

Federal-State Policies: Implications for State Health Care Reform

(Rushing to the future; living in the present)

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February 6, 2008
ITUP

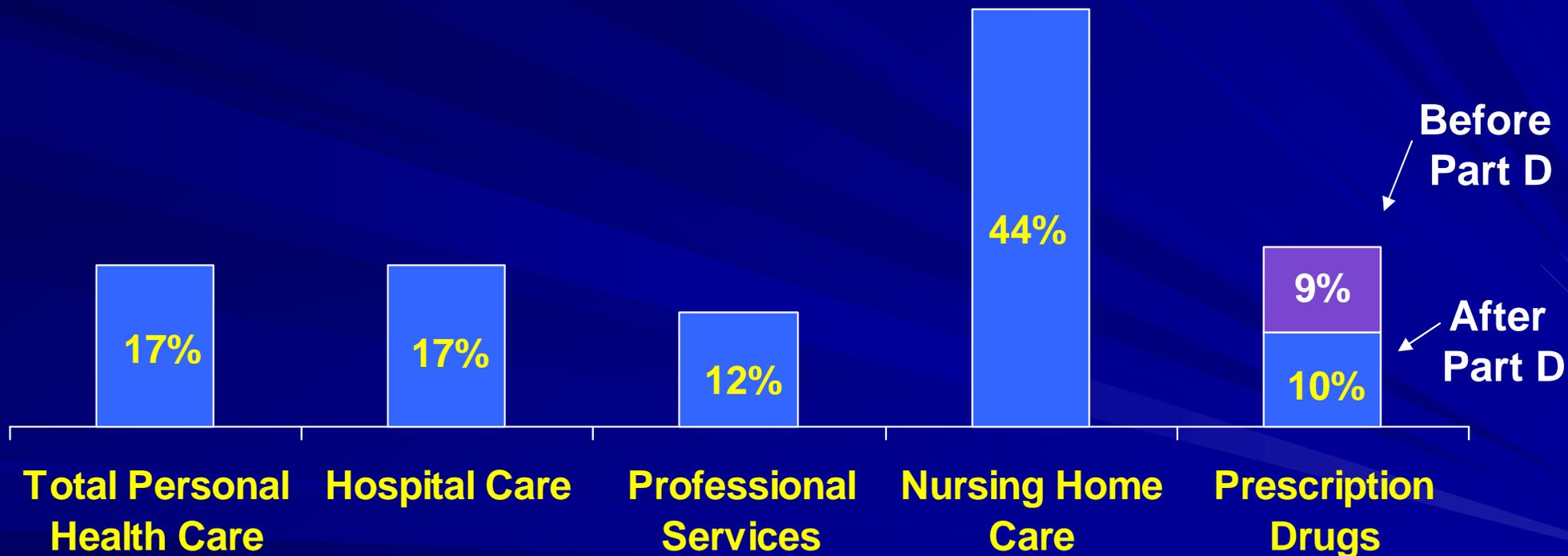


Medicaid: State–Federal Partnership

\$337 billion and over 60 million lives, the largest health program in America ...

- 29 million children (including 1.5 million newborns)
- 16 million adults in families
- 10 million persons with disabilities
- 6 million persons age 65 or older

Medicaid : 1/6 of U.S. Health Spending, and a Sizable Share of all components



SOURCE: Cynthia Smith, et.al., "National Health Spending in 2004," *Health Affairs*, January/February 2006. Based on National Health Care Expenditure Data for 2004, CMS, Office of the Actuary, 2006

Medicaid: the “Utility Player” of the U.S. Health Care Safety Net

- Mental health: over half of publicly financed care
- Public health and schools
- Hospitals that serve the uninsured: special Medicaid “DSH” payments \$16 billion in 2007
- Community Health Centers: Medicaid averages 40% of CHC revenues
- 7 million low-income elderly and disabled are “dual eligibles” – on both Medicaid and Medicare
 - “Duals” account for 40% of Medicaid spending

California Medicaid

Health Insurance Coverage

4,877,900 children and adults, 1,067,000 persons with disabilities, 658,000 aged.

