



## Initial Analysis of Federal Health Reform Legislation

March 30, 2010

The following analysis is an initial report prepared by the Utah Department of Health (UDOH) for Gov. Gary Herbert examining some of the impacts of the recently passed federal health reform legislation. This report covers key provisions of the bill that impact the UDOH and its programs. Several other state agencies will also be impacted by the legislation; however, those impacts are not addressed in this report.

### Medicaid Provisions

#### **Overview:**

The federal health reform legislation significantly expands Medicaid eligibility. Under existing eligibility criteria, individuals applying for Medicaid must be under an income threshold, be under an asset threshold, meet citizenship standards and fit into a category of need (i.e., disabled, pregnant woman, etc.) The new legislation increases the income threshold, eliminates the asset threshold and eliminates categories of need. *The consequence is all Utahns under 133% of the federal poverty level (about \$30,000 for a family of four) will qualify for Medicaid beginning January 1, 2014.*

The Department projects this will result in the increase of at least 110,000 new individuals enrolling in Medicaid at that time. The current average monthly enrollment is about 210,000 individuals.

The costs of the “newly eligible” enrollees will be covered by 100 percent federal funds for the first three years of the expansion. But that federal participation erodes to 90 percent in the year 2020. The new mandate for individuals to maintain health insurance coverage will create an increased incentive for families currently eligible but not enrolled in Medicaid to enroll. The state will have to cover this increased enrollment at the traditional match rate—about a 70-30 federal-state split. The projected program costs are shown in the chart below. These projections do not include additional administrative costs.

**Increased General Fund (in millions)**

	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021
Newly Eligible Individuals	\$ -	\$ -	\$ -	\$ 9.1	\$ 21.2	\$ 26.5	\$ 36.7	\$ 45.8
Unenrolled Currently Eligible Individuals	\$ 37.0	\$ 78.4	\$ 83.1	\$ 88.0	\$ 93.3	\$ 98.9	\$ 104.9	\$ 111.2
<b>Total New State Commitment</b>	<b>\$ 37.0</b>	<b>\$ 78.4</b>	<b>\$ 83.1</b>	<b>\$ 97.1</b>	<b>\$ 114.5</b>	<b>\$ 125.4</b>	<b>\$ 141.6</b>	<b>\$ 157.0</b>

### **New Policies & Programs:**

- Optional expansion of Medicaid coverage is available to states beginning April 2010 to cover childless adults up to 133 percent of the federal poverty level. The federal matching percentage is at the state's current match rate.
- Mandatory expansion of Medicaid coverage begins January 2014. The expansion increases Medicaid eligibility to 133 percent of the federal poverty level.
- New maintenance of effort on Medicaid eligibility. States cannot reduce Medicaid eligibility for adults until 12/31/2013 and for children until 9/30/2019.
- Foster care children are eligible for Medicaid through age 25. Utah currently covers them through age 21.
- Legal immigrants waiting for the 5-year waiting period to pass may enroll in the basic health plan.
- Requirement for a new web site is included. The web site will coordinate enrollment among Medicaid, CHIP and Exchange program eligibility.
- Hospitals will be able to make presumptive eligibility determinations.
- Children's Health Insurance Program (CHIP) is extended through 9/30/2015. Starting in 2016 and ending in 2019, the federal participation in program costs increases. Utah is likely to receive a 100 percent federal match (currently about 80 percent).
- Prescription drug prices will have a new federal limit implemented.
- Medicaid managed care organizations will be eligible for pharmacy rebates.
- States will lose part of their Disproportionate Share Hospital (DSH) payments.
- Mandate to increase Medicaid payments for primary care services to Medicare reimbursement rates. The mandate is in effect for calendar years 2013 and 2014. The entire amount of the increase is funded by the federal government.
- Medicaid bundled payment demonstration project is available for up to eight states.
- Medicaid global capitated payment demonstration project with safety net hospitals is available for up to five states.
- Medicaid demonstration projects allowing qualified pediatric providers to be recognized as Accountable Care Organizations (ACO) are authorized.

