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## Utah unveils ambitious overhaul of Medicaid

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Utah health officials on Wednesday unveiled a 91-page blueprint for overhauling the state's Medicaid program, billing it as way to preserve the low-income health safety net.

The plan envisions steering Medicaid patients into managed care networks, or Accountable Care Organizations (ACOs), which would be paid lump monthly sums per patient. If an ACO spends more than allotted for care and prescription drugs, it absorbs the loss. If it spends less, it gets a share of the leftovers — similar to old HMOs of the '90s.

HMOs were accused of cutting costs by denying care, often pitting insurers against doctors. But in ACOs, doctors will work with their patients, ordering treatments under strong incentives to improve care and cut costs, said the plan's architect, Sen. Dan Liljenquist, R-Bountiful.

The current fee-for-service model of paying doctors and hospitals directly is a "free pass," said Liljenquist, and encourages providers to do more tests and conduct more procedures than necessary. "That expense is overwhelming us," he said.

Costing \$1.8 billion, Medicaid consumes 9 percent of the state's budget and is expected to eat up 13 percent by 2020, even without the program's expansion required by federal health reform in 2014.

If endorsed by the federal government, Utah's overhaul will go live on July 1, 2012. Advocates and industry leaders have 20 days to suggest changes before health officials submit it for approval.

Mental health patients, pregnant women and seniors in long-term care are excluded from the reforms, which would initially apply to only to the four most populous counties: Salt Lake, Davis, Utah and Weber.

Medicaid clients there would choose their ACO, which would have to adhere to certain quality standards. Then, the ACO would assign them a "medical home" or primary care provider who would coordinate their care.

Advocates for the poor are generally supportive, with a few significant caveats.

"The proposal makes a promising start ... but we knew going into this where the trouble spots would be for beneficiaries," said Judi Hilman, executive director of the Utah Health Policy Project.

The plan would free ACOs to charge Medicaid patients more than is currently allowed under federal law.

Families' out-of-pocket expenses would be capped at 5 percent of their annual gross income. But they would be on the hook for a \$40 deductible and co-payments ranging from \$5 for doctor visits to \$220 for inpatient hospital visits.

Providers would be encouraged to waive co-payments or hand out gift certificates to compliant patients, said Utah Medicaid director Michael Hales, using the example of diabetics who successfully manage their blood sugar levels.

But Lincoln Nehring, senior health policy analyst at Voices for Utah Children, said, "I guarantee most families on Medicaid don't have \$15 floating around."

Of even bigger concern, he said, is the state's request for permission to adopt a scheme for cutting high-cost, unproven treatments, similar to a strategy adopted more than a decade ago in Oregon.

Such a "prioritization list" would be used to guide budget cuts in years when Medicaid costs exceed set annual limits in state spending.

If the list is anything like Oregon's, it would mean denying patients expensive treatments with poor prognoses, such as organ transplants and certain cancer treatments, Nehring said. But Oregon's list applies only to nontraditional Medicaid recipients, such as the working poor.

Utah's list would apply primarily to children and disabled adults, most of whom have incomes below 100 percent of federal poverty, or a family of four with annual earnings of \$22,350 or less.

Nehring doubts this idea will pass muster with the feds, saying, "It's hard to imagine the state stepping in to tell a family, 'Yes, you qualify for Medicaid and your kid is sick, but we're not going to pay for his cancer treatment.'"

Liljenquist admits the new model "will probably be a little less convenient," but said it's designed to drive patients to appropriate care, not bar them from care altogether.

A surprise late addition proposes allowing eligible Utahns to forgo Medicaid in favor of subsidies to purchase private health policies on Utah's Health Insurance Exchange. Whether families would jump at the offer is unknown.

"There is no reason to suppose Utah's Health Insurance Exchange, with its bewildering choice of 142 plans, will serve the Medicaid population at all adequately," Hilman said.

But assuming it could, research has shown Medicaid to be a more cost-effective alternative to subsidized insurance, at least for the poorest of the poor, she said.

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#### Reform blueprint

Utah is proposing to steer Medicaid recipients into managed care networks that pay doctors to keep patients well rather than just to treat them when they're sick.

Under the plan, Medicaid couldn't grow faster than the state budget. If costs grow too fast, services will be cut. If the costs of Medicaid increase more slowly, the difference would go into a Medicaid Rainy Day Fund to be tapped in high-growth years.

The public will have a chance to weigh in on the proposal next week at two hearings:

June 7 • 10 a.m., Room 125, Department of Health headquarters, 288 N. 1460 West, Salt Lake City.

June 9 • 4 p.m. at the same location.

To see the proposal go to <http://health.utah.gov/medicaid/stplan/1115%20Waivers.htm>

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