Improving Medicaid in Utah

Controlling Costs while Improving Health Outcomes

A Utah Health Policy Project Fact Sheet July 2010

Summary

Recently, House Speaker Dave Clark and Senate President Michael Waddoups asked the community to weigh in on ways to improve Utah's Medicaid program.[i] Medicaid currently provides health coverage to 225,000 Utahns and is nearly a 2 billion dollar business. Generally the program has served its clients well; however, its ability to continue to do so is in question. Due to the recession and the passage of federal health reform, Utah Medicaid faces immense challenges. The community's responses will help leaders prepare for these changes using proven financing and quality improvement strategies.

Background

Utah Medicaid is in desperate need of ideas to control costs and improve health outcomes. Currently, the program is severely underfunded. Enrollment has grown by over 70,000, to 225,000 over the last two years. All of this growth has been funded using one-time resources, and no ongoing tax revenue has been identified to pay for these enrollees in future years. Compounding Medicaid's funding challenges is federal health reform's requirement that Medicaid provide coverage to *everyone* with household income less than 133% of federal poverty starting in 2014. This is a major change for Utah Medicaid, which has to this point primarily served children and people with disabilities. Given the generous federal match rates set aside for the coming Medicaid expansions (the feds will pay 100% of Utah's costs in 2014, decreasing to a perpetual base of 90% in 2019), it will never be more cost effective for the state to

Frequently Asked Questions

How much does Utah spend on Medicaid in a given year?

Currently the State of Utah spends about $500 million in state funds. The federal government chips in another $1.4 billion.

What will federal reform mean for Medicaid?

- Federal reforms will extend Medicaid coverage to *all* individuals who meet citizenship or residency requirements and live in households earning less than 133% of federal poverty.
- 110,000 additional Utahns will enroll in the program due to this change. Here mention the 60,000 woodwork group.
- $37 million in 2014 and increasing to $125 million in 2020.

extend health coverage to its uninsured low-income adults. However, this expansion still comes at a significant cost. Beginning in 2014, when the Medicaid eligibility expansion begins, Utah Medicaid is expected to grow by 110,000. In addition to the expansion to new populations, this growth is driven by the 'woodwork effect.' Due to the individual mandate and the culture of coverage the reforms create, states like Utah, who have relatively low participation in their current programs, will see many of their currently eligible, but not enrolled residents' sign up for coverage. Utah will have to cover its usual portion of the cost (about 30¢ on every $1) for these, the estimated 60,000 "currently eligible" Utahns, who enroll due to reform. Regardless of the sudden pressure on the state budget, we view this is a worthwhile and necessary expense: these individuals should have been covered all along and it's about time we got them into the system. The Utah Department of Health estimates the state's share of the enrollment growth will be $37 million in 2014, increasing to $125 million by 2020. This growth in enrollment and costs demands that we do things differently. Fortunately, there are many things the state can do that will both help control costs and improve health outcomes of Medicaid clients.

Given these current and upcoming demands on the program, making Medicaid operate as cost effectively and efficiently possible is critical to ensuring that clients get high quality care and the program is financially sustainable for the state. Utah Health Policy Project has a number of policy solutions to help the state reach this goal.

Speaker Clark and President Waddoups' community survey is soliciting two types of information:

(1) Cost containment opportunities; and,

(2) Health outcomes for improvement opportunities.

