

**New Mexico Human Services Department
Medicaid Coverage Concept Paper
Draft: 12/3/09**

Introduction

Everyday, the New Mexico Human Services Department (HSD) is directly responsible for issuing millions of dollars in benefits to the people of New Mexico. During the year, more than one in four New Mexicans receives health insurance through Medicaid, the Children's Health Insurance Program (CHIP), the State Coverage Insurance (SCI) program, or through other state-funded medical assistance programs. The purpose of this paper is to discuss the current condition of these programs and the uninsured in New Mexico, and to present opportunities and strategies for improving these programs in ways that are fiscally and administratively efficient; while at the same time using them to create viable coverage options for more uninsured New Mexicans and small employers throughout the state. HSD believes that the options described in this paper will also improve New Mexico's posture and readiness for federal health reform, upon passage of legislation by Congress.

The Need for Affordable Coverage

HSD believes that providing affordable health insurance options through the Medicaid program, and through hybrid public/private coverage strategies that use Medicaid as a foundation, is a necessary approach and reflects the nation's overall health reform strategy. The inability to access affordable coverage affects all individuals through higher health care costs over time, higher insurance premiums and cost-sharing, and an increased burden on public programs. As one of the nation's largest payers of health care, the Medicaid program is an important tool for making lasting improvements to health care quality; for managing the health care needs of individuals; for controlling overall health care costs; for promoting the availability of providers in rural and underserved areas; and for implementing reforms that build on existing employer-based and commercial insurance markets.

New Mexico's High Rate of Uninsurance

An estimated 23 percent of New Mexicans do not have any type of health insurance coverage. This figure is substantially above the national average, and ranks New Mexico 49th in the nation for the rate of uninsurance. A disproportionate number of children in New Mexico are reliant on Medicaid for their health care needs; yet, even with significant gains made in the past two years due to Governor Richardson's focus on covering children, New Mexico estimates that its uninsurance rate among children and youth is approximately 16 percent – a rate that is nearly twice the national average. These issues are exacerbated by the state's high poverty rates, marked cultural differences, and unique prevalence of small employers who cannot always afford to offer insurance to employees and their families.

Data show that the uninsured are less likely than the insured to have a regular source of care, to receive preventive care, and to benefit from the early detection of medical problems. The consequences of being uninsured can be deadly: The Institute of Medicine estimates that a lack of health insurance contributes to approximately 18,000 deaths in the United States per year. In

addition, medical expenses of the uninsured are a major contributor to US bankruptcy filings, making uninsurance a significant cause of national and individual financial insecurity.

Medicaid Purchasing Power

As described, the New Mexico Medicaid program and other public medical assistance programs are the principal source of health insurance for more than one in four New Mexicans. Medicaid and other public coverage expansions that have occurred over the past several years have transformed the program into the leading purchaser of health care services in the state, and a dominating component of New Mexico's overall health care delivery system. New Mexico envisions using the state's Medicaid program as a platform for improving health care quality, controlling costs, addressing shortages in health care providers, and innovating policy changes to cover more uninsured individuals; and using HSD's position of leadership engaging in financial negotiations with the state's largest health care payers to drive New Mexico's entire health care system toward better quality and more cost-effective care.

Financial Pressures

There is a growing gap between available state tax revenues and Medicaid operating costs that has become increasingly large due to the weakest national economy in a generation and a steady escalation in health care costs. New Mexico has tried to manage through these challenges; however, the state continues to feel financial pressures that are particularly difficult because the Medicaid program constitutes an increasingly large portion of the state's budget every year, making the program a prime target for budget cuts. Uncertainty about New Mexico's ability to withstand continued variability in the economy, coupled with projected budget shortfalls for approaching fiscal years, underscore the need for a long-term Medicaid plan that can respond to the state's financial pressures while at the same time preserving and improving the program for the people of New Mexico at a time when they need it most. In addition, and in light of these challenges, HSD believes that the financial clout of the New Mexico Medicaid program is not doing enough to assist workers and employers, especially at small firms, in securing and maintaining affordable health insurance coverage.

Principles for Medicaid Coverage in New Mexico

As HSD considers options for modifying the New Mexico Medicaid program, and develops a vision for long-range program stability and sustainability, it will do so based on several critical guiding principles. HSD believes that whenever possible, Medicaid should be designed to offer, encourage or facilitate:

- A statewide culture of affordable health coverage for individuals, families and employers;
- The greatest possible access to care, with attention given to addressing provider shortages;
- The greatest possible choice within constraints of funding and effectiveness;
- Use of the most cost-effective services that are evidence-based, promising or emerging practices oriented to achieve positive health outcomes;
- Control of cost increases, decreasing costs where possible;
- Use of services and funding mechanisms that promote personal responsibility for health and care, including prevention and service recipient control over available resources;

- Service structures that promote simplicity of access to care, assure accountability for limited resources, and promote holistic approaches to health for individuals and families; and
- Support for providers and practitioners to be innovative, learning and stable organizations and deliverers of care.

