

Healthcare Reform Briefing
for: Senate Finance Committee
February 6, 2013

Healthcare and Medicaid Reform

The Cost of Health Care

How much are we spending?

■ = \$1 Billion

\$2.5 Trillion
spent in the U.S. on health care in 2009

Source: Institute of Medicine: *The Healthcare Imperative: lowering costs and improving outcomes*

The Cost of Health Care

How much is waste?

■ = \$1 Billion



Source: Institute of Medicine: *The Healthcare Imperative: lowering costs and improving outcomes*

The Cost of Health Care

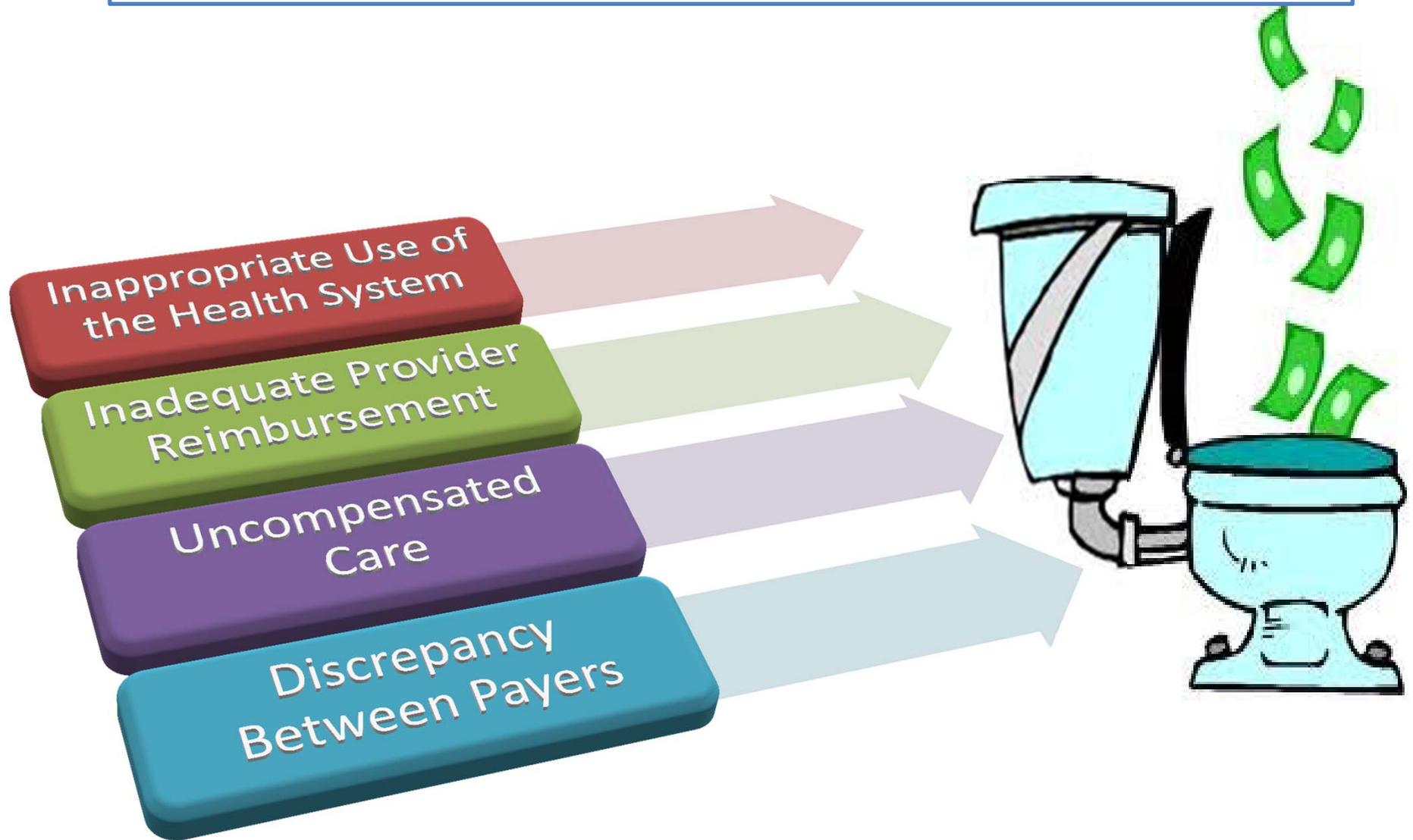
How much is waste?

