



# Affordable Care Act: Overview of Impacts on Medicaid

Iowa Vocational Rehabilitation Services

April 19, 2013

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## Introduction

- The Patient Protection and Affordable Care Act (ACA), also known as “Health Care Reform”, was signed into law on March 23, 2010.
- The law is complex and will require a significant amount of time and effort to plan and implement during the last 2 and coming year(s).
- There continues to be strong public policy debate on the law
  - Supreme Court Decision
  - Strong efforts to repeal or change the law in Congress.



## What does that mean for planning?

- The ACA is the law at this time -- we have the obligation to plan and be prepared for implementation.
- Many states have received Federal grants and/or enhanced federal funding and are working on implementation plans (including Iowa).
- Uncertainty makes planning more difficult. Plans have to be flexible.



## Affordable Care Act (ACA)

Key provisions take effect January 1, 2014

1. Creation of Health Benefits Exchange (HBE).
  - Exchange is a 'marketplace' to allow consumers to compare plan benefits and price, provide consumer assistance, facilitate plan enrollment.
  - Mandate for individuals to have insurance coverage; penalties for large employers who don't offer insurance
2. Option for Medicaid expansion to 133% of the Federal Poverty Level (FPL)
  - 2013 133% FPL:
    - Household of 1: \$15,282
    - Household of 4: \$31,322

Other provisions with various implementation dates

1. Mandatory Iowa Medicaid Enterprise (IME) operational changes to ensure ACA compliance
2. Optional opportunities to improve or re-balance health care programs



## Coverage Strategy in the ACA

Under ACA, Iowans will gain access to affordable coverage through Insurance Benefit Exchanges and improvements in state programs (Medicaid and CHIP):

**Employer-Based Coverage:** Large Group Employers

**Health Insurance Benefits Exchange (Marketplace):** Individuals and employees of Small Group Employers access to find out if eligible for help in paying premiums/copays, or other health programs such as Medicaid and CHIP; enroll promptly and easily into the appropriate program or private health plan.

**Tax Credits & Cost Sharing Assistance:** Assist individuals between 100% and 400% federal poverty level to purchase coverage offered through the Exchange

**Medicaid Expansion Option:** Includes adults and children with incomes up to 133% of federal poverty level



## Health Benefit Exchange (HBE) Marketplace Development

### **Health Benefits Exchange:**

- Marketplace for access to healthcare coverage
- Establishes a single access point to health coverage programs including Medicaid, CHIP and publicly-subsidized commercial insurance (qualified health plans, known as QHPs)
- Offers premium tax credits for eligible individuals to purchase health care coverage
- Offers a two-year tax credit that subsidized premium costs for eligible small employers that have lower-wage workers.
- Provides Consumer Assistance to compare plan benefits and price of QHPs, and facilitate enrollment into a QHP



## HBE Marketplace Basics

- ACA created the ability for state's to establish a State-based Exchange entity or select the Federally-facilitated Exchange (FFE).
- The primary functions of the Exchange include:
  - Eligibility and enrollment for Individuals into Insurance Affordability Programs, including Medicaid and CHIP
  - Eligibility and enrollment for Small Business Health Options Program (SHOP)
  - Plan Management
  - Financial Management
  - Consumer Assistance for the Exchange



## HBE Marketplace Models

- ***State-based Exchange Model (SBE)***– All core functions of the Exchange are operated by the state. Must have been conditionally approved by HHS 1/1/13 to operate 1/1/14.
- ***State Partnership Exchange Model (SPE)*** –States may elect to participate in the Federally-facilitated Exchange (FFE) model but retain and operate certain functions of the Exchange. Primary example would be the state retaining the functions of plan management and consumer assistance.
- ***Federally-facilitated Exchange Model (FFE)*** – All core functions of the Exchange are operated by the United States Department of Health and Human Services (HHS) on behalf of a state.





## Iowa State Partnership Model

- Iowa planning a State Partnership Exchange (SPE) for calendar year 2014.  
State Functions:
  - Plan Management
  - Medicaid and CHIP Eligibility Determinations
- Iowa will transition to a State-based Exchange



## Plan Management-Partnership

- Iowa's Plan Management functions include:
  - Oversee QHP selection and shopping approach
  - Certify, recertify, and decertify QHP's. QHP's are health insurance plans offered by Issuers in the individual or small group Exchange market
  - Collection and analysis of plan rate and benefit package information
  - Issuer monitoring and oversight
  - Ongoing issuer account management
  - Issuer technical assistance
  
- IID performs health insurance regulatory functions that are nearly identical to the plan management functions described above. However, the health insurance landscape is changed by market reform and health plan insurance payment parameters affecting all plans within the individual and small group markets (risk adjustment and guaranteed issue).



