IowaCare & Affordable Care Act Update

Health and Human Services Appropriations Subcommittee

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IowaCare Update

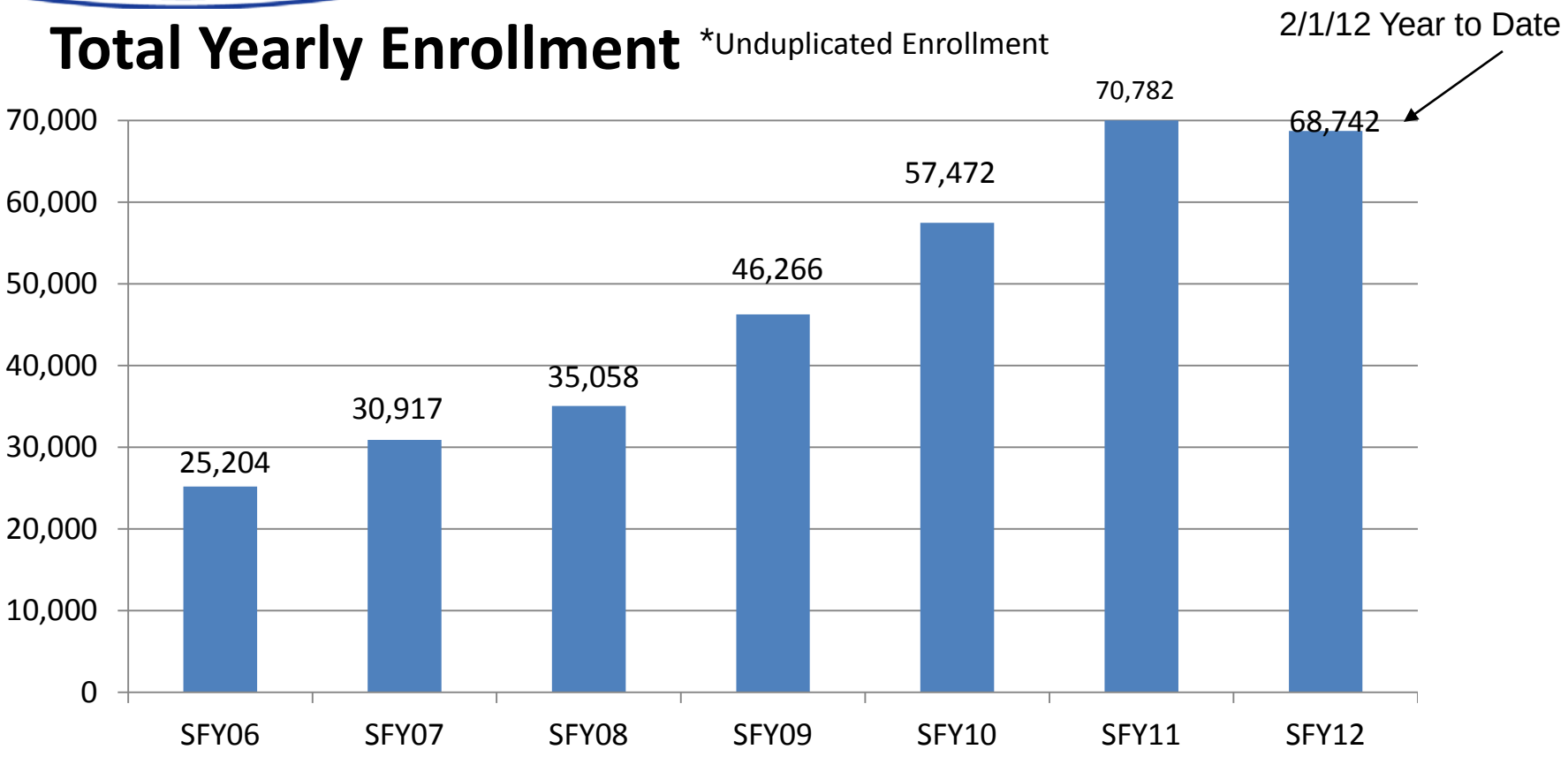
- IowaCare Overview:
  - IowaCare Act (House File 841) passed FY2005
    - IowaCare is a 1115 demonstration waiver – not an entitlement
    - Provides a limited benefit package, limited provider network
  - Replaced Indigent Care Program ("State Papers") program at University of Iowa
  - Funding source is $42M Polk County property tax, UIHC funds, and $4M General Fund in FY 2012
- Goals of IowaCare:
  - Expand access to health care coverage for low-income, uninsured adults who are not eligible for Medicaid
  - Provide financial stability for safety net hospitals that have high amounts of uncompensated care
  - Experiment with heath care innovations