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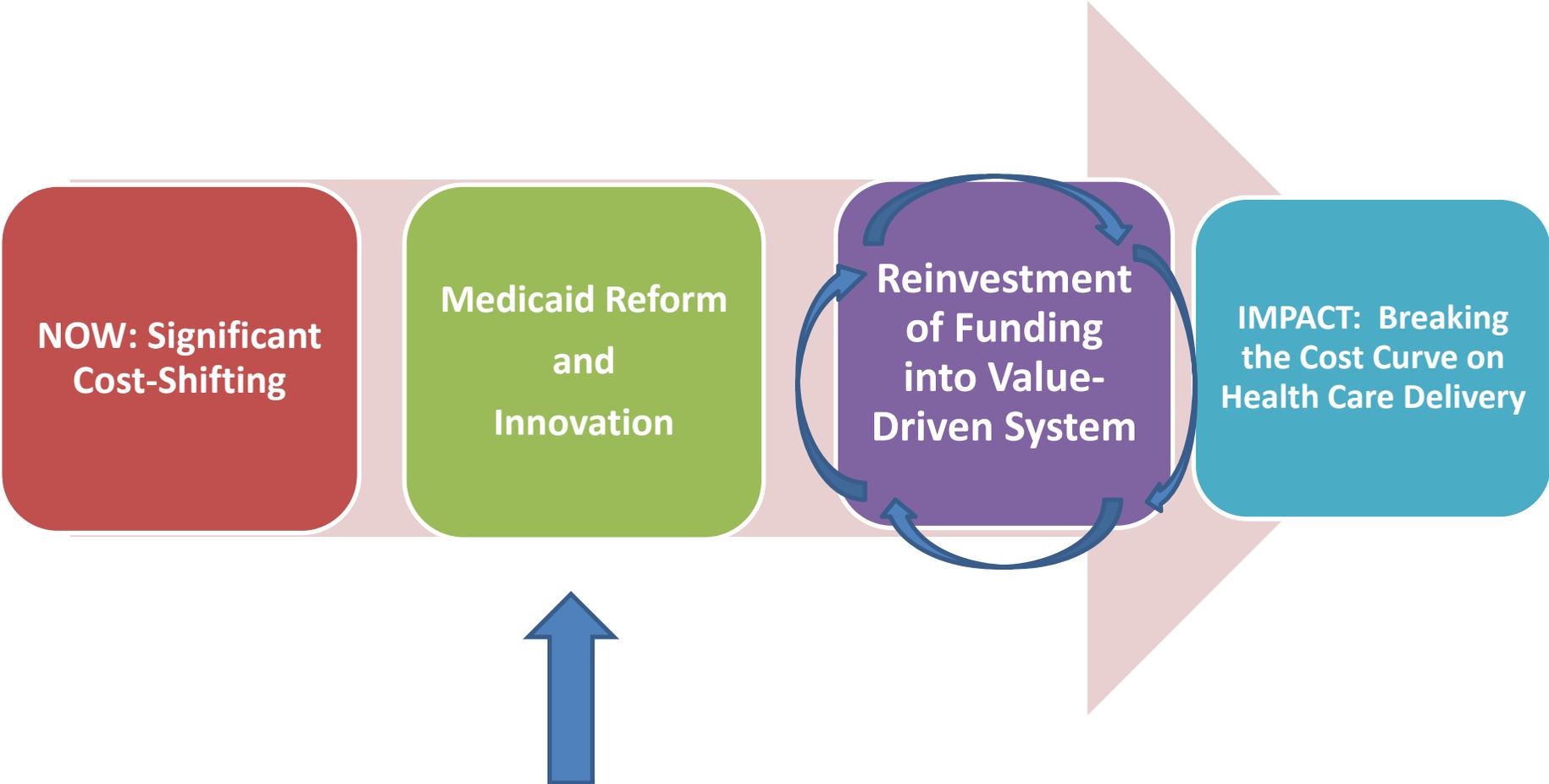


