

Block Grant-Like Waiver Block Grant and Compact Sub Group DRAFT

SUMMARY

Under this option, the State would request a waiver that would operate much like a block grant. The waiver would allow additional flexibility in providing coverage to newly eligible adults in exchange for the State taking some of the risk if the costs of providing that coverage exceed projections.

This option would provide coverage to adults not currently eligible for Medicaid. In order to qualify for the new federal match rate, coverage would be provided up to 138% of the federal poverty level (FPL). This option would not change coverage or income levels for individuals currently eligible for Medicaid.

This option would provide coverage through premium assistance, managed care, and health savings accounts. Individuals above 100% FPL would receive premium assistance while most individuals below 100% FPL would receive coverage through Medicaid Accountable Care Organizations (ACOs). Health savings accounts would be used to help individuals appreciate premiums and other cost sharing.

This option would require 1115 waiver authority from the Centers for Medicare and Medicaid Services (CMS). The State could amend its existing 1115 waiver or it could submit a separate 1115 waiver request for this option.

This option would not require changes to existing state and federal laws or regulations. Although a true block grant would require a change in federal regulations and direction from Congress, this option seeks to achieve a similar arrangement through an 1115 waiver.

OPPORTUNITIES

The strengths of this option are:

- Waiver would be based on per person costs for each eligibility group. Utah would not be at risk for increased enrollment or a change in the mix of enrollees.
- Waiver would contain a circuit breaker that would end the agreement if the federal match rate changed.
- Method of providing services would highlight the strengths of private health insurance and Utah's unique ACOs.
- If the waiver rates are lower than current Medicaid rates (or what Medicaid rates would have been without a waiver), then Utah will have budget savings (or reduced demands for budget increases).
- If Utah experiences costs lower than the waiver rates, the savings could be used to add individuals to the program or to provide services not currently covered by Medicaid (e.g., adult dental), preferably for items that are one-time in nature.
- Unlike a compact or true block grant, the waiver would not require Congressional action.

CHALLENGES

The weaknesses of this option are:

- Utah would be at risk if costs exceed projections within waiver.
- Waiver would require CMS approval. CMS may not approve desired flexibility.
- ACOs may not be a viable option in all counties in the near future.

SOURCE OF PAYMENT

In general, the cost of this option will be similar to the estimates that the Public Consulting Group (PCG) produced for Full Expansion, Benchmark Benefits (Scenario 3) in its *State of Utah Medicaid Expansion Assessment*. Additional analysis would be needed to determine the impact on costs for the use of premium assistance for individuals from 100-138% FPL and for the use of health savings accounts.

Using PCG's Scenario 3 numbers as a basis, it is estimated that this option would cost the State of Utah \$28.2 million per year starting in 2020. These figures do not include administrative costs or potential savings from reduced reliance on other public assistance programs and increased tax revenues generated from increased federal spending in the state. In addition, these figures do not include the increased costs to the State of Utah due to the mandatory Medicaid changes from the Accountable Care Act.

The state share of these costs should generally be borne by those who experience the greatest benefit from the expansion. In general, revenues should come from the following sources (listed in priority order):

- Reappropriate savings from programs that will now be covered by Medicaid (e.g., Primary Care Network)
- Appropriate increased revenues from enhanced economic activity to fund this option
- Assess hospitals since they will receive increased payments from the increase in the number of covered individuals
- If other options are insufficient, implement a general tax increase

It is estimated that this option would cost the federal government \$253.8 million per year starting in 2020.

WHO IS COVERED

This option would cover adults with dependent children above current eligibility levels up to 138% FPL. Adults without dependent children would also be covered up to 138% FPL.

Using the PCG estimates for Scenario 3, it is estimated that this option would cover approximately 98,000 individuals by 2017 and 111,000 individuals by 2020.

This option would not cover the following groups:

- Legal, documented immigrants who have been in the country less than five years.
- Undocumented immigrants.

Legal, documented individuals not covered by this option could obtain coverage by enrolling in the federal Health Insurance Marketplace. They would be eligible for tax credits and cost sharing protections. Undocumented immigrants would continue to receive care through community health clinics and other facilities that serve the uninsured.

SOURCE OF PAYMENT

It is estimated that this option would cost the state of Utah approximately \$116 million over the first ten years (from 2014 to 2022), or \$10.6 million annually. The federal government pays for 100% of the cost of the expansion in the first three years (2014-2016). In the fourth year the state would see a net savings. The first year that the state would experience a net cost is 2018. For the years after 2020, when the state share is maximized at 10%, the state would have a net cost of around \$25 to \$35 million annually. On average, it will cost the state around \$80-\$90 annually per new beneficiary over the first 10 years (\$10.6 million/123,000).

