Preparing for Medicaid Reform: Insights from a State and Teaching Hospital Perspective

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Vice President, Administration & External Affairs
University of Kentucky HealthCare
PRESENTATION OUTLINE

I. Overview – University of Kentucky HealthCare

II. Medicaid Reform
   A. Medicaid Eligibility & Financing
   B. Kentucky’s Medicaid Waiver
   C. Medicaid Managed Care Final Rule

III. What’s Next

IV. Questions & Discussion
Overview - UK HealthCare
STRATEGY WORKS FOR US

Since implementing the 2004 strategic plan, UK HealthCare has grown dramatically to meet the needs of Kentuckians.

- Inpatient Hospital Discharges up > 96%
- Licensed beds increased from 463 to 945
- CMI > 1.90 (top AMC quartile)
- FTEs up 109%
- Personnel expenses up 171%
- $2+ billion in investments
- Ambulatory visits approaching 1.4 million per year
STRATEGY: UK HEALTHCARE INPATIENT DISCHARGES

Growing to Serve Kentucky

Advancing to Meet the Health Care Needs of Kentucky

UK HealthCare 2020

Inpatient Discharges

Fiscal Year

FY03  FY04  FY05  FY06  FY07  FY08  FY09  FY10  FY11  FY12  FY13  FY14  FY15  FY16  FY17  FY18  Forecast

19,098  19,664  22,260  24,760  32,926  31,768  32,355  32,557  34,453  35,511  35,180  37,043  37,789  38,706  40,000
AMBULATORY VISITS

FY 2017 has 72% higher ambulatory volume compared to FY 2010

Note: Includes both Clinic Visits and Outpatient Hospital Visits
UK HEALTHCARE HOSPITALS MEDICAID REVENUE

Total Net Revenue

FY09  FY10  FY11  FY12  FY13  FY14  FY15  FY16  FY17

$-  $50  $100  $150  $200  $250  $300  $350  $400  $450

November 1, 2011
Medicaid Managed Care Begins

January 1, 2014
Medicaid Expansion

Medicaid Begins

November 1,
2011

Medicaid
Expansion

UK HEALTHCARE UNINSURED CHARGES

November 1, 2011
Medicaid Managed Care Begins

January 1, 2014
Medicaid Expansion

<table>
<thead>
<tr>
<th>Millions</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital - Charges</td>
<td></td>
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$- | $-$50 | $-$100 | $-$150 | $-$200 | $-$250 | $-$300 | $-$350 |
Putting State & Federal Medicaid Reform in Context
PUTTING MEDICAID REFORM IN CONTEXT

• There are two key elements of the Medicaid program that existed before the Affordable Care Act’s passage that are often overlooked in understanding the current challenges:
  – Medically Needy Income Standard
  – Federal Medical Assistance Percentage

• Understanding these two things provides essential context to any discussion of the current waivers and changes to Medicaid under consideration in the states and at CMS
MEDICALLY NEEDY INCOME STANDARDS

• Prior to the passage of the ACA, most states established their own Medically Needy income standard, which was limited to 33% above the AFDC/TANF income standard.

• This level was set essentially according to the funding available in each state’s budget; more affluent states had a higher standard than less affluent ones.

• With the ACA’s mandate that participating states expand Medicaid coverage up to 138% FPL, states like Kentucky experienced huge jumps in number of people eligible to be covered by Medicaid.

• No flexibility for states to cover up to 138%.

• As expansion states are beginning to budget for this new expansion group, a 5% to 10% state match rate is now a focus for governors, legislators, and taxpayers.
MEDICALLY NEEDY INCOME LEVELS BY STATE, 2009

* Source: Kaiser Family Foundation
FEDERAL MEDICAL ASSISTANCE PERCENTAGE FOR MEDICAID

* Source: Kaiser Family Foundation, FY 2018
Medicaid Expansion’s Impact in Kentucky
**Kentucky Medicaid Populations Served**

