

## **A Plan for Iowa Medicaid Reform**

### **Goals, Strategies and Options**

#### **1. Preserve the Medicaid system we have in place today (eligibility, services, and rates). Fill in the FY 2006 \$65 million General Fund shortfall due to loss of Intergovernmental Transfers (IGTs) by:**

- ❑ *Shifting State costs to a federally matched program by expanding Medicaid to 200% of the Federal Poverty Level, on a limited basis.*
- ❑ *Maximizing Iowa's federal Disproportionate Share Hospitals (DSH) and Indirect Medical Education (IME) payments at the Mental Health Institutions, University of Iowa Hospital, and Broadlawns Hospital.*
- ❑ *Implementing Medicaid Reform principals in the Medicaid Expansion Program.*

#### **2. Preserve our safety net providers through the Medicaid Expansion and DSH/IME Funding:**

Tier 1: Hold harmless Broadlawns, UIHC and MHI for loss of appropriated funds.

Tier 2. Free clinics, FQHC and RHC.

Tier 3. Other health care providers.

##### **A. Initiative for Optimal Wellness Assurance (IOWA) Program**

- *Beginning July 1, 2005, if federal matching funds are received, expand the Medicaid Program to up to 200% of the Federal Poverty Level, to include:*
  - *Adults age 19 – 64.*
  - *Income not to exceed 200% FPL.*
  - *Benefits limited to Inpatient, Outpatient and Physician services.*
  - *Providers limited to the University of Iowa Hospitals and Clinics, Broadlawns Hospital, and the State Mental Health Institutes.*
  - *Enrollment may be capped, closed or reduced if funds are not available.*
  - *Local funds may be used as State Match.*

##### **B. More effectively utilize existing funding**

- *The Hospital Trust Fund would be the mechanism for funding the IOWA Program.*
- *The revenue sources to the Fund are General Fund appropriations, transfers from local governments, federal Medicaid matching funds, Disproportionate Share Hospitals matching funds and Indirect Medical Education matching funds.*
- *The estimated total expenditures (state and federal funds) for the Program are \$91 million for the following appropriations:*
  - *\$27 million to the University of Iowa.*
  - *\$34 million to Broadlawns Hospital.*
  - *\$30 million to the Mental Health Institutes.*
  - *The State match is \$33 million, federal match is \$58 million, for a total of \$91 million.*

- *These amounts are equal to the amount they currently receive in 100% state or county funds.*
- *The appropriations will be paid on a prospective basis in 1/12<sup>th</sup> installments, with a cost settlement at the end of each fiscal year.*
- *The Department of Human Services will determine in December of each year the amount expended for the IOWA Program at each institution and the number served, and estimated the amount for the remainder of the fiscal year. This represents the IOWA Program expenditures to the three entities.*
- *The DHS will determine, at the same time, the difference between the IOWA Program expenditures and the appropriation amount to each institution. The difference will be made up through Disproportionate Share Hospitals and Indirect Medical Education payments.*
- *The institutions will be held harmless. They will receive the same amount of funding as currently. However, the funding will now be 1/3 state funds, 2/3 federal funds, and the payments will be made from the Hospital Trust Fund from a combination of IOWA Program (Medicaid) funds, Disproportionate Share Hospitals and Indirect Medical Education Funds.*
- *Broadlawns semi-annual collection of property tax funds (approximately \$34 million) will be paid directly to the Fund and used as state match for the Program.*

### **C. Additional requirements to implement the Program.**

- *Medicaid payments shall be based on actual Medicaid costs.*
- *DHS shall develop a Hospital Disproportionate Share Program:*
  - *The Program shall be designed to make payments to the University of Iowa Hospital, Broadlawns Hospital, and the Mental Health Institutions.*
  - *The Program shall maximize federal payments to the state.*
  - *Shall be operated through the Hospital Trust Fund.*
  - *Shall make up any difference between the Hospital Trust Fund appropriation and the amount of reimbursement received through the IOWA Program.*

