New Mexico
Human Services Department
Health Care Reform & Medicaid

Presentation to Interim
Legislative Finance Committee

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Highlights for Today's Discussion

1. **Impacts of Health Care Reform**
   - Focus on Medicaid Program and HSD
2. **Update on Medicaid Budget and Preliminary Estimates of Future Program Costs related to HCR**
3. **Impacts on SCI**
4. **Other Provisions & Opportunities in HCR**

Health Care Reform

- Areas of impact include insurance reform, creation of health insurance exchanges, delivery system changes, Medicaid expansion
- Insurance market reforms include guaranteed issue, no pre-existing condition limits, and no annual or lifetime maximums
- Requires most individuals to have health insurance though a combination of public and private coverage expansions
- Creates state-based American Health Benefit Exchanges through which individuals not eligible for Medicaid and not offered employer-sponsored insurance can purchase coverage (2014)
- Creates separate exchanges - Small Business Health Options Programs [SHOP] - through which small businesses can purchase coverage

Impacts of Health Care Reform on Medicaid

- Expands Medicaid to 133% FPL in 2014
- Maintains CHIP and Medicaid current eligibility levels for children through 9/30/2019
- Makes premium and cost-sharing credits available to individuals and families with income between 133%- 400% FPL
  - 133%FPL - $14,404 for an individual and $29,327 for family of four (2009)
  - Premiums offered on a sliding scale basis, limiting the cost of the premium to no more than 3% of income for those at 133% FPL, and 9.5% of income for those between 300%-400% FPL
  - After 2014, percentages adjusted to reflect annual changes in income and premium costs
- No cost-sharing for preventative services and those with income up to 250% FPL

Income Calculation

- Health reform changes the way income is calculated for the Medicaid program by basing eligibility on modified adjusted gross income (MAGI) with no asset or resource test
  - Creates a uniform minimum Medicaid eligibility threshold across the states
  - MAGI includes total income as calculated currently by the IRS
  - Applies a special adjustment of 5% points, but no other income disregards will be allowed
  - Enables the use of IRS data for determining eligibility
- States like New Mexico with generous income disregards are subject to the MOE provisions for adults until 2014 and children until 10/1/2019.

Expansion to 133% FPL and Federal Match

- Health reform legislation includes a mandatory expansion of Medicaid eligibility to 133% FPL -with additional 5% disregard makes it in essence up to 138% FPL - for all populations, including parents and childless adults
  - 133% FPL = $14,404 for an individual, and $29,327 for a family of four (2009)
  - With 5% income disregard, HSD estimates that over 200,000 New Mexicans will be eligible for Medicaid once the expansion goes into effect in 2014
    - This figure includes 62,000 children who are already eligible for Medicaid or CHIP, but who are not currently enrolled
    - Estimate of 142, 000 adults newly eligible

Expansion to 133% FPL

- Increased federal funding to cover the "newly eligible" population
- In New Mexico, the "newly eligible" population will include individuals eligible for SCI, but who are not enrolled, up to 133% FPL. Newly eligible adults will be covered by a benchmark benefit plan. The federal government will define what constitutes benchmark coverage
  - Benchmark coverage for adults will likely be similar to SCI but with modifications including removal of the $100,000 annual claims maximum.
  - Removing the annual claims maximum in SCI will raise expenditures and capitation rates for the program

Maintenance of Eligibility

- Health reform includes a maintenance of eligibility (MOE) requirement that prohibits states from changing current Medicaid eligibility levels, procedures and methodologies until 2014 for adults and 10/1/2019 for children
- Violation of the MOE requirement would eliminate all federal funding for the state's Medicaid program, not just enhanced ARRA FMAP
- MOE requirements do not prohibit states from:
  - Eliminating or reducing optional benefits under Medicaid and CHIP;
  - Establishing an enrollment cap for CHIP if federal allotment is exhausted; and
  - Scaling back eligibility for non-pregnant, non-disabled adults beginning in 2011, if facing a budget deficit
  - Further simplifying enrollment procedures, conducing outreach activities, etc.

Medicaid Budget Status

MEDICAID AND SCHIP EXPENDITURES AND BUDGETS

(in thousands)

	FY 2006	FY 2007 Projection (June 2007 Data)	FY 2008 Projection (June 2009 Data)	FY 2009 Projection (February 2010 Data)	FY 2010 Projection (February 2010 Data)	FY 2011 Projection (February 2010 Data)
State GF Budget	$ 558,326	$ 619,584	$ 711,226	$ 753,739	$ 573,764	$ 591,262
Total Projected	$2,542,980	$2,758,752	$3,119,629	$3,492,996	$3,746,866	$3,986,883 *

*** FY 10 Includes $10 GF of cost containment which carries into FY11.**

Percentage Change	FY06 to FY07	FY07 to FY08	FY08 to FY09	FY09 to FY10	FY10 to FY11
State GF Budget	11.0%	14.8%	6.0%	-23.9%	3.0%
Total Projected	8.5%	13.1%	12.0%	7.3%	6.4%

