The Future of Medicaid: Beyond Coverage and Reimbursement

National Association of Medicaid Directors
Wednesday November 5, 2014
One State’s Challenges

• Arkansas’ Payment Landscape
  - Fee-for service
  - More services, higher fees
  - Medicare’s credible threat of system-level performance payments
  - Ongoing health care consolidation

• Coverage
  - 49th in per-capita income
  - 7th highest rate of un-insurance
  - Nearly 500,000 uninsured, about half under 138% FPL (threshold for Medicaid funding)

• Insurance Market
  - Individual market dominated by single non-profit insurer
Arkansas’ Response

• Arkansas’ Payment Improvement Initiative
  o Retrospective Episodes of Care
  o Patient-Centered Medical Homes
  o Health homes and assessment-driven payment for special populations

• Expansion of Coverage
  o Medicaid funding
  o Private coverage via premium assistance = “Private Option”

• Insurance Market Reform
  o Phased adoption of state-based exchange
  o Supercharged competition via “Private Option” alternative to expansion of the Medicaid program
Arkansas Health Care Payment Improvement Initiative
American Health Care: 1966-2014

Source: Wikipedia (with arbitrary modifications by author)
Medicare ACO Growth Model

Medicare ACO Rule (2011)

Source: This section does not cite any references or sources.
Payment Improvement:
Retrospective Episodes of Care

• Brief History
  o Initiated by Governor Beebe, AR Medicaid, and AR BCBS in 2010-2011
  o State fiscal stress; threat of managed care and big systems
  o Initial payment designs resolved & implemented by Medicaid 2012
  o Identifies core or “lead” provider to be targeted with risk-based incentives based on average performance
  o Incentives accrue to providers, not (necessarily) systems

• Status
  o 15 episodes implemented by Arkansas Medicaid so far: 50+ to go
  o Multi-payer adoption proceeding
  o Provider support
  o Meaningful early impact (reduced antibiotic use; improved prenatal testing; reduced excess testing; changing diagnoses...)
  o Other states adopting and expanding the model
Payment Improvement: Patient Centered Medical Homes

• Design and Impact
  o Compliment condition-based episodes
  o Upend pay-inversion of primary vs. specialty care
  o Establish financial rate of return for investments in prevention
  o Maintain agnostic view towards health system consolidation
  o Provider acceptance of “pooling”
  o 600+ clinicians enrolled in inaugural phase (January 2014)

• Multi-Payer Strategy
  o Medicaid adoption first (state and federal regulatory approval)
  o State employee health plan(s)
  o Private payer participation
  o Individual insurance market (via Private Option legislation)
  o Next up: Medicare health plans and FFS
Insurance Market Reform and Arkansas’ Private Option
Arkansas’ Private Option

Applications

State Eligibility System

XIX Notice

PO Web Portal

10% who need > EHBs

90% who need <= EHBs

More than 210,000

More than 180,000

Medicaid
- Choice of State Plan or EHB-only (?!)
- LTSS Available
- State rate-setting

Private QHPs
- Silver EHB-only
- Choice of carriers
- 3 Rs apply
- Private rate-setting

Emerging “exceptional” health service needs
Insurance Market Impact

• **Much larger individual insurance market**
  - 5x larger now  (~180,000 PO v. ~38,000 non-PO)
  - 2x larger in long run  (225,000 PO v. 225,000+ non-PO)

• **Much improved risk profile**
  - XIX-eligibles are poorer → therefore younger
  - Private Option participants are *positively* risk-selected

• **Significantly greater competition statewide**
  - Guaranteed “starter” enrollment
  - 3 carriers statewide in 2015 -- a gain of 2
  - Price competition will require
    - state to become a price-sensitive purchaser in 2016+
    - piggybacking competition for >138% Marketplace consumers
  - Average QHP premiums *will decline* 2% in 2015
    - vs. 4.7% premium trend in Arkansas’ waiver budget
    - Benefits of reduction accrue to all rate-payers
For more stories of state Medicaid leadership, please visit:

www.medicarecantdotothat.gov