### **3. No change in distribution of real, non-IGT DSH at current levels. New rules for balance of DSH.**

## **4. Medicaid Reform – Service, Coverage, Rates, Quality and Personal Responsibility**

### **A. Expand Access to Care**

- *By July 1, 2005, begin to expand Medicaid coverage for the uninsured and underinsured Iowans at or below 200% of FPL (expansion population) for certain inpatient and outpatient hospital services (expansion coverage) provided through a limited provider network (expansion network), the IOWA Program.*
- *If practical, require all expansion program members to enroll in the Primary Care Case Management program and/or to utilize a 24/7 nursing hotline prior to accessing emergency room care, and other incentives (such as financial incentives) to encourage preventative rather than emergency care.*
- *By July 1, 2006, establish a pharmacy assistance hotline for the expansion population and other interested Iowans which matches free prescription drug programs provided to the public by the pharmaceutical industry. (House File 821)*

- ❑ *Implement the Family Planning Waiver (already enacted in law and awaiting federal approval).*
- ❑ *Contract with Department of Insurance to track annually the number of uninsured and underinsured Iowans, the cost of private market insurance coverage and other barriers to access to private insurance for all Iowans.*

#### **B. Improve the health of Iowa Medicaid members**

- ❑ *Enrollees will be required to utilize a “medical home” including, but not limited to a nurse hotline, primary care case manager, and other incentives to encourage or require use of primary care over emergency care.*
- ❑ *Require that each new admit to the expansion program get a medical evaluation and personal health care plan. Track self assessment of member compliance with plan. Evaluation and plans may be provided by any physician, licensed nurse practitioner, or qualified physician’s assistant.*
- ❑ *Design and successfully implement a strategy to reduce smoking among Medicaid covered children to <1% and among adults to < 10% by July 1, 2007. Evaluate performance annually.*
- ❑ *Design and implement a funded “dental home” program for every child age 12 and younger in the Medicaid program by July 1, 2008. At a minimum each child with a home shall receive the dental screenings and preventive care identified in the EPSDT oral health standards.*

#### **C. Require and promote personal financial participation in the cost of care for all persons covered by the Iowa Program/Medicaid expansion through the waiver.**

- ❑ *The expansion population shall be required to pay a monthly premium not to exceed 1/12<sup>th</sup> of 5% of their annual family income- and must pay monthly premiums for at least four months, without regard to length of enrollment. No individual shall be required to pay any premium if the Department determines that the total cost of collection exceeds 95% of the premium collected. The Department shall select an Administrative Services Organization (ASO) to bill, collect, remit and report, all insurance premiums. Payment may be at grocery stores and pharmacies throughout the State. Timely payment of premiums, including any arrearages from prior enrollment, is a condition of receiving any Medicaid services. The expansion population shall also be required to pay the same co-payments required of other adults in the Medicaid program.*
- ❑ *Develop a plan to test the utility of health care accounts beginning July 1, 2006. Health care accounts are a form of Medicaid benefit available only to adults who have been enrolled in the Medicaid program for at least twelve calendar months. The member voluntarily agrees to exchange for one year the benefit package for which he or she would be entitled for a credit of up to \$1,000 towards any Medicaid covered service. The balance in the account at the end of the year, if any, may be withdrawn in cash by the member.*

#### **D. Promote and facilitate rebalancing the long term care system for both the physically and mentally challenged – serve more people with the same dollars.**

- ❑ *Raise the level of care for admission to nursing homes except where it is determined to be medically necessary, unless no appropriate waiver services are actually available at that time in their community.*
  - Nursing Facility level services in Medicaid shall only be available under the following criteria:
    - Requires physical assistance of one or more persons on a daily basis for three or more activities of daily living.
    - Requires a safe, secure environment for the chronically confused or mentally ill.
    - Has a dependency requiring residence in a medical institution for more than one year.
  - Home and Community Based Services Waiver shall only be available under the following criteria:
    - Requires hands-on assistance on a daily basis with one to three activities of daily living.
    - Requires a safe, secure environment for the chronically confused or mentally ill.
- ❑ *Appropriately amend nursing home regulations to expand opportunities for the nursing home profession to utilize its facilities, personnel and infrastructure more efficiently for community-based long term services.*
- ❑ *Provide parents with children who require PMIC level care to receive the care they require outside of an institution with the assistance of waiver services once the appropriate federal conditions are satisfied.*

**E. Promote and facilitate rebalancing the long term care system for the mentally retarded and developmentally disabled.**

