

## Strengthening Utah's Healthcare Safety Net Charity Care and Self-Reliance Sub Group

# DRAFT

### SUMMARY

Charity care is defined as medical care provided to uninsured patients without expectation of remuneration for services.

Utah currently has a wide and diverse, but inadequate safety net to provide healthcare for the uninsured. The safety net lacks coordination and is somewhat fragmented. Many medical and dental professionals serve in state clinics, federally qualified community health centers, independent charity care clinics, private practices, and hospitals. State, county, and local government agencies offer an array of services including screenings, wellness education, dental care, and mental health programs. Much positive work is already in place, but those efforts need to be expanded.

The Charity Care Sub Group has dual accountability:

- Medicaid Options Community Work Group (Executive)
- Health Reform Task Force (Legislative)

H.B. 160 outlines specific direction related to charity care:

- Identify underserved populations within the state.
- Identify barriers to the promotion of charity care in the current healthcare delivery and payment models.
- Identify resources currently available for medically under-served populations and geographic areas.
- Develop proposals to establish wellness education and personal responsibility for healthcare.

- Develop a proposal for a coordinated, statewide private sector approach to universal, basic healthcare for Utah's medically underserved populations and geographic areas. Sutherland Institute and others will provide analysis on this proposal.

### OPPORTUNITIES

- Create a system or network of coordinated care. The network should include health education and prevention, dental care, primary and specialty medical care, inpatient care, mental health and substance abuse treatment, prescription drugs, x-ray, laboratory, and other diagnostic services.
- Care delivered through a charity care system should be outcome-oriented and include comprehensive qualitative and quantitative measures.
- Establish a small administrative staff to organize and maintain network and to communicate with providers, the public, and all interested parties.
- Utilize a standardized electronic medical records storage and retrieval system.
- Incorporate elements of a Patient-Centered Medical Home.

## CHALLENGES

- A standard system for medical record storage and collection has not been embraced statewide.
- Although many health services are available, most charity care is primary care and many people do not know how to access care through existing channels.
- Likewise, many primary care physicians are not aware of options and do not know how to direct or advise patients.
- Current safety net providers potentially face patient capacity issues.
- Some uninsured people do not have a primary care provider; rather they tend to migrate to where treatment is available.
- Some uninsured people with chronic health conditions may put off treatment as long as possible, and utilize hospital emergency rooms when the condition becomes acute.
- Providers who provide charity care on a sliding fee basis need statutory relief from malpractice litigation.

## SOURCE OF PAYMENT

- Temporary increase in sales tax to fund capital costs.
- State tax incentives to encourage taxpayer contributions and providers to volunteer.
- Fundraising to generate donations from private parties.

## WHO IS COVERED

To compete favorably with government-driven healthcare, and as an alternative to Medicaid expansion an effective charity care system would cover all low-income and many uninsured people, as well as any temporary Medicaid recipients.



# Full Family Program Tax Recovery/1332 Waiver Sub Group DRAFT

## SUMMARY

This waiver will create a distinctively Utah approach to providing medical assistance for low income individuals and families. Features include:

- Eligibility is determined at the family level.
- The level of benefits available to a family is based on family income, either tiered or on a sliding scale.
- Families with access to group coverage through an employer would enroll there. The benefit would consist primarily of a sliding scale subsidy, but could also include some wrap-around coverage.
- Families who do not have access to group coverage would be enrolled as a unit in a family policy.
  - a. As a general rule, families would receive subsidies to support enrollment in private insurance of their choice.
  - b. Those in the lowest income ranges could have an option to enroll in a state-contracted managed care program.
  - c. In some cases, wrap around benefits could also be provided.

## OPPORTUNITIES

- Treats families as a unit with interrelated needs and resources.
- Relies as much as possible on private insurance.
- Takes advantage of existing private sector resources.
- Does not have disincentives related to employment and income (and preferably includes incentives for families to seek better jobs and earn higher incomes).
- Provides for more patient engagement.
- The program would launch in 2017 (or sooner with HHS approval) allowing time for quality.