- Who does IowaCare cover?
  - Adults aged 19 – 64
  - 200% or below the Federal Poverty Level
  - Not eligible for Medicaid (because they don't fit into one of the federal 'categories' – most pregnant women, parents, disabled)
  - No comprehensive private insurance
- 1115 Waiver has budget neutrality caps – meaning total state and federal funding is capped for the life of the waiver

- IowaCare services include:
  - Inpatient and outpatient hospital services
  - Physician and advanced registered nurse practitioner services, including annual preventive physicals
  - Limited dental services
  - Tobacco cessation
  - Extremely limited prescription drug benefit
- IowaCare Providers include (historically):
  - University of Iowa Hospitals and Clinics (all counties except Polk)
  - Broadlawns (Polk County)

Total Yearly Enrollment

*Unduplicated Enrollment



- As of July 2011, more than 117,000 Iowans have received necessary health care through IowaCare since the inception of the program
- 95% are below 150% of the Federal Poverty Level

- IowaCare FQHC Expansion – 2010 Waiver renegotiation and state legislation (SF 2356)
  - Phased-in Expansion
  - Implement a medical home pilot – will serve to inform regular Medicaid
  - Provide reimbursement to non-covered hospitals for emergency room visits resulting in an inpatient stay – capped at $2 million
  - Provide partial reimbursement to UIHC for physician services to reduce wait times

Expansion Goals:

- Provide greater local access to primary care.
- Reduce duplication of services
- Enhance communication among providers/family and community partners
- Improve the quality of health care to IowaCare members through the patient-centered medical home model
- Promote and support a plan for meaningful use of health information exchange (HIE)