Assistance to Medicare Beneficiaries

1,029,763 aged and disabled — 23% of CA's Medicare beneficiaries

Long-Term Care Assistance

62,400 nursing home residents; 62% of CA's long-term care services

MEDI-CAL: \$38 billion in 2007

Support for Health Care System

23% of total CA health spending

State Capacity for Health Coverage

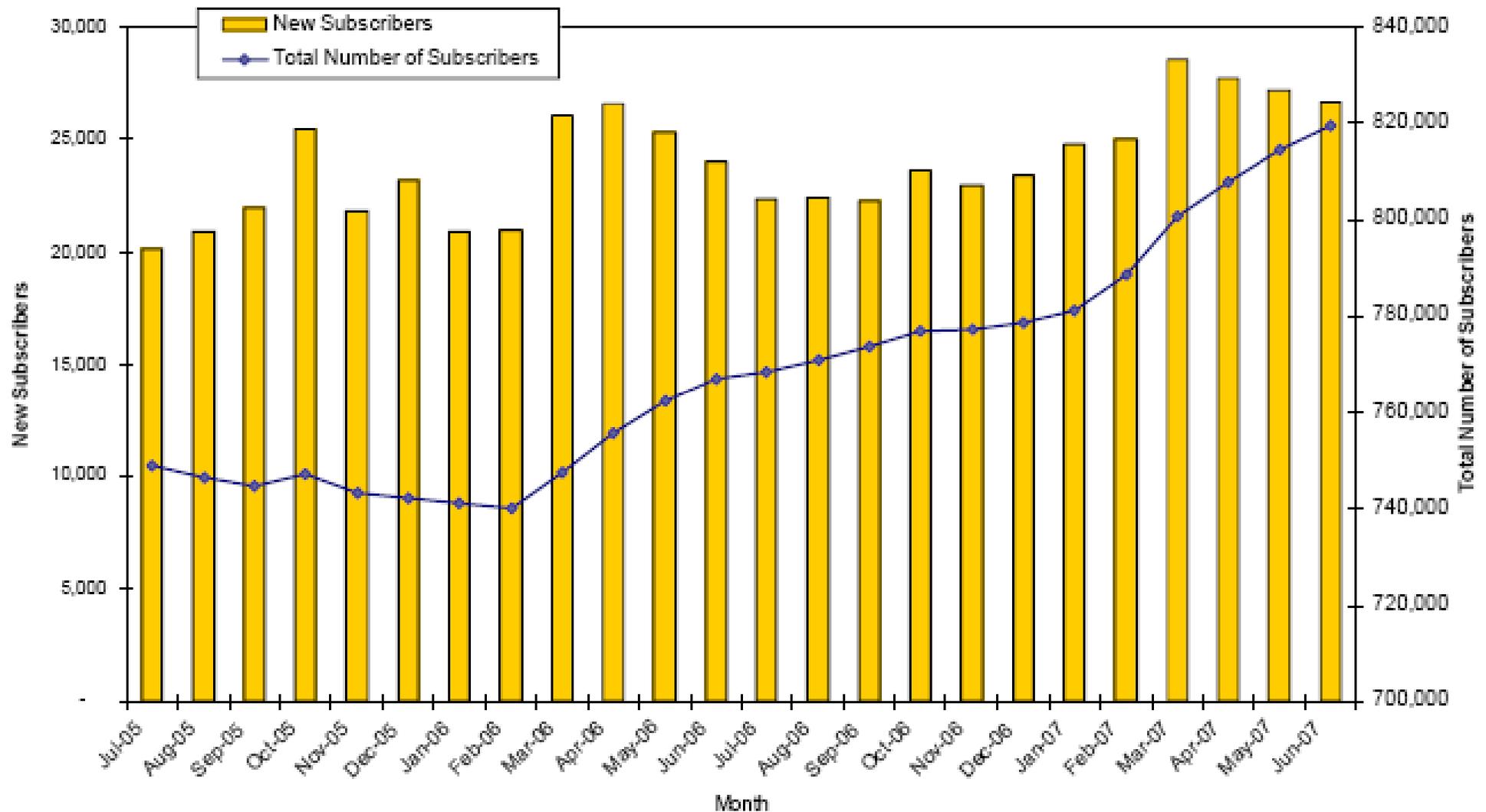
60% of funds come from fed govt.