Caution must be taken with these questions, as solutions that help in one area may have negative impacts on the other. For example, eliminating dental care for pregnant women will initially save the state money; however, there will be negative impact on health outcomes for mother and child, with costly consequences over the long term. Fortunately, there are ideas can that have a positive impact on both cost and quality. UHPP believes that the state's Medicaid reforms should focus on these policy recommendations:

RECCOMENDATIONS

1. **Provide all Medicaid clients with chronic health conditions a medical home**

   A medical home or 'health home' model helps people navigate a complicated health care system by providing clients with comprehensive disease management and care coordination services that are proven to improve health outcomes and reduce costs. States like North Carolina which have used this model of care for many years have shown that their Medicaid

clients receive timelier, appropriate, and cost-effective care, ultimately saving the taxpayer money. North Carolina, for example, was able to save their state $150-$170 million per year.[ii]

2. **Move away from fee-for-service reimbursement to risk-based payment models**

   Fee-for-service payment models create incentives that encourage providing unnecessary care and discourage controlling costs. Moving to risk based payment models like managed care plans, accountable care organizations, and global payments have the potential to change these incentives. These risk-based payment models work by paying a predetermined amount per client to an entity that agrees to manage the client's care. Because the provider or organization must work within a set budget to provide care to the patient, they have incentives (often financial) to provide patients with quality care in the most cost-effective manner possible.

The new federal health reform legislation, the Patient Protection and Affordable Care Act (PPACA), provides states with new opportunities and resources to move to these types of payment systems. For example, PPACA provides funds to states to try to set up pediatric accountable care organizations (ACO). ACOs are provider-led organization whose mission is to manage the full continuum of care and be accountable for the overall costs and quality of care for a defined population. PPACA provides money for 8 states to experiment with this type of organization to help control costs and improved health outcomes for children enrolled in Medicaid.

3. **Simplify Medicaid eligibility criteria and enrollment processes**

   Utah's Medicaid program could be much more efficient in how it handles Medicaid eligibility. Utah continues to use eligibility barriers, like the asset test and onerous renewal requirements, which do little to weed ineligible individuals from the program. Instead, they cause *churning* (when eligible individuals come on and go off program repeatedly because they are unable to comply with the renewal process) or are so burdensome that they scare off eligible families from applying in the first place. By simplifying the eligibility process Utah can reduce administrative costs and allow Medicaid to better focus on its primary purpose: providing access to cost-effective health care.

4. **Provide a basic benefit package that include audiology dental, vision, and family planning**

   Currently Medicaid does not provide dental, vision, or speech and hearing care to adults. While these services do have an upfront cost, it is negligible compared to the savings and better health outcomes that are associated with improved access to primary and preventive care services.

   In addition, providing family planning services to all women below 133% of federal poverty can help too.[iii] Utah Medicaid will save an estimated $830,100 per year in state funds through a reduction in unintended pregnancies and improved health outcomes.[iv]

SPECIFIC ANSWERS TO SURVEY QUESTIONS

Question 1. What areas of Medicaid could be improved?

While there are many areas that need improvement within Medicaid, arguably the most important place to start is with Medicaid's benefit package. Currently Medicaid does not provide dental, vision, or speech and hearing care to adults. While these services do have an upfront cost, ensuring Medicaid beneficiaries have access to critical primary and preventive care services benefits the state by helping Medicaid beneficiaries improve their health and become self-sufficient.

Question 2. What are we doing now that is working well and should be expanded?

Utah Medicaid does many things well. However, two programs in recent years that have been particularly successful in containing costs and could be expanded are the preferred drug list and managed care risk based contracts.

Over the last several years, Utah has worked hard to make Medicaid work more efficiently by establishing a preferred drug list (PDL). Utah should expand the scope of the PDL to include additional drug classes.

In addition, last year Utah moved one of its Medicaid managed care organizations to a capitated risk based contract. Under this type of contract, the organization is paid a flat monthly premium for each individual enrolled in their managed care plan. The organization is thereby incentivized to provide the most cost-effective care possible, because if expenditures exceed premiums, the organization, and not the state, is on the hook for those cost overruns.

Question 3. What are we doing now that is not working well?

Utah's Medicaid program could be much more efficient in how it handles Medicaid eligibility. Utah continues to use eligibility barriers, like the asset test and requiring renewals too frequently, which have been shown to do little to weed ineligible individuals from the program. Instead, they cause churning (when eligible individuals come on and go off program repeatedly because they are unable to comply with the renewal process). By simplifying the eligibility process Utah can reduce administrative costs and allow Medicaid to better focus on its primary purpose: providing access to cost-effective health care.

