



The State of Utah Medicaid 2013

Context for Legislative Decision-making

A Utah Health Policy Project Report

January 2013

Utah Medicaid is in a period of change. As the state Medicaid program and stakeholders collaborate on a state-based approach to improving Medicaid's health care delivery system, they are also working to implement federal health care reform. Decisions made in the next two years will impact Utah's Medicaid program for years to come. The most significant decision will be whether Utah decides to expand Medicaid.

What is Medicaid?

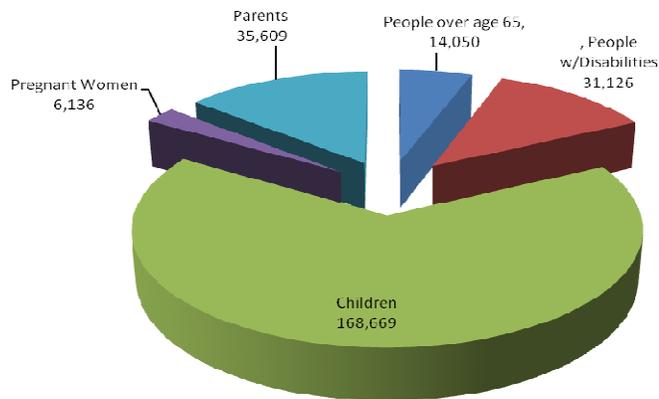
Medicaid is a health insurance program for lower-income children and parents, the elderly, and people with disabilities. It is jointly financed by the state and the federal government. Medicaid is not welfare—it is health insurance. Each state runs its own program within rules set by the federal government. CHIP, or the "Children's Health Insurance Program," is a similar program, also run by the states, but jointly financed by state and federal governments. See table below for current Medicaid and CHIP eligibility limits in Utah.

Eligibility Category	Income Level	Annual Income
People over age 65*	<100% Federal Poverty Level (FPL)	\$11,170 for single individual
People with Disabilities	<100% FPL	Same as above
Children	<200% FPL (with CHIP)	\$38,180 for family of 3
Pregnant Women	<133% FPL	\$25,390 for family of 3
Parents	<44% FPL	\$8,400 for a family of 3

*Low-income seniors generally qualify for Medicaid to help pay for Medicare Part B premiums and for services not covered by Medicare

Who is covered by Medicaid in Utah?

Medicaid coverage is currently not provided to childless adults at any income levels. Also, due to very low eligibility limits, there are many families in Utah where children have health insurance coverage but parents do not. Some parents and childless adults have access to the Primary Care Network, bare-bones coverage for primary and preventive care services. Children comprise the majority of Medicaid recipients.



Key Utah Health and Medicaid Facts:

- 411,926 Utahns (over 14% of the state's population) lacked health coverage in 2011, slightly more than the 13.8% that lacked coverage in 2010. In addition, 102,900 Utah children (11%) did not have health care coverage. In contrast, the national uninsured number is decreasing.ⁱ
- Enrollment in Utah Medicaid is projected to slow down, after growing from 226,998 enrollees (SFY 2011) to 255,590 (SFY 2013), an overall increase of 12.6% (or 6.3% per year) as the economic recovery ramps up.ⁱⁱ Enrollment growth is now running at 1.1% compared to projections of 3.2%.ⁱⁱⁱ
- Utah under-utilizes Medicaid compared to other states. Medicaid is the primary source of coverage for 16% of Americans but only for 9% of Utahns.^{iv}
- In Utah 66% of Medicaid participants (168,669 children) were children in October FY 2013.^v Children's enrollment in Medicaid increased by 28,592 in SFY 2013. There were 35,990 Children enrolled in CHIP as of October 2012.

- Approximately 100,000 Utahns meet the eligibility guidelines for Utah's Primary Care Network (PCN), however, due to limited enrollment opportunity, only 15,110 were enrolled as of October 2012.^{vi}
- 85% of uninsured nonelderly Utah families that have at least one person working.^{vii}

Background: A Period of Change and Innovation

Medicaid is an important part of the U.S. health care system. Since it was created in 1965, every state has opted to participate in Medicaid, and this is because it offers an efficient and economical way to provide health care to low-income citizens. No state has eliminated or significantly reduced their program benefits. In fact, recognizing Medicaid's effectiveness, many states, including Utah, have expanded their eligibility criteria to cast a broader net. Without it, millions of people across the country, and nearly 300,000 Utahns would lack access to health care.

The Medicaid program works. Nationally, and here in Utah, Medicaid offers the lowest administration costs of any payer, public or private. Utah's program consistently sees administration costs at less than half that of private insurance. Per-enrollee cost growth in Medicaid is less than half that of Medicare and private insurance. Analysis by the Congressional Budget Office demonstrates that Medicaid, because of its efficiencies, is the best

way to cover the low-income uninsured. That is why the Affordable Care Act included a Medicaid expansion.