California SCHIP

Healthy Families Program:

- Services began in July 1998; is the largest SCHIP program in the nation
- Serves children under age 19, in families with incomes up to 250% of the FPL and pregnant women with incomes up to 300% of the FPL
 - Average family income level is 163% of the FPL
 - Over 835,000 children covered – which is more than the combined total of the second and third largest programs in New York and Texas
 - Approximately 8,000 pregnant women covered
- Federal Funding
 - Program receives a 2:1 federal-state fund match
 - California's allotment for 2008 is \$790 million: expenditures total \$1.2 B

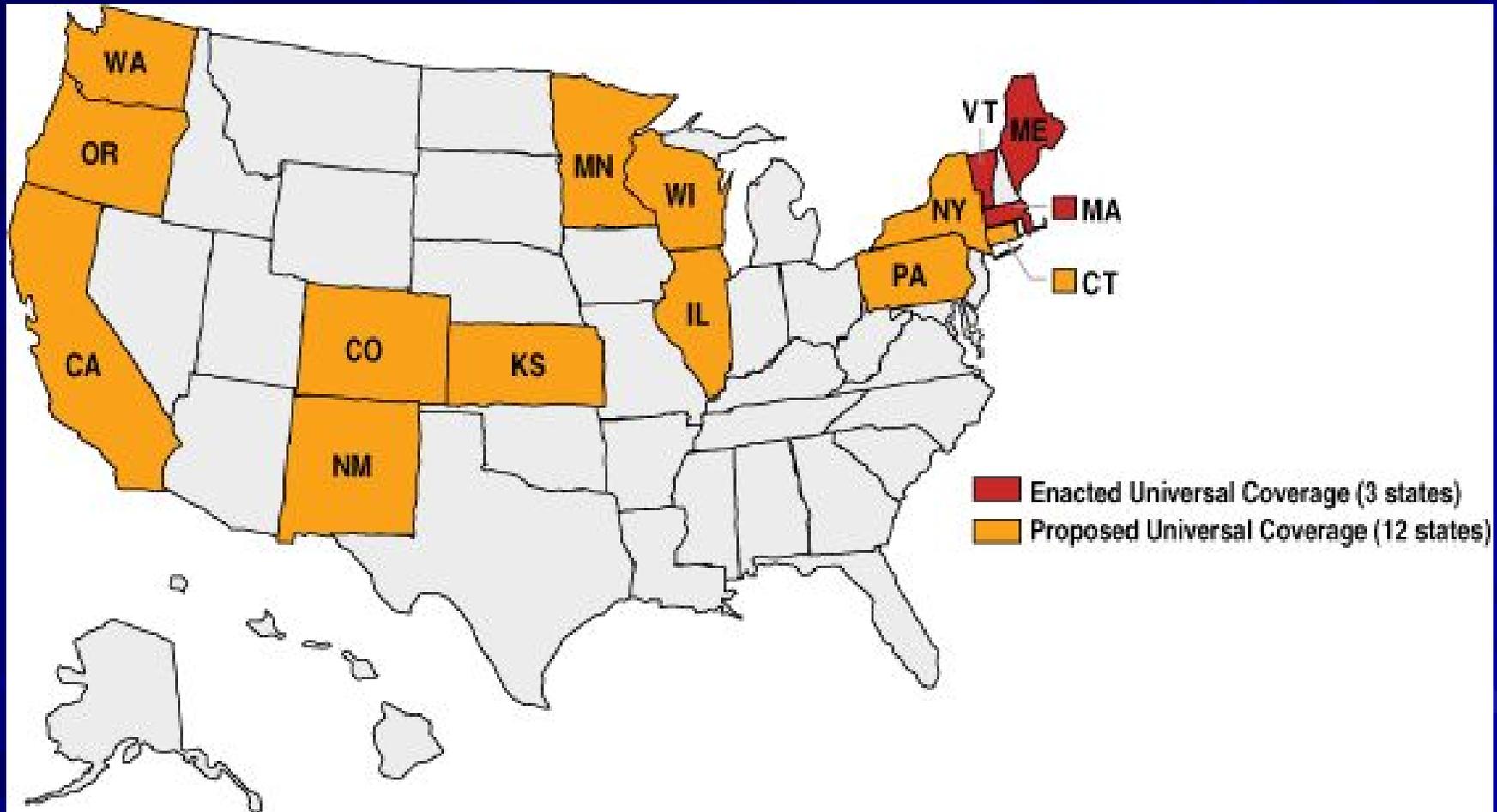
Snapshot: Healthy Families Program Subscribers



