



Medicaid Payment Reform

Taking Center Stage in Washington & State Capitols

April 29, 2011

Medicaid Payment Reform: Taking Center Stage

- In Washington DC
 - ▶ Federal law
 - ▶ CMS
 - ▶ The Affordable Care Act
- In the States
 - ▶ State examples
 - ▶ Preliminary results
 - ▶ Lessons learned

Medicaid is Health Insurance: Becoming a Sound Purchaser

- Today, Medicaid covers 40 million people and costs \$366 billion
 - ▶ Largest or second largest item in state budgets
 - ▶ Hospital care is the largest single component of Medicaid costs
- By 2019, Medicaid is nation's single largest payer
 - ▶ Covers one in four Americans
 - ▶ 56 million people
 - ▶ Between 2014 and 2019, federal and state spending will increase by \$464 billion (95% will be federal)

Overarching Payment Standard: Dates Back to Medicaid's Inception

“A State plan for medical assistance must. . . provide such methods and procedures relating to the utilization of, and the payment for, care and services available under the plan . . . as may be necessary to safeguard against unnecessary utilization of such care and services and to assure that payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area.”

Section 1902(a)(30)(A) of the Social Security Act

CMS is Focusing on Payment

- Section (30)(A) regulations may be forthcoming
- Lens of access, quality, efficiency and accountability
- Supplemental payments under scrutiny
 - ▶ Add-ons above standard payment rates
 - ▶ Interface with Section (30)(A) requirements
 - ▶ Interface with payment reform goals
- DSH to be reduced under ACA
 - ▶ Focus is on remaining uninsured
- Federal government pays 100% of newly eligibles in 2014

MACPAC is Focusing on Payment

“MACPAC’s goal is to identify payment policies that account for the complexity of Medicaid enrollees and the Medicaid marketplace, and encourage appropriate access and quality while controlling the rate of Medicaid spending.”

MACPAC, Report to the Congress on Medicaid and CHIP, March 2011

HHS to Develop National Quality Strategy

- Under ACA Sec. 3011, strategy to align public and private payers to improve quality and safety must:
 - ▶ Focus on areas with greatest potential for rapid improvement in quality and efficiency
 - ▶ Enhance use of data to improve quality, efficiency, transparency and outcomes
 - ▶ Address health care provided to high-cost, chronically ill patients
 - ▶ Improve federal payment policy to emphasize quality and efficiency
- Secretary to coordinate with state Medicaid agencies

ACA Focuses on Payment Reform

- Medicare, Medicaid and multi-payer
- Shared savings program to promote ACOs
- Center for Medicare and Medicaid Innovations
 - ▶ “test innovative payment and service delivery models to reduce program expenditures ... while preserving or enhancing the quality of care”
- Medicaid demonstrations and pilots
 - ▶ Target chronically ill patients
 - ▶ Coordinate care
 - ▶ Reduce unnecessary admissions and ER use
- FFS payments are the building blocks
 - ▶ Medical home
 - ▶ Bundled payments
 - ▶ Integrated systems

States are Taking Action

- At least 20 states have passed or have pending comprehensive payment and delivery system reform legislation
- Medicaid agencies are focusing on inpatient and outpatient payment methods
- Common themes;
 - ▶ Straightforward and transparent
 - ▶ Recognize resources expended on Medicaid patients
 - ▶ Incentivize efficiency and reward quality
 - ▶ Recognize complexity/severity of illness
 - ▶ Position state and its providers for federal payment reforms

States are Taking Action: Outpatient Payment Reform

- Outpatient Payment Reform - New Hampshire
 - ▶ Current – cost-based
 - ▶ Future – APG
 - Compared multiple systems (including APCs)
 - Factors evaluated: access, quality, efficiency, fairness, policy control, purchasing clarity, admin ease, simplicity and input data quality
- Outpatient Payment Reform – New York
 - ▶ 2007 – threshold visit rate; frozen for more than a decade
 - ▶ 2008 - APGs

States are Taking Action: Inpatient Payment Reform

- Inpatient Payment Reform – California
 - ▶ Current – per diem
 - ▶ Future – 2010 legislation requires DRG based system by 2014
 - Legislative goal: new system that is “transparent and encourages access, efficiency and quality”
 - New system to be developed “with all possible expediency”
- Inpatient Payment Reform – New York
 - ▶ 2008 – 1981 hospital-specific, base year; multiple add-ons
 - ▶ 2009 – APR-DRG
- Inpatient Payment Reform – Rhode Island
 - ▶ 2009 – hospital-specific, cost-based
 - ▶ 2010 – APR-DRG

Results of State Payment Reform

- Incentives clear and aligned
 - ▶ Weights are rational
 - ▶ Able to advance policy priorities
- Improved data
 - ▶ Better and more accurate coding
- Better able to link to outcomes
 - ▶ Able to bundle
 - ▶ Able to implement PPEs
- Multi-payer initiatives possible
- Easier to administer for state and hospitals
- Easier to update

Lessons Learned

- Frame the goal and apply it in decision making
- Consider both FFS and MMC
- Stakeholder involvement critical
- FFS payment reform is foundation
- Monitor, update and improve

For More Information

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