## Medicaid/CHIP Eligibility Determinations - Partnership

- Eligibility determinations for insurance affordability programs (APTC/CSR, Medicaid and CHIP) must be “seamless”; goal is to assist consumers to be assisted through “no wrong door”
- Iowa responsible to determine eligibility for Medicaid/CHIP
- FFE responsible to determine eligibility for subsidies
  - Before individual can access subsidies, must be screened for Medicaid/CHIP eligibility
- Individual account information will be transferred from Iowa to FFE and from FFE to Iowa
- DHS developing new integrated eligibility system to support the required functionality (ELIAS)



## Consumer Assistance - Partnership

As a certified State Partnership in Consumer Assistance, the functions to assist consumers in obtaining health care coverage include:

- Education and outreach (state)
- Website management for plan shopping/selection experience (federal)
- Call center management (federal)
- In-person consumer assisters (state)
- Navigators
  - Funded through federal grants
  - Overseen and managed by Iowa

Iowa is not pursuing a full State Consumer Assistance Partnership at this time.



## Eligibility for Insurance Subsidies

- To qualify for assistance to purchase coverage, eligible individuals must:
  - Be legally present in the U.S
  - Not incarcerated
  - Not eligible for other qualifying coverage (e.g. Medicare, other affordable employer-sponsored coverage)
- Individuals receiving Advance Premium Tax Credits/Cost Sharing Reductions (APTC/CSR) must be enrolled in a QHP.
- The tax credit may be advanced, with advance payments made by the Treasury directly to the insurance plan on the individual's behalf and reconciled at the end of the year.



## Eligibility for Insurance Subsidies

- Again, from a consumer perspective, eligibility determination for insurance affordability programs (tax credits, cost sharing reductions, Medicaid and CHIP) must be “seamless”; regardless of the model, goal is for consumers to be assisted through “no wrong door”, using a single streamlined application
- To qualify for subsidies, household income must be between 100% and 400% of the Federal Poverty Level (FPL)
- Requires significant interaction and coordination between the Medicaid/CHIP system and the Federally Facilitated Exchange to provide the “seamless” consumer experience



## Iowa Demographics

- Of the nearly 700,000 Iowans currently without employer-based insurance coverage, 262,000 fall below 133% FPL and may be covered by Medicaid if Iowa chooses to expand Medicaid.
- Of the 222,270 Iowans between 133% and 400% FPL who purchase their own coverage directly or are uninsured and would be potentially eligible for APTC/CSR, 124,100 would be required to obtain health care coverage.
- Of the 127,000 Iowans without employer insurance who are at or above the 400% FPL and uninsured, 21,800 are currently uninsured and would be required to purchase an insurance plan.
- Taking all these populations into consideration, there could be as many as **407,900 individuals seeking health care coverage.**



## Essential Health Benefits

- **The ACA defines certain categories of benefits as “essential health benefits” (EHB’s). Taken together, these categories make up EHB. The 10 categories of essential health benefits are:**
  - Ambulatory patient services
  - Emergency services
  - Hospitalization
  - Maternity and newborn care
  - Mental health and substance use disorder services, including behavioral health treatment
  - Prescription drugs
  - Rehabilitative and habilitative services and devices
  - Laboratory services
  - Preventive and wellness services and chronic disease management
  - Pediatric services, including oral and vision care
- **Each health plan offers different options within the categories (i.e. services, utilization limits). A state must select the EHB package. This will establish the “floor” upon which carriers will create the products available in the Exchange/Marketplace. States and may choose from a pre-set list of federally chosen options that include:**
  - States largest HMO;
  - State employee health plan;
  - Federal employee health plan;
  - One of the three largest small group health plan.





## Iowa's Essential Health Benefits

- States had until 12/28/12 to select a benchmark for EHB.
  - In accordance with federal regulations, the Iowa EHB was defaulted to the largest plan (by enrollment) in the largest product in Iowa's small group market. This plan is the Wellmark Inc., Alliance Select Co-Payment Plus plan.
  - This plan will serve as the state's EHB benchmark for calendar years 2014 and 2015.
- Final Rules were issued by HHS regarding EHB on 2/20/13.
  - All carriers offering QHPs must provide parity in treatment limitations between medical and surgical benefits and the mental health and substance use disorder benefits required to be covered as EHB
- The Iowa Insurance Division (IID) is the lead agency on EHB and plan certification in the State Partnership.