States Need Federal Partnership

- States look to Medicaid and SCHIP as a key components of the financing of efforts to expand coverage
- AB1 X1 coverage expansions build on Medicaid & SCHIP:
 - Expansion of optional eligibles (parents to 250%; children to 300%)
 - Use of provider fees to finance expansions and rate increases
 - Benchmark benefit package for expansion groups
 - Waiver for coverage “unlinked” childless adults

State Moving Toward Comprehensive Reform



Source: Kaiser Commission on Medicaid and Uninsured Website Jan2008

Federal - State Policy Tensions

- Locus of Health Care Reform
 - National solution vs. State by State solution
- Growth in health care expenditures
 - Cost containment vs. coverage expansions
 - Federal government wants to control the rate of growth in domestic programs
 - State governments want to use publicly financed programs to cover more uninsured individuals

Recent Federal Policy Actions

■ Medicaid

- Deficit Reduction Act 2005
- Regulation packages - over 10 regulation packages released in 2007

■ SCHIP

- Coverage expansions
 - Children
 - Adults
- August 17, 2007 Letter - crowd out requirements
- Reauthorization of SCHIP

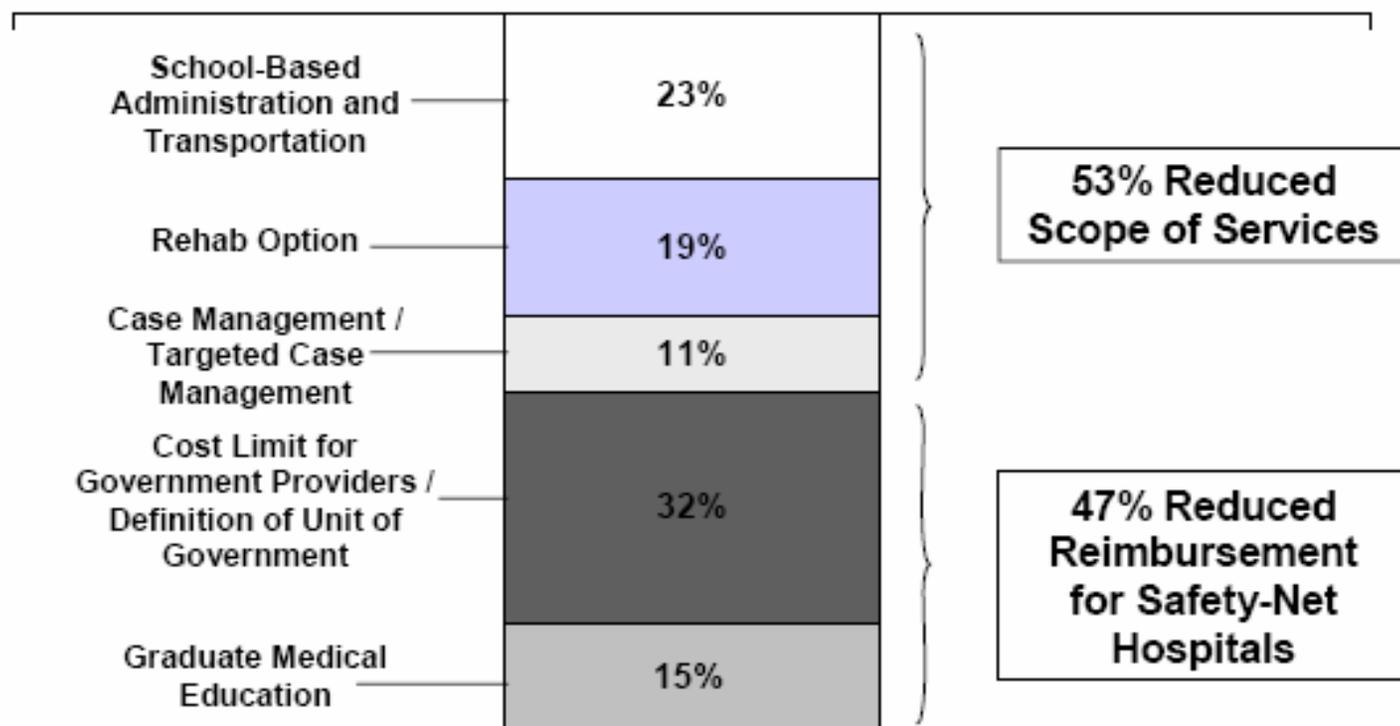
Federal Regulation Packages

- **Health Care Provider Taxes – temporary reduction of tax level eff. 1/1/08 – 9/30/11**
- **Rehabilitation Services Option –moratorium until 6/30/08**
- **New Upper Payment Limitation on Hospitals – moratorium until 5/25/08**
- **School-Based Administrative and Transportation Services - moratorium until 5/25/08**
- **Upper Payment Limit on Outpatient Hospitals – effective 7/30/07; moratorium prohibits CMS from taking action to implement**
- **Graduate Medical Education –moratorium until 5/25/08**
- **Government Provider Cost Limits – moratorium until 5/25/08**
- **Units of Government - moratorium until 5/25/08**
- **Targeted Case Management – effective 3/3/08**
- **Tamper-Resistant Prescription Pads – effective 10/1/07 but moratorium until 4/1/08**



Figure 1