- Medicaid emergency psychiatric care demonstration projects are authorized for up to eight states.
- New Medicaid benefit mandates are created. Tobacco cessation pharmaceuticals and counseling are mandated for pregnant women. Utah already covers the pharmaceuticals. Services provided by free-standing birth centers are required to be covered. Hospice services for children are now required without forgoing other benefits.
- Definition of “Medical Assistance” is revised.
- New state plan option for a medical home service for individuals with chronic conditions is created.
- Program for states to provide incentives for Medicaid clients to participate in healthy lifestyles is created.
- New Community Living Assistance Services and Support (CLASS) program is created. It is a voluntary, self-funded, long-term care insurance program.
- New incentives for states to “rebalance” their long-term care programs to more community services are created.
- Cost sharing is eliminated for the “Dual Eligible” population receiving home and community based services.

**Implementation Timeline:**

2010 Optional expansion of Medicaid coverage is available to states starting in April. Utah already has the limited-benefit Primary Care Network (PCN) program available for this population.

Eligibility maintenance of effort requirements take effect immediately.

2013 Mandate to pay Medicare rates for Medicaid primary care services begins in January.

2014 Mandatory expansion of Medicaid coverage begins in January.

Foster care children are covered under Medicaid through age 25.

## **Public Health Provisions**

### **Overview:**

Title IV of the Patient Protection and Affordable Care Act focuses on preventing chronic disease and improving the public's health. Public health efforts established and improved upon by the bill focus on efforts to limit the '5 leading disease killers in the United States' (heart disease, cancer, stroke, chronic respiratory disease and diabetes) and the behaviors that often cause these illnesses- obesity, smoking, physical inactivity, mental health issues and substance abuse.

### **New Policies & Programs:**

The creation of the National Prevention, Health Promotion & Public Health Council will provide coordination and leadership at the federal level. Several new programs in the areas of prevention, wellness and health promotion practices, the public health system, and the integration of prevention into individual health care will impact state and local agencies.

The establishment of the Prevention and Public Health Fund within Health & Human Service will expand the national investment in prevention and public health programs. The legislation appropriated \$500 million to the fund for fiscal year 2010 and may increase by \$250 million annually until 2015. Specific measures Utah may be eligible to apply for through the fund include:

- School-Based Health Centers expansion to allow the operation of school-based health centers, with an emphasis on communities with barriers in access to health services.
- Oral Health education and dental caries disease management, school-based sealant programs, oral health infrastructure and surveillance activities.
- Community Transformation Grants to state and local public health agencies for the implementation, evaluation, and dissemination of evidence-based community preventive health activities to reduce chronic disease rates, address health disparities and develop stronger evidence-based prevention programming. Activities may include creating healthier schools, programs to support active living, access to nutritious foods, smoking cessation and implementing worksite wellness programs.
- Immunization improvements will allow states to obtain additional quantities of adult vaccines using pricing negotiated by the Secretary of Health & Human Services. This will be a significant cost savings for Utah. Additionally, Utah may be eligible for a demonstration program designed to improve immunization coverage rates.
- The Epidemiology and Laboratory Capacity Grant Program is a new program designed to strengthen the ability of state and local health departments to identify

and monitor infectious diseases, enhance public health laboratory practice and improve information systems.

- The Maternal, Infant, and Early Childhood Home Visiting Program is created to develop and implement evidence-based models to reduce infant and maternal mortality by improving prenatal, maternal and newborn health; child health and development; parenting skills; school readiness; juvenile delinquency; and economic self-sufficiency for families.
- The Personal Responsibility Education Program is established to provide grants to states for programs to educate adolescents on both abstinence and contraception for prevention of teenage pregnancy and sexually transmitted infections, including HIV/AIDS. Funding is also available for 1) innovative teen pregnancy prevention strategies and services to high-risk, vulnerable, and culturally under-represented populations, 2) Indian tribes and tribal organizations, and 3) research and evaluation, training, and technical assistance.
- Support, Education, and Research for Postpartum Depression Grants will assist states to provide services to individuals with, or at risk, of postpartum depression and their families. Activities would include delivering or enhancing home-based and support services, including case management and comprehensive treatments; inpatient care management services ensuring the well being of the mother, family and infant; improving support services (including transportation, attendant care, home maker services, respite care) and providing counseling; promoting earlier diagnosis and treatment and providing information to new mothers.

