Health Care Reform
Executive Leadership Team

Presentation to the
Legislative Health and Human Services Committee

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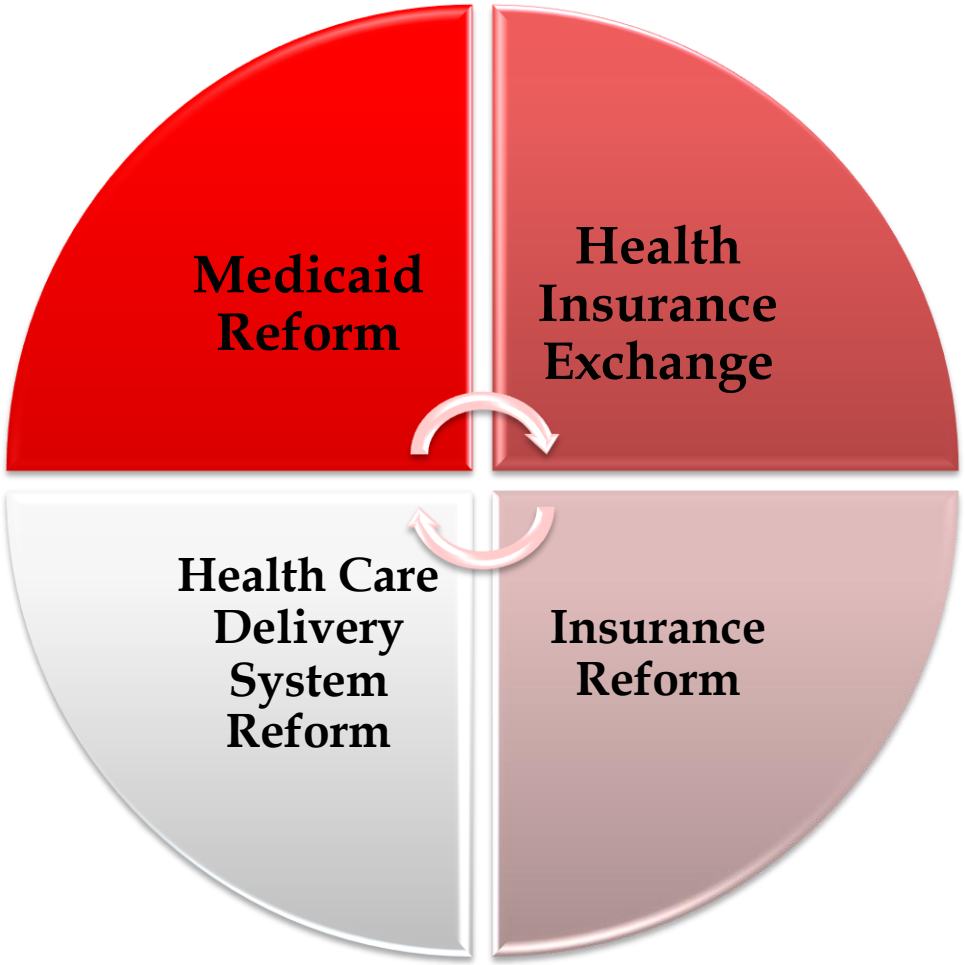
Patient Protection and Affordable Care Act (PPACA)



Medicaid Reform
What We Have Learned

- Eligibility for Medicaid will be expanded to 133% FPL (138% FPL with 5% income disregard)
- Assuming 57% percent participation among the newly eligible, 145,024 individuals will be participating as new Medicaid enrollees in 2019 * - represents a 52.6% reduction in NM's uninsured.
- Assuming 75% percent participation among the newly eligible, 201,855 individuals will be participating as new Medicaid enrollees in 2019 * - represents a 77.1% reduction in NM's uninsured.

* "Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133%FPL", Kaiser Commission on Medicaid and the Uninsured, Holahan and Headen, May 2010.