2011 Modifications – "Regional Model"

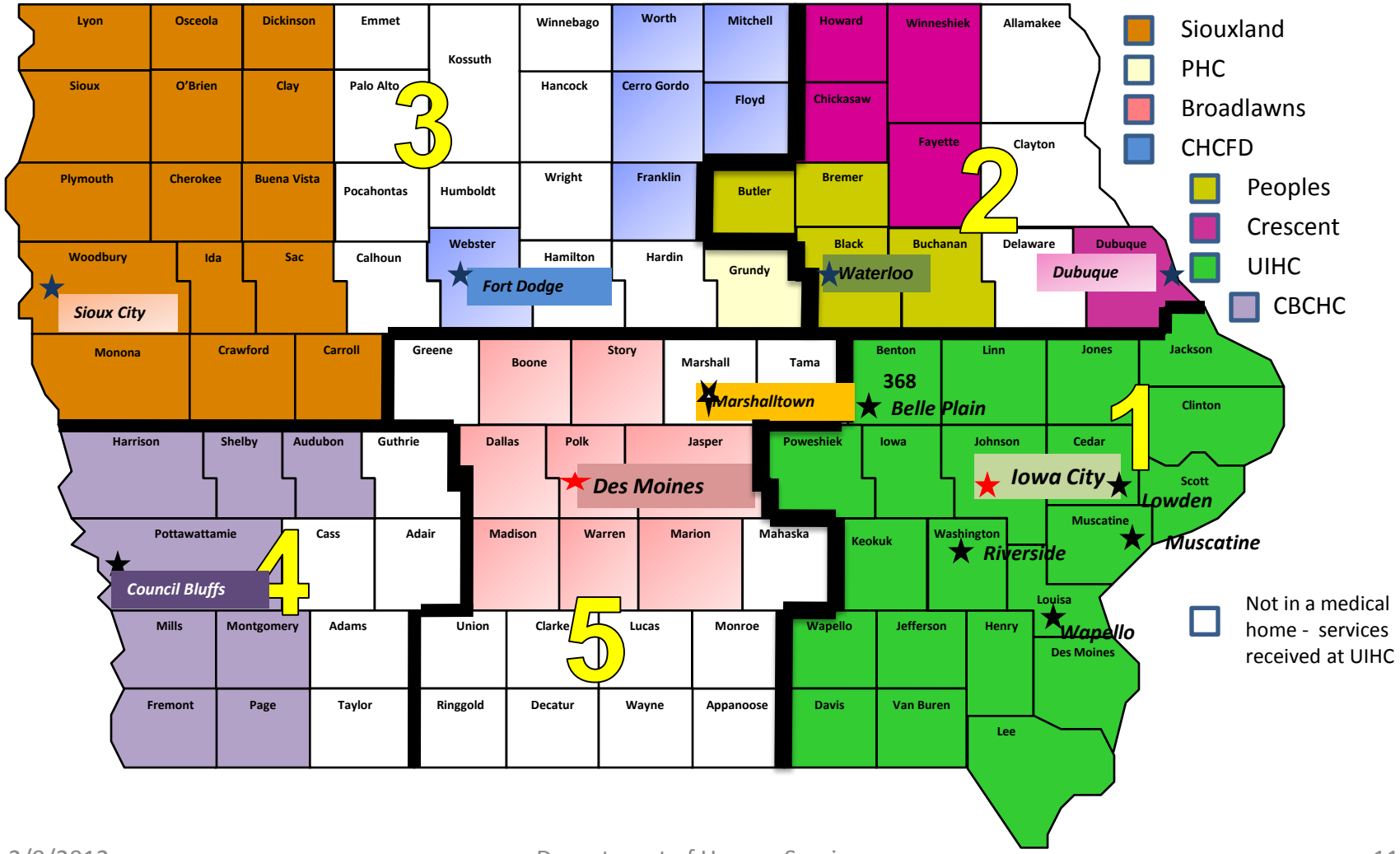
- Goal: Reduce projected FY 2013 shortfall of $13 M to $4M
- Created regions for the medical homes, limited the number of FQHCs
- Increased revenue: Increased property tax transfer from Broadlawns to IowaCare by an additional $4M
  - To repay the $4M – added a new pool for Broadlawns to reimburse pharmacy and podiatry services.
- Reduce projected expenditures: Allowed all members in the western 2/3 of Iowa to go to Broadlawns for hospital services; higher level specialty and tertiary hospital services still from UIHC

2011 Modifications – Regional Expansion

- Created 2 new pools to attempt to address significant issues with non-covered services:
  - FQHC lab and x-ray services
  - UIHC/Broadlawns care coordination for services post-hospitalization
- Projected implementation 7/1/11 for the pools, 10/1/11 for first regional phase, 1/1/12 for final phase

