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# Healthy Wisconsin Council

## Exploring Medicaid Reform and Funding

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**Proposition: State-funded reinsurance and catastrophic insurance can reduce the cost of health care premiums and the number of uninsured.**

**Question: Can Medicaid financing help support Healthy Wisconsin?**



# Federal Funding for Healthy Wisconsin Is Possible

1. Significant and growing interest in using Medicaid to help reform state-based health care
2. Feds are open to creative approaches – so long as federal policy objectives are met
3. Wisconsin seeking to transform Medicaid and reduce cost of health care and number of uninsured through reinsurance and/or catastrophic pool
4. Other states are also using these tools to improve health in their states:
  - Medicaid reform
  - Insurance market reforms
  - High risk pools
  - Reinsurance
  - Exchange / connector concept
5. Massachusetts groundbreaking health reform links state and federal reform objectives – uses Medicaid funding in a new way based on private health insurance
6. States seeking federal funding to help support reform will be helped by state-based creativity and alignment with federal policy objectives

**Wisconsin could be one of those states ...**

# Federal Priorities Influence State Reforms

## HHS/CMS

- Reduce Uninsured
- Build on Private Market Approach
- Create Culture of Insurance
- Strengthen Employer-Sponsored Insurance (ESI)
- Improve Quality, IT
- Save Money

## State Medicaid Reforms

- ✓ Many state Medicaid reforms expand coverage but expansion not required
- ✓ Medicaid subsidizes purchase of private health insurance for Medicaid-covered populations
- ✓ States reduce premiums through private market approaches (could include reinsurance/catastrophic)
- ✓ Expansions aim to preserve and strengthen ESI, individual and small group coverage
- ✓ States seek federal Medicaid matching funds with new sources of state match
- ✓ States piloting new models - HSAs/HOAs (Health Opportunity Accounts), wellness, disease mgmt, higher cost sharing, basic benefits
- ✓ New reforms rely on managed care
- ✓ Reforms promote quality, competition, transparency

# Massachusetts Reform: Groundbreaking Example

- **Primary objective of affordable, accessible health care for all.**
- **Goals for Reform**
  - ✓ Insure all 460,000 uninsured via:
    - Medicaid – 106,000
    - Commonwealth Care (subsidized) – 150,000
    - Commonwealth Care (unsubsidized) – 204,000
  - ✓ Contain health care costs (includes reinsurance component)
  - ✓ Leverage federal Medicaid funding with 1115 waiver with Costs Not Otherwise Matchable (CNOM) and Disproportionate Share Hospital Payments (DSH)
- **By lowering the number of uninsured, health care costs are reduced.**
- **Principles for Reform**
  - Everyone should be able to obtain quality health care.
  - For those who cannot afford insurance, government should help – but only to the extent needed and not via entitlement.
  - Private insurance is better, cheaper, more efficient than government-run health care.
  - Individual mandate works when insurance for all is affordable and accessible.

# Massachusetts Creates Opportunities for Wisconsin

## ■ Wisconsin Faces Many of the Same Issues

- Rising Medicaid caseload
- Erosion of employer sponsored insurance
- Large and increasing number of uninsured
- Has new market-based idea to cover the uninsured

## ■ Massachusetts Broke New Ground

- Significantly reduces the number of uninsured
- Uses Medicaid funds for private insurance
- Helps small business
- Leverages creative financing (CNOM)

# Massachusetts Reform: Bipartisan & Federal Appeal

## ■ **Republicans**

- **Not “classic” Medicaid**
- **Looks like private insurance**
- **Reduces uninsured**
- **Improves small business climate**
- **Reduces cost shifting to big business**