There are many options for paying the state share of these costs. The first two options fund the Full Expansion at no additional expense to the Utah taxpayer.

- The Master Settlement Agreement (MSA) or the Tobacco Settlement Payments
 - Redirect the \$14.5 M currently being directed annually into the General Fund (diverted in 2011 from the Permanent State Trust Fund to General Fund) into a restricted account to pay for the Medicaid expansion. Between the years 2014-2020, this accumulates \$87 M for full expansion costs.
 - As the CHIP Program ends in 2019, redirect the Tobacco Settlement Restricted Account for CHIP into the Medicaid Expansion restricted account. (\$10.5 M annually).
 - The permanent Sate Trust Fund, the trust fund portion of the MSA, currently has \$113 M accumulated since FY 2000.
- Hospital Provider Tax
 - A small increase in the hospital provider tax will cover the cost.
- Since the expansion will generate \$85.9 million dollars in state tax revenue, set aside some of that revenue to the state’s general fund to fund the expansion.
- Set aside a portion of current budgetary surplus to fund Medicaid expansion in later years
- Create Medicaid trust using state dollars saved during the first five years expansion to help pay for future years
- New taxes on insurance premiums and/or providers to capture monies currently spent on charity care and divert them to Medicaid coverage.

WHO IS COVERED

This option would cover childless adults and parents from 0% FPL to 138% FPL. Currently, childless adults who are NOT pregnant, disabled or elderly do not have access to Medicaid. Parents living in a household with an income less than 44% FPL have access to Medicaid. The average premium in Utah for an individual is around \$3,000; for a family of 4, with 2 parents covered, is around \$6,000.

Maximum Household Income			
Current Medicaid		Medicaid Expansion	
Individual Adult	Parents in Family of Four	Individual Adult	Parents in Family of Four
NO COVERAGE	\$10,362 (44% FPL)	\$15,856 (138%FPL)	\$32,499 (138% FPL)

Full Expansion results in more equitable access to health care for all Utah residents. This option would cover nearly 100,000 individuals by 2017. This option would not cover undocumented immigrants and immigrants without permanent residency status.

Groups who are not covered by this option would obtain coverage by purchasing coverage on the individual market, pay for their care out-of-pocket, or utilize Utah’s existing charity care system and Community Health Centers.



Partial Expansion Partial Expansion Sub Group DRAFT

SUMMARY

This option would provide coverage to adults not currently eligible for Medicaid who meet residency and citizenship requirements.

Coverage would be provided up to 100% of the federal poverty level (FPL). Premium subsidies would be provided through the exchange for those who are employed and would include higher cost sharing than traditional Medicaid. Special needs populations would be served under traditional Medicaid. Individuals with income over 100% FPL would not be covered by Medicaid but would have access to coverage through health insurance exchanges.

Individuals under 100% FPL who didn't have access to employer-sponsored health insurance would be provided coverage through managed care in those areas of the state where enrollment in a health plan is mandated and through the Medicaid Prepaid Mental Health Program.

These newly eligible adults would receive a benefit that is actuarially equivalent to the benchmark plan (PEHP basic plus plan with sufficient mental health benefits included to comply with federal mental health parity requirements) and an added focus on lower cost sub-acute care model.

Utah will request the new Federal Medical Assistance Percentage (FMAP) for this partial expansion for three years. The new FMAP starts at 100% match and then ratchets down to 90% match. Receiving the new FMAP would require approval under 1115 waiver authority from the Centers for Medicare and Medicaid Services (CMS). It should be noted that prior to enactment of the Affordable Care Act, Utah could have expanded coverage at the current FMAP rate (approx. 70/30) and CMS has indicated they would likely not approve the new FMAP for a partial expansion.

This option would require updating the current state statute, rules and State Plan that govern the Medicaid program. In addition the state would have to submit an 1115 waiver request for new FMAP for a Medicaid expansion that extends to 100% FPL rather than 138% FPL, as included in the Affordable Care Act.