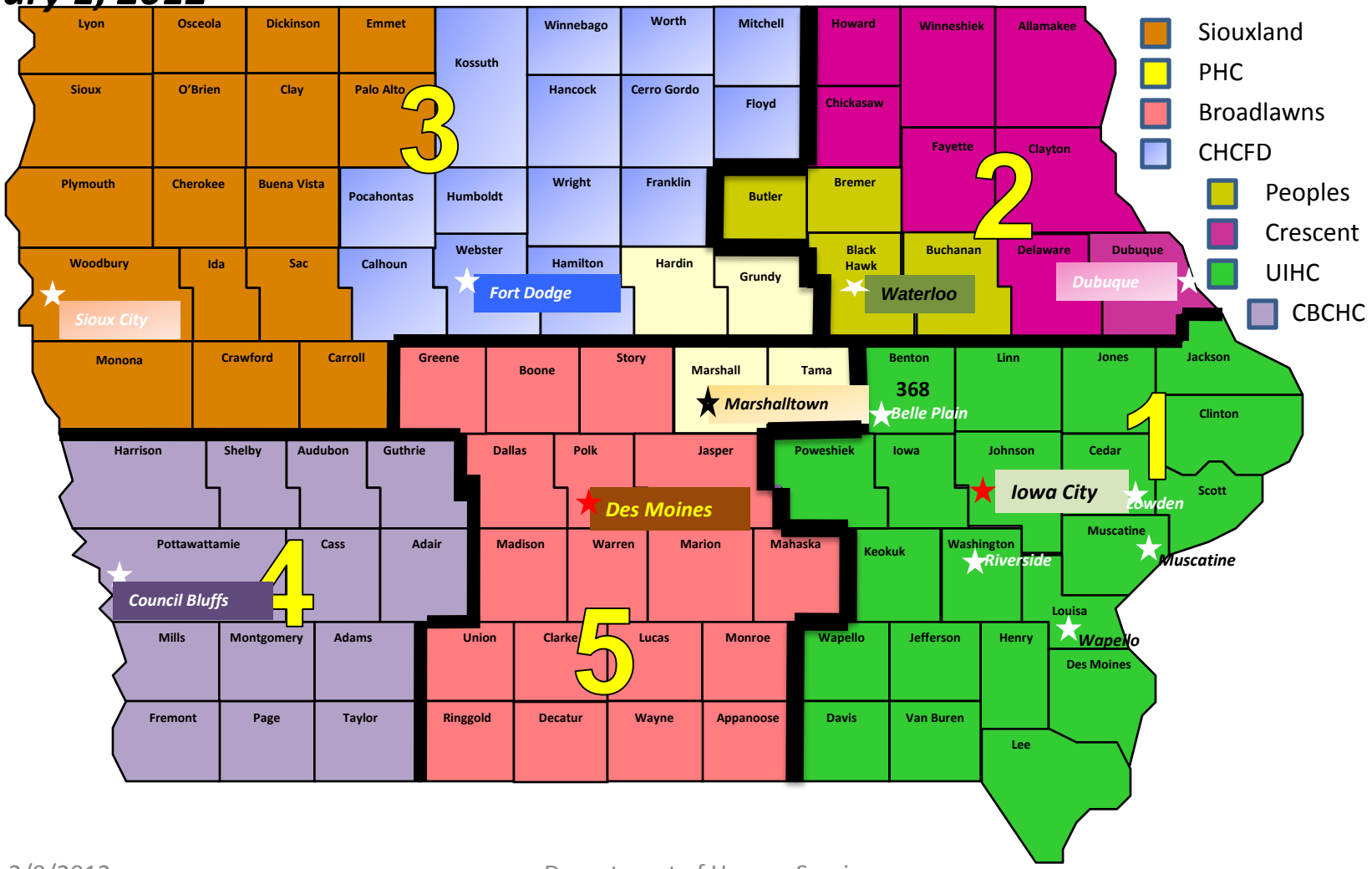
IowaCare Regional Medical Home Expansion