<table>
<thead>
<tr>
<th>Before ACA</th>
<th>After Medicaid Expansion under ACA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pregnant Women</td>
<td>✓</td>
</tr>
<tr>
<td>Blind &amp; Disabled</td>
<td>✓</td>
</tr>
<tr>
<td>SSI Recipients</td>
<td>✓</td>
</tr>
<tr>
<td>Children up to 200% of Federal Poverty Level</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Level of FPL support?**

- Parents and dependent children deprived of parental support with income below 36% FPL
- **All** individuals with incomes below 138% FPL

**Medicaid Eligibility in Kentucky before the ACA was implemented:**

- Based on maximum monthly income of $460 for household size of 2
- Eligibility required a dependent to be in the household
- Resources (cash, checking and savings accounts, CDs, bonds, etc.) were counted and could not exceed $4,000 per household size of 2
INCOME COMPARISON

Median Annual Household Income 2017

<table>
<thead>
<tr>
<th>Kentucky</th>
<th>New York</th>
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<tbody>
<tr>
<td>$45,369</td>
<td>$61,437</td>
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</table>

138% of Federal Poverty Level for Family of Four

$33,948

ACA IMPACT IN KENTUCKY
(BEFORE EXPANSION)

> 20% Un-Insured

[Map of Kentucky showing the percentage of uninsured population in each county, with color coding indicating the range of uninsured rates.]

Less than 5%
5% to 8%
8% to 11%
11% to 14%
14% to 17%
More than 20%
ACA IMPACT IN KENTUCKY (AFTER EXPANSION)

< 12% Un-Insured
ENROLLMENT DATA AT STATE & FEDERAL LEVELS

Kentucky Enrollment

- Medicaid Expansion: 471,998
- Commercial: 81,155

National Enrollment

- Medicaid Expansion: ~14 million
- Commercial: ~11.6 million
## Medicaid Enrollment Projections

**FY 2018 - 2020**

<table>
<thead>
<tr>
<th>Year</th>
<th>Managed Care Organizations (Traditional Medicaid &amp; CHIP)</th>
<th>Managed Care Organizations (Medicaid Expansion)</th>
<th>Fee for Service (FFS)</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFY_18</td>
<td>843,145</td>
<td>470,391</td>
<td>154,498</td>
<td>1,468,034</td>
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<tr>
<td>SFY_19</td>
<td>862,242</td>
<td>492,333</td>
<td>163,087</td>
<td>1,517,662</td>
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<tr>
<td>SFY_20</td>
<td>882,716</td>
<td>513,635</td>
<td>172,032</td>
<td>1,568,383</td>
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</table>

The Medicaid Expansion population for fiscal year 2017 was 453,852. The fiscal year 2016-2017 enrollment forecast Medicaid budget request was 428,947.
CURRENT STATUS OF STATE MEDICAID EXPANSION DECISIONS

NOTES: Current status for each state is based on KFF tracking and analysis of state executive activity. *AR, AZ, IA, IN, KY, MI, MT, and NH have approved Section 1115 waivers. ME adopted the Medicaid expansion through a ballot initiative in November 2017; the ballot measure requires submission of a state plan amendment within 90 days and implementation of expansion within 180 days of the measure’s effective date. KY initially adopted expansion through a state plan amendment but received CMS approval for the Kentucky HEALTH expansion waiver on January 12, 2018; implementation will start in April 2018 with full implementation by July 2018. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.
KENTUCKY MEDICAID EXPANSION FUNDING

- Provides increased Federal Medical Assistant Percentage (FMAP) to cover the costs of the newly eligible individuals.

- States will receive the following FMAP for “newly eligible individuals” (defined as individuals older than 19 who are not eligible for Medicaid through the state plan or a waiver on the date of the bill’s enactment)