OPPORTUNITIES

The strengths of this option are:

- Takes expansion only to level where federal tax credits on the exchange come into play.
- Reduces risk of currently insured in private market converting to public coverage (crowdout).
- If CMS grants the new FMAP, covering fewer people through Medicaid reduces the risk of overextending Medicaid budget.
- Expands Medicaid on Utah terms and footprint but does not overexpose the state financially.
- Brings federal dollars to Utah to reduce uncompensated care and cost shift to employers.
- Provides access points to primary care and chronic disease management giving alternatives to 911-calls and uncompensated emergency room use and hospitalizations.
- Many under 100% FPL are less healthy than the average population. Partial expansion shifts these higher health risk individuals to a federal program thereby reducing the cost shift to the employer market.
- Mitigates losses to hospitals and providers from reductions in federal funding designed to cover the uninsured (DSH, substance abuse, etc.).

CHALLENGES

The weaknesses of this option are:

- Have to seek CMS approval for full 100% FMAP which may be a difficult political process. Without 100% FMAP, partial expansion is more expensive than full expansion according to the PCG report and not recommended by the subgroup.
- Leaves 48,897 Utahns uninsured by Medicaid and leaves federal funds on the table.
- Some people may remain uninsured as premiums may be unaffordable to those at 101% - 138% FPL even with tax credits, perpetuating poor health, increased mortality and uncontrolled health care costs due to cost shifting from uninsured to insured patients.

SOURCE OF PAYMENT

Costs presented here are Department of Health estimates based on the Public Consulting Group's *State of Utah Medicaid Expansion Assessment*. The estimates did not include adjustments to costs for the use of premium assistance for employer-sponsored health insurance or traditional Medicaid for those with special needs.

If CMS were to approve new FMAP for a partial expansion, it is estimated that this option would cost the state of Utah approximately \$13.7million per year starting in 2020. If CMS only approves current FMAP for a partial expansion, the cost to the state of Utah would be approximately \$36.7 million starting in 2020. These figures do not include potential savings from reduced reliance on other public assistance programs or from increased tax revenues generated from increased federal spending in the state.

Options for paying the state share of these costs include:

- County funds currently used to provide services for adults not eligible for Medicaid could be used to provide the state match for the behavioral health services components of the benchmark health plan.
- State funds currently used for providing medical services to adults not eligible for Medicaid could be used for the state match for a portion of the remainder of the benchmark health plan benefits.

If CMS were to approve new FMAP for a partial expansion, it is estimated that this option would cost the federal government approximately \$123.2 million per year starting in 2020. If CMS only approves current FMAP for a partial expansion, the cost to the federal government would be approximately \$100.1 million starting in 2020.

WHO IS COVERED

This option would expand coverage to all Adults currently not eligible for Medicaid and who meet residency and citizenship requirements.

This option would cover 46,112 individuals by 2017. This would leave 48,897 individuals without coverage under Medicaid.

This option would not cover the following group:

- Adults with incomes 101% - 138% FPL. Those individuals are eligible for coverage through the health insurance exchanges.

The group not covered by this option would obtain coverage by using tax credits to purchase health insurance through the exchanges. Individuals with incomes 101% - 138% FPL that did not purchase coverage would receive services through a variety of community resources. In other words, nonprofit charity care providers would continue to provide care to the uninsured. EMTALA requirements would remain in place and uncompensated life-saving care would be provided by hospitals.

Premium Subsidy/Partial Medicaid Expansion Model Full Expansion Sub Group DRAFT

SUMMARY

This option would provide Medicaid coverage to adults living in poverty who are currently not eligible for Medicaid and provide premium subsidy support using Medicaid funds to adults with incomes between 101% and 138% of the federal poverty level (FPL). This proposal will ensure that all citizens in Utah have access to affordable coverage, allow the state to qualify for the enhanced 90/10 federal Medicaid match rate by providing Medicaid funded coverage to all adults with incomes below 138%.

The Premium Subsidy/Partial Medicaid Expansion option attempts to bridge two competing Utah values: cost-effectiveness to the taxpayer and private market solutions. On one hand, Utah's Medicaid Accountable Care Organizations and traditional Medicaid program provide the most cost-effective care to enrollees and to the taxpayer. On the other, there is a strong philosophical belief among many in our state that private employer sponsored and individual market coverage is a better vehicle to pay for care for Utahns who cannot afford it. By providing adults in poverty coverage through our traditional Medicaid program with a new adult benchmark benefit package, we ensure the poorest and most vulnerable receive coverage through our proven cost-effective and high quality program. For adults above poverty, we provide premium subsidies that strengthens our employer sponsored and individual health insurance markets. The majority of new enrollees will be receiving coverage through the private market.

