Medicaid and Delivery System Reform

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Senior Director of Health Policy
Who We Are
Families USA, a leading national voice for health care consumers, is dedicated to the achievement of high-quality, affordable health care and improved health for all. We advance our mission through public policy analysis, advocacy, and collaboration with partners to promote a patient-and community centered health system.

Working at the national, state and community level for over 35 years.
Families USA’s Work on the Local, State and National Levels
The Opportunity
National Health Care Spending Likely to Continue Growing Faster than GDP

The extended baseline generally reflects current law, following CBO’s 10-year baseline budget projections through 2027 and then extending most of the concepts underlying those baseline projections for the rest of the long-term projection period.

GDP = gross domestic product.

a. Consists of spending for Medicare (net of premiums and other offsetting receipts), Medicaid, and the Children’s Health Insurance Program, as well as outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.

b. Consists of all federal spending other than that for Social Security, the major health care programs, and net interest.

Source: Congressional Budget Office, 2017 Long Term Budget Outlook

FamiliesUSA.org
Reductions in Medicaid Spending Are Central to Congressional Efforts

Medicaid Cuts Over 10 Years

<table>
<thead>
<tr>
<th></th>
<th>Trump budget</th>
<th>AHCA</th>
<th>BCRA</th>
<th>BCRA substitute</th>
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Source: Various CBO Estimates
Family Premiums Increasing Faster than Other Indicators

Cumulative Premium Increases for Covered Workers with Family Coverage, 2001-2016

*Percentage change in family premium is statistically different from previous five year period shown (p < .05).

Source: KFF, 2016
Medicaid Spending:
A Major Component of State Budget Pressures

Total Spending vs. General Funds Spending

Source: NASBO State Expenditure Report 2014-2016
Medicaid Spending Likely to Outpace Growth in State Tax Revenue

Structural Imbalances Will Persist
% change yr ago, calendar yr

Source: CMS, Census Bureau, Moody’s Analytics, 2015
For All of this Spending, Quality Lagging.....

FIGURE 1-6 U.S. female life expectancy at birth relative to 21 other high-income countries, 1980-2006.

NOTES: Red circles depict newborn life expectancy in the United States. Grey circles depict life expectancy values for Australia, Austria, Belgium, Canada, Denmark, Finland, France, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and West Germany.

SOURCE: National Research Council (2011, Figure 1-4).
Providers’ Economic Model Has to Change...

Financial, Clinical Profiles Shifting Dramatically

Decelerating Price Growth
- Federal, state budget pressures constraining public payer price growth
- Payments subject to quality, cost-based risks
- Commercial cost-shifting stretched to the limit

Continuing Cost Pressure
- No sign of slower cost growth ahead
- Drivers of new cost growth largely non-accractive

Shifting Payer Mix
- Baby Boomers entering Medicare rolls
- Coverage expansion likely boosting Medicaid eligibility
- Disproportionate growth in demand for services from publicly insured patients

Deteriorating Case Mix
- Growing medical demand from aging population threatens to crowd out capacity for more acute therapies
- Rising incidence of chronic disease and multiple comorbidities

Source: The Advisory Board Company modeling and analysis. ©2013 The Advisory Board Company
How to Focus Reforms
A Small Percentage of Medicaid Enrollees Account for Spending

Figure 9

Top 5% of Enrollees Accounted for More than Half of Medicaid Spending, FY 2011

- Top 5% of Spenders: 5%
- Bottom 95% of Spenders: 95%
- Total Spenders: 68.0 million
- Total Expenditures: $397.6 billion

SOURCE: KCMU/Urban Institute estimates based on data from FY 2011 MSIS and CMS-64. MSIS FY 2010 data were used for FL, KS, ME, MD, MT, NM, NJ, OK, TX, and UT, but adjusted to 2011 CMS-64.
### Complex Patient Populations in Medicaid (Characteristics)

Percentage and Estimated Probability of Being a High-Expenditure Medicaid-Only Beneficiary, by Selected Conditions and Services, Fiscal Year 2009

