Health Care Reform and Opportunities to Strengthen the Primary Care Infrastructure

P2 Community Medicaid Collaborative
Dianne Hasselman, Center for Health Care Strategies
November 2, 2010
Agenda

• Introduction to CHCS
• Why Medicaid Matters
• The Opportunity in Health Care Reform
  – Expansion
  – Exchange
  – Innovation
• Perspectives From the Front Lines
CHCS Mission

To improve health care quality for low-income children and adults, people with chronic illnesses and disabilities, frail elders, and racially and ethnically diverse populations experiencing disparities in care.

CHCS Priorities

• Improving Quality and Reducing Racial and Ethnic Disparities
• Integrating Care for People with Complex and Special Needs
• Building Medicaid Leadership and Capacity
# Why Medicaid Matters

<table>
<thead>
<tr>
<th>60 million</th>
<th>People in the United States with Medicaid coverage.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$380 billion</td>
<td>Projected Medicaid spending for FY 2009.</td>
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<tr>
<td>$896.2 billion</td>
<td>Projected Medicaid spending for FY 2019.</td>
</tr>
<tr>
<td>1 million</td>
<td>Medicaid beneficiaries resulting from a 1% increase in unemployment; enrollment increased by 5.4% in FY2009 and is projected to increase by 6.6% in FY2010.</td>
</tr>
<tr>
<td>16 - 20 million</td>
<td>Additional Medicaid/CHIP beneficiaries by 2019 due to health reform.</td>
</tr>
<tr>
<td>41%</td>
<td>Births in the United States covered by Medicaid.</td>
</tr>
<tr>
<td>28%</td>
<td>Children in the United States covered by Medicaid.</td>
</tr>
<tr>
<td>27%</td>
<td>Percentage of total mental health costs financed by Medicaid.</td>
</tr>
<tr>
<td>41%</td>
<td>Total long-term care costs financed by Medicaid.</td>
</tr>
</tbody>
</table>
Health Reform - Expansion

• Estimated 25 million Americans covered through new health insurance exchanges (subsidized to 400% FPL)

• Estimated 16-20 million Americans covered through Medicaid expansion (available to everyone up to 133% FPL)
  – Transition Medicaid from welfare program to insurance program

• Tax penalties for individuals failing to obtain coverage (with some exceptions)
Estimated Effect of the Patient Protection and Affordable Care Act, as Enacted and Amended, on 2019 Enrollment by Insurance Coverage (in millions)

- Medicare: Prior Law 60.5, PPACA 60.5
- Medicaid & CHIP: Prior Law 63.5, PPACA 83.9
- Employer-sponsored insurance: Prior Law 165.9, PPACA 164.5
- Individual coverage (Exchange & other): Prior Law 25.7, PPACA 41.6
- Uninsured: Prior Law 56.9, PPACA 23.1

Note: Totals across categories are not meaningful due to overlaps among categories (e.g., Medicare and Medicaid).
# EXHIBIT 1

Projected National Health Expenditures (NHE) Under Current Law (September 2010 Projections), Aggregate Amounts By Source Of Funds, Billions Of Dollars, And Health Share Of Gross Domestic Product (GDP), Selected Calendar Years 2009–2019