Source: Institute of Medicine: *The Healthcare Imperative: lowering costs and improving outcomes*

Waste Driven by Significant Cost Shifting



Strategic Overview: Healthcare Reform



Recommended: Under the Direction of VHRI
and VCHI

Medicaid Reforms Underway

- Statewide Expansion of Managed Care
 - Completed in July 2012 and available for children, pregnant women, and Aged, Blind, and Disabled eligibility group.
- Expansion of PACE
- Foster Care Children in Managed Care
- Waiver Service Utilization Standards
- Enhanced Program Integrity Efforts
- Assessment Requirements for Community Behavioral Health Services
- Medicare-Medicaid Enrollee Financial Alignment Demonstration (Target launch date January 2014)
 - Finalizing Memorandum of Understanding with CMS;
 - Request for Applications to select health plans is at the OAG for review; and
 - Capitation rates and three-way contract between participating health plans, CMS, and DMAS executed in summer 2013.

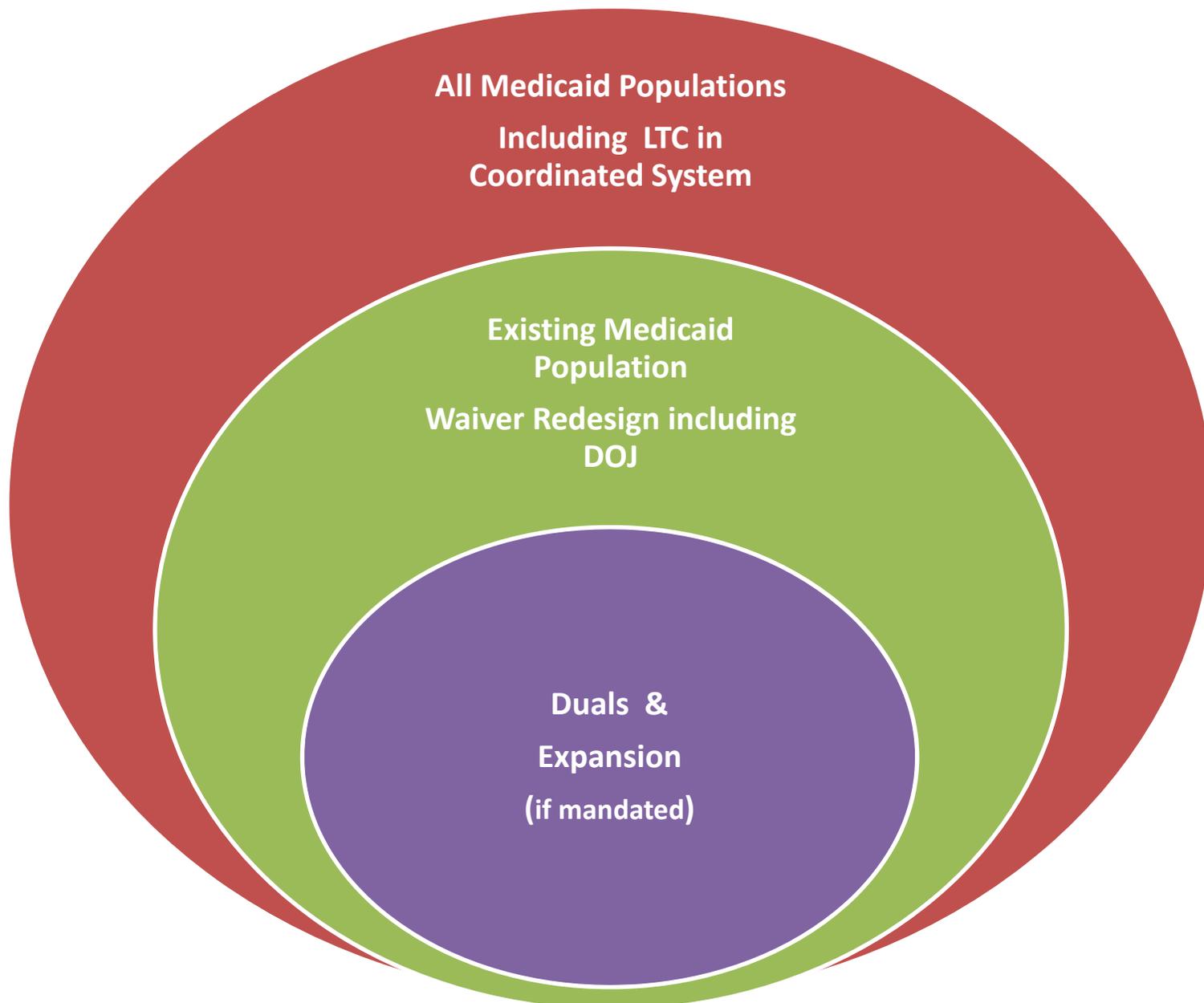
Medicaid Reform Opportunities

- **Administrative Simplification**
 - The ability to set agreed upon parameters between Virginia and CMS in order to give Virginia expedited flexibility to implement innovative pilots and demonstrations
 - Streamlining operating authority of the Virginia Medicaid program through §1115 waiver authority
 - Including all Medicaid populations (including individuals receiving long-term services and supports) into a managed, coordinated delivery system
