HEALTH CARE REFORM:
IMPACT AND IMPLEMENTATION FOR IOWA MEDICAID

Considerations of the Federal Health Care Reform Legislation to the Iowa Medicaid Program

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The Patient Protection and Affordable Care Act (ACA, also known as “Health Care Reform”) was signed into law March 23, 2010

This comprehensive health care reform bill is complex. Key changes to promote access to insurance include:

- Development of ‘Exchanges’ for individuals to purchase insurance
- Tax subsidies to assist those between 100% - 400% of the Federal Poverty Level to purchase insurance
- Medicaid Expansion to 133% of the Federal Poverty Level for lowest income
- Individual mandates to have insurance
- Many other changes…

This presentation focuses on the Medicaid impacts
Medicaid Eligibility Today

- Over the history of Medicaid, many populations have been excluded from eligibility, no matter how poor.

- Federal law mandated certain ‘categories’
  - Pregnant women
  - Children
  - Disabled persons (per Social Security disability determination)
  - Persons over age 65
  - Parents with dependent children
  - Some specialized categories, e.g. women with breast and cervical cancer

- Medicaid eligibility has always been complex. Iowa has over 25 different income/eligibility groups with varying income/asset guidelines for each group.
Medicaid Eligibility Today

- Single adults and childless couples have always been excluded, no matter how poor.

- The only way to cover adults has been through 1115 waivers, like our IowaCare waiver, but ‘budget neutrality’ is required, benefits and funds are capped.

- Income guidelines for some categories are very low. Iowa’s income limit for working parents is 28% FPL, while their children can be covered up to 133% FPL, and up to 300% FPL through hawk-i.

- The ACA removes the categorical restriction in Federal law and mandates Medicaid coverage for ALL individuals up to 133% FPL.
The Medicaid Expansion will increase Medicaid enrollment in Iowa by approximately 25% (80,000 to 100,000 Iowans) in 2014.

The ACA also mandates fundamental changes in how the program operates, including:
- New income standards & eligibility guidelines
- New procedures for accessing the program
- New benefit design
- Modified reimbursement methods
- Changes to federal regulations for program policies and guidelines
Medicaid Coverage Expansion: ‘Who’

- Staggered implementation
  - April 1 (now) – option for states to expand Medicaid to 133% FPL for ALL populations, but at current state/federal match rates
  - January 1, 2014 – mandatory expansion to 133% FPL

- Financing – “Newly eligible” enrollees
  - 2014 to 2016 - 100% federal funds
  - 2017 to 2020 – rate decreases on a schedule to 90%
Other changes related to coverage:

- Expands Medicaid for foster children to age 26
- Children of state employees can now be covered under CHIP (our hawk-i program)
- CHIP continues through September 30, 2019
- Maintenance of effort – all states are prohibited from reducing or restricting eligibility until 2014
Changes to ‘How’

- ACA significantly restructures ‘how’ Medicaid eligibility will be done
  - Dramatically different way of counting income: “Modified Adjusted Gross Income” (MAGI)
    - Today = gross household income from which various deductions and disregards are applied
    - MAGI is based on income tax guidelines (it is very different)
  - New requirements for streamlining eligibility procedures:
    - Must develop a system to apply for and enroll in Medicaid, CHIP, tax credits all through the Exchange
    - Consolidated applications
    - Web-based application and enrollment
    - Hospitals may perform presumptive eligibility
  - No asset/resource tests for newly eligible and current adult and children groups
The Medicaid expansion plays a key role in the coverage strategy of the ACA for the lowest-income individuals

- Nationally, the Medicaid expansion will result in millions of low-income childless adults, parents, and children now covered through CHIP becoming covered by Medicaid
- Also, expected increases in enrollment for those currently eligible as they learn about coverage and sign up
- The federal government will finance the majority of the cost of the new Medicaid coverage. Congressional Budget Office estimates federal financing will cover 96% of the cost (Kaiser Family Foundation May 2010)
- Individuals over 133% FPL (perhaps even those currently covered by Medicaid) will transition to purchasing coverage through the Exchange
Impact on Iowa Medicaid