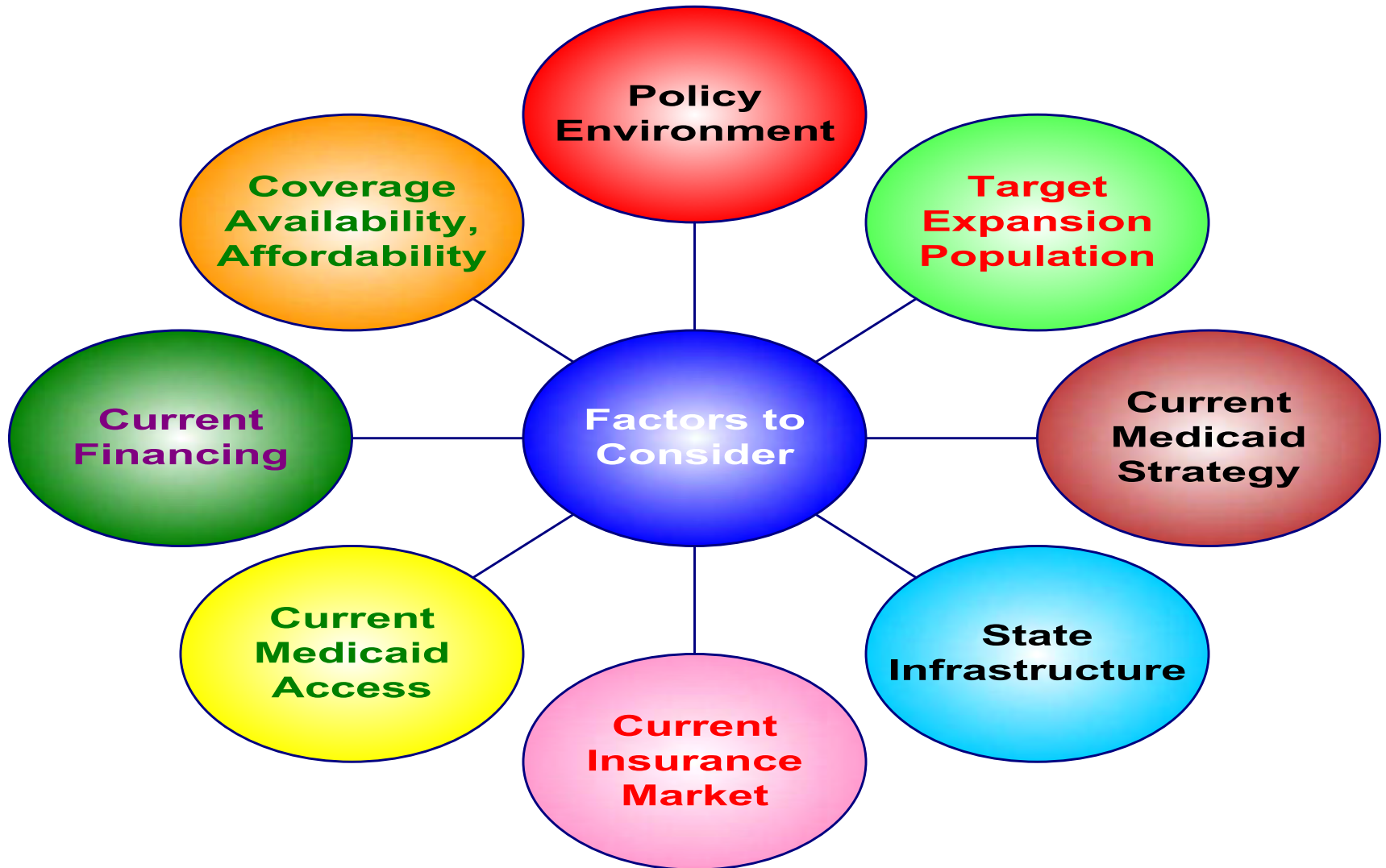
## ■ **Democrats**

- **Universal coverage**
- **Maximizes Medicaid and SCHIP enrollment**
- **Subsidies for low income individuals**
- **Uses non-profit health plans**