 - CMS is very receptive to this reform effort.

Medicaid Reform Opportunities

- **Meaningful Market Based and Value Driven Reforms**
 - **Commercial-like Reform of the Virginia Medicaid Benefit Package**
 - **Delivery System Reforms**
 - Building on innovations and variations in regional delivery systems to test options beyond traditional health plans; and
 - Leveraging tight, high quality, provider networks.
 - **Payment and Reimbursement Reforms**
 - Bundling payments for select services and procedures;
 - Linking incentives to increased primary care utilization and quality metrics; and
 - Using the Commonwealth's broad purchasing power to align state contracts: state employee health plan, QHP with the exchange, Medicaid, FAMIS, etc.

Three Aspects of Medicaid Reform



Estimated Cost of Expansion in Virginia

Federal Match for Expansion Population

The big question...will it remain?

2014	2015	2016	2017	2018	2019	2020	2021	2022*
100%	100%	100%	95%	94%	93%	90%	90%	90%

* Per the PPACA, federal financial participation will continue at a 90% rate beyond 2022.

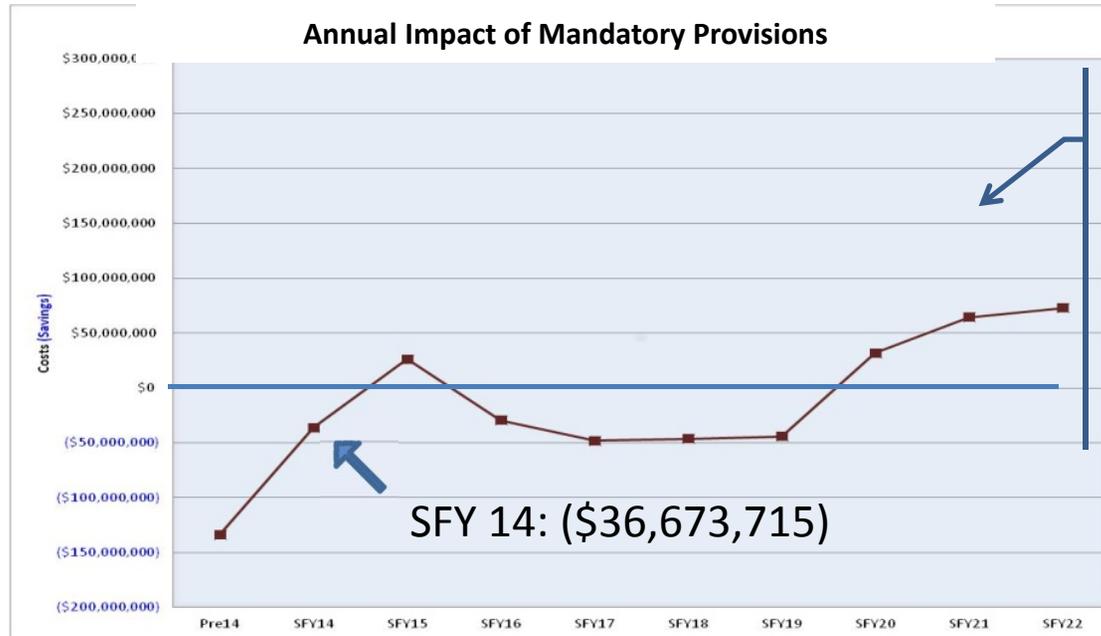
- Expansion must include individuals up to 133% (plus a 5% income disregard) of the Federal Poverty Level (FPL).
- Savings highlights:
 - Community Behavioral Health Services (shift from local and state funds to enhanced federal funds)
 - Inmate Inpatient Hospital Savings (shift from local and state funds to enhanced federal funds)
 - Indigent Care Savings (shift from state funds to enhanced federal funds)