SCI and the Impact of CHIPRA

New Mexico has a history of utilizing formal partnerships comprising legislative, executive, private and consumer stakeholders to address its uninsurance problem. The State Coverage Insurance (SCI) program is an innovative insurance product that offers affordable health care coverage to low-income working adults and individuals through an employer-based system. The SCI benefit package is comprehensive and similar to benefit packages that are offered through employer-sponsored insurance, but does not include all of the benefits offered to Medicaid and CHIP beneficiaries. SCI is available to uninsured, low-income adults, ages 19-64, with family incomes up to 200 percent of the federal poverty level (FPL) who are not eligible for Medicaid or certain other health insurance programs. SCI combines features of Medicaid and a basic commercial insurance plan, requiring employers and employees (or individuals without employer participation) to pay approximately one-third of the premium, and combining state and federal funds to pay the remaining premium amount. There are approximately 50,000 individuals enrolled in the New Mexico SCI program, over 33,000 of whom are adults without a minor or dependent child at home. More than 1,200 New Mexico employers utilize SCI to provide health coverage for their low-income workers.

The CHIP Reauthorization Act (CHIPRA) that was signed into law in February 2009 prohibits the approval of coverage to childless adults using federal CHIP funds. The bill allows states like New Mexico that have a prior waiver to cover these adults using federal CHIP funding to continue financing these benefits with CHIP dollars through December 31, 2009, and then to transition these childless adults to Medicaid (Title XIX) financing using a new Section 1115 waiver specifically authorized in CHIPRA. HSD submitted this Medicaid Section 1115 waiver application to the Centers for Medicare and Medicaid Services (CMS) on September 30, 2009, as permitted under CHIPRA, to transition childless adults from CHIP to Title XIX funding. The new waiver for SCI may include slightly higher cost-sharing, co-payments, and/or premiums; and seeks flexibility from CMS to allow New Mexico to control SCI enrollment and adjust to changes in program expenditures.

It is important to discuss the SCI program in the context of future Medicaid changes, since HSD envisions that a benefit and program design similar to the SCI benefit package and program structure will provide the basis for the State Coverage Plan that is discussed below. It should also be noted that SCI has been extremely successful in reducing New Mexico's rising uninsurance trend among adults, and any potential loss in the ability to cover this population could have a devastating impact on the state.

Key Concepts for the Coverage Plan¹

Providing affordable health insurance options to the uninsured through the Medicaid program, and through hybrid public/private programs such as SCI, are critical components of New Mexico's overall health reform strategy and mirror the likely elements of federal health reform. This paper discusses some options and ideas for expanding and financing Medicaid and SCI coverage for adult and children subpopulations. The options discussed in this paper are, at this early stage, laid out for discussion purposes only, and are not designed to present final policy decisions or determinations. Additional research and a public input process are underway to determine the details of each coverage option and to help guide the program design.

Medicaid Service Plan

New Mexico proposes to change the Medicaid program in a way that offers federally mandated benefits to federally mandated populations under a Medicaid Service Plan (MSP). This will generate savings that will allow the state to offer an affordable coverage product to most of New Mexico's uninsured who do not have other options for obtaining health insurance. HSD envisions that the MSP will be available to mandatory populations; however, the populations in the MSP would be adjusted to mirror the income cohorts of any final federal health reform legislation.

State Coverage Plan

A State Coverage Plan (SCP) will be made available to children above the mandatory level of Medicaid coverage, up to a yet-to-be determined income level; and adults (both parents and childless adults) up to 200 percent FPL who are not eligible for the MSP. For these optional populations, the SCP could be similar to the current SCI program in its benefit structure, providing broad coverage and higher levels of cost-sharing for recipients.² The SCP benefit package will be more closely aligned with benefits available in New Mexico's commercial marketplace than with the benefits available under Medicaid and CHIP; and will be designed to correspond with federal health reform requirements. Consideration may also be given to creating affordable products with more flexible benefit packages for young adults.

To ensure the affordability of the SCP, New Mexico may need to make use of coverage benefit design tools, such as cost-sharing. The state believes that, in addition to helping to finance additional coverage options, cost-sharing and co-payments encourage recipients to access less expensive preventive services rather than emergency rooms, acting as an incentive for making healthy choices. Cost-sharing can also encourage patients to seek lower-cost, though equally effective, treatment options (such as generic medications). New Mexico recognizes that an affordability standard may need to be developed to govern the cost-sharing contributions under consideration.

Benefit Riders and Other Options

Certain optional Medicaid benefits that are not covered under the SCP may be made available as benefit riders available for purchase by MSP and SCP beneficiaries. These benefit riders could

¹ At this time, Home and Community-Based Services (HCBS) waiver programs are not included in the proposed changes outlined in this section.