For more information please contact Lincoln Nehring, lincoln@healthpolicyproject.org, (801) 638-7695

Question 4. How effectively are our current service models serving the needs of Medicaid clients?

Medicaid, like our health care system in general, needs to do a better job of managing an individual's care and promoting wellness and preventive services. For example, only 40% of children in Utah Medicaid see a dentist annually. The failure to utilize this important preventive benefit often leads to harmful and expensive health conditions.

Question 5. What service models would better serve the needs of Medicaid clients?

A medical home or 'health home' model helps people navigate a complicated healthcare system. These models provide clients with comprehensive disease management and care coordination services that have been proven to improve health outcomes and reduce healthcare costs. Under such a model Medicaid clients will receive more timely, appropriate, and cost-effective care, ultimately saving the taxpayer money.

Moving away from fee-for-service to risk-based payment methodologies can also help control costs can improve health outcomes for clients. Risk based payment models like managed care plans, accountable care organizations, and global payments incentivize providers to consider how to deliver the most cost-effective care to their patients.

Question 6. What improvements should be made to better deliver/administer Medicaid in the state?

This is another area of Medicaid that demands much improvement. Lack of access to care due to low provider reimbursement, antiquated delivery models, insufficient disease management, are all things that need to be addressed. However, one inexpensive thing the state can do immediately is adopt the Family Planning Service Medicaid State Plan Option. 26 states provide family planning services to low-income families. Everyone of these states have realized significant cost-savings to their Medicaid programs due to a reduction in unintended pregnancies and better health outcomes for mothers and babies that result from making these services more widely available. Further cost savings realized by provided from these services can be reinvested to bolster primary care provider reimbursement rates, thus improving access to care

Question 7. How could the coordination of oversight responsibilities be improved?

Medicaid is housed in 3 different departments, the Department of Workforce Services, Department of Human Services, and the Department of Health. As a result, three different systems and processes may be operating at cross-purposes. At the very least the state should explore a streamlined interface across these departments.

Question 8. How could we limit the administrative burden required?

When compared to private health insurance, Medicaid is an administratively lean program. One area in which it can improve, however, is by making the eligibility determination process simpler. And in terms of eligibility simplification, the best place to start is to eliminate the asset test. Unlike the majority of states, Utah looks at a family's assets when determining a family's eligibility for coverage. The asset test, however, is bad policy. It is expensive to administer, weeds out very few applicants, and sends the wrong message to families: that they should not save for their future. National health reform requires that all states eliminate the asset test beginning in 2014. Utah should remove the test earlier and capture the administrative cost-savings and efficiencies that will result.

Question 9. In your opinion which area of the Medicaid program is most abused?

Last year, the Legislative Auditor General found that provider reimbursement was the largest area of fraud and abuse within Medicaid by far. As a result, in order to save Medicaid the most money, the state should focus on provider fraud.

CONCLUSION

As Utah wrestles with the budget crisis it will be essential to capture all potential savings within the Medicaid program. Proven cost management mechanisms like the Family Planning State Option will help Utah build on its reputation and track record as one of the most efficient, well managed and high quality Medicaid programs in the country.

---

[i] President Waddoups and Speaker Clark's survey can be found here: http://survey.le.utah.gov/checkbox/UtahMedicaid.aspx. **The public has until July 30 to respond to the survey.**

[ii] Kaiser Family Foundation, *Community Care of North Carolina: Putting Health Reform Ideas into Practice in Medicaid*, May 2009.

[iv] Office of the Legislative Fiscal Analyst, HB 281, Medicaid Family Panning Waiver, 2010 General Session (Rep. Seelig), Revised Fiscal Note, February 25, 2010