## Supreme Court Decision – Impact on ACA

- Upheld the individual mandate
- Medicaid Expansion becomes optional for states
  - Original law required states to expand Medicaid for all with incomes below 138%\* of the FPL or risk losing all federal Medicaid funds (\* 133% FPL + 5% disregard)
  - Supreme Court found that the risk of all federal Medicaid funds was coercive to states; expansion is now optional



## Medicaid Expansion is Optional – What does that mean?

- States now can choose whether to expand Medicaid
  - 100% federal match through 2016, phases down to 90% by 2020
  - Expansion program would have a regular Medicaid provider network
- Ruling states that all other requirements in the law still hold, only the expansion is optional
  - ACA has many provisions related to Medicaid that are unaltered, such as mandates to streamline eligibility processes that will result in increased enrollment



## CMS statements so far

- States who have or want to access the 90% federal funds for eligibility IT systems will be able to access even if they don't expand eligibility
- Only the expansion for adults is optional, all other aspects of the law remain in place
- Exchanges, streamlined application and enrollment processes, 'Modified Adjusted Gross Income' (MAGI) changes, etc. all proceed as before
- Governors' Association and Medicaid Directors' Association have submitted numerous questions to CMS



## Impact for Iowa – What we know now

- DHS efforts to replace eligibility IT system continue (Contract began in August 2012)
- Iowa still must proceed with Health Insurance Exchange/Marketplace planning, including how Medicaid will coordinate enrollment with the federal Exchange/Marketplace
- Current options/mandates continue (i.e. Health Home, Balancing Incentive Program, Program Integrity)
- Iowa must still proceed with implementing all other changes, including major changes to eligibility policies (collapsing groups, conversion to MAGI, etc.), provider enrollment changes, primary care physician rate increase
- **Iowa must determine if it will expand Medicaid for adults up to 138% FPL**



## Medicaid Expansion Option: Eligibility Changes

- Deliberate and significant changes in how Medicaid eligibility is done:
  - o Clear separation from other public assistance programs
  - o Elimination of coverage based on categories – all covered below 133% FPL
  - o Fundamental changes in eligibility determination income standards and processes
    - Income tax standards – “Modified Adjusted Gross Income”
    - Electronic verification with IRS and other federal sources
    - No asset tests
- Maintenance of Effort: State prohibited from reducing or restricting eligibility until 2014 (with some exceptions)

