Fields of Opportunities

STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

TO: Council on Human Services

FROM: Jennifer H. Vermeer, Medicaid Director

DATE: January 8, 2010

SUBJECT: IowaCare 1115 Extension Update

Background

The IowaCare program provides a limited Medicaid benefit to adults age 19-64 who have incomes below 200% of the federal poverty level and who are not otherwise eligible for Medicaid. IowaCare is operated under an 1115 demonstration waiver. The 1115 waiver expires on June 30, 2010. Iowa is currently working toward an extension of the waiver for three additional years – June 30, 2013. The IowaCare program provides services through two network providers – Broadlawns Medical Center for residents of Polk County and the University of Iowa Hospitals and Clinics for all Iowans. The program covers inpatient and outpatient hospital, physician services, and limited dental and transportation. 1115 waivers all include a 'budget neutrality cap' that serves as a federal cap on spending for the program.

The following is a summary of key program successes and characteristics:

- Program enrollment has greatly exceeded the original expectations, now covering over 35,000 Iowans (originally projected to cover 14,000). IowaCare has covered over 72,000 Iowans since the program started in 2005, and has become a key strategy for covering uninsured, low income adults in Iowa.
- One in four enrollees has never had health insurance.
- Nearly half (48%) of enrollees have been enrolled for 12 months or more.
- The population has a high incidence of chronic disease. In 2008, there were 2,563 unique individuals with Diabetes, 1,875 unique individuals were treated for chest pain, 1,937 members with a cancer diagnosis, 5,425 people with high blood pressure, 6,554 members with Coronary Artery Disease, and 8,944 members with pain. 80% of the population has one of the above indicated diagnoses.

Extension

Iowa's extension request essentially asks for an extension of the existing programs with only a few modifications (outlined in Table 1 of Attachment 1). The following provides an update on the current status of negotiations with the federal Centers for Medicare and Medicaid and Services (CMS) on the renewal:

- The Iowa Medicaid Director met with Cindy Mann, Director of the Center for State Operations, CMS in August 2009 to present Iowa's renewal request. The request was for an extension of the existing program with no change to the eligibility requirements, provider network, or services provided.
- IME staff and CMS staff have been holding monthly conference calls to discuss renewal issues.
- Iowa's request for the extension was submitted on June 26, 2009. The detailed extension proposal was submitted on October 7, 2009. The proposal documents can be found on our website at: http://www.ime.state.ia.us/docs/IowaCareRenewalFinal100809.pdf.
- CMS's review team for Iowa's proposal met in December 2009.
- Iowa received questions from the review team on January 4, 2010. We are working on responses to the questions.

In short the renewal conversations are going well. We have not run into any major hurdles or philosophical differences with CMS. We believe at this time that we will have the extension in place by June 30, 2010.

National Health Care Reform

Congress's efforts toward Health Care Reform include a mandatory expansion of Medicaid to either 133% FPL (in the Senate version) or 150% FPL (in the House version). These expansions would cover the majority of Iowans enrolled in IowaCare and would provide a much more comprehensive benefit package for the members. Further, the Medicaid expansions are not constrained by budget neutrality caps and would receive 100% federal funding for at least the first two years. Our current plan is that the IowaCare extension would serve as a bridge to the Medicaid expansion in FY 2014. At that point, the 1115 waiver would not be needed and would potentially phase out.

The Health Care Reform proposal in the Senate offers states the opportunity to expand the Medicaid program early at regular federal matching rates. There is some discussion of pursuing this in Iowa (see below).

Iowa Proposals to Expand IowaCare

Iowa lawmakers and the Health Coverage Commission have expressed interest in expanding the IowaCare program provider network and/or population covered. The IME presented five options for expanding the provider network to improve access to care to the Commission in November (Attachment 2). All five options have estimated state fiscal impacts ranging from $7 to $42 million. We have approximately $25 million of additional spending below the budget neutrality cap, and then all spending above that level would be 100% state funds (unless the state were able to pursue one of the options to expand Medicaid early, if that option becomes available).

