan Advisory Council research and analysis.

Investing in Member Access

Expand Network by Funding Provider Practices

Inland Empire Health Plan's (IEHP) Network Expansion Fund (NEF)

Specialist Network Availability Before NEF



Plan Commitment

Funding for 50% of new clinician salary in first year

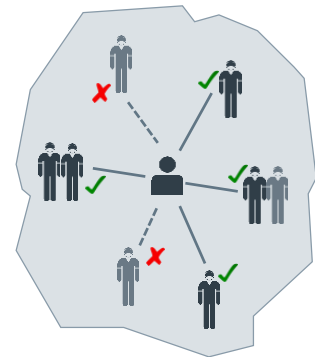
NEF Agreement



Practice Commitments

Clinician new to plan and area access for three years

Specialist Network Availability After NEF



2x greater consumer satisfaction NCQA score¹

62 new specialists

20% growth in membership²

1) From 1 to 2 on a 5-point scale.
2) 950K to 1.2M members.

Choose The Practice Wisely

Award Funding to Providers In Areas Greatest Needs

Network Expansion Fund (NEF) Provider Application



Entity Name: *John Doe Health System*

Address: *123 Inland Empire Rd.*

Contact: *Dr. John Doe*

1. How many IEHP members do you serve? ●

10,000 members

Serves many IEHP members

2. What area do you serve?

Our patients come from San Bernadino county ●

Geographic area has poor access

3. What provider position do you want to hire?

Cardiologist

Documented need for specific physician type

4. Why do you need a new physician? ●

Our appointment wait times for cardiology have increased from an average of 5 weeks to an average of 10 weeks since 2012

Ideal Candidate Characteristics



Related Resource: Provider Application

Full provider application from IEHP¹ available

1) Inland Empire Health Plan.

Choose The Practice Wisely (cont.)



Case in Brief: Inland Empire Health Plan

- Not-for-profit Medicaid and Medicare health plan serving 1.2 million members in California
- Allocated \$31 million for the Network Expansion Fund in response to rapid member growth after the ACA leading to limited access
- The Network Expansion Fund was created in Fall 2014 to motivate health systems, counties, provider groups, hospitals and provider practices to hire or contract with new providers to increase access for members
- The program provides a subsidy offsetting up to 50% of the first year cost of the provider to a maximum amount of: \$75K for mid-levels, \$100K for PCPs, and \$150K for specialists
- Advertised through a fax blast to all current physician practices, word of mouth, and provider relations meetings
- Only practices that show a need for specific clinicians to serve IEHP members awarded funding determined by selection committee of plan's CEO, CNO, CMO, COO, CFO, Senior Director of Provider Services, and other personnel
- IEHP offers physician recruiting firms to help physician practices recruit new providers
- IEHP has received 701 applicants and brought in 206 new providers: 76 PCPs, 62 specialists, and 68 mid-levels

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Adverse Social Determinants

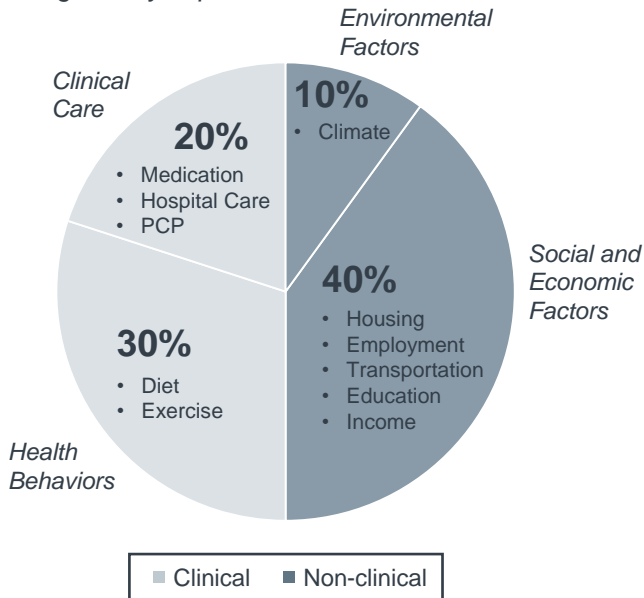
Medicaid members have a higher prevalence of socioeconomic factors and behavioral health illnesses

