



# FEDERAL HEALTH CARE REFORM; CHANGES TO MEDICAID BENEFITS

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE  
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ISSUE BRIEF

## SUMMARY

Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) makes nine changes to Medicaid benefits with an estimated annual savings to the State of \$0.1 million General Fund beginning in FY 2012. Three of the nine provisions' fiscal impact cannot be quantified at this time. This brief is for informational purposes only and no Legislative action is required.

## DISCUSSION AND ANALYSIS

This brief provides a brief discussion of each of the nine changes to Medicaid benefits and quantifies, where possible, the fiscal impact to the State. The change as well as the impact by year is detailed in the table below:

### *\$0.1 Million in Annual General Fund Savings for the State*

General Fund (Cost)/Savings in Millions	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
No Federal Money for Elective Abortions	\$ 0.0	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Different Benefit Packages for pre vs. post 2014 Medicaid-eligible Clients?	N/A	N/A	N/A	N/A	???	???	???	???	???	???	???	???
Medicaid Quality Initiatives	N/A	N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stop Paying for Healthcare Acquired Conditions	\$ -	\$ -	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
Change in Definition of Medical Assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Comprehensive Tobacco Cessation Services for Pregnant Women	N/A	\$ -	\$ -	\$ -	???	???	???	???	???	???	???	???
Children's Hospice Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reduction in Disproportionate Share Hospital Payments	N/A	N/A	N/A	N/A	???	???	???	???	???	???	???	???
Temporary Federal Increase in Reimbursement for Primary Care Services	N/A	N/A	N/A	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total - Changes to Medicaid Benefits</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.1</b>									

Wherever "???" appears in the table above, it means that the impact to State expenditures is not known, but an impact is probable. The \$0.1 million annual General Fund savings starting in FY 2012 come from what can be quantified at this time. Three of the nine provisions could not be quantified at this time. As those estimates become available, this will change the estimated net impact to State expenditures.

### *No Federal Money for Elective Abortions*

In a March 24, 2010 federal executive order, President Obama restated that no federal money may be used for funding elective abortions, which is an abortion for anything besides rape, incest, or preserving the mother's life (see <http://www.whitehouse.gov/the-press-office/executive-order-patient-protection-and-affordable-care-acts-consistency-with-longst> for the full order). The Department feels it was already in compliance with this provision for services it directly purchased. The Department of Health implemented this direction for premium subsidy programs by stopping subsidies to individuals whose health plans cover elective abortions. By May 2010, this had resulted in a 29% reduction in enrollment affecting a total of 236 individuals of the 814 enrolled. Over 80% of those affected lost premium subsidy help because their health plans covered elective abortion while the remainder of those who lost coverage did so because they failed to provide documentation as to whether or not their health insurance plan covered elective abortions. The Department of Health estimates annual savings from this provision of \$6,100 General Fund.

### ***Different Benefit Packages for pre vs. post 2014 Medicaid-eligible Clients?***

For the individuals that are newly eligible for Medicaid starting in 2014 because of federal health care reform, the State is required to offer those individuals a package of benefits that is benchmarked to one of the following:

1. Public Employee's Health Plan for Utah State employees
2. Federal employees' health plan
3. SelectHealth (Largest commercial insurance plan in Utah)
4. Federal Health and Human Services Secretary-approved plan (currently Secretary Kathleen Sebelius)

Unless the State sought for and received approval to provide the estimated 53,000 newly eligible persons with the same benefits as currently eligible Medicaid enrollees, this provision will require the State to operate a new benefit package for the newly eligible individuals. The cost sharing restrictions for individuals with incomes below 100% of the Federal Poverty Level remain the same while there is more flexibility for cost sharing for those with incomes above 100% of the Federal Poverty Level. The selection of a benchmark will have significant financial implications. The Department of Health indicates that it plans to select a benchmark plan via collaborative efforts between the Executive and Legislative branches.