Estimated Costs of the Affordable Care Act for Virginia: 2014-2022

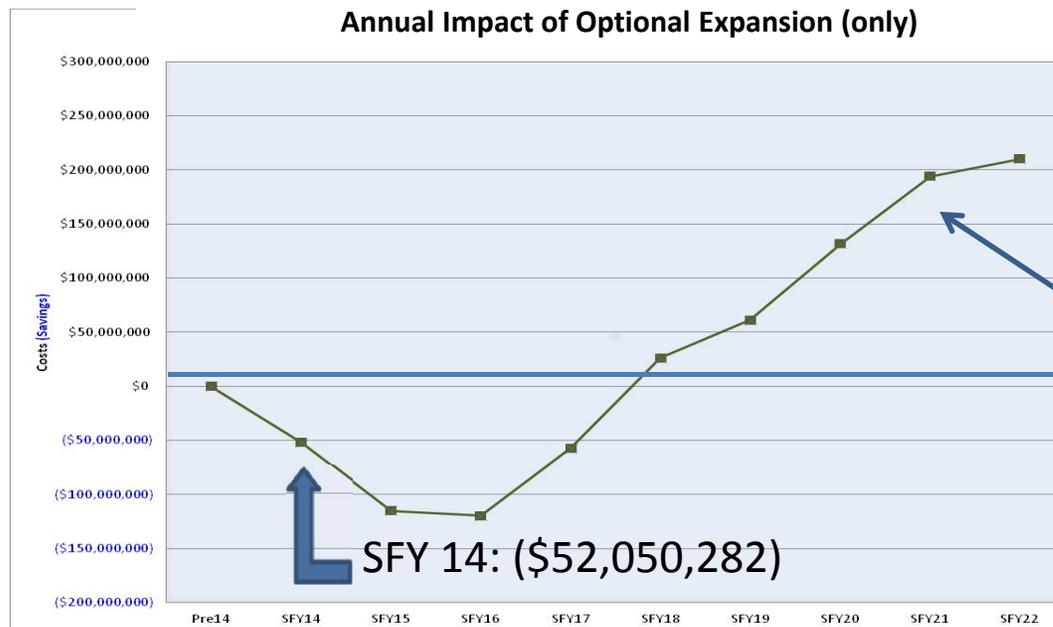
		2010 Estimate	2012 Estimate
Mandatory Provisions	Woodwork Costs	✓	✓
	Foster Care Alumni		✓
	ACA Insurance Tax		✓
	Changes in Medicaid Drug Rebate Program	✓	✓
	Increase in Title XXI FMAP	✓	✓
	Elimination of Public Coverage Programs (FAMIS MOMS, Family Planning 133%+)		✓
Optional Expansion	Medicaid Expansion Costs	✓	✓
	# people estimated to ever enroll as of Jan 2014	378,018	247,923
	Behavioral Health Savings		✓
	Inmate Inpatient Hospital Savings		✓
	Indigent Care Savings		✓
	Other Savings		✓
	Administrative Costs	✓	✓
	Estimated Costs at an assumed 69% take up rate	\$2,158,646,389	\$137,485,859