Medicaid Reform
What We Have Learned

- Primary cost of Medicaid expansion will be borne by the federal government (100% FMAP for "newly eligible" from 2014 through 2016; FMAP reaches 90% in 2020 and stays there).
- Requirement of health care coverage will help enroll those who are eligible today for Medicaid but not enrolled – primarily about 62,000 children.
- Health reform includes a MOE requirement that prohibits states from changing current Medicaid eligibility levels, procedures and methodologies until January 2014 for adults and October 2019 for children
- Newly eligible must receive at least a benchmark benefit package
- Health Care Reform (HCR) will significant change the way HSD conducts business

Medicaid Reform
What We Do Not Yet Know

- Impact on population and state budget of Medicaid expansion and new eligibility requirements, e.g. impact of elimination of traditional income disregards on the current Medicaid population; cost to the state budget of enrolling more children as offset by the impact of 100% Children's Health Insurance Program (CHIP) match in 2016-2019 for kids over 185% FPL
- Specifics of the definition of "benchmark plan" for the newly eligible; cost to the state if New Mexico wishes to offer the traditional benefit plan to the newly eligible or expand the federally defined benchmark plan
- Who will determine Medicaid eligibility for individuals applying for subsidizes through the Exchange but found to be eligible for Medicaid

Medicaid Reform
What We Do Not Yet Know

- What the benefits and costs to New Mexico are of offering a "Basic Health Plan" for those between 133% FPL and 200% FPL
  - State will receive 95% of federal premium and cost-sharing subsidy funds that would have been paid through Exchange
  - Approximately 211,200 New Mexicans will be eligible for tax subsidies through the Exchange in 2014 (Families USA Report, September 2010)
- How the federal government will handle future federal audits to enable more efficient and streamlined coordination between HSD's programs and the Exchange
- How eligibility will be determined for those who have not filed taxes
- If a person is receiving a tax credit through the Exchange and becomes Medicaid eligible, will they be allowed to continue purchasing their health care coverage and receiving a subsidy

Medicaid Reform
Recommendations For Next Steps

- Use Health Exchange Planning Grant to conduct population and fiscal mapping to identify needs of New Mexicans and cost to the state
- New Mexico should identify as soon as possible who will run the Exchange so that entity and HSD can begin working together to create an integrated and seamless eligibility and enrollment system that is supported by new information technology
- Invest in technology that allows the state to simplify enrollment and renewal procedures and minimize risk for costly disruptions in coverage
- Adopt policies and procedures that will facilitate coordinated care as people move between the Exchange and Medicaid

Medicaid Reform
Recommendations For Next Steps

- Analyze pros and cons to a "Basic Health Plan" for New Mexico
- Work with health care providers to reduce administrative burden through eliminating redundant paperwork and streamlining administrative requirements
- As best as possible, contain Medicaid costs during these times in a manner that is consistent with implementation of PPACA
- Analyze and pursue several new options in the PPACA that benefit families and individuals needing long term care services
- Analyze and pursue demonstration grants and other opportunities to support New Mexico's exploration of other ways to purchase and provide health care services

Health Insurance Exchange
What We Have Learned

- Either a state-only run Exchange or a regional Exchange has attracted the most interest in New Mexico
- Quasi-governmental state agency seems to be the favored governance structure
- More interest in one Exchange that serves entire state and that serves as Exchange for both individuals and employers
- Differing opinions as to what role the Exchange should play in driving market forces
- Legislation is needed this upcoming legislative session to assure adequate time for planning and implementation

Health Insurance Exchange
What We Have Learned

- The tribes have several options in HCR including participation in an Exchange
- Communication and coordination between the Exchange and Medicaid program is critical
- New funding is being made available by the feds to assist in building the Exchange ***and*** to replace Medicaid eligibility systems
- HSD must release a RFP to replace the Department's IT eligibility system in order to meet the timeframes for HCR implementation

Health Insurance Exchange
What We Do Not Yet Know

- Perspective of the incoming Governor
- "Business rules" for interactions between the Exchange and the Medicaid program
- Type & functionality of the Exchange's IT system and how it will fit with HSD's IT system
- What tribal leaders will decide about an Exchange
- How the Exchange's call center, "Navigators," etc. will coordinate with the state's agencies
- What states might be interested in developing a regional Exchange with New Mexico

Health Insurance Exchange
Recommendations For Next Steps

- Consultation with the tribes to share information and learn their decisions
- Continue to gather stakeholder input, use Exchange Planning Grant funds to help do that
- Continue to analyze favored options, using Exchange Planning Grant funds to assist
- Issue RFP for Medicaid eligibility system no later than December 2010
- Make decisions regarding the type, functionality and governance of the Exchange and pass legislation to create