- Expand Eligibility
  - Will enroll 80,000 to 100,000 Iowans in a new 133% FPL eligibility group, estimated up to 150,000 by 2019 by some sources
  - Must define a benefit structure/covered services package (a “benchmark” plan), may be the same as current Medicaid coverage (we think)

- Transition New Coverage
  - Transition of IowaCare – the 1115 waiver/IowaCare will end December 31, 2013 and members will transition to the Medicaid expansion (for those below 133% FPL) and to subsidies/Exchange for those above 133% FPL
    - The majority of IowaCare members are below 100% FPL
  - Eligibility groups above 133% FPL may transition from Medicaid to the Exchange. Policy makers will need to decide whether/if/how they want to do that
Iowa has a 30 year-old legacy mainframe for eligibility processing and limited web-based functionality. Today nearly all eligibility work is performed in the local DHS offices and is reliant on manual processes. ACA requires us to:

- **Redefine Income Standards**
  - For majority of Medicaid eligibility categories, must adhere to a new “modified gross income” standard
  - Must determine whether all categories continue and/or change

- **Develop New Eligibility Determination Processes (“Eligibility Gateway”)**
  - Implement single application for Medicaid, CHIP and premium subsidies
  - Establish seamless eligibility between public and private programs

- **Establish processes to coordinate with the “Exchange”**
  - “Re-engineer” eligibility processing in connection with the Exchange
  - Determine eligibility for tax credit programs through the Exchange
  - Develop system for Medicaid enrollment through the Exchange and hospitals

The ACA requirements will streamline and ‘modernize’ eligibility processing for Medicaid, but it will be a steep climb to accomplish with significant IT system impacts.
Unknowns

- Significant amounts of federal guidance is going to be needed soon
- The IT impact analysis is almost impossible to start without knowing the details of how this is going to work
- CMS is working hard to develop guidance, but much is unknown
- States especially need to know the details for MAGI – key decisions will drive system design
Other Impacts

- Implement new fraud and reporting requirements (Program Integrity)

- Analyze other Federal policy changes Implemented as a result of ACA
  - Review for impact to other federal and state programs administered by Iowa DHS
  - Address operational details required for successful implementation
  - Develop, implement, test and train for IT systems

- Identify impact to IME operations
  - New benefit package
  - Provider network/capacity
  - Reimbursement impacts
  - Operational impacts due to increases in population/volume
Opportunities to Evaluate

- The ACA includes provisions that are not mandatory, but include those that could assist states to implement improvements or rebalancing, such as:
  - New State Plan options
  - Improvements in health care programs
    - Mental Health
    - Long Term Care
    - Early Childhood Programs
  - Demonstration grants
  - Payment reform initiatives
  - Integration of Other Transformation Initiatives
    - Medical Home
    - Health Information Technology (HIT)
    - ICD-10 conversion
Many “unknowns” remain; much yet to be determined

Potential for increased costs to state:
- Mandatory Medicaid expansion
- Costs associated with developing and operating the “Exchanges”
- Changes to eligibility systems & interoperability with “Exchanges”
- Restructuring of drug rebate programs
- Reduction in Disproportionate Share Hospitals (DSH) payments

Potential for decreased costs to state:
- Enhanced FFP
- Shifting current Medicaid populations in part or in whole to the Exchange
- Long Term Care options available that would not need Medicaid financing
- New Medicaid coverage available, providing coverage for those currently served in state-only or county-only funded programs
Final health care reform law is now published as one document. Below is a link to the final consolidated health care reform law (combines the provisions of the Patient Protection and Affordable Care Act (PPACA) and consolidating amendments):

http://docs.house.gov/energycommerce/ppacacon.pdf

New federal website:

www.healthcare.gov
QUESTIONS?