The Commission endorsed expansion of the program to a regional network that includes primary and hospital care. At the most recent Commission meeting, Senator Jack Hatch and Representative Mark Smith announced their intention to file a bill that would expand the provider network as well as the population served.

Attachment 1

Overview of Iowa's 1115 Waiver – IowaCare

Extension Request

The original goal of the IowaCare Program:

Demonstration project to cover low-income Iowans without access to health coverage (either through Medicaid or the private market), through a limited benefit plan, using safety net hospital-based providers.

- Projected to cover 14,000 statewide.
- Monthly premiums required, sliding scale from 10% FPL to 200% FPL. Originally believed the program would largely cover working poor populations.
- Goal to replace State/County subsidized indigent care programs that provided intermittent acute hospital care, with a program more like health insurance.

Today – IowaCare has been enormously successful in providing access to health care. It has become the safety net for a very vulnerable population.

- Enrollment today is over 32,000, more than twice what was expected. Enrollment in almost all counties exceeds, by far, the number that were served under the old indigent care programs, even though many enrollees have to travel long distances (2-6 hours) to access care.
- Over 72,000 Iowans have been served over the past 4 years. Nearly 20% of all Iowans below 200% FPL have accessed the program.

The population is much poorer and much more vulnerable than we anticipated.

- 83% of enrollees are below 100% FPL.
- 90% are 'non-categorically eligible' -- non-disabled single adults and childless couples.
- The program has a very high incidence of chronic disease, including Coronary Artery Disease, Hypertension, Diabetes, Hyperlipidemia, Chronic Obstructive Pulmonary Disease, Thyroid Disorders, and Chronic Pain. 25% of enrollees served by Broadlawns Hospital in Polk County are diabetic. The providers note a high incidence of untreated mental health conditions. The population self-reports significantly lower health status than the regular adult Medicaid population.
- 25% reported never having had health insurance in the past, 2/3 were uninsured for 2 years or more prior to enrollment.

IowaCare has been overwhelmingly successful in accomplishing the primary goal of providing access to critical health care services for a very high-need population and is now a critical part of Iowa's coverage strategy, even with the limitations on benefits and geographic access.

- Without the program, enrollees have no other access to health care, other than uncompensated emergency room care.

- We hope that Health Care Reform, and possible Medicaid Expansion will provide a permanent comprehensive benefit package for this population. We need extension of the IowaCare program to bridge that gap until Health Care Reform is in place.

IowaCare Extension Proposal Overview –
(Table 1 attached)

- The program has exceeded the original goals of establishing increased access to health coverage for the target population and should be extended.
- 3 years (July 1, 2010 to June 30, 2013)
- Continue 200% FPL Limited Benefit Medicaid Expansion (including the Spend-down Pregnant Women group) including the provider network limitations and covered benefits.
- Provide for the State to amend the STCs if a Medicaid expansion is enacted by Congress that would overlap some or all of the IowaCare Demonstration populations, while continuing the waiver for populations not covered by the Medicaid expansion.
- Budget Neutrality:
    - Continue current budget neutrality trend of 7%. Include currently unreimbursed costs for physician services at the University of Iowa Hospitals and Clinics in budget projections.
    - Allow unspent budget neutrality dollars from the original waiver period to continue into the extension period.
    - See Table 2 for details.

Current 1115 Waiver – Unresolved Issues-

- **Nursing Facility Provider Tax** – Pending 1115 waiver amendment request to allow Iowa to implement a NF provider tax.

- **Mental Health Transformation Pilot** – Pending request to allow continuation of the Mental Health Transformation Pilot payments to the State's IMDs, based upon the State successfully meeting the terms of the Pilot.

