Consumer-Directed Health Care: Medicaid Style

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Session 4: Consumer-Directed Health Care: the Changing Role of the Individual

The Lewin Group

Four Questions

- Why are States interested?
- What approaches are States considering?
- Who's doing what?
- What's coming?

Why Are States Interested?

- Desperate to control Medicaid costs
- Looking for ways to
  - control utilization of high cost, unnecessary services
  - encourage use of preventive, lower cost, appropriate services
- Want individuals to take more responsibility for selves
- Want Medicaid to operate with, and more like, commercial insurance
- CMS open to innovative proposals (especially under Benchmark Benefit provision of Deficit Reduction Act of 2005)

What Approaches Are States Considering?

- Insurance premium defined contribution
  - Florida, South Carolina
- Private insurance "opt-out"
  - Florida, South Carolina, Kentucky
- Enhanced benefits accounts (or variation thereof)
  - Florida, West Virginia, Kentucky, Idaho
- Direct services defined contribution
  - South Carolina, cash and counseling demos

What Approaches Are States Considering: Insurance Premium Defined Contribution

- Each individual allocated a risk-adjusted monthly amount to use to choose among different insurance packages
- Is comparable to current mandatory managed care programs in which individual must choose among capitated, risk-bearing health plans except:
  - Plans may offer different service packages
  - If cost of plan is less than an individual's allocation, individual may use residual for other benefits
- Choices may be among HMOs, PPOs, indemnity plans (PCCM)

What Approaches Are States Considering: Private Insurance "Opt-out"

- As alternative to regular Medicaid coverage, individual may choose to enroll in private insurance plan (usually ESI – employer-sponsored insurance)
- State subsidizes individual's share of premium up to amount it would pay under regular Medicaid
- ESI provision differs from normal Medicaid rules in several ways:
  - If ESI benefit package less generous than Medicaid, State will not provide wrap-around coverage
  - Individual responsible for all cost-sharing
  - Individual can opt back into Medicaid

What Approaches Are States Considering: Enhanced Benefit Accounts

- Individual can earn financial credits for specified healthy behaviors
- Individual can use credits for specified non-covered services
- Individual may be allowed to retain some of credits for use after Medicaid eligibility ends

What Approaches Are States Considering: Direct Services Defined Contribution

- Most similar to private sector HSAs
- Each individual has risk-adjusted allocation
  - A portion goes to purchasing major medical coverage
  - Remainder is available to individual to purchase services directly from providers
- A mini-version currently used in Medicaid – Cash and Counseling
  - Individual gets allowance for personal assistance services only
  - Not the subject of this session

Who's Doing What?
Florida

- 1115 demonstration approved October 2005
- Initially to be phased-in in 2 counties for TANF-related, aged and disabled (non-duals) – 4-year phase-in
- Incorporates insurance premium defined contribution, private employer-sponsored insurance opt-out, and Enhanced Benefits Accounts
- Each individual assigned a risk-adjusted premium
- Individual chooses among State-approved managed care plans, with assistance of "Choice Counselor"
  - Plans may offer different, actuarially equivalent, benefit and cost-sharing arrangements

Who's Doing What?
Florida (cont.)

  - 2 components to premium
    - Comprehensive care – c. 90% of cost – all plans must accept risk
    - Catastrophic care – after certain $ or inpatient day thresholds are met - plans can accept risk, or choose to have State hold risk
    - Whatever arrangement plan chooses is transparent to enrollee
- Employer-Sponsored Insurance
  - Individuals may voluntarily opt-out of plan into ESI
  - State pays employee share of premium, up to allocated amount
    - If employee share of ESI premium is more than allocated amount, individual must pay difference
    - If employee share of ESI premium is less than allocated amount, individual can use remainder to purchase family coverage or supplemental insurance offered by employer

Who's Doing What?
Florida (cont.)

- Enhanced Benefit Accounts (EBA)
  - Individuals participating in State-defined activities that promote healthy behavior get funds deposited into their EBA
  - Funds can be used for health care related services (but not cost sharing)
  - When individual loses Medicaid eligibility, can use any money left in account for up to 3 years (if income below 200% FPL)

Who's Doing What?
South Carolina

- Submitted 1115 proposal to CMS in October 2005
- All full Medicaid eligibles except duals and foster care children will be included
- Incorporates insurance premium defined contribution, private insurance "opt-out," and direct services defined contribution
- Each individual provided a Personal Health Account (PHA) administered by the State
- With assistance of enrollment counselors, each individual will choose 1 of 4 options:

Who's Doing What?
South Carolina (cont.)