This option would require 1115 waiver authority from the Centers for Medicare and Medicaid Services (CMS), allowing the state to limit adults between 101% to 138% of FPL to a premium subsidy program

OPPORTUNITIES

The strengths of this option are:

- Utah would be more likely to qualify for the full 90/10 federal match rate than under a partial expansion proposal.
- Increased competition in the private market.
- Helps preserve employer sponsored coverage by allowing adults above poverty to use a Medicaid funded subsidy to purchase their employer sponsored plan.
- Limits churning between health coverage programs by allowing adults whose incomes fall below 138% retain their private health coverage using a subsidy.
- Pays providers commercial rates for enrollees with incomes above 100% FPL (Majority of new enrollees).
- Reduction in cost-shift to private coverage to provide care to uninsured.
- \$2.9 billion statewide in economic impact, creating over 4,160 jobs (PCG Report - Medicaid Expansion Traditional Benefit Package).
- Greater cost-sharing for enrollees, particularly enrollees with incomes above 100% FPL.

CHALLENGES

The weaknesses of this option are:

- Administratively more complex than a full Medicaid expansion.
- Requires an 1115 waiver from the federal government.
- Likely more expensive to taxpayers than a traditional Medicaid expansion.

SOURCE OF PAYMENT

No formal study has been done to evaluate the cost of this option. The Premium Subsidy/Partial Medicaid Expansion Model recognizes that the adult Medicaid benchmark package is less expensive than traditional Medicaid, but that the premium subsidies to purchase qualified health plans are more expensive than a full expansion of Medicaid. Therefore, the PCG Report’s, Full Expansion, Full Benefits scenario likely gives the closest estimate of costs and savings. This scenario would save the state of Utah approximately \$5.2 million in 2017. However, beginning in 2018 this scenario would cost the state approximately, \$570,000 and costs would gradually increase to \$34.7 million in 2023 as the federal match rate is reduced to 90/10.

PCG Report-Scenario 2	
2017	\$(5,179,236.93)
2018	\$569,560
2022	\$30,862,922
2023	\$34,686,320

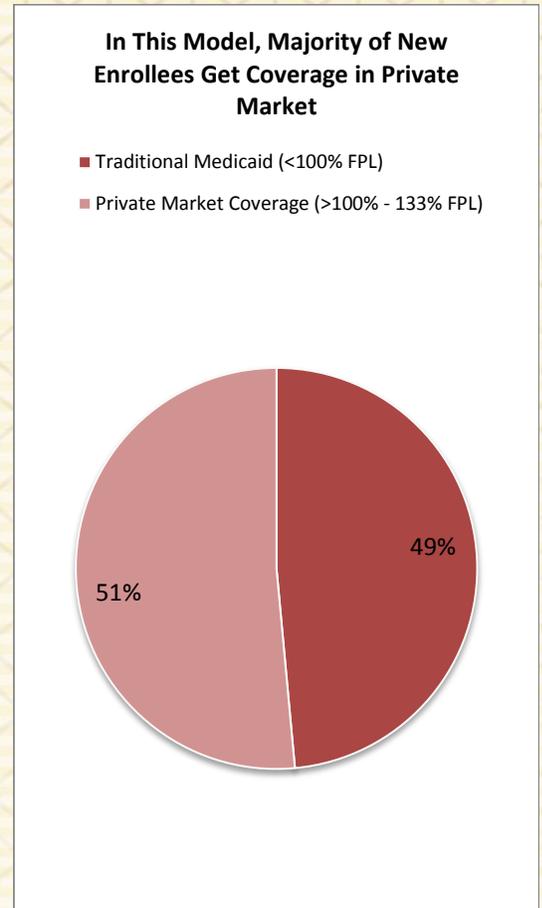
Options for paying the state share of these costs include:

- Provider assessments (Hospital, Accountable Care Organizations, Physicians, Dentists, Pharmacy) ~\$150 million
- Appropriate former funding going from HIP Utah to Medicaid~\$8 million.
- Additional tax revenue to the state’s general fund due to expansion~\$8.5 million.
- Use CHIP funding by ending program~\$1 million GF, \$10.5 million tobacco settlement funds.

It is estimated that this option would cost the federal government approximately \$315 million per year in 2023.

WHO IS COVERED

This option would cover childless adults and adults with children with incomes below 138% FPL. The PCG Report estimates that 49% of those adults would be in the traditional Medicaid program and 51% would be in the private market.



