UTAH HEALTH POLICY PROJECT

508 E South Temple, Suite 45; Salt Lake City, Utah 84102 www.healthpolicyproject.org

NEWS RELEASE

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Contact
Judi Hilman
Executive Director
Utah Health Policy Project
Office: (801) 433-2299
Cell: (801) 870-3887
judi@healthpolicyproject.org

Statement on Republican Governors Public Policy Committee Report, *A New Medicaid…*

Salt Lake City – On August 30th, the Republican Governors Public Policy Committee released the report *A New Medicaid: A Flexible, Innovative and Accountable Future* outlining 31 policies for "reforming" Medicaid. While some points are worth considering, most of the suggestions are not new, and neither are most of the committee's characterizations of the Medicaid program. Some, such as calling for repeal of the Affordable Care Act, are partisan posturing. Many simply call for options for states to cut Medicaid eligibility or services, which would pass the burden of health care costs on to low-income residents and their families at a time that they can least afford it.

Four Facts about Medicaid the RGPPC Report Got Wrong!

The Medicaid program is a state and federal partnership, with the federal government paying over half of program costs in most states.
The assertion that Medicaid is not a partnership between the states and federal government is simply not true. The federal government pays for more than half of all Medicaid costs nationwide—in Utah about 70¢ of every $1 jointly spent on Medicaid. While states do play a central role in providing medical care to their neediest citizens, the federal government also has an interest in the health of its citizens, and the Medicaid financing arrangements reflect this. In exchange for paying for half or more of all program costs, the federal government places minimal requirements on states: states must cover certain groups of low-income individuals and certain medically necessary services. The committee's assertion that Medicaid is not a partnership between the states and federal government is simply not true.

The State-Federal Medicaid partnership offers states significant flexibility.
Beyond those minimal requirements, states have considerable flexibility—and Utah has used this flexibility to do more with less with one of the leanest programs in the country. Across the states there are differences in program eligibility, use of health care management programs, managed care use, strategies for delivering long-term care, etc. The federal government does require that states submit Medicaid program changes for approval, but given that the federal government has an interest in the health of its citizens and in a decent return on its significant investment, the approval process is a minimal burden. States also have the option to request a waiver of certain Federal Medicaid regulations in order to test a new approach to delivering services—Utah's recently submitted waiver does just this as a first step in the state's transition to "accountable care" (Accountable Care Organizations, or ACOs, are groups of health care providers who agree to be held accountable for improving health care quality while lowering costs).

The Medicaid expansion in the Affordable Care Act is funded by the federal government.
The federal government will pay *100 percent* of the fees associated with expanded Medicaid eligibility from 2014, when the expansion becomes effective and until 2016, with the percentage gradually dropping to 90 percent in 2020, where it will remain. Therefore, the costs of this expansion will be almost entirely borne by the federal government, not states. And for that modest investment, the states will provide coverage to

individuals that do not have an offer of coverage in the workplace. Yet the Republican Governors Public Policy Committee ignores how that Medicaid expansion is financed and calls for the repeal of the Affordable Care Act on the basis that it requires states to spend excessive amounts of money on expanded Medicaid coverage—not true!

The majority opinion in the recent U.S. Court of Appeals decision in the Eleventh Circuit, which found the Medicaid expansion in the Affordable Care Act was constitutional, stated it concisely: "the idea that states are being coerced into spending money in an ever-growing program seems to us to be 'more rhetoric than fact'."

The Affordable Care Act lays the foundation for innovations that will reduce Medicaid costs.
Programs that reduce the burden and cost of chronic illness and unnecessary hospitalizations; value-based purchasing and patient-centered care; innovative payment methods other than paying on a fee-for-service basis; and streamlined eligibility processes are all ideas that, if executed in a way that protects Medicaid enrollees' access to necessary care, are worth exploring—and the RGC report does present some of these However, the way these programs are executed makes a dramatic difference in whether they improve care and reduce costs, or simply put up barriers to care, or provide a windfall to providers with financial incentives that don't foster better care—this is why the existing federal approval process, including the 1115 waiver process, for Medicaid program changes makes sense.

The Affordable Care Act lays the foundation for exploring new models of care delivery and financing in Medicaid, and for better coordinating the Medicaid and Medicare programs. The Center for Medicare and Medicaid Innovation has announced initiatives for bundled payments and awarded contracts to states to integrate care between Medicare and Medicaid. This approach tests new models of care delivery before pursuing them blindly. For details see UHPP's recent report:
http://www.healthpolicyproject.org/Publications_files/National/Cost%20Containment%20in%20ACA%207-26-1.pdf

The committee is correct that Medicaid costs should not be shifted to states in the name of deficit reduction and states need to do a better job of managing Medicaid costs. The latter can best be done in the context of managing *all* health care costs—otherwise we continue the pattern we have followed for decades, of shifting health care costs from one group to another. The ACA is a foundation for managing health care costs overall, as well as within Medicaid, in a way that improves health care broadly, while continuing to give states flexibility to design their Medicaid programs to better serve their citizens.

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