### CHALLENGES

- Definition of family (Do we base it on tax-filing units or Medicaid cases?)
- Delayed implementation
- Developing an interim solution
- Uncertainty about the shifting political and financial landscape
- Limitations in the current federal statute on what we can/can't do
- Avoiding incentives for employers to drop coverage
- Will families by and large be in plans that provide commercial reimbursement? If so, how do we achieve cost neutrality?
- This will take time to develop and implement. What should we do in the interim?

### WHO IS COVERED

Eligibility would be for most families and individuals up to 100% FPL, or 138% if they have children.

### SOURCE OF PAYMENT

Under the ACA, the federal government will pay at a minimum of 90% funding.



# 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. 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).

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 is looking at achieving 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 changes 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 strengths of private health insurance and Utah's unique ACOs.
- If the waiver produced savings, the savings could be used to add individuals or to provide services not currently covered by Medicaid (e.g., adult dental).
- 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 parts of the state right now.

# Utah Premium Partnership Option Block Grant/Compact Workgroup DRAFT

## 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 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. 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.



# 100% Federal Poverty Level - All Eligibles 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 have access to coverage through health insurance exchanges.

This option would provide 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 100% FMAP for this partial expansion for three years which 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 approved the 100% 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 100% FMAP for a Medicaid expansion that extends to 100% of the FPL rather than 138%, as included in the Affordable Care Act.

## OPPORTUNITIES

The strengths of this option are:

- Takes expansion only to level where federal subsidies come into play.
- Reduces risk of currently insured in private market converting to public coverage (crowdout).
- Reduces risk of overextending Medicaid budget.
- Shows willingness to expand but on Utah terms and footprint.
- 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.
- Those under 100% of poverty are disproportionately sicker than the average population. Partial expansion shifts these higher health risk individuals to a federal program thereby not overburdening hospital and charitable uncompensated care.
- Compensates hospitals and providers for reductions in federal programs designed to cover the uninsured (DSH, substance abuse, etc.).

## CHALLENGES

The weaknesses of this option are:

- Have to seek CMS approval for 100% FMAP which may be a long, difficult process. Without 100% FMAP, partial expansion is the most expensive option according to the PCG report.
- Leaves federal funds on the table.
- Fewer people will be insured as premiums are most likely to be unaffordable to those at 101% - 138% FPL even with subsidies, perpetuating poor health, increased mortality and uncontrolled health care costs due to cost shifting from uninsured to insured patients.

### SOURCE OF PAYMENT

It is estimated that this option would cost the state of Utah \$X.X million per year starting in X.

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.

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

### 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 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 subsidies 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.



# Full Medicaid Expansion with Benchmark Benefits

## Full Expansion Sub Group

# DRAFT

### SUMMARY

The full Medicaid expansion with benchmark benefits would provide basic coverage to more than 123,000 Utah adults not currently eligible for Medicaid. This proposal will ensure that many more Utahns have access to affordable coverage, and allows the state to qualify for the enhanced 90/10 federal Medicaid match rate.

Coverage would be provided to individuals earning up to 138% of the federal poverty level (FPL). This expansion option will close the coverage gap resulting from the June 2012 Supreme Court decision that delegated the Medicaid expansion decision to the states. Without the Medicaid expansion this population would not have any options for affordable coverage.

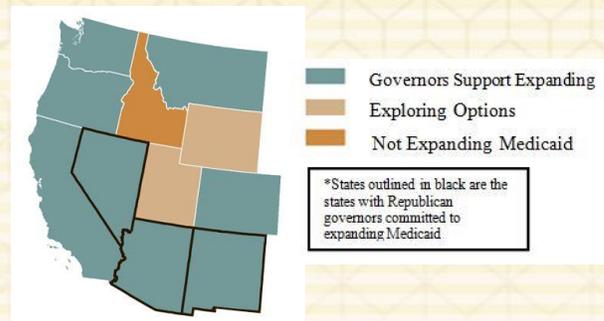
The full expansion option is allowed by current federal law, and would not require special authority from the Centers for Medicare and Medicaid Services (CMS). However, it would require state legislative approval.

