

# Medicaid Consumer-Directed Health Purchasing (as explained by Yogi Berra)

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DEVELOPMENT AND MANAGEMENT

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# "We're lost, but we're making good time." Yogi Berra

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- Covers about 55 million people
  - Compared to less than 45 million in Medicare
  - Covers more than 25% of children
  - Covers nearly 40% of births
  - S-CHIP covers another 5 million
- Total spending exceeds \$325 billion
- On average, federal government provides 57% of funds



# “When you come to a fork in the road, take it.” Yogi Berra

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- Reforms in part are motivated by:
  - Personal responsibility for health care decisions (echoes of welfare reform)
  - Desire to have an impact on lifestyle determinants of health
  - Examples:
    - Kentucky
    - West Virginia
    - South Carolina



# “A nickel ain’t worth a dime anymore.” Yogi Berra

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- Reforms also are motivated by the gradual movement into Medicaid of “defined contribution” models
  - Florida
  - Section 1115 budget neutrality defined. E.g.
    - Vermont
    - Iowa
    - Massachusetts



“If I didn’t wake up, I’d still be sleeping.” Yogi Berra

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- Health Opportunity Accounts
  - Demonstration in 10 states
  - States will offer Medicaid HSAs attached to high deductible health insurance plans
- Flexibility to offer benchmark plans (e.g., SCHIP-like) instead of traditional Medicaid benefits
- Premiums and cost-sharing allowed subject to certain restrictions by income level



“It’s never happened in World Series history, and it hasn’t happened since.” Yogi Berra

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Critical Success Factors for States

1. Protect access to care for beneficiaries
2. Develop policies that anticipate the effects on insurers, providers, and employers
3. Reformulate the roles of state agencies
4. Develop new risk management approaches



“Nobody goes there anymore.  
It’s too crowded.” Yogi Berra

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## 1. Protect Access to Care

- Implement risk adjustment
- Consider carve-outs
- Monitor purchasing power of risk-adjusted premiums
- Monitor cost-sharing requirements
- Encourage culturally appropriate outreach and counseling
- Allow sufficient funding and reasonable spending rules for Enhanced Benefit accounts
- Protect safety-net providers



“Why buy good luggage? You only use it when you travel.” Yogi Berra

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2. Anticipate effects on insurers, providers and employers

- Insurers: Covered lives, risk, and leveraging markets and products
- Providers: Shift in revenue mix, payer relationships, and fee schedules
- Employers: Substitution of coverage, erosion of purchasing base, yet new products may emerge





# “Pair up in threes.”

## Yogi Berra

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### 3. Reformulate the Roles of State Agencies

- Insurance superintendent
- Medicaid agency
- State budget agency



“We were overwhelming underdogs.” Yogi Berra

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#### 4. Develop New Risk Management Approaches

- “Bad choice” of caregiver or health plan
- “Misuse” of funds
- Injury to a provider or caregiver caused by the beneficiary



# And to you, Florida . . .

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“Thank you for making this day necessary.”

Yogi Berra



# Questions

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