Several other programs or funding sources will expand access to care or create opportunities for health improvement within Utah, including:

- Community Health Centers Fund will expand funding for services & facilities (\$11 billion over 5 years nationally).
- National Health Service Corps Fund will increase the size of the Corps to provide health care professionals to limited-access areas, including rural parts of Utah and Indian Health Service.
- Restaurant chains of 20 or more locations will be required to provide nutritional information on menu items under the Nutrition Labeling of Standard Menu Items at Chain Restaurants section. Owners of 20 or more vending machines will also need to come into nutrition labeling compliance.
- Grants for small businesses to provide comprehensive workplace wellness programs will be awarded to small businesses who provide employees with access to workplace wellness programs.

- States will be required to provide Medicaid coverage to pregnant women for counseling and pharmacotherapy for tobacco cessation. Utah currently provides the pharmacotherapy benefit.
- Multiple services to prevent chronic diseases in those served by Medicaid and Medicare are outlined to help promote access to preventive services and screenings, and to achieve the following: tobacco cessation, weight loss, lowering cholesterol, lowering blood pressure and avoiding the onset of diabetes or improving management of diabetes.

**Implementation Timeline:**

- 2010 Prevention & Public Health Prevention Investment Fund created, which triggers the implementation of many of the public health programs listed above.
- 2011 Community Health Center expansion  
Medicare beneficiaries receive improved access to preventive services

**Health Workforce Provisions**

**Overview:**

The legislation included a number of provisions to expand and reinforce the nation's health workforce by making key investments in training doctors, nurses, dentists, and other health professionals. The provisions aim to relieve shortages in primary care and other fields by investing in scholarship, loan repayment, and training grant programs to recruit and train many more primary care, nursing, public health and other needed professionals.

**New Policies and Programs:**

Provisions related to the primary care workforce (including physician's assistants and oral health workers):

- Provides 10 percent Medicare bonus for primary care services provided by primary care physicians through 2016.
- Provides \$1.5 billion in mandatory spending for the National Health Service Corps to attract more primary care providers to health shortage areas. Allows flexibility for part-time service.
- Strengthens grant programs for primary care training, especially programs that prioritize training in patient-centered medical homes.
- Strengthens grant programs for oral health professionals, including general and pediatric dentists and dental hygienists.
- Redistributes unused Medicare funded residency slots to programs that agree to train more primary care physicians and general surgeons.

- Promotes the training of practitioners in the outpatient setting where most primary care is delivered, including through new innovative models to train in such settings.

Provisions related to the nursing workforce:

- Expands education, practice, and retention programs for nurses.
- Supports student loan, scholarship, and loan repayment programs.
- Enhances development of advanced practice nurses, including those who deliver primary care services. The bill includes a demonstration project to support training of advanced practice nurses by schools of nursing.
- Expands existing loan repayment and scholarship programs to increase number of nursing faculty.

Provisions related to the public health workforce:

- Creates loan repayment program for public health professionals.
- Creates a new program to support community health workers, who serve as liaisons between communities and health care agencies and provide culturally and linguistically-appropriate services.
- Strengthens programs for recruitment, training, and retention of public health professionals.
- Strengthens existing preventive medicine programs.

### **Other UDOH-Related Provisions**

#### **Protections for American Indians and Alaska Natives (AI/ANs):**

- Enacts into law the Indian Health Care Improvement Reauthorization and Extension Act of 2009 which provides health care services for AI/ANs.
- Creates the Office of Indian Men's and Indian Women's Health within the Indian Health Services (IHS) structure.
- Creates Indian Health Care Delivery Demonstration Projects to authorize the development of new health programs offering care outside of regular clinic operational hours and/or in alternative settings.

#### **Improving the Quality and Efficiency of Health Care:**

- Provides for the use of best practices in the delivery of health care services.
- Supports research on the development of tools to facilitate adoption of best practices that improve the quality, safety, and efficiency of health care delivery services.

**Improving Access to Health Care Services:**

- Reauthorizes appropriations for 2010-2014 for the expansion and improvement of emergency medical services for children who need treatment for trauma or critical care.

**Vital Records:**

- Promotes the education and training of physicians on the importance of birth and death certificate data and on how to properly complete these documents.
- Encourages states to adopt the latest standard revisions of birth and death certificates.
- Works with states to reengineer vital statistics systems in order to provide cost-effective, timely, and accurate vital systems data.

**Outstanding Issues Requiring Further Analysis**

- Tax policy
- Health insurance exchange: New requirements and need to coordinate with Medicaid
- Subsidies for health insurance for the near poor
- Health insurance mandates and covered benefits
- State health insurance regulations
- Costs and resources required for administration and implementation