Utah Medicaid is not perfect, but it will improve in coming years. Many of the things that harm the entire health care system, like lack of coordination and appropriate health care delivery, affect Medicaid. That's why Utah is moving in the direction of accountable care within Medicaid. Accountable care changes the way we pay providers, from payments based on tests and procedures, to a system more focused on outcomes. Stakeholder collaboration among policymakers, providers, health insurance companies, consumers, and consumer advocates can help to further streamline and improve the Medicaid program.

The ACA and Medicaid

With less than one year before full implementation of the ACA, uninsured Utahns from low-income households are ready for real options for quality, affordable health insurance. The ACA makes an important paradigm shift. It says everyone should be in the system so the system can work better for all. Starting in 2014, health care will essentially become a right—and a responsibility—for most U.S. citizens. Premium tax subsidies and the new health care exchange (a one-stop shop for all insurance needs) will make access to coverage easier and more affordable for families with annual household incomes over 100% of federal poverty level (FPL)—around \$23,000 for a family of 4. Those under 100% FPL would be covered by Medicaid.

The ACA uses Medicaid as a key tool to improve health care coverage, access and quality. First, the ACA requires states to

Medicaid Makes Sense

→ Medicaid offers cost-effective, basic insurance coverage to over 250,000 Utahns

→ Medicaid's Administrative costs and per-enrollee cost growth is lower than Medicare and private insurance.

→ Accountable Care in Utah is well on its way to making Medicaid an even better program in Utah.

→ Medicaid can serve as an instrument of change in the broader health care system.



Joe P.

A native Utahn proud of his pioneer heritage, Joe wants to expand his small business and create jobs, but he can't qualify for Medicaid or afford private insurance. When a diagnosis of kidney cancer and a medical error left him with half a pancreas, he had nowhere to turn for medical care. As a double high-risk patient, he must pay for special insurance that costs over \$1,000 a month. For this Utah entrepreneur, the path to create more jobs is unnecessarily much harder.

increase eligibility limits for children age 6-18 to 133% FPL. Utah currently provides Medicaid for children in households with annual incomes up to 100% FPL and CHIP up to 200%. As a result of the ACA, some Utah children would move to Medicaid, which offers more affordable coverage.

Second, for two years (2013-2014) the ACA brings Medicaid reimbursement rates up to Medicare levels in order to motivate providers to see more Medicaid patients. Some providers will see primary care reimbursement rates go up over 50%. This change is intended to encourage more providers to see Medicaid patients and to prepare the primary care workforce for the influx of new Medicaid-eligible patients.

Third, the ACA eliminates the Medicaid “asset test”, which has been proven to be a needless barrier. Often, when families fail the asset test, it is due to the burden of the test itself and not because of their assets. With the elimination of the “asset test”, more people will enroll in Medicaid.

Finally, due to the ACA’s mandate to have insurance, there will be a “woodwork effect” of those currently eligible for Medicaid getting enrolled. States like Utah, with significant populations of people currently eligible but not enrolled, will face greater state cost in paying for these new enrollees. It is important to note that this cost is independent from the fiscal impact effect of the Medicaid expansion,



Katina and Chris

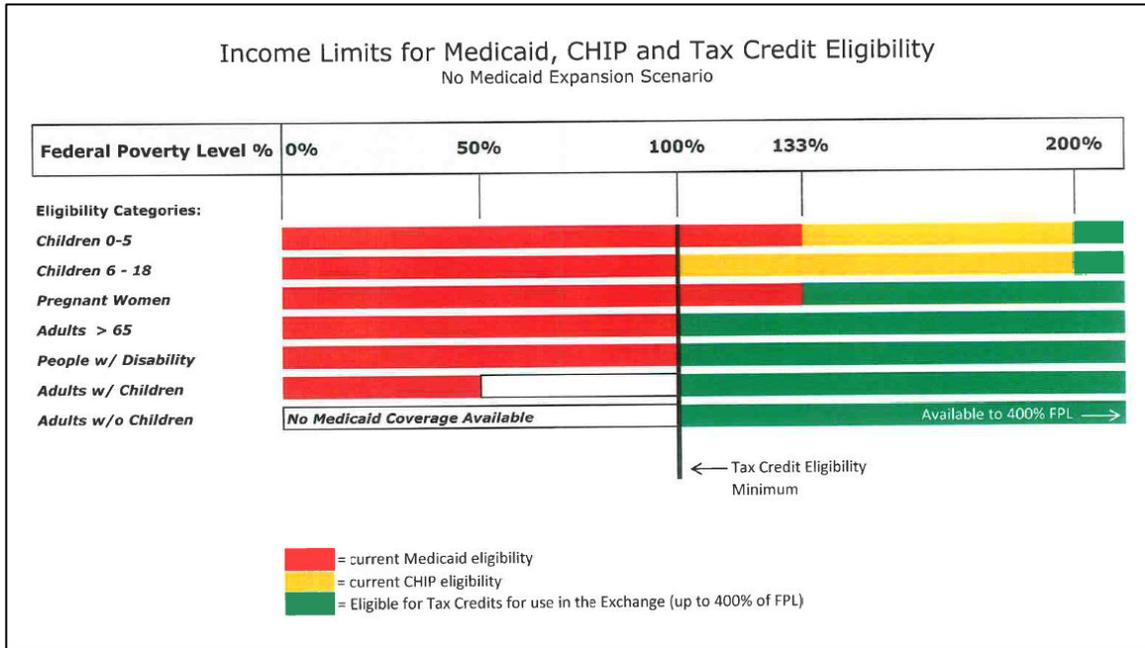
Katina & Chris were excited about their new baby, but then the worry set in. Neither of their jobs provides benefits, so Katina knew she would have to apply for Medicaid to receive the medical care. But because Chris makes \$10.00 more per month than the cut-off allows, Katina does not qualify for Medicaid. When Katina asks state officials for advice, she is told she should divorce her husband so that she can receive the welfare benefits of a single mother. Both Chris and Katina are shocked at this suggestion. Katina & Chris look forward to having a new baby, but their lack of insurance leaves them hoping that one day they will find the help that they need.