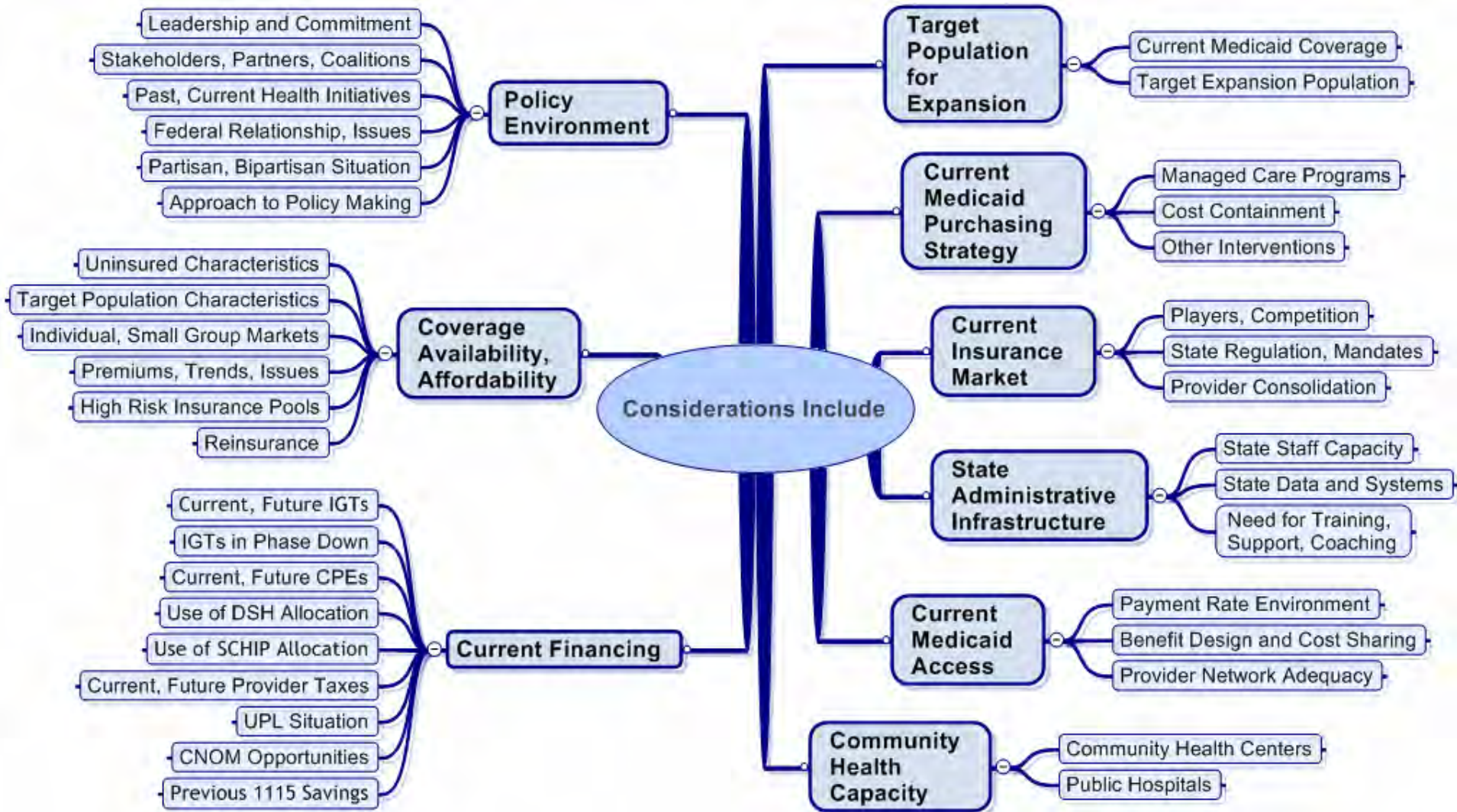
# Momentum, Interest Growing in State-Based Reforms

- **Unique window of opportunity**
  - Interest generated by Massachusetts
  - Healthier state budgets
  - Governors eager to transform health care, not just Medicaid
  - HHS/CMS eager to support market-based expansions
- **States following Massachusetts' lead to take action**
  - Michigan – (D)
  - Indiana – (R)
  - New Mexico – (D)
  - More on the way
- **States creating Blue Ribbon Commissions to develop reforms**
  - Texas – (R)
  - Washington – (D)
  - Colorado – (R)
  - Rhode Island – (R)
  - Louisiana – (D)
  - More on the way

# Wisconsin Health Reform: Prime Factors to Consider



# Considerations in More Detail – It's Complicated!



# A Medicaid Waiver Could Offset the Costs of Healthy Wisconsin with New Federal Funds

## **Seek a Medicaid Waiver**

Waiver would authorize federal Medicaid funds to match Healthy Wisconsin costs for:

1. Premium Subsidies for target population; and/or
2. State-funded Reinsurance identified for target population; and/or
3. Catastrophic Coverage attributable to target population.