Estimated Federal Medicaid Spending Reductions For Regulations 2008-2012



2008-2012 Estimated Reduction in Federal Medicaid Spending = 12.1 Billion

Note: CMS cannot determine the fiscal impact for the Outpatient Rule. SOURCE: OMB **K A I S E R C O M M I S S I O N O N Medicaid and the Uninsured** estimated regulatory impact statements from proposed Medicaid rules.

Health Care Provider Taxes

■ CMS seeks to :

- Include more stringent language in applying the hold-harmless test
- Afford CMS greater flexibility in identifying relationships between provider taxes and payment amounts

■ Fees used to improve quality of and access to care in nursing homes and centers for the developmentally disabled

■ Proposed hospital fee in Governor's *Health Care Reform plan*

■ Estimated Impact in CA: \$300 million

Graduate Medical Education

- CMS seeks to eliminate costs and payments associated with Graduate Medical Education programs under the Medicaid program
- Funds used to train future doctors and pay for services provided by medical resident
- *Health Care Reform* builds on existing infrastructure
- Estimated impact in CA: Hundreds of millions of dollars. Los Angeles County: estimates \$166 million

Government Provider Cost Limit

- CMS seeks to Imposes restrictions to providers operated by units of government.
- Redefines subunits of government
- Impacts Univ of Calif and Alameda County
- *Health Care Reform* builds on public safety net infrastructure
- **Estimated impact in CA: > \$100 million**

Resolving the Policy Tensions

- Federal-State partnership
- Support of State reform efforts
- Federal stimulus package



Take Home Thoughts



Stay Informed
Be active

- Medicaid is the largest health program in America and one of the most significant programs administered by the states.
- States have a huge stake in the future of Medicaid and SCHIP
- Improving Medicaid and SCHIP will improve the lives of our most vulnerable people
- States need federal partnership to use Medicaid and SCHIP to maximum utility to increase coverage