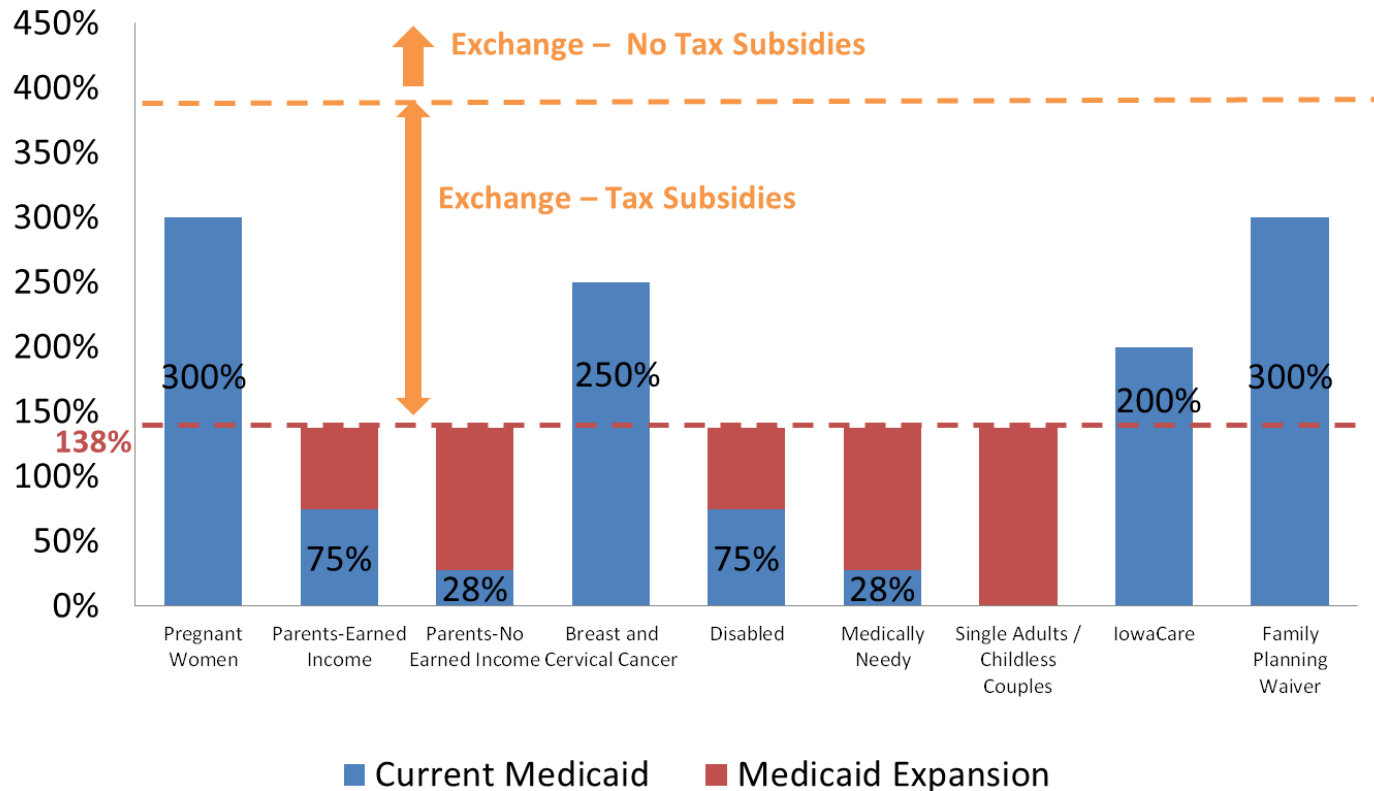


## Medicaid Expansion Option: Policy Decisions

- Current Medicaid coverage goes above 133% FPL for some groups
- Do we continue those groups?
  - Enact option to create a Basic Health Program between 133% FPL to 200% FPL?
  - Move to the Exchange?
  - Move some, not all?
  - Wraparound?
- IowaCare planned phase-out



## Eligibility under Medicaid Expansion



NOTE: The tax subsidies actually go down to 100% FPL, but if eligible for Medicaid, the individual must be enrolled in Medicaid





## Expansion Option - What will Iowa do?

- The ACA is very controversial and highly political
- The law remains highly complex and there are myriad interrelated policy decisions the state will need to make over the coming year to comply with the law – whether we expand Medicaid or not
- Governor Branstad's alternative to Medicaid Expansion, the *Healthy Iowa Plan*
- This presentation does not take a position on the expansion; but seeks to outline some of the key factors that are important for making the decision



## Enrollment and Fiscal Impacts

- Optional Medicaid Expansion to 138% FPL
  - Medicaid enrollment would increase between 110,000-181,000 over three years
- Key Assumptions: (details on next slide)
  - Woodwork effect
  - Newly eligible adults
  - Movement to exchange
- Enrollment and fiscal estimates developed by Milliman, Inc. (IME contracted actuary)



## Key Assumptions

- **Woodwork effect:** represents increase of 51,600-80,400 due to currently eligible not currently enrolled
- **Newly eligible adults:** represents increase of 80,700 to 122,900 due to enrollment of newly eligible adults. This population receives enhanced federal match rate of 100% in early years, phasing down to 90% by 2020.
- **Movement to exchange:** assumes the state will enact policy changes that will move some groups currently covered by Medicaid to the Health Benefit Exchange. Assumes reduction in Medicaid enrollment by 22,300.