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>NHE (§ billions)</td>
<td>2,473.3</td>
<td>2,600.2</td>
<td>2,709.8</td>
<td>2,851.6</td>
<td>3,024.8</td>
<td>3,302.4</td>
<td>4,571.5</td>
</tr>
<tr>
<td>Private funds</td>
<td>1,269.9</td>
<td>1,315.8</td>
<td>1,352.1</td>
<td>1,405.7</td>
<td>1,483.5</td>
<td>1,611.0</td>
<td>2,231.6</td>
</tr>
<tr>
<td>Consumer payments</td>
<td>1,093.4</td>
<td>1,133.4</td>
<td>1,161.4</td>
<td>1,204.7</td>
<td>1,269.0</td>
<td>1,386.6</td>
<td>1,906.1</td>
</tr>
<tr>
<td>Out-of-pocket payments</td>
<td>283.2</td>
<td>288.4</td>
<td>297.5</td>
<td>309.3</td>
<td>325.4</td>
<td>321.8</td>
<td>438.8</td>
</tr>
<tr>
<td>Private health insurance</td>
<td>810.2</td>
<td>844.9</td>
<td>863.9</td>
<td>895.4</td>
<td>943.6</td>
<td>1,064.7</td>
<td>1,467.3</td>
</tr>
<tr>
<td>Employer-sponsored private health insurance</td>
<td>770.8</td>
<td>802.4</td>
<td>822.2</td>
<td>852.6</td>
<td>899.4</td>
<td>971.7</td>
<td>1,240.7</td>
</tr>
<tr>
<td>Exchanges</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other private health insurance</td>
<td>39.4</td>
<td>42.6</td>
<td>41.8</td>
<td>42.8</td>
<td>44.2</td>
<td>8.7</td>
<td>9.2</td>
</tr>
<tr>
<td>Other private funds</td>
<td>176.5</td>
<td>182.5</td>
<td>190.7</td>
<td>201.0</td>
<td>214.5</td>
<td>224.5</td>
<td>325.5</td>
</tr>
<tr>
<td>Public funds</td>
<td>1,203.4</td>
<td>1,284.4</td>
<td>1,357.7</td>
<td>1,445.9</td>
<td>1,541.2</td>
<td>1,691.4</td>
<td>2,339.9</td>
</tr>
<tr>
<td>Federal</td>
<td>918.6</td>
<td>982.9</td>
<td>989.6</td>
<td>1,058.2</td>
<td>1,130.1</td>
<td>1,248.6</td>
<td>1,729.5</td>
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<tr>
<td>Medicare</td>
<td>507.1</td>
<td>534.4</td>
<td>548.9</td>
<td>585.7</td>
<td>619.8</td>
<td>655.8</td>
<td>891.4</td>
</tr>
<tr>
<td>Medicaid and CHIPb</td>
<td>255.8</td>
<td>285.4</td>
<td>265.2</td>
<td>286.7</td>
<td>310.0</td>
<td>383.5</td>
<td>541.4</td>
</tr>
<tr>
<td>Other federal</td>
<td>155.7</td>
<td>163.1</td>
<td>175.4</td>
<td>185.8</td>
<td>200.3</td>
<td>209.3</td>
<td>296.7</td>
</tr>
<tr>
<td>State and local</td>
<td>284.8</td>
<td>301.5</td>
<td>368.1</td>
<td>387.8</td>
<td>411.2</td>
<td>442.8</td>
<td>610.4</td>
</tr>
<tr>
<td>Medicaid and CHIPb</td>
<td>134.2</td>
<td>142.0</td>
<td>200.8</td>
<td>214.8</td>
<td>230.0</td>
<td>250.6</td>
<td>354.8</td>
</tr>
<tr>
<td>Other state and local</td>
<td>150.7</td>
<td>159.5</td>
<td>167.4</td>
<td>173.0</td>
<td>181.2</td>
<td>192.2</td>
<td>255.7</td>
</tr>
<tr>
<td><strong>Total Medicaid and CHIPc</strong></td>
<td>390.0</td>
<td>427.3</td>
<td>466.0</td>
<td>501.5</td>
<td>540.0</td>
<td>634.1</td>
<td>896.2</td>
</tr>
</tbody>
</table>

**Source** Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group. **Notes** Numbers may not add to totals because of rounding. *Exchange plans will not be available until 2014. *Includes Children’s Health Insurance Program (CHIP) (Title XIX and XXI). *Subset of public funds; includes both the federal and the state and local portions of Medicaid and CHIP.
Health Reform - Exchange

• *State-based* insurance exchanges with premium credits and cost-sharing subsidies for individuals between 133-400% FPL
• Create and maintain the exchanges and enforce all exchange plan requirements
• Create an office of consumer assistance or ombudsman for the exchange
At the same time, primary care is in crisis

- Increasing patient panel size per physician
- Fewer medical residents entering primary care
- Preventive services have multiplied
- Prevalence of chronic disease is growing
- Antiquated payment model drives “hamster wheel” medicine
- Provider burnout, patient dissatisfaction, unequal and uneven quality of care*
- Must enable existing primary care system to absorb tremendous influx coming