Estimated Costs of the Affordable Care Act for Virginia: 2014-2022

Mandatory Provisions	(\$142m)
Optional Expansion	\$280m



These costs and savings are already reflected in the Governor's Introduced Budget



These costs and savings are identified in the Fiscal Impact Statement for the ACA Expansion

Estimated Costs of the Affordable Care Act for Virginia: 2014-2022

		2012 Estimate	
Mandatory Provisions	Woodwork Costs	✓	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">(\$142m)</div> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <p style="text-align: center;">These costs and savings are already reflected in the Governor's Introduced Budget</p> </div> </div>
	Foster Care Alumni	✓	
	ACA Insurance Tax	✓	
	Changes in Medicaid Drug Rebate Program	✓	
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Optional Expansion	Medicaid Expansion Costs	✓	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">\$280m</div> <div style="border-left: 1px solid black; border-right: 1px solid black; padding: 0 10px;"> <p style="text-align: center;">These costs and savings are identified in the Fiscal Impact Statement for the ACA Expansion</p> </div> </div>
	# people estimated to ever enroll as of Jan 2014	247,923	
	Behavioral Health Savings	✓	
	Inmate Inpatient Hospital Savings	✓	
	Indigent Care Savings	✓	
	Other Savings	✓	
	Administrative Costs	✓	
Total Estimated Cost of Mandatory Provisions AND Optional Expansion		\$137,485,859	\$137m

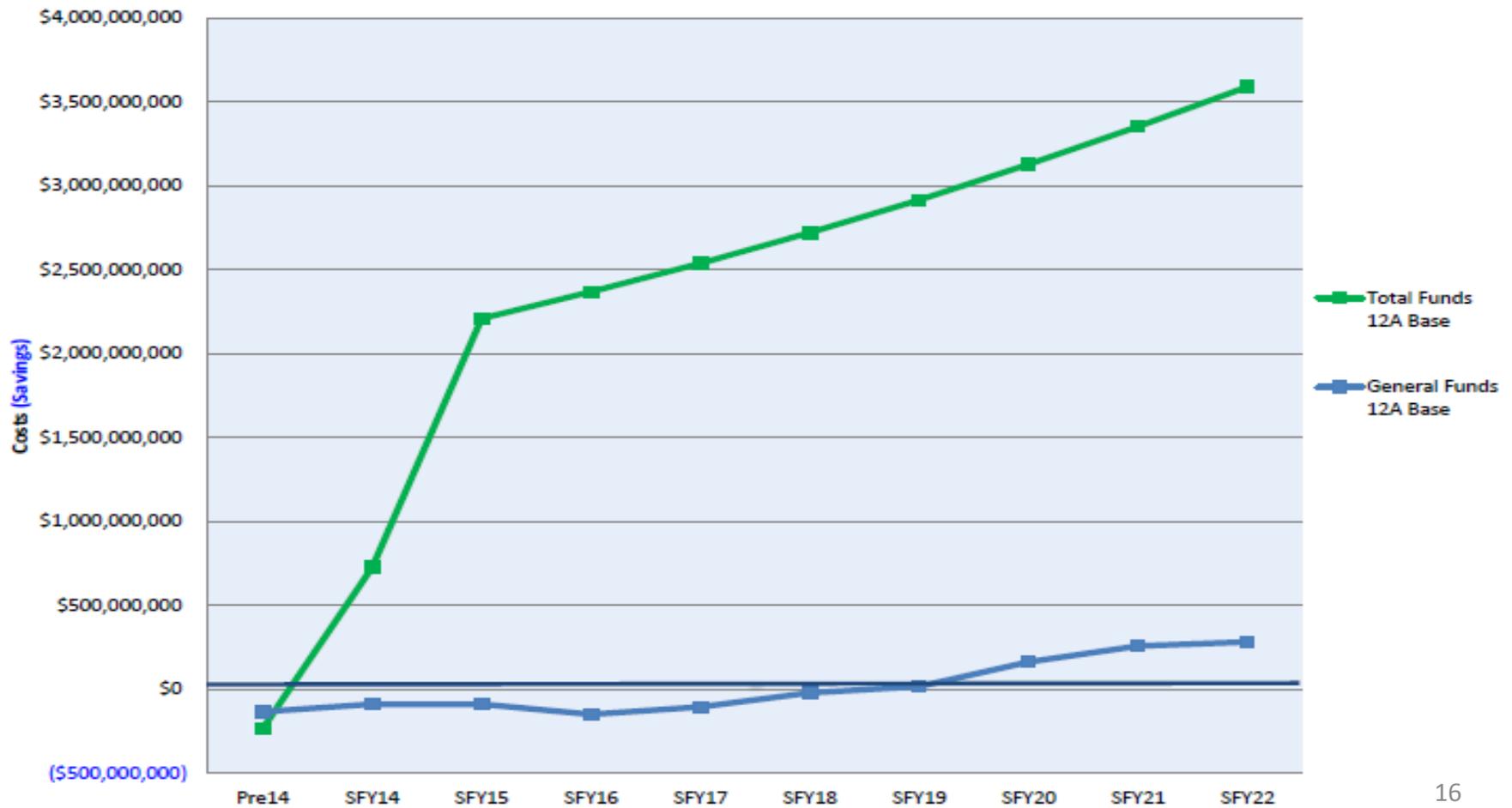
Annual Impact of Mandatory Provisions AND Optional Expansion

