



December 13, 2006

MO HealthNet: A Safety Net or a Tangled Mass of Yarn? *Departments' Recommendations for Medicaid Reform*

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With the approaching sunset of Medicaid and SCHIP in June of 2008, many Missourians are curious about the new program which will replace it. The Departments of Social Services, Health & Senior Services, and Mental Health released on December 7 their recommendations for Medicaid reform in Missouri.

This brief is not intended to be an exhaustive analysis of the recommendations, but rather an overview of the items mentioned in the departments' report. Many of the policy changes suggested by the state will require further detail before an assessment of their impact is possible. The state refers to the reformed Medicaid services as the MO HealthNet. The following describes some of the recommendations, the number of people assisted (if available) and their expected cost to general revenue.

How MO HealthNet positively supports those it insures

Many of the recommendations are proven policy steps that can help to decrease the number of uninsured Missourians and increase access to quality care. These include:

Modify the “affordability test” for children in the State Children’s Health Insurance Program (SCHIP): Current Medicaid guidelines require that children lack access to “affordable” health insurance to qualify for SCHIP. Currently families are required to provide evidence that they do not have access to insurance premiums that cost up to 9% of median income levels for low-income families, or between \$209 and \$375 per month, depending on the family size and income level. The MO HealthNet proposal would lower those requirements to between 1-5% of income, or \$21 to \$158 per month based on family income level. The policy change is expected to allow 13,800 more children in Missouri access SCHIP. The state general revenue investment would be approximately \$4.5 million.

Allow youth who “age out” of foster care to be insured under MO HealthNet: MO HealthNet would create new transitional Medicaid coverage for children aged 18-21 who are leaving the state foster care program. These young adults currently are not eligible to access any state services and face a “cliff” in health care coverage once they turn 18. The new provision is expected to assist 1,000 young adults per year and the general revenue fund investment would be just \$700,000.

Enact a False Claims Act as described in the Federal Reduction Act of 2005: Passage of a State False Claims Act would allow Missouri to identify, scrutinize and recover provider fraud in the state Medicaid program. The federal government now encourages passage of state false claims acts by allowing states to retain some of the federal Medicaid dollars that are recovered when fraud is proven. Only providers who are proven to have *knowingly* committed fraud would be impacted by the state false claims act. Nineteen states have state false claims acts. Estimates vary, but Missouri at minimum could recover millions of health care dollars each year that could be reinvested in direct services for uninsured Missourians.

Increase the reimbursement rates for physicians: MO HealthNet recommendations also include rate increases for physician services up to the Medicare reimbursement rates. Qualified physicians, particularly specialists, are currently in short supply in Missouri due to low state reimbursement rates. Increasing to the Medicare reimbursement level is expected to generate increased access to physicians for all Medicaid/MO HealthNet patients. The general revenue investment would be \$111 million, phased in over several years.

Other recommendations have the potential to improve the care of those insured by MO HealthNet. Specifics about their implementation, however, will greatly shape their effect on the individuals insured by MO HealthNet. These include:

- Use of evidence-based practice
- Identify a health care “home” for everyone insured
- Focus on wellness and healthy lifestyles
- Utilize web sites, hotlines, an electronic fraud and abuse detection system, and an Office of Program Integrity within the Department of Mental Health to identify and weed out fraud
- Develop a single point of entry for information and assistance related to long-term care
- Expand home and community-based services
- Redesign waivers to eliminate an institutional bias
- Improved technology to support electronic health records, increased use of telemedicine, payment, and streamlining access to client data.

Holes in MO HealthNet

The MO HealthNet proposal includes several holes:

Limited restorations of health care for people impacted by previous Medicaid cuts.

Except for children who will be affected by changes in the affordability test and a small number of workers with a disability, almost all of the individuals who became uninsured when Medicaid eligibility was cut remain uninsured. Any comprehensive reform proposals should first be measured by how they would positively impact the people who have been hurt due to health care budget cuts in the last several years. The MO HealthNet proposal fails that test.