December 1, 2011

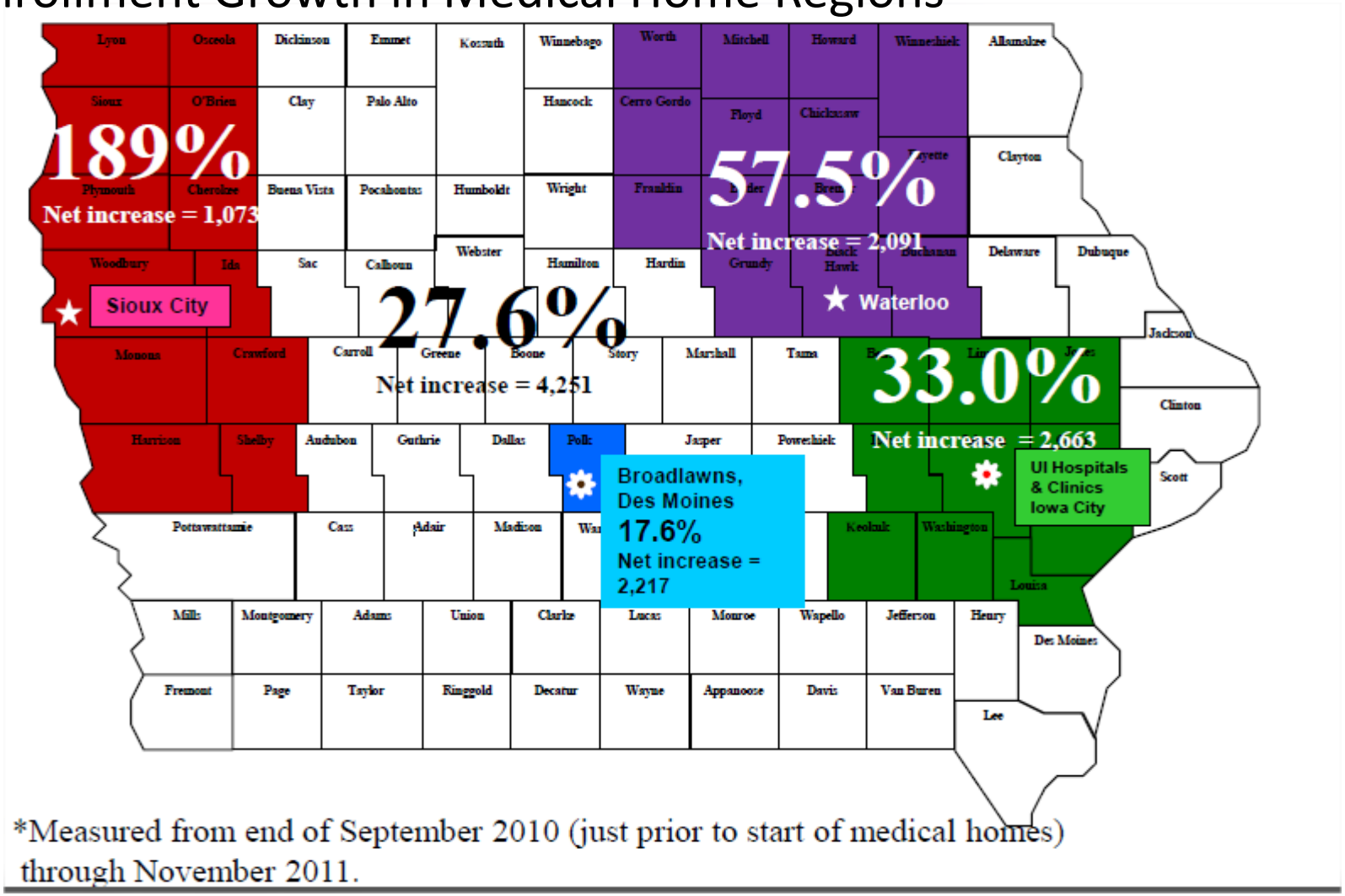


IowaCare Regional Medical Home Expansion

January 1, 2012



Enrollment Growth in Medical Home Regions



*Measured from end of September 2010 (just prior to start of medical homes) through November 2011.

Source: Stacey Cyphert, University of Iowa Hospitals and Clinics

IowaCare Expansion - Challenges

- Delay in Federal approval. Planned for 7/1/11, received 11/1/11.
- Delay in ability for providers to bill the pools. CMS delays, changes in parameters, programming delays – delay to 3/1/12. Billing will go back to 11/1/11.
- Broadlawns financing – due to delays, they estimate they will not be able to provide $2M in property tax revenue in FY 12.
- IME now analyzing fiscal impact of this shortfall.

IowaCare Expansion - Challenges

- Unintended consequence of the pools: private providers and drug companies no longer willing to donate care for non-covered items now that the pools exist.
- Differences of opinion about the intended use of the pools.
- Cost pressures and volume pressures on the providers. Enrollment is over 53,000.
- Continued difficulty with non-covered services.
- Frustration and fatigue for providers, staff, and program members given the amount of change and challenges in the past 18 months is real.

Positives

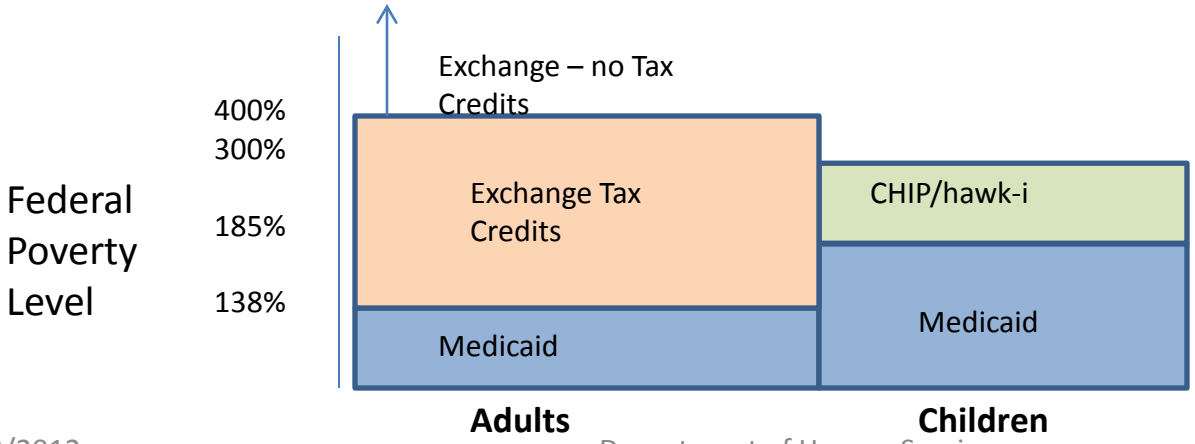
- FQHC's report many positive comments about closer access
- It's early….We are still less than 90 days into a major programmatic change – we are committed to continuing to work through the challenges
- Results from medical home quality data is very good in all medical homes – IowaCare members are receiving significantly more preventative and coordinated care for individuals with key chronic diseases compared to the Medicaid population