The Medicaid Expansion

The expansion of Medicaid was a cornerstone of the ACA. But when the Supreme Court upheld the rest of the ACA, it made the expansion optional to states. As a result, it’s up to Utah Gov. Gary Herbert and the Legislature to decide whether to expand Medicaid as the governors of New Mexico, Colorado, Nevada, Montana, and Colorado are doing.

The Medicaid expansion is a very worthwhile financial deal for states. The federal government covers 100% of the expansion for the first three years, (2014-2017), gradually phasing down to 90% by 2022. This compares favorably to the current Utah Medicaid match rate: 70% federal dollars to 30% state. In relative terms, the state would pay 4% more than it otherwise would on Medicaid over the next 10 years to implement the Medicaid expansion. But for that minimal expense, the state can provide almost 200,000 Utahans access to quality health insurance. Utah leaders must decide if this deal is alluring enough to justify allocation of minimal, but nevertheless scarce state dollars. Many states have already done so and others like Arizona, Montana, and Nevada are committed to implementing the Medicaid expansion,

If Utah does not implement the Medicaid expansion, many of Utah’s most vulnerable low-income uninsured will be left with no option for coverage. The chart on the next page shows this significant coverage gap (in white) with full implementation of the ACA. Without expansion, thousands of parents and adults without children will have no access to the ACA premium subsidies. They will continue to use hospital emergency rooms and pass those unpaid bills on to taxpayers.



Source: Utah Department of Health

If Utah moves forward with the Medicaid expansion, 198,000 Utahns will be newly eligible. Coupled with other aspects of the ACA, the expansion would reduce the number of uninsured Utahns by 54% for all residents (undocumented immigrants are not part of the ACA).^{viii} Expanding Medicaid just means that the program will be there for more Utahns when they need it. This will help them get on their feet—ideally into a job that offers private health insurance. In order to sustain such worthy investments as the Medicaid expansion, state leaders must dig deeper into payment and delivery system reforms or “accountable care.”

The Accountable Care Transformation

Independent of the national reform, Utah in 2011 began moving its Medicaid program toward the accountable care model. Accountable care is the most promising pathway to slowing the growth in Medicaid costs and delivering better health outcomes by changing the way we pay providers. Right now we pay for each test, each procedure—whether the patient benefits or not. That gives the provider a perverse incentive to order more tests and perform more procedures than may be necessary. The accountable care model pays the provider to make patients well and keep them healthy. This is better for patients—and for taxpayers. Utah’s reform initiative will contain costs not only for the underlying program, but the expansion as well.

Summary

Utah Medicaid is here to stay as it enters a period of innovation and expansion. We have a unique opportunity to make the program better and more sustainable. With focus and commitment, Utah Medicaid will be stronger and perhaps operate as an instrument of change in the health system at large.

ⁱ Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2011 and 2012 Current Population Survey (CPS: Annual Social and Economic Supplements).

ⁱⁱ Utah Statistical Report of Medicaid and CHIP. Utah Department of Health, Division of Medicaid and Health Financing, 2012.

ⁱⁱⁱ Medicaid enrollment trends spreadsheet for December 2012, Utah Department of Health

^{iv} Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2011 and 2012 Current Population Survey (CPS: Annual Social and Economic Supplements).

^v Department of Health, Division of Medicaid and Health Financing, 2012.

^{vi} Department of Health, Division of Medicaid and Health Financing

^{vii} See Kaiser at <http://www.statehealthfacts.org/profileind.jsp?ind=135&cat=3&rgn=46>

^{viii} The Cost and Coverage Implications of the ACA Medicaid Expansion:

Kaiser Commission on Medicaid and the Uninsured, November 2012 <http://www.kff.org/medicaid/upload/8384.pdf>