Including Medicare-Medicaid Dual Eligibles in Managed Care
Current Status and Future Prospects

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Introduction and Overview

- **Background on dual eligibles**
- **Fewer than ten states currently include dual eligibles in capitated managed care organizations (MCOs) that cover a significant portion of their Medicare and Medicaid benefits**
- **Several more states are developing programs to do so that will present opportunities for Medicare plans with experience with Medicaid and with long-term supports and services**
- **Medicare dual eligible Special Needs Plans (SNPs) have the greatest opportunities, but some institutional SNPs may find a niche**
- **Managed long-term care (LTC) is the land of opportunity — and major challenges**

Background on Dual Eligibles

- **Nine million dual eligibles account for 46% of Medicaid and 24% of Medicare expenditures**
  - Enrollment shares are 18% (Medicaid) and 16% (Medicare)
  - About 80 percent are “full duals” receiving full benefits from both programs
    - Medicaid pays only Medicare premiums and cost sharing for “partial duals”
  - Two-thirds are over age 65, and one-third are under 65 and disabled or chronically ill
  - High levels of physical and cognitive impairments, behavioral health problems, and nursing facility use
    - Low levels of education, limited family and community ties
- **For more details on duals, see Ch. 5 in MedPAC June 2010 Report to the Congress**
  - “Coordinating the care of dual-eligible beneficiaries”
    - http://medpac.gov/documents/Jun10_EntireReport.pdf

Duals Enrolled in Medicaid and Medicare Managed Care Plans

- **Approximately 6 percent of all full duals were enrolled in comprehensive capitated *Medicaid* managed care plans in 2006**
  - Highest Medicaid managed care penetration rates for duals were in DE (89%), AZ (65%), OR (47%), and MN (34%)
    - See Appendix Table A.6 in U.S. National Tables for Duals at: http://www.cms.gov/MedicaidDataSourcesGenInfo/MAX/list.asp

- **Approximately 5 percent of full duals were enrolled in Medicare Advantage managed care plans in 2005**
  - Probably closer to 15 percent now with advent of SNPs and Part D in 2006

States with Integrated Medicare and Medicaid Managed Care Programs

- **AZ, CA, MA, MN, NY, TX, WA, and WI**
  - Services covered, extent of integration, and geographic areas covered vary substantially
  - Medicaid enrollment is voluntary except in AZ, CA, and TX
    - Medicare enrollment is always voluntary
  - Opportunities for new MCO entrants are limited in MN
    - Most other states allow new entrants only in connection with formal competitive procurements at specified times
  - See Center for Health Care Strategies (CHCS) "Dashboard" for details on program features
    - http://www.chcs.org/usr_doc/ICP_State-by-State_Dashboard.pdf
  - See also sources cited in "References" slide at the end for more state-by-state and background information

States with Partially Integrated Programs and Programs in Development

- **NM CoLTS program covers Medicaid long-term care services for duals (nursing facility and community services), but not Medicare services at this point**
  - State contracts with Evercare and AMERIGROUP

- **CO, MD, MI, PA, TN, and VA have considered using SNPs and related managed care approaches to integrate care for duals, but have no firm plans at this point (see CHCS "Dashboard" for additional details)**

- **NC is developing an integrated care program for duals that will be operated by local provider networks**

- **VT is developing a program in which the state would function as the managed care entity**

Current SNP Marketplace

- **SNPs in July 2010**
  - 335 dual eligible SNPs with 1,000,492 enrollees
  - 153 chronic condition SNPs with 217,302 enrollees
  - 74 institutional SNPs with 96,329 enrollees
- **Nearly 80 percent of enrollment is concentrated in 10 states and Puerto Rico**
  - PR, CA, FL, NY, TX, PA, AZ, GA/SC, MN, and AL
  - Over 70 percent of enrollment is in 13 companies
  - Over 90 percent of SNPs have fewer than 500 enrollees
- **SNPs are paid in the same way as other Medicare Advantage (MA) plans, but have more care management and performance reporting requirements**
  - For details, see: https://www.cms.gov/SpecialNeedsPlans/
- **Total SNP enrollment (1.3 million) is 11 percent of total MA enrollment**

Impact of Health Care Reform on SNPs

- **SNP authority extended through 2013**
  - P.L. 111-148, Section 3205
- **Dual eligible SNPs must have a contract with states by January 1, 2013 "to provide [Medicaid] benefits, or arrange for benefits to be provided"** (MIPPA 2008, Sec. 164)
  - May include long-term care services
  - States are not required to contract with SNPs
- **Dual SNPs that are fully integrated, including capitated contracts for Medicaid LTC and other services, are eligible for a special "frailty adjustment" to their rates, beginning in 2011**
  - CMS is also required to consider additional payment adjustments in 2011 for chronic condition SNPs and others serving high-risk beneficiaries

Impact of Health Care Reform on SNPs
(Cont.)