Enrollment updates and utilization will change FY09, FY10 & FY11 expenditures

Very Preliminary Program Cost for Expansion

- The cost of services for the expansion, or "newly eligible" population
  - will be 100% federally funded in calendar years 2014-2016.
  - In 2017, states will pay a share of the new mandatory Medicaid expansion as follows:
    - 95% FMAP in 2017;
    - 94% FMAP in 2018;
    - 93% FMAP in 2019; and
    - 90% FMAP in 2020 and beyond
- 100% SCHIP match in 2016-2019 – for kids over 185% FPL
- Total (fed & state) cost for adults & kids over 6 years - $9.0 billion
  - $8.4 billion in FF
  - $561.9 million in SGF
  - Estimate is based on assumptions that are likely to change

- Estimates do not include impacts of prescription drug rebates, provider increases, funding for demonstration projects, DSH reductions, pmpm changes

*** Assumes 95% take up rate**

Current Status of SCI

- Waiting list for individuals started in November 2009.
- Waiting list for employer-groups started in December 2009
- Current enrollment: 52,000
  - Number of groups: 1,615
    - Number of individuals in groups: 4,785

- Number of people on waiting list: 15,000
  - Number of groups on waiting list: 29
    - Number of employees: 98

What Does Federal Health Reform Mean for SCI?

- CHIPRA legislation required that New Mexico separate childless adults from parents below 200% FPL in its existing approved HIFA waiver (funded though CHIP- Title XXI) in February, 2009
- New Mexico complied and a waiver to cover childless adults under 200% FPL, funded by Title XIX was approved by CMS on December 30, 2009
- New Mexico could experience a shortfall in waiver funding for childless adults of $15 to $16 million. This could decrease if attrition to enrollment continues
  - New Mexico is trying to use the new changes under federal health reform to fix the SCI budget shortfall
- As of April 2010, states can opt to cover adults at or below 133% FPL. Childless adults and parents up to 200% FPL are currently covered under New Mexico's waivers for SCI
- HSD is working with CMS to try to resolve these issues

Other Medicaid Provisions in Health Care Reform

- Creates an option to provide Medicaid coverage for family planning services through a State Plan Amendment (SPA), rather than a waiver, to certain low-income individuals up the highest level of eligibility for pregnant women (Effective immediately)
- Requires coverage of free-standing birth centers (Effective immediately)
- Requires coverage of smoking cessation for pregnant women without cost-sharing (Oct. 1, 2010)
- Provides states with a 1% increase in the FMAP for certain preventive services and immunizations, if offered with no cost-sharing (2013)
- Increases Medicaid payments for primary care services provided by primary care providers to 100% of Medicare, and provides 100% FMAP for the increase (2013-2014)
- Increases drug rebates to states & MCOs that provide drug coverage

Other Provisions in Health Care Reform

- Closes the "donut hole" from Part D, $250 rebate effective this year
- Establishes Medicaid coverage for individuals under age 26 who were in foster care when they turned 18 (2014)
- Permits all hospitals participating in Medicaid (with state verification of capability) to make presumptive eligibility determinations (2014)
- Reduces states' DSH allotments (2014)
- Requires states to report annually on changes in Medicaid enrollment by population, outreach and enrollment processes, and other data to monitor enrollment and retention of Medicaid-eligible individuals (2015)

Medicaid Interface with the Exchange

- The Health Insurance Exchange and HSD's IT eligibility system must be able to interface with each other. States will be required to:
  - Create a single, streamlined application for persons applying to either Medicaid, CHIP or premium tax credits through the Exchanges
  - Enable individuals to apply or renew Medicaid coverage through a web site with electronic signature; and
  - Establish procedures to enable individuals to apply for Medicaid, CHIP, or the Exchange through a state-run web site that must be in operation by Jan. 1, 2014
- Individuals will be screened for Medicaid before purchasing insurance through the Exchange

Impact on HSD

- Information Technology Issues
  - ISD2 Replacement
  - HIPAA 5010
  - ICD10
- Outreach
- Staffing
  - ISD Offices
  - Medicaid
  - Support Entities

Future Opportunities

- Medicaid Community First Choice Option
  - States would receive an FMAP increase of 6% for providing HCBS for people with disabilities who require institutional level of care. (October 2011) (May require removal of waiting lists)
- Medicaid Money Follows the Person Demonstration
  - Extends grants to states for Medicaid Money Follows the Person programs established by the DRA (2011-2016)
- Medicaid HCBS
  - Creates State Balancing Incentives programs to provide temporary FMAP increases for states that undertake structural reforms to increase diversion from institutions and expand the number of people receiving HCBS. (May require removal of waiting lists)
- Medicaid Integrated Care Hospital Demonstration Program
  - Demonstration program to allow states to use bundled payments to promote integration of care around hospitalization (2012-2016)

Future Opportunities

- Medicaid Health Home for Enrollees with Chronic Conditions
  - Medicaid State Option to provide coordinated care to enrollees with chronic conditions (January 2011)
  - HHS to establish minimum standards for health homes
  - Planning grants to states to develop SPAs ($25 million maximum per state)
  - 90% FMAP for health home services during the first 8 fiscal quarters of SPA implementation
  - State contribution required for planning grants
- Medicaid Global Payments System Demonstration Project
  - Allows states to test paying a safety net hospital system or network using global capitated payments models (2010-2012)
- Medicaid Chronic Disease Incentive Payment Program
  - Grants to states to test approaches that may encourage behavior modification for healthy lifestyles among Medicaid enrollees with chronic disease (2011-2016)