Estimated GF Costs and Savings of the Affordable Care Act for Virginia

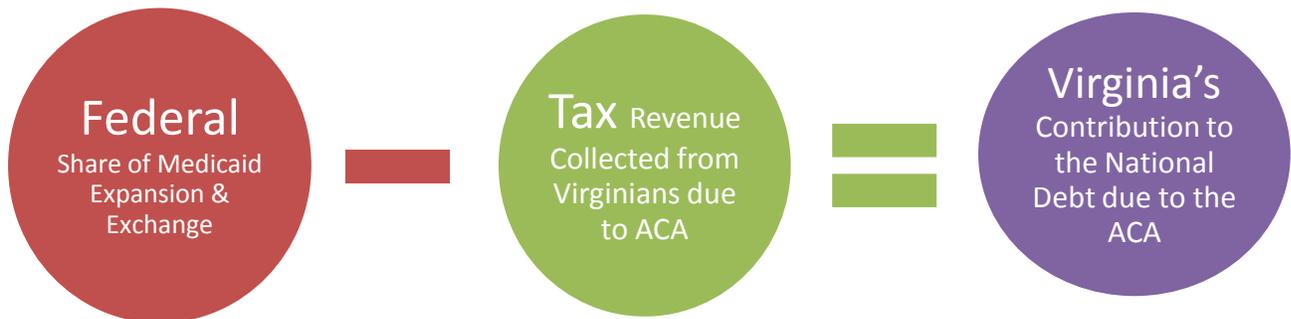


Estimated Impact Total vs General Funds

Estimated Fiscal Impact of the Affordable Care Act for Virginia
 12A Model: 69% Take-up Rate Assumed; Includes Behavioral Health Services in Benefit Package;
 No Rate Increase for Physicians or Hospitals



Virginia's Contribution to the National Debt



Federal Share of Medicaid Expansion and Exchange

Estimated Federal Share of Expansion (FY2014-2022)¹: \$23,193,136,595

+ Estimated Federal Share of the Exchange (FY2014-2022): \$6,633,687,249²

Total Estimated Federal Share of Expansion and Exchange: \$29,826,823,844

Tax Revenue Collected from Virginians due to ACA

Total Estimated Tax Increases (FY2014-2022)³: \$26,274,700,000

Virginia's Contribution to the National Debt due to the ACA

Estimated Federal Share of Expansion and Exchange: \$29,826,823,844

- Estimated Tax Increases \$26,274,700,000

Total Estimated Contribution to National Debt: \$ 3,552,123,844

¹ Federal Share of Medicaid Expansion by Year (FY2014-2022)- Assuming a 69% take up rate