Insurance Reform
What We Have Learned

- PPACA does not require that insurers participate in an Exchange but does stipulate requirements for plans sold on the Exchange
- New Individual Market and Small Group Plans must offer qualified plans with "essential benefits" as defined by HHS.
- A heath plan must offer the essential benefits at four levels of coverage: bronze, silver, gold and platinum. Plans selling on the Exchange must offer at least a silver and gold plan.
- A qualified health plan selling on the Exchange must agree to charge the same premium whether the plan is sold through the Exchange or outside of the Exchange
- Tax credits are only available to individuals who purchase their health care coverage through the Exchange

Insurance Reform
What We Have Learned

In spite of PPACA requirements and incentives, adverse selection can threaten the success of New Mexico's Exchange

- Plans sold in the market outside the Exchange do not have to meet the same standards as the Exchange's plans
- The "same price" requirement for plans only applies to insurers that choose to sell products *both* inside and outside an exchange
- If healthy individual or small groups can easily find coverage that is cheaper than those available through the exchange, then the Exchange will not be able to capture a *large enough* pool of healthy individuals to offer competitive plans
  - If this happens, then the Exchange is basically a high-risk pool, with its coverage becoming unaffordable and its enrollees becoming unattractive to insurers.

Insurance Reform
What We Have Learned

- Tax credits will not help lower the risk of adverse selection between outside markets and the exchange among those individuals and small businesses that are *not* eligible for such subsidies.
- Initially, penalties are minimal and may not serve to drive people to purchase health care coverage

INDIVIDUAL RESPONSIBILITY (2014)

Year	Penalty	Percent of Income*
2014	$95	1%
2015	$325	2%
2016	$695**	2.5%

* In lieu of the flat penalty if greater

** Indexed for inflation thereafter

Insurance Reform
What We Do Not Yet Know

- How will "essential benefits" be defined and how they compare to benefits of other plans, including the benefits of the "newly eligible"
- What role will New Mexico's Exchange play in driving insurance reform
- What options, including incentives, should New Mexico consider to establish a successful Exchange
- How will tribal members participate in HCR and how will that impact the size of New Mexico's pool
- What role will brokers play in enrolling people in plans in and outside the Exchange
- What will New Mexico's insurers offer to help create a successful Exchange

Insurance Reform
Recommendations for Next Steps

- Consider the options New Mexico has to create not just a Health Exchange but a *HEALTHY* Exchange, such as:
  - Analyze how to create as much continuity as possible between the plans and rules for those sold inside and outside the Exchange
  - Analyze the pros and cons of establishing rules that affect plan pricing so that they are the same for insurers inside and outside the exchange – to avoid individuals and employers paying more to enroll through an exchange
  - Evaluate whether New Mexico should establish a competitive process, based on factors such as price, performance and customer satisfaction, to determine which plans can be offered in an exchange.

Insurance Reform
Recommendations for Next Steps

- Develop a comprehensive consumer education plan to help individuals and employers be smart buyers
  - Partner with businesses, community organizations, providers
- Work with insurers and brokers to help create the right insurance reform for New Mexico
- Develop incentives to encourage those under age 30 and other healthy individuals to purchase coverage through the Exchange
- Develop a marketing plan that includes attracting individuals over 400% FPL to purchase coverage through the Exchange in order to create a larger pool

Health Care Delivery System Reform

- Health Care coverage does not mean much if there is no access to health care providers
- PPACA does not create a shortage of health care providers but the problem will be further highlighted if not addressed by 2014
- New Mexico needs to take advantage of every opportunity in PPACA to train and expand the workforce and increase the focus on prevention and primary care services
- PPACA creates numerous grants for workforce development, expansion of scholarships and loans, development of primary care models such as medical homes, team management of chronic disease, and those that integrate physical and mental health services
- Provides states with a 1% increase in the FMAP for certain preventive services and immunizations, if offered with no cost-sharing (2013)

Health Care Delivery System Reform

- Require qualified health plans to provide at a minimum coverage without cost-sharing for certain preventive services, recommended immunizations, preventive care for infants, children, and adolescents, and additional preventive care and screenings for women
- 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)
- Provide a 10% bonus payment to primary care physicians in Medicare from 2011 through 2015
- New Mexico has already received several grants to expand the workforce and should continue to opportunities for funding

Other Recommendations

- Executive and Legislature must continue to work together in planning and implementation
- Goals must be clearly defined and prioritized
- Appropriate staffing is needed to conduct needed analysis and planning; develop expertise and provide leadership and coordination for the State on requirements, options and opportunities; secure grants and additional federal funding; and provide education and outreach to constituents
- Support for updated Information Technology is critical
- Key decisions must be made this coming Legislative Session