

S.B. 180, "Medicaid Reform"

Overview, Details, and Illustrations

Prepared by Office of Legislative Research and General Counsel
May 2, 2011



Overview

■ Medicaid Waiver

Requires the Department of Health to develop a Medicaid waiver proposal that:

- Maximizes replacement of the fee-for-service delivery model with one or more risk-based delivery models
- Limits fee-for-service spending to risk-based spending
- Limits growth in Medicaid spending to the growth in spending for all other programs

Overview

- **Medicaid Restricted Account**

Creates a Medicaid Growth Reduction and Budget Stabilization Account

- If Medicaid grows less than 8%, difference is deposited to account
- If Medicaid grows more than 8%, money may be drawn from account

Medicaid Waiver

■ Changes Provider and Consumer Incentives

Rewards providers for delivering the most appropriate services at the lowest cost

Rewards recipients for efforts to:

- maintain or improve health
- use providers that deliver the most appropriate services at the lowest cost

Requires identification of payment systems and other mechanisms to reward providers for delivering most appropriate services at lowest cost, for example:

- episode-of-care payment models
- value-based payment models

Medicaid Waiver

- **Creates Spending Limits**

Limits total annual per-patient-per-month expenditures for services delivered through fee-for-service arrangements to total annual per-patient-per-month expenditures for services delivered through risk-based arrangements covering similar recipient populations and services

Limits the rate of growth in per-patient-per-month General Fund expenditures for Medicaid to the rate of growth in General Fund expenditures for all other programs (except when spending on other programs overall is being reduced)

Medicaid Waiver

- **Involves Stakeholders**

Proposal to be developed with the input of stakeholders

Department of Health reports to the Legislature by
June 1

- **Requires Prompt Action**

Department of Health submits proposal to the Center for
Medicare and Medicaid Services by July 1

Medicaid Growth Reduction and Budget Stabilization Account

- Creates Medicaid annual growth target of 8%
- Creates Medicaid Growth Reduction and Budget Stabilization Account
- Requires Deposits to the Account
 - If annual Medicaid growth is less than 8%, the difference (Medicaid growth savings) is deposited into Account by:
 - transferring General Fund revenue surplus (to the extent funds are available); and/or
 - building a General Fund appropriation into the base budget of next budget developed by the Legislature

Medicaid Growth Reduction and Budget Stabilization Account

- **Restricts Use of Monies in the Account**
 - Monies may be used only:
 - for Medicaid; and
 - if estimated Medicaid growth is greater than 8%
- **Makes Account deposits first priority for General Fund revenue surplus**

Illustration

- Medicaid Growth Savings

FY13	\$ 100	FY12 Expenditures
	X 108%	Growth target rate
	<hr/>	
	\$ 108	Growth target
	\$ (105)	Expenditures
	\$ 3	Savings
FY14	\$ 105	FY13 Expenditures
	X 108%	Growth target rate
	<hr/>	
	\$ 113	Growth target
	\$ (95)	Expenditures
	\$ 18	Savings
FY15	\$ 95	FY14 Expenditures
	X 108%	Growth target rate
	<hr/>	
	\$ 103	Growth target
	\$ (104)	Expenditures
	\$ 0	Savings

Illustration

- Transfers to Medicaid Growth Reduction and Stabilization Account (MGRSA)

Example 1:

Assume: \$ 100 FY13 Growth savings

Assume: \$ 350 FY13 General Fund Revenue Surplus

Solution: One transfer to MRGSA

\$ (100) FY13 General Fund Revenue Surplus

\$ (100) Total transfer to MGRSA

Example 2:

Assume: \$ 100 FY13 Growth savings

Assume: \$ 60 FY13 General Fund Revenue Surplus

Solution: Two transfers to MRGSA:

\$ (60) FY13 General Fund Revenue Surplus

\$ (40) FY15 Base budget GF appropriation

\$ (100) Total transfer to MGRSA

Implementation Timeline

■ FY11

- DOH reports to Legislature (by June 1)
- DOH develops waiver (by June 30)
- DOH submits waiver (by July 1)

■ FY 12

- HHS Secretary reviews waiver. Approves waiver?

■ FY 13

- DOH implements waiver (if approved in FY 12)
- Medicaid growth savings, if any, transferred to restricted account

■ FY 14

- Restricted account funds may be used to fund Medicaid if estimated expenditure growth is greater than 8%