Extending Medicaid Coverage to Low-Income Childless Adults

Opportunities and Cautions for Managed Care Plans

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Introduction and Overview

- **Health care reform (P.L. 111-148 and P.L. 111-152) will increase Medicaid and CHIP enrollment by 16 to 20 million people by 2019**
  - **Starting in 2014, Medicaid will cover everyone below age 65 and 133% of poverty ($14,404 for one person in 2009)**
    - 138% of poverty with MAGI income disregard

- **A large portion will be childless adults not previously covered by Medicaid in most states**
  - **Most states and managed care organizations (MCOs) have little experience in providing coverage and care for this population**
  - **States with existing or planned managed care programs will likely want to enroll this population in managed care**

Introduction and Overview *(Cont.)*

- **Major challenges for states and MCOs will include:**
  - **Determining appropriate "benchmark" benefit package**
  - **Conducting outreach and enrollment for a population with generally low levels of education and community ties**
  - **Developing appropriate provider networks for enrollees who are likely to have substantial behavioral and physical health care needs**
  - **Funding physician reimbursement for primary care services at 100% of Medicare after federal payment of extra costs for 2013 and 2014 ends**
  - **Developing appropriate care management and care coordination capabilities**
  - **Determining appropriate capitated rates for those who will enroll in capitated MCOs**
  - **Monitoring and evaluating the impact of this expanded coverage**

Introduction and Overview *(Cont.)*

- **Issues of special concern for MCOs**
  - **Capitated rates**
  - **Potential for adverse selection (only sickest may enroll)**
  - **Network development needs and requirements**
  - **Care management needs and requirements**

State Coverage of Low-Income Childless Adults

- **In the past, states have provided this coverage through Medicaid waivers or with state-only dollars**
  - **List of states, program features, and status is in a December 2009 Kaiser Commission fact sheet (http://www.kff.org/medicaid/7993.cfm)**
  - **States that have been providing coverage equivalent to Medicaid will get a higher federal match rate between 2014 and 2018, but not as high as states that did not previously provide this coverage**
    - Appears to include AZ, DE, HI, ME, MA, NY, and VT

State Coverage of Low-Income Childless Adults *(Cont.)*

- **Health care reform requires coverage starting in 2014, with 100% federal match in 2014-2016, dropping to 90% by 2019**
- **States can cover this population starting April 2010 with regular federal match, and get the higher rate in 2014**
  - **Pre-2014 option will likely be of greatest interest to states now covering low-income childless adults with 100 percent state dollars (no federal match)**
    - Examples include CT, MN, NY, PA, WA
  - **CO is considering options for a new program covering low-income childless adults starting in 2012**

Coverage Requirements Under Health Care Reform

- **For states that choose to enroll low-income childless adults under their Medicaid state plan now, and for all states starting in 2014**
  - **No enrollment caps or waiting lists**
  - **Benefit packages may be less than full Medicaid, but must meet "benchmark" or "benchmark equivalent" standards**
    - Comparable to FEHBP, state employee, or commercial coverage, or Secretary-approved
    - Must include hospital, physician, lab/x-ray, preventive, and – starting in 2014 – prescription drug and mental health services
  - **No beneficiary premiums and only "nominal" cost sharing ($0.50 to $3.00)**
  - **Immediate or retroactive (up to 90 days) enrollment**

Health Care Needs and Costs of Low-Income Childless Adults

- **High use of mental health, substance abuse, prescription drug, emergency room, and hospital services**
  - **Poor physical and mental health status, and high rate of disabilities that prevent work**
  - **See, e.g., Haber, et al, "Covering Uninsured Adults Through Medicaid: Lessons from the Oregon Health Plan," *Health Care Financing Review*, Winter 2000**
- **Enrollment usually occurs in conjunction with hospitalization or onset of acute physical health conditions**

Health Care Needs and Costs of Low-Income Childless Adults *(Cont.)*

- **Per-member per-month (PMPM) costs are likely to be about half way between those of current non-disabled and disabled Medicaid adult enrollees**
  - **Supported by experience in AZ, which has covered low-income childless adults in Medicaid since 2001**

- **April 2010 Kaiser analysis suggests that low-income childless adults are not less healthy than other Medicaid adults, but it is based on a survey in which 35% of respondents were age 19-25 and presumably relatively healthy**
  - **Healthy childless adults are not likely to enroll in Medicaid until they need care, since there is no penalty for failure to enroll**
  - **Kaiser analysis is at: http://www.kff.org/healthreform/upload/8052-02.pdf**

Care Management Options

- **States that already include Medicaid ABD/SSI/disabled populations in managed care should be able to include low-income childless adults with relatively little difficulty**
  - **A number of states already include low-income childless adults in capitated Medicaid managed care programs, including AZ, MN, NY, OR, and WI**
- **A new option provides enhanced federal funding for coordinated care for enrollees with chronic conditions**
  - **Section 2703 of P.L. 111-148**
  - **Authorizes "health home" services for enrollees with mental health, substance abuse, asthma, diabetes, heart disease. obesity, and other chronic conditions**
  - **90% federal match for first two years**

Conclusions

- **Health care reform Medicaid expansion will result in many potential new enrollees for Medicaid MCOs**
- **High health care needs and costs for low-income childless adults will present significant challenges in terms of outreach, network development, care management, capitated rate setting, and quality monitoring**
- **Plans with experience covering ABD/SSI/disabled enrollees will have an initial advantage**
- **Plans that can develop improved care management and care coordination capabilities for enrollees with behavioral health and other chronic conditions will be especially attractive to states**