² Refer to Attachment 1 for a list of the benefits covered under the SCI program.

include vision and dental services, and other services that may no longer be part of the basic benefit package(s), but which could be offered to beneficiaries at affordable rates.

The proposed project presents the state with an opportunity to focus on and expand quality of care, to encourage prevention rather than urgent or emergency care, and to advance concepts of wellness and personal responsibility for health among both providers and recipients. Whenever possible, the MSP and SCP will be structured in ways that utilize medical homes, increase care management, and encourage recipients to take greater responsibility over their health care decisions.

Introducing Buy-In

HSD proposes to introduce buy-in to the SCP (and possibly the MSP) for certain employer groups to facilitate coverage for working individuals and their families above SCP eligibility levels. It is anticipated that New Mexico will continue to receive federal funding for children up to 235 percent FPL and adults up to 200 percent FPL who are enrolled in the MSP and SCP. The buy-in program would expand the SCP to cover working individuals and their families above these eligibility maximums, with a sliding scale.

One premise of the Medicaid coverage concept is that all of the savings generated by these changes would help to provide subsidies for individuals who are not currently receiving any public support, and who constitute a significant portion of the uninsured. New Mexico would use these cost-savings, together with employer contributions, to provide funding to expand coverage for more individuals. It should be noted that the SCP and/or MSP products might be offered through any exchange or gateway that is created in response to federal health care reform. An example of the possible premium structure of the SCP buy-in program is detailed below, based upon initial actuarial studies. Buy-in details for the MSP component are yet to be determined.

Household Income	Employer Share of Premium	Employee Share of Premium	State Share of Premium
At or below 200% FPL	Fixed dollar amount per month based on employee income	Fixed dollar amount per month depending on income	Combination of state and federal funds pay the remaining premium amount
200%-300% FPL	A percentage of monthly premium	A percentage of monthly premium	Depending on cost savings, 15%-35% of monthly premium
Above 300% FPL	A greater percentage of monthly premium	A percentage of monthly premium	No subsidy

Conclusion

New Mexico is eager to begin working toward changing the Medicaid program in a way that will offer affordable health insurance coverage to more uninsured New Mexicans and that is quality-driven, fiscally and administratively efficient, and innovative in its scope and execution. HSD believes that the options presented in this paper will closely align New Mexico's health reform efforts with those of the federal government; and that they will result in an important movement and culture shift toward making affordable coverage available to the people of New Mexico.

In addition, like most other states, New Mexico is currently experiencing an economic strain that, absent a comprehensive restructuring effort, will result in significant reductions in Medicaid provider payments, member benefits, or eligibility levels³ to ensure that the program – and the state budget – maintain fiscal solvency. Unfortunately, this problem is compounded by the fact that, during this period of economic decline, the number of unemployed New Mexicans will continue to rise and, by extension, so will the number of people who are in need of health insurance coverage.

The state intends to work closely with public and private partners to ensure that the options developed for changing the New Mexico Medicaid program will offer coverage in a way that accompanies, rather than replaces, the state's valuable network of employer-sponsored coverage. The options discussed in this paper are, at this early stage, laid out for discussion purposes only, and are not designed to present final policy decisions or determinations. Additional research and a public input process are underway to determine the details of each coverage option and to help guide the program design. This research and input will be presented in revisions to this paper or in another format as a comprehensive and more detailed set of options under consideration.

³ Eligibility levels cannot change prior to January 1, 2011, due to maintenance of effort requirements set forth in the American Recovery and Reinvestment Act of 2009 (ARRA).

Attachment 1

State Coverage Insurance (SCI) Program Summary of Benefits

The SCI benefit package is limited to \$100,000 in benefits payable per member per benefit year. Additional cost-sharing in the form of co-payments (on certain services for certain beneficiaries) and premiums (for employers and certain beneficiaries) apply. There are no co-payment requirements for services provided to Native American SCI beneficiaries.

The SCI benefit package includes:

- Physician/provider visits (no co-pay for preventive services)
- Pre- and post-natal care
- Preventive services
- Hospital inpatient medical/surgical**
- Hospital inpatient maternity**
- Hospital outpatient surgery/procedures
- Home health**
- Physical therapy, occupational therapy, and speech therapy
- Diagnostics
- Durable medical equipment/supplies
- Diabetes treatment; equipment and supplies; and diabetes management
- Emergency services
- Urgent care
- Prescription drugs (generic and name brand)
- Behavioral health and substance abuse: outpatient office visits, outpatient substance abuse treatment, inpatient behavioral health, and inpatient detoxification

Out-of-pocket charges for all participants are limited to five percent of countable family income per benefit year.

** Inpatient hospitalization coverage is limited to 25 days per benefit year. This 25-day limitation is combined with home health services and inpatient physical health rehabilitation.