<table>
<thead>
<tr>
<th>Projected Cost to the State</th>
<th>Calendar Year FMAP for Newly Eligibles</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFY 2017 $74M</td>
<td>2014 100%</td>
</tr>
<tr>
<td>SFY 2018 $173M $247M</td>
<td>2015 100%</td>
</tr>
<tr>
<td>SFY 2019 $215M</td>
<td>2016 100%</td>
</tr>
<tr>
<td>SFY 2020 $294M $509M</td>
<td>2017 95%</td>
</tr>
<tr>
<td>SFY 2021 $363M</td>
<td>2018 94%</td>
</tr>
<tr>
<td></td>
<td>2019 93%</td>
</tr>
<tr>
<td></td>
<td>2020 &amp; beyond 90%</td>
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Kentucky’s Medicaid Waiver Process & Approval
“Governor Bevin has requested Mark D. Birdwhistell...to assemble a team of experts to assist in the drafting of a Medicaid waiver solution for the Commonwealth that addresses the financial unsustainability of the current Medicaid program.”
**KENTUCKY HEALTH COVERED POPULATIONS**

### Medicaid Populations *Not Included* in Kentucky HEALTH
- Traditional Medicaid *(Aged, Blind & Disabled)*

### Medicaid Populations *Included* in Kentucky HEALTH
- Non-Disabled Adults & Children *(Individuals covered before expansion, pregnant women, children, former foster youth up to age 26 & adult expansion population)*

#### Medicaid Expansion Adults
- Premiums or Copays
- No Change in Benefits
- Community Engagement required, unless primary caretaker of dependent

#### Pregnant Women & Children *(Traditional Medicaid and KCHIP)*
- No Premiums
- No Change in Benefits
- Community Engagement initiative not required

#### Medicaly Frail Adults & Former Foster Youth up to age 26
- Optional Premiums *(for access to My Rewards)*
- No Change in Benefits
- Community Engagement initiative not required
HHS & CMS PROMISING MORE FLEXIBILITY FOR STATES

Letter to Governors sent by Secretary Price and Administrator Verma on March 14, 2017

• Expanded Fast Track Waiver Process
• Review of Medicaid Managed Care Rules
• Support for Employment and Community Engagement
• Align Medicaid with Commercial Insurance Benefits – e.g., Cost Sharing
• Provide States Additional Time to Comply with Home & Community-Based Services Rules
• Allow Medicaid Tools to Address Opioid Epidemic
KENTUCKY 1115 WAIVER APPROVAL

- Posted waiver for public comment on June 22, 2016
- Finalized and submitted waiver to CMS on August 24, 2016
- 30-Day Federal Comment Period/ Negotiate Waiver with CMS Started September 8, 2016
- Obtained approval of waiver from CMS on January 12, 2018

- Presidential election
- Appointment of new HHS/CMS leadership
- January 2018 CMS guidance on state Medicaid Waivers

Changes will take effect July 1, 2018
KENTUCKY 1115 WAIVER APPROVAL

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C5-21-17
Baltimore, MD 21244-1820

JAN 12 2018

Adam Meier
Deputy Chief of Staff
Office of Governor Matthew Bevin
700 Capital Avenue, Suite 100
Frankfort, KY 40601

Dear Mr. Meier,

I am pleased to transmit to you the approval package for the Commonwealth of Kentucky’s section 1115 demonstration project, entitled “Kentucky Helping to Engage and Achieve Long Term Health (KY HEALTH) (Project Number 11-W-00306/4 and 21-W-00067/4).” CMS recognizes your efforts and those of your dedicated team in designing this project, as well as Kentucky’s ongoing commitment to improving the health and well-being of Medicaid beneficiaries living in the Commonwealth.

Your substantial work will help inform future state demonstrations seeking to draw on Kentucky’s novel approaches to Medicaid reform, and CMS also looks forward to learning from the outcomes of your demonstration project. I appreciate the spirit of partnership we have shared over the course of the past year. It has been a pleasure to work with you and the entire Kentucky team.

Attached is the approval letter signed by Demetrios L. Kouzoukas, Principal Deputy Administrator, who is responsible for the disposition of all matters from which Administrator Verma is recused. Please let me know if you have any questions or if I can be of assistance in any way as the Commonwealth moves forward to implement KY HEALTH.