- Leverages \$2.3 billion in federal funding to expand an operational and efficient Medicaid program
- Keeps families on the same health plan
- Reduces medical debt and threat of bankruptcies
- Enhances continuity of care and access to patient-centered health homes
- More children receive coverage when their parents have access to health coverage
- More healthy and productive workforce
- Retains low-income workers in Utah; making them less likely to move to neighboring states where they would be eligible for Medicaid
- Protects large employers from paying shared responsibility penalties when employees get tax credits on the insurance marketplace
- Keeps premiums relatively lower than states that do not expand Medicaid
- Better access to both physical, mental health and substance use disorders services
- Maintains Utah's competitive health care cost/access advantage in the West

### OPPORTUNITIES

The strengths of this option are:

- Generates \$2.3 billion statewide economic impact, creating more than 3,000 new jobs
- Most cost-effective proposal to the tax payer to extend health coverage to uninsured adults and parents in poverty
- State and county public assistance programs save around \$112 million
- Generates around \$150 million in tax revenues
- Reduction in cost-shift to private coverage (higher premiums) to provide care to uninsured
- Creates \$814 million in uncompensated care savings for Utah hospitals and community health centers
- Easier to implement; does not require Medicaid waivers, negotiation, changes in federal law, or the risk of lawsuits



### CHALLENGES

The weaknesses of this option are:

- Additional long-term costs to the state
- Potential strain on health care workforce
- May incentivize employers against providing coverage to employees
- Crowd-out; people who currently have private insurance could go to Medicaid



**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).

Options for paying the state share of these costs include:

- 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
- End CHIP program in 2019 and add \$1 million to state general fund, \$10.5 million tobacco settlement funds
- Adjust the allocation from the Master Tobacco Settlement
- Create Medicaid trust fund 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.

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

Full Expansion results in more equitable access to health care for all Utah residents. Maximizing the intended incentives of the enhanced federal match rates, this option would cover nearly 100,000 individuals by 2017 and ensure that all citizens and legal permanent residents have access to affordable health coverage.

This option would not cover the following group:

- 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 Medicaid Expansion/Premium Subsidy Hybrid 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 Partial Medicaid Expansion/Premium Subsidy Hybrid 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 premiums 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 Medicaid/Premium Subsidy Hybrid 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.

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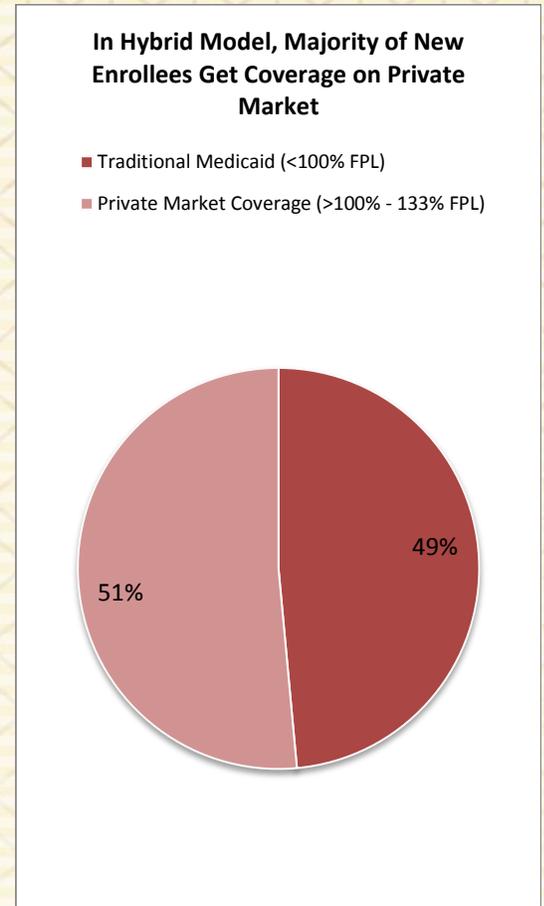
Options for paying the state share of these costs include:

- 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.