The “Other Half” of Care Costs

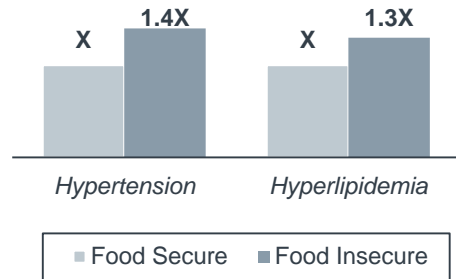
Non-Clinical Factors Drive Clinical Costs

Determinants of Health

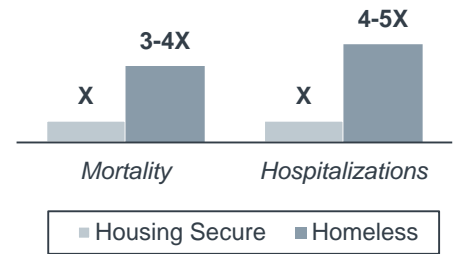
Weighted By Impact, 2010



Impact of Food Insecurity on Heart Health Costs, 2010



Impact of Homelessness on Care, 2014



Source: Seligman H, et al., "Food Insecurity Is Associated with Chronic Disease among Low-Income NHANES Participants," *The Journal of Nutrition*, 140, no. 2 (2010): 304-310; Booske et al., "Different Perspectives For Assigning Weights to Determinants of Health," University of Wisconsin Population Health Institute, available at: <https://uwphi.pophealth.wisc.edu>; Addressing Patients' Social Needs: An Emerging Business Case for Provider Investment," Manatt Health Solutions, May 2014; available at: <http://www.commonwealthfund.org>; "Economic Impact: The True Cost of Hunger," No Kid Hungry/ Center for American Progress, available at: <https://www.nokidhungry.org>; "The Missing Link: Stable Housing as a Key Determinant of Health in Medicaid Populations," UPMC, 21 October, 2014 Health Plan Advisory Council interviews and analysis.

Be the Life Coach, Not the Lifeguard

Dedicated Non-Clinical Resources Avoid Unnecessary Care Escalation

CareSource Life Services Referral Sources



Life Coach Duties That Enable Success



Life Coach

INDYSTAR.COM



Focus **solely** on social determinants of health



Ensure members complete referrals by conducting up to **weekly** member check-ins



Foster **long-term**, productive rapport with members

Where Happy Meets Healthy

Life Services Achieving Positive Economic and Health Outcomes

Life Services Program Results

30 Life coaches in two states

2,194 Members who have opted into program¹

899 Members employed

86% Job retention rate at 90 days¹



Increase in preventive care visits



Decrease in emergency department visits



Case in Brief: CareSource

- 1.5 million member health plan serving Medicaid and Health Insurance Exchange members in Ohio, Indiana and Georgia
- In 2015, created a pilot program called Life Services, which couples Medicaid with a holistic approach to addressing economic well-being and social connectedness
- Life Services' goal is to help members become financially, emotionally and socially secure
- Life Coaches work with members to assess members' current resources, skills, and long-term employment goals
- Coaches connect members to social service organizations and employment opportunities with CareSource employer partners

1) As of March 26, 2018.

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Other Health Plan Advisory Council Resources



Baby Partners Program: How to save \$1.5M by identifying high-risk pregnancies early

Three steps to launch HPP's successful pregnancy identification program at your organization



Targeted Alliances to Address Medicaid Cost Drivers

Five collaborations that improve perennial cost, quality, and access challenges



How Health Plans Can Develop a Successful RFP Response

Resources for common sections of Medicaid Requests for Proposals



Introducing the New Health Plan Social Worker

Five innovative roles for health plan care managers to meet member needs

Contact us at hpac@advisory.com
for access to more resources on
Medicaid needs and priorities