² Federal Cost Sharing and Premium Contributions for Individual Coverage on the Health Benefits Exchange: The Urban Institute estimates that the federal share of premium and cost sharing subsidies in Virginia each year will average \$737,076,361² for a FY2014-2022 estimate of \$6,633,687,249.

³ Analysis from VHHA based on National data from the Congressional Budget Office on July 24, 2012

System Wide Innovation

Cost and Value Problems in the Healthcare Arena can't be Solved without Significant Innovation

- Innovation opportunities within PPACA are lost in the uncertainties associated with the law.
- Federal government has not awarded any innovation planning or implementation grants to states though they indicated awards would be made by December of 2012
- Virginia is already making progress in key innovation areas
- Virginia has created the Virginia Center for Health Innovation (501 (c)3) housed out of the Chamber of Commerce

Virginia Health Innovation Priorities

Each priority will have a dedicated workgroup assigned to explore pilot programs and to reach consensus on a recommended three-year implementation plan.

Workgroups will include members of the VHRI Advisory Board, the VCHI Board of Directors, as well as key thought leaders in each particular priority area.



Reinvestment of Medicaid Funding

Savings accrued during the first five years of the expansion should be protected and reinvested to improve the health delivery system.

- Reinvestment and Savings Strategies Include:
 - The flexibility to invest in high quality, cost saving health care innovation models
 - Improved analytical and oversight capability at DMAS
 - Requirement of timely and accurate encounter data from contracted Medicaid managed care plans
 - Creation of Data and Analytics Unit at DMAS
 - Preventative Services
 - Inclusion of preventative services such as (i) dental services for adults; (ii) tobacco cessation; (iii) yearly physicals
 - “Trust Fund” structure to protect savings and ensure reinvestment
 - Utilize Virginia Health Reform Initiative Advisory Council as oversight for reinvestment
 - Evaluation of preventative services in the fourth year

IMPACT FRAMEWORK

THE NATIONAL IMPERATIVE	
<i>Improve Outcomes</i>	<i>Reduce Costs</i>
Areas for Improvement*	Sources of excess costs in health care*
Access to Care	Unnecessary Services \$210 B
Care Coordination	Inefficiently Delivered Services \$130 B
Evidence-basis for Care	Excess Administrative Costs \$190 B
Health Disparities	Prices that are too high \$105 B
Patient Safety	Fraud \$73 B
	Missed Prevention Opportunities \$55 B

**Institute of Medicine (National Estimates)*



VIRGINIA TARGET IMPACTS	
<i>Target Areas for Improvement</i>	<i>Target Areas for Cost Reduction</i>
Improve: Consumer engagement Health behaviors Service utilization Medical adherence Health outcomes Health status Health care value Quality of life Personal productivity Workforce productivity Economic potential	Reduce: ED overuse Preventable hospital admissions Preventable hospital readmissions Medication errors Medication overuse Vaccine underuse Overuse/misuse of specific tests and treatments Growth in per capita health care costs Growth in public program costs Growth in employer health costs



INITIATIVES UNDER DISCUSSION
<p><i>To address the above, the Virginia Health Innovation Plan Advisory Group is currently discussing the following innovative projects (among many others)</i></p> <ul style="list-style-type: none"> Choosing Wisely® Campaign A New Lease on Life (co-location and integration of primary care and behavioral health) PACT: Intensive Treatment for Mental Illness and Substance Abuse Patient Centered Medical Home (PCMH) for complex patients Bundling Payments Reducing Hospital Readmissions Care Coordination and Patient Navigators Telemedicine for High-risk OB Advancing Team-Based Care Models