Table 1. Iowa 1115 Waiver Extension Proposal

CURRENT STATE TERMS AND CONDITIONS (STCs)	PROPOSED STCs FOR EXTENSION
Demonstration Term – 5 years - July 1, 2005 to June 30, 2010	Extension Term – 3 years – July 1, 2010 to June 30, 2013
Demonstration Population 1 – Adults (age 19-64) between 0% and 200% FPL not eligible under Medicaid State Plan	Same
Demonstration Population 2 – Spend-down Pregnant Women with spend down to between 200% and 300% FPL	Same Very small population of less than 20 enrollees at any given time.
Demonstration Population 3 – Seriously Emotionally Disabled Waiver for children up to age 18 who meet hospital level of care	Remove from 1115 and convert to a 1915(c) Waiver - Program is identical to 1915(c) waiver and was rolled into the 1115 purely due to timing. Natural to move to the 1915(c) waiver process. Already operated to match 1915(c) requirements.
New Item	Health Care Reform – Provide for the State to amend the STCs if a Medicaid expansion is enacted by Congress that would overlap some or all of the IowaCare Demonstration populations, while continuing the waiver for populations not covered by the Medicaid expansion.
Provider Network – Broadlawns Hospital in Polk County University of Iowa Hospitals and Clinics statewide	Same – Provide for the state to expand the provider network to improve local access to health care, with CMS approval.
Budget Neutrality – Includes a 7% trend rate for each of the 5 years, beginning at $102.2M in Demonstration Year 1 and increasing to $134.0M by Demonstration Year 5.	Continue current budget neutrality trend of 7%. Include currently unreimbursed costs for physician services at the University of Iowa Hospitals and Clinics in budget projections. Allow unspent budget neutrality dollars from the

	original waiver period to continue into the extension period. See attached.
Prohibits the state from establishing any new provider taxes. NOTE: Iowa has a pending request to amend the current STCs to allow Iowa to implement a new Nursing Facility provider tax proposal. SPA, waiver documents have been submitted and are pending with CMS.	Remove - Preventing provider taxes was a policy priority for CMS at the time the 1115 waiver was approved. Since that time, CMS has approved a number of new provider taxes for states. Iowa has a pending request to amend the current STCs to allow Iowa to implement a Nursing Facility Provider Tax.
Requires Iowa to cap payments to public institutional providers at no more than actual cost.	Remove - This concept was both policy priority and proposed regulation at the time the 1115 was approved. The regulations have not moved forward. We request this limitation be removed from Iowa. Iowa's State Plan continues to have the cap in place and CMS would still have to approve any change. We believe though, that the 1115 limitation should be removed, since the proposed CMS regulations have not been implemented.
Demonstration Expanded Services 1 – Expenditures for services not otherwise covered under the State Plan (services for individuals at the state's 4 Mental Health Institutions (IMDs)) – to Medicaid eligible individuals	For Discussion – Iowa is one of the few states who is not able to make any DSH payments to IMDs. This provision allowed Iowa to make both Medicaid reimbursements and DSH payments to the IMDs. We would like to continue to at least make DSH payments as other states who were grandfathered in are able to do.
Demonstration Expanded Services 2 – Expenditures for services under the "Mental Health Transformation Pilot" not otherwise covered by Title XIX (services to Individuals at the State's 4 MHIs) – to individuals eligible only through the 1115 waiver	For Discussion – See above. This population had a separate budget neutrality cap in the STCs that phased down to $0 in FY 2010.

Table 2. Budget Neutrality Proposal Detail

Iowa 1115 Demonstration Waiver - Extension proposal

Expenditures & Budget Neutrality: Original 1115 Demonstration Period

	Current Cap	Actual Claimed Expenditures		Unexpended Balance	Unreimbursed UIHC Physician **	Total Program Cost
Year 1	$ 102,200,000	$ 97,042,703		$ 5,157,297	$ 9,719,848	$ 106,762,551
Year 2	109,400,000	108,353,234		1,046,766	13,277,948	121,631,182
Year 3	117,000,000	120,499,507		(3,499,507)	14,263,000	134,762,507
Year 4	125,200,000	113,819,752	*	11,380,248	17,230,207	131,049,959
Year 5	134,000,000	113,276,182	*	20,723,818	21,989,327	135,265,509
Cumulative Total	$ 587,800,000	$ 552,991,378		$ 34,808,622	$ 76,480,330	$ 629,471,708

* IMD expenditures phased-down due to Mental Health Transformation Pilot Cap.