The Spend-Down Program: Reform of the current Medicaid Spend-Down Program, serving people with disabilities and seniors, is notably absent. Currently, large premium structures for individuals to buy-in to the Spend-Down medical services are cost prohibitive for many seniors and Missourians with disabilities. The Spend-Down premiums need to be adjusted so individuals are able to meet their basic shelter and food needs and access needed health care.

“Optional” Services become “Incentives”: The 2005 Medicaid cuts included severe reductions to the type of benefits people would receive under Medicaid. Items like durable medical equipment, rehab services, and dental care were eliminated. Instead, MO HealthNet recommends that individuals be able to “earn” points, much like a reward system, for following health-behavior guidelines. The points earned could then be used to access these “Optional Services”. As an example, if an individual were able to quit smoking in the current year, Mo HealthNet would provide that individual with a set amount of points that he or she could use for access to basic health services like a dental appointment in the next year. If the state wants to focus on increasing wellness, access to basic health care and preventive services should not be contingent upon an individual completing a healthy behavior regimen. Instead, incentives should be desirable “extras.”

Moving Parents receiving Medicaid into Independence: Another puzzling recommendation is a pilot program for parents “who are not TANF recipients” to create Independence Agreements. The recommendation is modeled on the 1996 “welfare reform.” Of concern is whether parents would face sanctions or reductions in benefits if they fail to meet a step toward independence, much like they face in TANF. Similar to the optional services described above, Missouri should not be in the position of limiting access to health care services as part of a “carrot and stick” approach to health care reform.

Vague Provisions in MO HealthNet

The MO HealthNet recommendations fall short of a comprehensive vision for insuring all Missourians. The Governor, legislators and the public have an opportunity to begin a dialogue on health care. The goal should be to craft a health care structure that provides a more complete vision for how the state cares for uninsured Missourians *and* how the state can increase access to affordable health care for all Missourians. Some of the MO HealthNet recommendations have tremendous potential but need more detail before a full assessment is possible:

Premium Assistance for Low Wage Workers: MO HealthNet recommends creation of a premium assistance program for low-wage workers. The state would provide one-third of the premium cost for low-wage workers; employers and employees would provide two-thirds of the cost. While premium assistance might be a sensible part of a larger comprehensive plan, the proposal is still too general to assess. At minimum, guidelines should be established that would require employers provide comprehensive insurance coverage at minimal or no cost for employees to qualify for this new assistance. The state estimates that it would invest \$20 million in state general fund dollars for the new Premium Assistance service; however, it is unclear how many Missourians would be assisted by the service.

The Long Term Care Partnership: This proposal is short in detail, but it does not appear to focus on uninsured Missourians, or those with low incomes. The concept would allow individuals who purchase and utilize long-term care insurance to retain higher asset levels should they need Medicaid after their long-term care packages are depleted. Low-income families are much less likely to participate than those with higher incomes.

Summary and Recommendations

This brief provides a “snapshot” of the recommendations offered by several state departments for MO HealthNet. There are opportunities, but also questions and concerns. As Missouri enters this critical debate in 2007, the following principles should be used to guide the conversation:

- 1) Consensus that the overarching goal is to increase access to comprehensive health insurance to all Missourians;
- 2) Broad dialogue among all stakeholders to develop a plan that comprehensively addresses how to insure all Missourians;
- 3) Those with lowest incomes and greatest need should be the highest priority, with first consideration given to those who were harmed by previous Medicaid cuts;
- 4) The state must move thoughtfully through this process, allowing ample time to allow citizens to engage in dialogue, and to develop and implement a comprehensive and successful plan to insure all Missourians.

The Missouri Budget Project is a statewide, nonprofit, nonpartisan organization that informs the public about the state's budgetary and tax policy options and their impact on low-income Missourians.