### ***Medicaid Quality Initiatives***

Federal health care reform requires the federal Secretary of Health and Human Services to establish a voluntary reporting system for quality measures for adults and pregnant women on Medicaid. Below is the proposed timeline:

1. January 2011 - proposed performance measures (see <http://www.federalregister.gov/articles/2010/12/30/2010-32978/medicaid-program-initial-core-set-of-health-quality-measures-for-medicaid-eligible-adults#p-3> for the notice in the Federal Register regarding this item)
2. January 2012 - final performance measures announced
3. January 2013 – States to begin reporting new performance measures

As stated in section 1139B of the federal health care reform legislation: “(federal HHS) Secretary...create procedures to encourage States to use such measures to voluntarily report information,” this reporting appears to be voluntary. The Department of Health does not estimate a General Fund cost at this time from this provision.

### ***Stop Paying for Healthcare Acquired Conditions***

Effective FY 2012, the federal government will no longer pay for healthcare acquired conditions in Medicaid (likely similar to Medicare but not limited to hospitals only). Medicare stopped paying for hospital healthcare acquired infections in October 2008 (see <http://www.cms.gov/HospitalAcqCond/downloads/HACFactsheet.pdf>). The Legislative Fiscal Analyst estimates annual savings of \$45,000 General Fund from this provision. The Department indicates that in most cases Utah hospitals do not bill Medicaid for healthcare acquired conditions.

### ***Change in Definition of Medical Assistance***

Federal health care reform expanded the definition of medical assistance from the payment of services to include the provision of services. This may or may not create additional legal obligations for Medicaid to ensure that various services are provided. Additionally, this may or may not change the outcome of some lawsuits brought against the State regarding Medicaid services. David McKnight, assistant attorney general, stated: “My

reading of the amended language does not appear to create any new legal obligation for Medicaid. Furthermore, I don't believe the language would change the outcome of any contested coverage adjudication.”

### ***Comprehensive Tobacco Cessation Services for Pregnant Women***

Effective October 2010, the State must cover comprehensive tobacco cessation services for pregnant women. The State currently meets this requirement; however, this increased cost is not included in the larger cost estimate from the agency for the newly eligible clients.

### ***Children's Hospice Care***

Effective March 2010, the State must continue to provide curative medical treatment to children who opt to receive hospice services. Prior to federal health care reform, a child could not receive hospice services and curative treatment at the same time. The Department of Health explains: “A child that was receiving hospice could only receive curative treatment if they opted out of hospice before receiving the curative treatment. Once they received the curative treatment they could then opt to reenroll into hospice services. The federal health care reform only changes the requirement to opt out of hospice service prior to receiving curative treatment.” Hospice services can be received in Medicaid by individuals who have received certification from their physicians that they are within the last 6 months of life. The Department of Health estimates no annual cost or savings from this provision because it is only a technical change.

### ***Reduction in Disproportionate Share Hospital Payments***

The Department of Health estimates that Utah will receive less Disproportionate Share Hospital Payments under federal health care reform. Disproportionate Share Hospital Payments are provided to hospitals for serving higher percentages of uninsured patients. The estimated changes in federal funding are not available as of the writing of this brief. In FY 2010 Utah received \$27,609,800 in Disproportionate Share Hospital Payments.

### ***Temporary Federal Increase in Reimbursement for Primary Care Services***

For 2013 and 2014 all primary care physician services will be paid at 100% of Medicare rates with federal funds. The increase above the current State reimbursement rates will be paid 100% with federal funds. The federal government has indicated that they intend to provide additional guidance in the future on how to calculate the increased portion. As of November 2010 Medicaid pays approximately 68% of Medicare rates for primary care physician services. In FY 2010, Medicaid spent \$98 million total funds on physician services. Because it is not known which primary care services will receive increased reimbursement, no estimate of increased federal funds has been provided. While this provision represents an increase in federal funds, it would only constitute savings to State to the extent that the State had plans to increase the reimbursement rate for primary care services.

### ***Additional Information About Federal Health Care Reform***

- [www.healthcare.gov](http://www.healthcare.gov)
- [www.ncsl.org](http://www.ncsl.org)
- [www.kff.org](http://www.kff.org)