** NOTE: While physician services are a covered service under the current STCs, University of Iowa physician services do not receive payment per Iowa Code. These expenditures have grown substantially due to enrollment growth and that the University serves the majority of the IowaCare population. These uncompensated services are becoming an increasing burden for the University, now constituting over 10% of their patient volume. This column shows the amount of unreimbursed Physician services provided by University physicians, priced at Medicaid rates. Iowa wants to include these services in our expenditure trend as they are a 'real cost' to the program, and to preserve the option to begin reimbursing the provider.

1115 Extension - Projected Expenditures and Proposed Budget Neutrality

Assumptions:

1. Continue current 7% trend line for the budget neutrality cap.
2. Include the dollars not spent in the original 1115 Waiver period to add to the cap, to provide sufficient funds to reimburse UIHC physician services.
3. Projected Expenditures are based on actual historical expenditures, plus projected expenditures for the UI physicians for services provided.

	Proposed Budget Neutrality Cap	UIHC/Broadlawns Projected Expenditures	UIHC Physician Projected Payments	Projected Total IowaCare Expenditures
Balance unexpended in original waiver period	$ 34,808,622			
Year 6	143,380,000	$ 118,243,908	$ 24,188,260	$ 142,432,168
Year 7	153,416,600	128,428,518	26,607,086	155,035,604
Year 8	164,155,762	137,535,553	29,267,794	166,803,347
Cumulative Total	$ 495,760,984	$ 384,207,979	$ 80,063,140	$ 464,271,119

Attachment 2

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DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

November 23, 2009

Dr. David Carlyle
Chairman
Legislative Health Coverage Commission

Dear Dr. Carlyle:

As requested, DHS has prepared options and cost estimates for an expansion of the IowaCare provider network. The attached documents present five different scenarios that policy makers may consider. These scenarios represent starting points for conversation rather than fully fleshed out proposals. Also, the cost estimates are 'ballpark' as it is very difficult to model, with precision, the impact of any changes in the provider network. Further, we have not suggested a funding source for the increased state funding that would be required.

The following table summarizes the projected cost impacts in FY 2011 for comparison purposes. The options and assumptions are described in more detail in the pages that follow.

Option Title	FY 2011 Projected Total Cost of the Option	FY 2011 Net Cost Increase – State Funds
3 Region	$176.7 million	$41.7 million
5 Region	$176.5 million	$41.5 million
Primary Care Regions	$155.8 million	$20.8 million
Budget Neutral #1	$139.3 million	$7.0 million
Budget Neutral #2	$142.4 million	$8.1 million

These options provide concepts for discussion and do not represent recommendations by the Department.

Please contact me at 515-725-1121 if you have any questions.

Sincerely,

Jennifer H. Vermeer
Medicaid Director

IowaCare Provider Network – Thoughts and Options

Issues to keep in mind:

- Local Access to care
- Capacity at UIHC for current volume and expanded volume is stretched; there can be long wait times for new members to access physicians/appointments
- Reimbursement for UIHC physicians
- Budget Neutrality cap / cap on Federal funding
- Any proposal requires federal approval
- Any expansion in providers will likely increase demand past available resources – i.e. need for enrollment waiting lists, lack of reimbursement for current network providers for certain services

IowaCare Budget Neutrality (State and Federal Funds)			
	FY 2011	**FY 2012**	**FY 2013**
Carryforward from prior year	$15.4 million		
Budget Neutrality Cap – proposed	$143.4 million	$153.4 million	$164.2 million
Projected Expenditures – Current program 'as is'	$118.6 million	$128.8 million	$137.9 million
Unexpended under the cap	$24.8 million	$24.6 million	$26.2 million

The total available under the cap for new initiatives is approximately $30 million each year (the $15 million is 'one-time' and can be divided across the three years)

To begin a discussion of options....

Document provides five different variations. Start points for discussion only. Estimates are 'ballpark'. Many different variables that could be modified to change the cost impact or to address different issues.