Affordable Care Act

- January 1, 2014 - Medicaid Expansion in the Affordable Care Act (ACA):
  - Expands Medicaid to 138% of the Federal Poverty Level (no longer tied to categories)
  - No asset or resource tests
  - Changes income calculated to 'Modified Adjusted Gross Income' (MAGI), a tax based method for most Medicaid categories
- Primary impact – projected to add approx. 150,000 adults to the Iowa Medicaid program

- 100% federal match for ‘newly eligible’ through 2016, rate phases down to 90%
- Expansion program will have regular Medicaid provider network; benefit package = ‘Benchmark Plan’
- IowaCare Waiver will expire 12/31/13
- 95% of IowaCare members are below 150% FPL
- IowaCare program will end; nearly all current IowaCare members will transition to Medicaid Expansion

- Health Benefits Exchange
  - Individuals in individual/small group market
  - Federal tax subsidies from 138% to 400% FPL
  - 'Seamless', consolidated eligibility process for Medicaid, CHIP, and Exchange is required



Iowa Integrated Eligibility System Project

- Request for Proposals for new Eligibility IT system developed in 2011
- RFP issued in December 2011
- Proposals from vendors due this spring
- Funding for the majority of the project from Medicaid 90% federal match and Health Benefits Exchange Grants (100% federal); smaller amount is other federal match (50% from other federal sources)
- Will perform eligibility for Medicaid, Food Assistance, Family Investment Program, and Exchange Tax Credits

Health Benefits Exchange Planning

- $7M Level 1 Establishment Grant:
  - $1.7M – DHS planning and procurement cost for Eligibility IT project
  - $3.8M – HBE planning and technical assistance contract (background studies, assess current business operations and IT systems, Gap Analysis, Support design sessions, procurement support, Support Federal gate reviews)
  - $1.9M Insurance Division – Market Analysis, financial and operational planning
  - $342K Department of Public Health – develop plan for outreach and collaboration with safety net providers, consumer education

- Issues to consider:
  - With the expansion, Medicaid will enroll a significant amount of new, low-income single adults and childless couples currently not eligible
  - 50,000+ current IowaCare members will transition to the Medicaid expansion
  - What are the health care needs of this new population? IowaCare experience and other states' experience indicates greater incidence of delayed health care needs, particularly mental health and substance abuse

- IowaCare members have a high incidence of unmanaged chronic disease
  - 23% have never had health insurance; 59% have not had insurance for more than 2 years
  - 42% of patients have one or more chronic conditions (diabetes, chest pain, coronary artery disease, cancer, high blood pressure, pain)
  - IowaCare patients self report poorer health status than the general Medicaid population
  - 36% of IowaCare patients self report depression
  - Of the members who leave the program, approximately 40% become eligible for Social Security Income (SSI – Disability) through Medicaid

- Is the provider network sufficient to assure access?
- Education, health coaching for new population will likely be a need given many may have had limited experience with ‘insurance’
- Mental health and substance abuse needs
- Chronic disease

- Strategies:
  - Need to improve health care outcomes through coordinated care models, payment reforms
  - Health Homes
    - IME developing model. Working to submit for CMS approval soon
    - Reimbursement – per member per month payment in 4 tiers of payment based on acuity, plus performance measurement/outcomes payment
  - Accountable Care Organizations – great interest, but TBD (Medicaid regs do not currently contemplate)
    - Research and planning underway

Questions?

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