Maximum Household Income			
Traditional Medicaid		Private Market Subsidy	
Individual	Family of Four	Individual	Family of Four
\$11,490 (100%FPL)	\$23,550 (100% FPL)	\$15,856 (138%FPL)	\$32,499 (138% FPL)

This option would cover 123,000 individuals by 2017 and ensure that all citizens and legal permanent residents have access to affordable health coverage. This option would not cover uninsured immigrants without permanent residency status.



Utah Premium Partnership Option

Block Grant/Compact Workgroup

SUMMARY

This option would expand Utah's Premium Partnership program by providing people with premium subsidies to purchase coverage in the private market in-lieu of the Affordable Care Act's Medicaid expansion.

Utahns have long been suspect of the wisdom of providing health coverage through Medicaid. As a result, many policy leaders in our state have looked for ways to use the private insurance market to help low-income families in need. The Utah Premium Partnership (UPP) is an example of such an approach.

Currently, UPP makes employer sponsored health insurance more affordable for low-income working individuals and families by providing a premium subsidy to help cover the employee's share of health costs. This proposal builds on this successful approach by expanding UPP to adults and families who do not have an offer of employer sponsored coverage. This option would provide these families with a subsidy to purchase coverage on the individual market and set up a health savings account to help educate these families on how to spend their health care dollars more wisely.

Providing premium subsidies strengthens our employer sponsored and individual health insurance markets by expanding their risk pools with relatively healthy low-income adults. This will help reduced premium cost for everyone purchasing coverage in these markets.

This option would require 1115 waiver authority from the Centers for Medicare and Medicaid Services (CMS), allowing the state to use Medicaid funds to help pay for a premium subsidy program.

OPPORTUNITIES

The strengths of this option are:

- Grows enrollment private market health coverage instead of state Medicaid rolls.
- One family, one card—allows families to enroll in same health plan.
- 123,000 Utahns receive health coverage and the improved health and financial security that health coverage provides (PCG report).
- Helps preserve employer sponsored coverage by allowing adults above poverty to use a Medicaid funded subsidy to purchase their employer sponsored plan.
- Limits churning between health coverage programs by allowing adults to keep their private insurance coverage regardless of their income.
- Reduction in cost-shift to private coverage to provide care to uninsured or to compensate for low reimbursement by Medicaid.
- State public assistance public programs would save \$110 million (PCG report).
- County public assistance programs would save \$2 million (PCG report).
- \$2.3 billion statewide in economic impact, creating over 3,000 jobs (PCG report benchmark expansion).

CHALLENGES

The weaknesses of this option are:

- Administratively more complex than a traditional Medicaid expansion.
- Requires a 1115 waiver from the federal government.
- Likely more expensive to taxpayers than a traditional Medicaid expansion.

SOURCE OF PAYMENT

No formal study has been done to evaluate the cost of this option. Recognizing that the premium subsidies to purchase qualified health plans are more expensive than a full expansion of Medicaid, the PCG Report's, Full Expansion, Full Benefits scenario likely gives the closest estimate of costs and savings. This scenario would save the State of Utah approximately \$5.2 million in 2017. However, beginning in 2018 this scenario would cost the state approximately, \$570,000 and costs would gradually increase to \$34.7 million in 2023 as the federal match rate is reduced to 90/10.

PCG Report-Scenario 2	
2017	\$(5,179,236)
2018	\$569,560
2022	\$30,862,922
2023	\$34,686,320



Options for paying the state share of these costs include:

- Provider assessments (Hospital, Accountable Care Organizations, Physicians, Dentists, Pharmacy) ~\$150 million
- Appropriate former funding going HIP Utah to Medicaid~\$8 million.
- Additional tax revenue to the state's general fund due to expansion~\$8.5 million.
- Use CHIP funding by ending program~\$1 million GF, \$10.5 million tobacco settlement funds.

It is estimated that this option would cost the federal government approximately \$315 million per year in 2023.

WHO IS COVERED

This option would enroll adults with household incomes below 138% FPL in private health coverage. It would give families between 100% and 138% of FPL the option to enroll their children in private coverage.

Maximum Household Income	
Private Market Subsidy	
Individual	Family of Four
\$15,856 (138%FPL)	\$32,499 (138% FPL)

This option would cover 123,000 individuals by 2017 and ensure that all citizens and legal permanent residents have access to affordable health coverage. This option would not cover uninsured immigrants without permanent residency status.