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Percentage of high-expenditure population</th>
<th>Probability of being a high-expenditure beneficiary (percent)</th>
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<tbody>
<tr>
<td><strong>CONDITIONS</strong></td>
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<tr>
<td>Mental Health Condition</td>
<td>51.8</td>
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<tr>
<td>Substance Abuse</td>
<td>19.1</td>
<td>7.9</td>
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<td>Diabetes</td>
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<td>Asthma</td>
<td>14.5</td>
<td>6.8</td>
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<tr>
<td>HIV/AIDS</td>
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<td>20.8</td>
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<tr>
<td><strong>SERVICES</strong></td>
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<tr>
<td>Delivery/Childbirth</td>
<td>9.8</td>
<td>13.3</td>
</tr>
<tr>
<td>Long-term Care Residence</td>
<td>8.8</td>
<td>24.2</td>
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**EXAMPLE:**
Population Characteristics in the California Frequent Users Initiative, Santa Clara County

- 53% minority, 63% age 40-59, 60% male, 13% married
- 96% chronic diseases
- 63% mental illness
- 62% substance abuse
- 45% homeless
- 34% 2 conditions
- 28% 3 conditions
- 22% 4-5 conditions
- 15% 1 condition
- Medi-Cal or uninsured
- Patients had 8+ ED visits in 12 months. Patients were recruited to the program from the ED.

Source: Strategies to Reduce Costs and Improve Care for High-Utilizing Medicaid Patients: Reflections on Pioneering Programs, CHCS, 2013
State Efforts to Reform Medicaid

Considerations

• Address budget crisis
• Drive up value (decrease cost, improve quality)
• Complex Medicaid populations being served by larger system of insurers and providers that are ill-equipped to address complex needs
• Perverse incentives created by interplay of Medicare and Medicaid programs

Conceptual Strategy

• Review Medicaid claims data on spend and quality
• Find “impactable” populations
• Demonstrate improvements in cost and quality
National Medicaid Opportunity

• Cost pressures and changing demographics create powerful opportunities to engage individuals, states/governors, and providers in reforms that drive better outcomes and reduce wasteful spending.

• Work with Medicaid and other vulnerable populations create some of the most important and exciting health care transformation conversations in the nation.

• In order to create impactful and sustainable reforms, work must be data driven, rooted in best practices, allow for rapid cycle evaluation, and focused on demonstrating improvements in outcomes and cost savings.
Challenges at the Provider Level

Requirements of new delivery models
- Non-physician staff to deliver preventive and educational services in clinics, in home visits or in other community settings;
- Health information systems to track how an entire population is using healthcare and to manage chronic conditions effectively in between formal office check-ups;
- Providers to deliver behavioral and physical health services together when needed and to promote social determinants of health such as stable housing and healthy food.
Upfront cost problematic for safety net providers
Bailit and Waldman: Four principal barriers to VBP implementation for safety net providers:
1. Lack of Capitalization
2. Lack of Size
3. Limited Access to Management Information
4. Financial Imperatives on Hospital to Keep Beds Filled (the “hospital conundrum”)

Most of these tie in to financial limitations
Only motive is reform

- In most other DSRIP states, part of purpose of funding is to solve Medicaid financing issues:
  - Public hospitals
  - Managed Care
  - Federal Rules
- Also seen as offset to rate cuts in some states
- Tradeoff was seen as worth it to CMS
- Washington State is a “pure play”

ACH Model

- True partnerships
- Built off of pre-2017 foundation
Our collective responsibility

Creating a new model and keeping a dream alive

• New CMS political leadership is deeply skeptical
  • Effectively, a pause in this kind of federal funding model for at least four years
• What Healthier Washington must overcome:
  • Coordination amongst so many diverse interests is hard, and concerns for sectoral and/or business interests are legitimate
  • Both consumer representatives and consumer interests are in danger of getting lost
  • This is not a theoretical risk…
• Washington State can be an example of sound public investment in safety net delivery system reform at a make-or-break time