Extending Medicaid Coverage to Low-Income Childless Adults
Opportunities and Cautions for Managed Care Plans

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Health care reform (P.L. 111-148 and P.L. 111-152) will increase Medicaid and CHIP enrollment by 16 to 20 million people by 2019

- Starting in 2014, Medicaid will cover everyone below age 65 and 133% of poverty ($14,404 for one person in 2009)
  - 138% of poverty with MAGI income disregard

A large portion will be childless adults not previously covered by Medicaid in most states

- Most states and managed care organizations (MCOs) have little experience in providing coverage and care for this population
- States with existing or planned managed care programs will likely want to enroll this population in managed care
Major challenges for states and MCOs will include:

- Determining appropriate “benchmark” benefit package
- Conducting outreach and enrollment for a population with generally low levels of education and community ties
- Developing appropriate provider networks for enrollees who are likely to have substantial behavioral and physical health care needs
- Funding physician reimbursement for primary care services at 100% of Medicare after federal payment of extra costs for 2013 and 2014 ends
- Developing appropriate care management and care coordination capabilities
- Determining appropriate capitated rates for those who will enroll in capitated MCOs
- Monitoring and evaluating the impact of this expanded coverage
Introduction and Overview (Cont.)

- Issues of special concern for MCOs
  - Capitated rates
  - Potential for adverse selection (only sickest may enroll)
  - Network development needs and requirements
  - Care management needs and requirements
In the past, states have provided this coverage through Medicaid waivers or with state-only dollars

- List of states, program features, and status is in a December 2009 Kaiser Commission fact sheet (http://www.kff.org/medicaid/7993.cfm)
- States that have been providing coverage equivalent to Medicaid will get a higher federal match rate between 2014 and 2018, but not as high as states that did not previously provide this coverage
  - Appears to include AZ, DE, HI, ME, MA, NY, and VT
Health care reform requires coverage starting in 2014, with 100% federal match in 2014-2016, dropping to 90% by 2019.

States can cover this population starting April 2010 with regular federal match, and get the higher rate in 2014.

- Pre-2014 option will likely be of greatest interest to states now covering low-income childless adults with 100 percent state dollars (no federal match)
  - Examples include CT, MN, NY, PA, WA
- CO is considering options for a new program covering low-income childless adults starting in 2012.
Coverage Requirements Under Health Care Reform

- For states that choose to enroll low-income childless adults under their Medicaid state plan now, and for all states starting in 2014
  - No enrollment caps or waiting lists
  - Benefit packages may be less than full Medicaid, but must meet “benchmark” or “benchmark equivalent” standards
    - Comparable to FEHBP, state employee, or commercial coverage, or Secretary-approved
    - Must include hospital, physician, lab/x-ray, preventive, and – starting in 2014 – prescription drug and mental health services
  - No beneficiary premiums and only “nominal” cost sharing ($0.50 to $3.00)
  - Immediate or retroactive (up to 90 days) enrollment
Health Care Needs and Costs of Low-Income Childless Adults

- High use of mental health, substance abuse, prescription drug, emergency room, and hospital services
  - Poor physical and mental health status, and high rate of disabilities that prevent work

- Enrollment usually occurs in conjunction with hospitalization or onset of acute physical health conditions
Health Care Needs and Costs of Low-Income Childless Adults (Cont.)

- Per-member per-month (PMPM) costs are likely to be about half way between those of current non-disabled and disabled Medicaid adult enrollees
  - Supported by experience in AZ, which has covered low-income childless adults in Medicaid since 2001

- April 2010 Kaiser analysis suggests that low-income childless adults are not less healthy than other Medicaid adults, but it is based on a survey in which 35% of respondents were age 19-25 and presumably relatively healthy
  - Healthy childless adults are not likely to enroll in Medicaid until they need care, since there is no penalty for failure to enroll
  - Kaiser analysis is at:
States that already include Medicaid ABD/SSI/disabled populations in managed care should be able to include low-income childless adults with relatively little difficulty

- A number of states already include low-income childless adults in capitated Medicaid managed care programs, including AZ, MN, NY, OR, and WI

A new option provides enhanced federal funding for coordinated care for enrollees with chronic conditions

- Section 2703 of P.L. 111-148
- Authorizes “health home” services for enrollees with mental health, substance abuse, asthma, diabetes, heart disease, obesity, and other chronic conditions
- 90% federal match for first two years
Conclusions

- Health care reform Medicaid expansion will result in many potential new enrollees for Medicaid MCOs.

- High health care needs and costs for low-income childless adults will present significant challenges in terms of outreach, network development, care management, capitated rate setting, and quality monitoring.

- Plans with experience covering ABD/SSI/disabled enrollees will have an initial advantage.

- Plans that can develop improved care management and care coordination capabilities for enrollees with behavioral health and other chronic conditions will be especially attractive to states.