Sincerely,

Brian Neale
Deputy Administrator
Los Angeles Times
Kentucky becomes first state to require Medicaid patients to work under new Trump administration policy

BECKER'S HOSPITAL REVIEW
Kentucky becomes first state to impose Medicaid work requirements
Written by Leo Vantorella | January 16, 2018 | Print | Email

The Washington Post
Democracy Dies in Darkness
Kentucky becomes the first state allowed to impose Medicaid work requirement

FOX NEWS
Kentucky becomes 1st state in nation to require Medicaid recipients to work

REUTERS
U.S. LEGAL NEWS JANUARY 12, 2018 / 12:46 PM / 2 MONTHS AGO
Kentucky becomes first U.S. state to impose Medicaid work provisions

CNBC
*KENTUCKY BECOMES FIRST U.S. STATE TO IMPLEMENT MEDICAID WORK REQUIREMENTS
Published 12:32 PM ET Fri, 12 Jan 2018
APPROVED AND PENDING SECTION 1115 MEDICAID WAIVERS

Source: Kaiser Family Foundation, State Health Facts, Approved Section 1115 Medicaid Waivers and Pending Section 1115 Medicaid Waivers, March 5 2018.

Note: Pending waivers include new applications, amendments to existing waivers, and renewal/extension requests. Pending waiver applications are not included in this tracker until they are officially accepted by CMS and posted on Medicaid.gov.
Kentucky H.E.A.L.T.H. Design & Implementation
Helping to Engage and Achieve Long Term Health
SUMMARY OF PROVISIONS IN KENTUCKY’S WAIVER

- Transition to an alternative benefit package for able-bodied adult population
- **Premiums**
  - Employer sponsored health insurance
  - My Rewards account
  - Non payment penalties
  - Non-emergency transportation
- **No retroactive benefits**
- Open Enrollment period
- Community engagement / “work requirement”
- Expansion of substance use disorder (SUD) benefit package for all Medicaid enrollees and increased access to treatment
Medicaid Managed Care
Final Rule
MEDICAID MANAGED CARE FINAL RULE

• In April 2016, the Centers for Medicare & Medicaid Services (CMS) released the Medicaid and CHIP Managed Care Final Rule

• This is the first major update to Medicaid and CHIP managed care regulations in more than a decade

• The rule:
  – Aligns key rules with those of other health insurance coverage programs
  – Modernizes how states purchase managed care for beneficiaries
  – Strengthens the consumer experience and key consumer protections
What’s Next
LIFE AFTER THE INDIVIDUAL MANDATE?

• The repeal of the individual mandate, coupled with the Trump administration’s October decision to longer pay around $8 billion annually for ACA cost-sharing subsidies, could lead to future instability in the commercial insurance market.
340B PROGRAM UNDER INTENSE SCRUTINY

Report Slams 340B Drug Discount Program
February 12, 2018
By Tracey Walker

AHA, Hospital Groups Renew Call to End 340B Drug Payment Cuts

Cuts to Discounted Drug Program Threaten Some Hospital Services
Rural parts of the country could be hit hardest by the cuts, 340B advocates say

More oversight for 340B needed, White House council says

Senate plans 340B oversight hearings as transparency push mounts
By Susannah Luthi | March 2, 2018
CHANGE IS COMING...

Trump's health chief warns hospital execs about health care costs: 'Change is coming'

“Today is an opportunity to let everyone know that we take these shifts seriously, and they’re going to happen — one way or another,” Azar said. “The administration and this president are not interested in incremental steps. We are unafraid of disrupting existing arrangements simply because they’re backed by powerful special interests.”

“But there is no turning back to an unsustainable system that pays for procedures rather than value,” Azar said. “In fact, the only option is to charge forward — for HHS to take bolder action and for providers and payers to join with us.”

“If we don’t change those, nothing will change,” he said. “Only Medicare and Medicaid have the heft, the market concentration, to drive this kind of change, to be a first mover.”
RESPONDING TO NATIONAL DRIVERS OF CHANGE

1. Federal Deficit
2. Medicaid Expansion State Cost
3. Payer Consolidation
4. Uncompensated Care Payments
5. Teaching Costs (GME/IME)
6. State Budget Issues
7. Focus on Value

Future Drivers of Change in KY
WHAT’S NEXT

• State budget
  – Waiver implementation
    • Premiums / engagement
    • No retroactive

• Federal landscape
  – 340B program changes
  – Elimination of individual mandate
  – TBD?
QUESTIONS?