## **Identify a Target Population**

Low Income Working Uninsured (<300% FPL), not covered by other public programs

## **Specify a Target Benefit Package**

Approved Healthy Wisconsin Plan(s)

## **Provide State Match**

TBD

## **Provide a Rationale**

1. Reinsurance makes commercial insurance more affordable
2. Affordable insurance means fewer uninsured
3. Increased coverage slows Medicaid caseload and spending growth

## **Create Positive Outcome**

State advances new Medicaid-funded groundbreaking initiative to reduce the number of uninsured

# Healthy Wisconsin Can Be Presented to Align with Federal Priorities

- Significant percent of uninsured are low income
- Relies on commercial insurance
- Market-based competition
- Not traditional Medicaid program
  - ✓ More limited benefit package
  - ✓ Consumer role
  - ✓ Higher cost sharing
- Covers individuals & families
- Reduces health care costs
- Supports ESI and individual and small group private market
- Reinsurance/catastrophic - private sector approaches
- Builds on BadgerCare Plus

# General Guidelines/Options for State Medicaid Waiver Financing

## Two Key Requirements for Medicaid 1115 Waiver:

- **Must Have Required State Match**
- **Must Meet Budget Neutrality (no new federal funds, except trend growth).**
- **Maximize / Reallocate Federal Funds**
  - Disproportionate Share Hospital (DSH) – Unspent or Reallocation
  - State Children’s Health Insurance Program (SCHIP) - Unspent
  - Carryover savings from existing s. 1115 waivers

## Options for State Match & Budget Neutrality:

- **“Save” State Funds**
  - Disease Management
  - Managed Care (including SSI expansion)
  - Deficit Reduction Act (benchmark plans, cost sharing)
  - Future savings from cost containment, quality improvement
  - Access to affordable plans – Medicaid diversion
- **“Leverage Federal Funds”**
  - Costs Not Otherwise Matchable (CNOM) – Existing State/Local health care spending for low-income uninsured
  - Certified Public Expenditures (CPE)
  - Intergovernmental Transfer Payments (IGTs)
- **“New” Funding**
  - Provider Assessment
  - Contributions from employers and employees
  - Tobacco Taxes
  - New general purpose revenue (GPR)
- **Explore Opportunities - Existing Programs**
  - BadgerCare Plus
  - GAMP
  - HIRSP

# A Medicaid Waiver Could Offset the Costs of Healthy Wisconsin and Leverage CNOM for the State Share

## ❑ **Costs Not Otherwise Matchable, or CNOM**

- **Use existing, unmatched state spending for uninsured, indigent medical care as state match**
  - Must establish link to uninsured population under the waiver
  - Must detail how waiver will affect future spending for CNOM
  - Must be coverable under Medicaid State Plan Amendment or Medicaid Home & Community-Based Waiver
- **Requires 1115 Waiver**
- **Part of waiver negotiation with CMS (tough negotiation)**

## ❑ **Typical CNOM Categories**

- **Community Mental Health Services**
- **Public Health Programs**
- **Family, Maternal and Children's Services, including Children's Special Health Care Programs**
- **Services to the Aging / Long Term Care**
- **Pharmacy Services**
- **Other Medical / Health Care Services**

## ❑ **Hypothetical Example**

- **Childless adults under 200% of the federal poverty level (waiver target population)**
- **Receive state-only funded mental health services (CNOM) in the community (waiver covers MH services)**
- **Use current state/local spending (CNOM) as state match**
- **Federal funds provided as match to CNOM could support Healthy Wisconsin**

# For More Information



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