- Pre-paid plans (MCOs, PPOs, conventional private insurance)
  - Benefit packages (particularly for adults) may vary
  - Premiums may vary
  - If premium is less than individual's PHA amount, can use residual (which is placed in stored value card account) to directly purchase services not covered by the plan
- Medical Homes Network (MHN) (PCCM model)
  - Provider-driven service delivery system in partnership with an Administrative Service Organization (ASO)
  - Individual selects primary care physician (PCP) as medical home and gatekeeper
  - Monthly premium is equal to PHA

Who's Doing What?
South Carolina (cont.)

- Opt-out option 1: Employer-Sponsored Insurance (ESI)
  - Can use PHA to pay employee share of ESI premium
  - If premium is less than PHA, can use residual to cover other family members, purchase additional services, or pay any cost-sharing
- Opt-out option 2: Self-directed plan
  - Option if individual has a medical home, reasonable understanding of health care needs, no history of unstable expensive acute care services
  - Portion of PHA is deducted to pay for major medical insurance (inpatient hospital and related costs, plus preventive services)
  - Individual can use remainder of PHA to purchase services directly from healthcare providers
  - PHA is accessed using a stored value card
  - Services are not subject to current service limits
  - If individual exhausts funds in PHA plus $250 out-of-pocket, is moved into MCO or MHN, and may not re-enter the self-directed program

Who's Doing What?
West Virginia

- State plan amendment (SPA) approved May 3 under Section 1937 authority (Benchmark Benefits) enacted as part of DRA 2005
- To start phasing-in in 3 counties in July 2006
- For eligible individuals (basically healthy children and parents), there are 2 benefit plans:
  - Basic Plan – mandatory services plus 4 prescriptions for adults; includes EPSDT for children
  - Enhanced Plan – adds full prescription, other optional and non-traditional services including smoking cessation, nutrition education, etc.

Who's Doing What?
West Virginia (cont.)

- To enroll in enhanced plan, individual must:
  - Sign member agreement
  - Comply with certain requirements (get screenings and adhere to health improvement programs as directed by healthcare provider, not miss appointments, medication compliance)
- If fail to comply, moved back to basic plan
- Can return to enhanced plan after 12 months or at redetermination if re-sign agreement

Who's Doing What?
Kentucky

- SPA approved May 3, establishing 4 different benefit packages, depending upon the population
- Will operate statewide except in the Louisville area (where 1115 demonstration operates)
- Includes ESI option and "Get Healthy" benefits
- ESI
  - Individual (limited to adults) can voluntarily choose ESI
  - State pays employee share of premium, but individual must accept ESI benefit package with no wrap-around, and pay all cost-sharing

Who's Doing What?
Kentucky (cont.)

- "Get Healthy" benefit
  - Participants get credits for healthy behaviors, full year in disease management, etc.
  - Initially limited to persons in selected counties with certain medical conditions who are in disease management program (pulmonary disease, diabetes, and cardiac conditions)
  - Credits may be used to obtain services such as dental, vision, nutrition counseling, smoking cessation

Who's Doing What?
Idaho

- SPA approved May 25, establishing 3 different benefit packages, depending upon the population
- Will operate statewide within context of existing PCCM program
- Like West Virginia, if individual meets certain requirements (e.g., enroll in smoking cessation class), gets additional services (e.g., nicotine patches)

What's Coming:
Health Opportunity Accounts (HOA)

- Section 6082 of Deficit Reduction Act of 2005 (PL 109-171) added Section 1938 to Social Security Act
- Beginning 1/07, 5-year demonstration for up to 10 States
  - After 5 years, unless problems, made permanent in those States, and other States may implement
- Limited to same populations as new benchmark benefits (healthy children, parents)
- Voluntary enrollment

What's Coming:
Health Opportunity Accounts (cont.)

- State contributes to an HOA for each individual, which is used to pay for annual deductible
  - Amount of annual deductible is 100% to 110% of annual contribution to health opportunity account
  - Maximum average annual contributions to HOA: $2,500 for adults; $1,000 for children (indexed in future years)
  - State may provide for coverage of preventive care without deductible
- Individual may purchase services from Medicaid-participating providers at the Medicaid rate, and from non-participating providers at 125% of Medicaid rate

What's Coming:
Health Opportunity Accounts (cont.)

- Employers may offer this coverage to employees
- State must implement method of electronic withdrawals from HOA
- If individual loses Medicaid eligibility:
  - 75% of amount left in HOA is available to individual for 3 years
  - May be used to purchase health insurance or (if had been participating for at least one year) for additional expenditures (such as job training and tuition expenses) specified by the State and approved by Secretary

Conclusion

- States are starting to experiment with different models of consumer-directed health care
- Models being tried are reflecting differences between Medicaid population and commercially insured
- Both State and federal governments are eager to try models of health care delivery that give individuals more responsibility for their health care utilization and costs, and that look more like the commercial insurance market