These are starting points for conversation only and do not represent recommendations

3 Region model - Full Regionalization, hospital only model

- 3 regions (West, Central, East) – one hospital (inpatient and outpatient services), generic drugs and limited durable medical equipment.
- UIHC and Broadlawns would be the provider in two of the regions; UIHC receives payment for physician services.
- Payment at Medicaid rates
- Pharmacy reimbursement for generic drugs only, $4 co-payment up to a maximum of $20.
- Contract for mail order pharmacy for bulk discounts
- Limited laboratory and imaging
- Projected cost impact $176.7 million ($33.3 million over the cap)
- Could reduce expenditures by:
    - Capping enrollment – if enrollment capped July 1, 2010, program would be $155M and only $12M over the cap)
    - Capping reimbursement by requiring providers to donate prescription drugs, or capping payments at a certain level

5 Region model – Single hospital in each region, limited physician network

- 5 regions (NW, NE, SW, SE, Central) – one hospital in each region (inpatient/outpatient), limited physician network (i.e. FQHCs, or 1-5 physician clinics in each region)
- UIHC and Broadlawns would cover all services in their regions; UIHC receives payment for physician services.
- Payment at Medicaid rates
- Pharmacy reimbursement for generic drugs only, $4 co-payment up to a maximum of $20.
- Contract for mail order pharmacy for bulk discounts
- Limited laboratory and imaging
- Projected cost impact $176.5 million ($33.1 million over the cap)
- Could reduce expenditures by:
    - Capping enrollment – if enrollment capped July 1, 2010, program would be $155M and only $12M over the cap)
    - Capping reimbursement by requiring providers to donate prescription drugs, or capping payments to providers at a certain level

Primary Care Regions – Primary Care regional providers, no regional hospitals

- Regional primary care only. Regions set based on number/location of primary care providers. Could be physician clinics, FQHCs, RHCs, etc.
- Broadlawns and UIHC would be two of the primary care regions.
- All hospital services through either Broadlawns or UIHC (similar to today)
- No drug reimbursement, donated by primary care providers
- Limited laboratory, no imaging
- Payment at Medicaid rates
- Projected cost impact $155.8 million ($12.4 million over the cap)
- Budget Neutral Option 1: Could reduce expenditures by:
    - Capping enrollment – if enrollment were capped July 1, 2010, program would be $152M and only $8M over the cap
    - Capping payments for UIHC physicians or primary care payments at $15 million each would reduce expenditures to $4 million under the cap.

Budget Neutral Option 2 – Program as is with payment for UIHC physicians to lower wait times

- No change in provider network.
- Add payment to UIHC physicians from Certified Public Expenditures (no new state $ needed for match)
- UIHC physicians decrease wait times for members to access services
- Payment at Medicaid rates
- Projected cost impact $142.4 million ($900,000 under the cap)

Summary - FY 2011 Projected Cost Impact

	Options				
	3 Region	5 Region	Primary Care Regions	Budget Neutral #1	Budget Neutral #2
Projected Total Cost	$ 176,718,599	$ 176,456,090	$ 155,779,468	$ 139,336,384	$ 142,432,168
Current/Funded Budget (note there is sufficient funding in the IowaCare Account to finance the current FY 2011 projection)	$ 118,613,158	$ 118,613,158	$ 118,613,158	$ 118,613,158	$ 118,613,158
Net Cost Increase	**$ 58,105,441**	**$ 57,842,932**	**$ 37,166,310**	**$ 20,723,226**	**$ 23,819,010**
Amount under the Budget Neutrality Cap:	$ 24,766,842	$ 24,766,842	$ 24,766,842	$ 20,723,226	$ 23,819,010
Federal match available					
State Share	$ *8,378,623*	$ *8,378,623*	$ *8,378,623*	$ *7,010,667*	$ *8,057,971*
Federal Share	$ 16,388,219	$ 16,388,219	$ 16,388,219	$ 13,712,559	$ 15,761,039
Amount Over the Budget Neutrality Cap: 100% State Funds	$ *33,338,599*	$ *33,076,090*	$ *12,399,468*	$ -	$ -
Net State Cost over the FY 2011 budgeted levels	**$ 41,717,222**	**$ 41,454,713**	**$ 20,778,091**	**$ 7,010,667**	**$ 8,057,971**

DHS - IowaCare Provider Network Expansion Options
11/23/2009