SOURCE: "Financial Impact Review of the Affordable Care Act as amended by HR 4732, the Reconciliation Act of 2010, and the Supreme Court of the United States June 29, 2012 Decision, on the Iowa Medicaid Budget: Medicaid Expansion to 138% FPL", Timothy Harris, FSA, MAAA, John Meerschaert, FSA, MAAA, Milliman Inc., December 13, 2012



## Caveats

- Milliman Reports are a point in time
- Guidance from CMS is continually updated and clarified
- Reports do not reflect proposed or final regulations issued since November 2012
- Impacts are complex with many moving pieces
- Great deal of uncertainty/margin for error in any estimates



## State Fiscal Impact: Key Cost Drivers

Costs	Savings
<ul style="list-style-type: none"><li>Declining Federal match rate for the newly eligible</li></ul>	<ul style="list-style-type: none"><li>Conversion of IowaCare</li></ul>
<ul style="list-style-type: none"><li>Children moving from CHIP to Medicaid</li></ul>	<ul style="list-style-type: none"><li>Possible conversion of Medicaid eligibility groups &gt; 138% FPL to Exchange/Marketplace</li></ul>
<ul style="list-style-type: none"><li>Woodwork Effect</li></ul>	<ul style="list-style-type: none"><li>Savings to other state programs or county programs</li></ul>
<ul style="list-style-type: none"><li>Crowd-out</li></ul>	
<ul style="list-style-type: none"><li>Speed of 'take up'</li></ul>	



## Medicaid Expansion Option: Benefit Package

- If state expands Medicaid, state must define benefit package for Expansion population
- Expansion benefit plan is defined by ACA as “Benchmark Plan” (CMS has begun calling it ‘Alternative Benefit Plan’)
- Benchmark/Alternative Benefit Plan requirements:
  - Coverage must be at least equivalent to the essential health benefit package defined by the State for the Exchange
  - State chooses from four benefit plan options\*:
    - Benefit package of the largest commercial HMO (Wellmark Blue Advantage)
    - Benefit package of the state employee plan
    - Federal Health Benefit Plan Equivalent Coverage (FEHBP)
    - Standard Medicaid Plan (with HHS approval).



## Other impacts

- Eligibility for tax credits to purchase insurance through the Exchange only go down to 100% FPL. Those below 100% FPL have no ability to access tax credits
- Provider impacts – decision on expansion has major impact on provider finances – greater access to coverage reduces number of uninsured/bad debt; but provider capacity to serve all remains unknown
- Obvious benefits for individuals who receive coverage
- Benefits have to be weighed against state's long term financial capacity



## Mandatory IME Operational Changes for ACA Compliance

- **Administrative Simplification:** Improve automation of health care administrative processes (claims). Result in reduced time and effort related to contacting physicians and health plans for claims resolution, denials of claims, additional postage and paperwork costs. Phase I 1/1/13; Phase II 1/1/14; Phase III 1/1/16.
- **Increased Payments to Primary Care Physicians (PCPs):** Medicaid will pay the Medicare rates to qualified PCPs for eligible services during CY 2013 and CY 2014. Payments will be made (adjusted) upon CMS approval. See Info. Letter No. 1194.
- **Provider Screening and Enrollment:** Enhanced screening procedures required based on provider type's risk of fraud, waste or abuse. Enhanced disclosures required on application. Allow referring and prescribing providers to enroll without billing privileges (effective 4/1/13). Application fees required by certain providers. See Info. Letter No. 1179.
- **Program Integrity:** Increased federal requirements regarding mitigation of fraud, waste and abuse. Suspend payments during credible allegation of fraud; require NPI's on enrollment applications; overpayments due within 60 days.





## ACA Options

### ACA opportunities to improve or re-balance health care programs:

- **Presumptive Eligibility:** Hospitals and other qualified providers can conduct presumptive eligibility determinations on all potential Medicaid members.
- **Adult Health Quality Measures:** Grant received to implement and report various quality measures. Requires submission of MMIS claims data to CMS. Will support the new provider quality improvement initiatives.
- **Health Homes:** Comprehensive, coordinated care to members with chronic conditions. Began in July 2012, and currently IME has enrolled entities in 21 counties as providers. This covers over 32 different sites and over 300 individual practitioners. Another SPA in process for a Serious and Persistent Mental Illness (SPMI) health home.
- **Balancing Incentive Payment Program (BIPP):** Assist States in transforming their long-term care systems by providing greater access to home and community based services and reducing unnecessary reliance on institutional care. Will be achieved by improving systems performance and efficiency; creating tools to facilitate person-centered assessment and care-planning; and enhancing quality measurement and oversight.



## Questions?

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Link to Iowa's EHB benchmark plan, Wellmark Inc., Alliance Select Co-Payment Plus:

<http://cciio.cms.gov/resources/EHBBenchmark/iowa-ehb-benchmark-plan.pdf>

Summary of consultant findings regarding Medicaid Expansion options:

<http://www.dhs.state.ia.us/Partners/Reports/LegislativeReports/LegisReports.html>