- **Federal Coordinated Health Care Office established in CMS to improve coordination of care for dual eligibles**
  - P.L. 148, Section 2602
  - Goals are to more effectively integrate Medicare and Medicaid benefits for duals and improve coordination between the federal government and states
  - Specific responsibilities include “Supporting state efforts to coordinate and align acute care and long-term care services for dual eligible individuals with other items and services furnished under the Medicare program”
- **Center for Medicare and Medicaid Innovation** (Sec. 3021)
  - Models to be tested include “Allowing States to test and evaluate fully integrating care for dual eligible individuals in the State, including the management and oversight of all funds under the applicable titles with respect to such individuals”
  - May be option for states with no or low managed care penetration

Opportunities and Challenges for SNPs

- **States that want to improve integration of care for duals will likely look first to dual eligible SNPs if:**
  - SNPs or parent companies have experience with Medicaid and/or an established presence in the state (Medicaid managed care or Medicare Advantage)
  - SNPs are prepared to take into account special needs and characteristics of the Medicaid program *in that specific state*
  - SNPs have experience or strong interest in managing Medicaid long-term care supports and services (home- and community-based and nursing facility services)
    - States now cover few acute care services for duals in Medicaid (vision, dental, transportation, very limited Rx drugs, and Medicare premiums and cost sharing)
    - As a result, states have little incentive to contract with SNPs just to cover Medicaid acute care services
  - States have staff and other resources needed to negotiate contracts with SNPs, and state procurement rules permit new contracts
    - States also have a few other things on their plates in the next few years

Managed Long-Term Care Opportunities

- **More than half of all nursing facility residents are dual eligibles**
  - Care is highly fragmented and poorly coordinated
    - Medicare pays for short-term post-hospital SNF stays, Rx drugs, and physician services
    - Medicaid pays for long-term NF care and alternative home- and community-based services (HCBS)
    - Medicaid has little or no information on Medicare-provided services
- **58% of Medicaid spending on duals is for LTC**
  - 40% institutional; 18% community
- **Incentives and resources for coordinated and cost-effective LTC for duals are not well aligned**
  - Costs of avoidable hospitalizations for dual eligibles fall on Medicare, so Medicaid has few incentives to invest in programs to reduce hospitalizations
  - Medicaid has lost access to Rx drug information needed to manage and coordinate care, and is generally not informed about hospitalizations

Managed LTC Opportunities *(Cont.)*

- **Dual eligible and institutional SNPs that covered Medicaid long-term services and supports could:**
  - Benefit financially from reduced Medicare-paid hospitalizations
  - Use part of those savings to fund improved care in nursing facilities and in the community that could further reduce avoidable hospitalizations
  - Manage Rx drugs in LTC settings more effectively and use information on Rx drug use to improve care management
  - Increase availability of community-based Medicaid services and reduce unnecessary use of Medicaid nursing facility services, if Medicaid capitated rates provided appropriate incentives for community care
  - Provide “one-stop shopping” for all Medicare and Medicaid acute and long-term care services for dual eligibles

Managed LTC Challenges

- **Few SNPs and states have experience with managed LTC**
- **Medicaid LTC providers (nursing facilities and HCBS providers) generally oppose managed care**
- **Organized dual eligible beneficiaries may also be opposed**
  - The most organized and vocal beneficiaries may be managing their own care more effectively than SNPs could manage it for them
    - Not necessarily representative of all dual eligible beneficiaries
- **Return on investment for states is long-term and hard to measure and explain**
- **Institutional SNPs face special challenges**
  - Hard to build enrollment (nursing facilities must agree to contract with SNP, and then residents must choose the SNP)
  - Enrollment is low and declining; heavily concentrated in Evercare SNPs
    - For more details, see March 2010 Mathematica policy brief on coordinating care for dual eligibles in nursing facilities at: http://www.mathematica-mpr.com/publications/PDFs/health/nursing_facility_dualeligibles.pdf

Conclusions

- **Dual eligibles in general have greater care needs and less ability to navigate the health care system than other Medicare and Medicaid beneficiaries**
  - The “system” they must navigate is highly complex and poorly coordinated
- **Capitated managed care plans that include all Medicare and Medicaid benefits for dual eligibles can improve their care and reduce overall expenditures**
- **Substantial obstacles to expansion of managed care for duals currently exist**
  - Most of the legal and regulatory obstacles are on the Medicare side, but there are political obstacles on the Medicaid side in many states
- **The new Federal Coordinated Health Care Office could help to reduce some of these obstacles**

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