- ❑ *Develop and implement by January 1, 2007 a case-mixed adjusted reimbursement system for both institutional and community based services for the developmentally disabled.*
- ❑ *Raise the level of care for admission to an ICF/MR, except where it is determined to be medically necessary, unless no appropriate waiver services are actually available at that time in their community.*
- ❑ *Request that the University of Iowa Medical School and Dental Schools to explore whether the physical health and oral health needs of this Medicaid population are being regularly and fully addressed and identify an barriers to care. Report by January 1, 2007.*

**F. Recognize/reward provider performance and member performance.**

- ❑ *Design and implement by July 1, 2006 a funded Provider Incentive Payment (PIP) program, after evaluating models from both the public and private sector.*
- ❑ *Reduce the premium and co-pay for expansion members who do not smoke or who stop smoking by 50% for all services and who demonstrate compliance with the individual health plan developed when the member entered the program.*

**G. Facilitate integration of Medicaid with the private health insurance market.**

- ❑ *Design a program to provide premium and/or co-pay and deductible support as an alternative benefit for individuals in the expansion program who have access to, but financially cannot afford to participate in employer health insurance plans. Report on the program design to the legislature by March 15, 2006.*
- ❑ *Require all expansion members to be screened for participation in the Iowa HIPP program (Health Insurance Payment Program).*
- ❑ *DHS to hire a consulting firm to provide a cost/quality-benefit analysis to DHS by March 1, 2006 on expanding the use of capitated managed care to each Medicaid population.*

**H. Use more Medicare/private insurer/private provider – clinically appropriate – health care utilization management strategies.**

- ❑ *Establish a committee of clinicians under the chair of the Iowa Medical Education (IME) Medical Director to recommend to the DHS clinically appropriate health care utilization management and coverage decisions for adoption by the Iowa Medicaid program. (Exclusive of pharmacy which is already covered by the Drug Utilization Review and the Preferred Drug List Pharmaceutical and Therapeutics Committee).*

**I. Adopt business-like, market-based, clinically sensitive health care pricing/purchasing standards for the Medicaid system.**

- ❑ *Establish an advisory commission by January 1, 2005 on service pricing which will receive information on third party payor rates in Iowa and, where appropriate, usual and customary charges of providers. Based on a business model and the federal pricing standard (sufficient to provide access to care to the same extent available to the general population) the Commission shall regularly review and make recommendations for pricing changes. Appropriate protections for confidential business information. At least one member of the commission shall be a health care economist.*

**J. Expand access to electronic medical recordkeeping (EMR) systems for Medicaid providers and their patients to improve the quality of care and reduce avoidable medical errors.**

- ❑ *Develop a plan ready to begin implementation on July 1, 2006 to expand electronic medical recordkeeping by Medicaid providers serving those members whose quality of care will be significantly enhanced by the availability of EMRs.*

**5. Medicaid Reform – Program and Financial Accountability**

**A. Retain an independent Certified Public Account to provide an opinion annually to the Governor that the Iowa Medicaid system meets each of the following three financial conditions, beginning with SFY 2006.**

- ❑ *No new provider taxes as those are defined in CMS regulations.*

- ❑ *Public hospitals and nursing facilities are paid no more than their actual costs of care for the Medicaid and DSH patients they treat based on Medicare principles of accounting/cost reporting.*
- ❑ *No recycling of federal Title IX dollars as defined by CMS.*

**B. Establish a Joint Legislative Committee on Medicaid with responsibility for:**

- ❑ *Quarterly Medicaid Cost Projections.*
- ❑ *Reviewing quarterly reports on all Medicaid Reform Initiatives, including those in operation and those in the DDI (design, development and implementation phase). Recommend a SFY 2007 and SFY 2008 reform program to the legislature and the Governor.*
- ❑ *Reviewing quarterly reports on the success of the Iowa Medicaid Enterprise as measured against the current contractual performance measures for each of the IME partners.*
- ❑ *Assuring that the Medicaid expansion program is managed at all times within the appropriated amount. The Committee must assume that no supplemental appropriation will be available to cover any overspending for services for the expansion population (those who are covered solely as a result of the waiver).*

**C. No less than 50% of the Medicaid Assistance Advisory Council shall be Iowa Medicaid members. A quorum of the Council must include no less than 50% of the Iowa Medicaid members serving on the Council.**

*This document was prepared by staff from the Legislative Services Agency and the Department of Human Services to provide additional information about the Medicaid Reform Proposal.*