*Bodenheimer, NEJM, August 31, 2006
We’re Not Paying for What We Want

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Total #</th>
<th># Per Visit</th>
<th># Per Physician Per Day</th>
<th># Per Patient Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visit</td>
<td>16,640</td>
<td>NA</td>
<td>18.1</td>
<td>2.0</td>
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<tr>
<td>Telephone call</td>
<td>21,796</td>
<td>1.31</td>
<td>23.7</td>
<td>2.6</td>
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<tr>
<td>Rx refill</td>
<td>11,145</td>
<td>0.67</td>
<td>12.1</td>
<td>1.3</td>
</tr>
<tr>
<td>E-mail message</td>
<td>15,499</td>
<td>0.93</td>
<td>16.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Laboratory report</td>
<td>17,974</td>
<td>1.08</td>
<td>19.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Imaging report</td>
<td>10,229</td>
<td>0.61</td>
<td>11.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Consultation report</td>
<td>12,822</td>
<td>0.77</td>
<td>13.9</td>
<td>1.5</td>
</tr>
</tbody>
</table>

*R. Baron, NEJM, April 29, 2010
The Changing Environment

- Improving care – especially for high-need populations – requires improving systems of care (not just “working harder”).
- Re-thinking primary care.
  - Patient-Centered Medical Home (PCMH) as model for improving practice services AND payment.
- Changing practice environment increasingly means practices must meet growing expectations for efficiency, quality, and vitality.
Definition of Medical Home

- The Patient Centered Medical Home (PCMH) is an approach to providing comprehensive primary care for children, youth and adults. A team of individuals at the practice level collectively takes responsibility for the ongoing coordinated and comprehensive care of patients.

Leading Primary Care Transformation in Medicaid

- Primary care network serving Medicaid faces even greater challenges.
- Medicaid is a dominant purchaser of primary care, particularly for children.
- Opportunity to link practice transformation, practice networking, EHR adoption/meaningful use, and payment reform.
- Opportunity to lead with Medicaid agencies/Medicaid health plans and/or partner with other payers.
Health Reform: Innovations

• Increase primary care rates for PCPs
  – Increase Medicaid payments for primary care services to 100% of the Medicare payment rates for 2013 and 2014.
  – States will receive 100% federal financing for the increased payment rates.
  – Funding: appropriated
  – Can increase be linked to quality or expand the network?
Health Reform: Innovations

• Health Homes
  – 90-10 federal-state funding for six new health home services for adults with multiple chronic conditions
  – Services include care management, transitional care, patient and family support, and others
  – Funding: appropriated
  – Can new services enhance medical home efforts and further improve quality and reduce costs?
Health Reform: Innovations

- Demonstrations for bundled payments and ACOs
- Grants for states to provide incentives to Medicaid beneficiaries to participate in programs to prevent chronic disease
- Center for Medicare and Medicaid Innovation pilots to test payment and system reforms
- Grants/contracts for community health teams (CHTs) and primary care extension program (PCEP) to support medical homes (note: not yet funded)

- $21 billion in incentives for eligible Medicaid providers:
  - $64,000 per provider: $21,500 in year one, $8,500 each year after (up to five years)
  - For non hospital-based providers with at least 30% Medicaid patient encounters
- Medicaid agencies are eligible for 90% FFP
  - Funding for program administration, oversight, and initiatives to encourage adoption of certified EHRs to promote health care quality and exchange of health care information
- Linkages to RECs and Beacon
Perspectives From the Front Lines...

• Budget – increasing expenditures, decreasing revenues
• Staffing – New work amid layoffs and low morale
• Systems/Infrastructure – Eligibility and enrollment, MMIS enhancements
• Exchange and Medicaid – Interaction will be difficult and CMS guidance has been sparse
• Grants and demonstrations – Require substantial resources to apply and then manage
• Meaningful use and EHRs – “voluntary” program (really?)
Perspectives From the Front Lines... (cont’d)

- Current state of HCR implementation varies considerably across states
  - Some have well-organized teams, some have less formal approaches
  - 36 states have gubernatorial elections in November so “focus is on making only absolutely necessary decisions now”
  - Hesitation to move forward without further guidance from CMS
Reform Resources

• CMS

• Health Reform GPS
  – http://www.healthreformgps.org/

• Kaiser Family Foundation
  – http://healthreform.kff.org/

• National Academy for State Health Policy
  – http://nashp.org/health-reform

• National Governors Association
  – Health Reform Implementation Resource Center

• AcademyHealth – State Coverage Initiatives
  – http://www.statecoverage.org/health-reform-resources