



Health Reform: Issues for State Governments

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Current Status

- The House passed the Senate's version of the bill – that bill became law.
- The House passed a package of amendments to the Senate bill through a reconciliation bill.
- The Senate passed the reconciliation bill with minor changes.
- The House passed the amended reconciliation bill.
- President Obama is expected to sign the amended reconciliation bill into law this week.

Key Components of Reform

- Medicaid Changes:
 - Expands Medicaid to everyone under 133% of FPL, with increased Federal funds for this population;
 - Current eligibility levels, procedures and methodologies are frozen until 12/31/2013 for adults and 9/30/2019 for children (including CHIP);
 - Restructures income calculation for many Medicaid beneficiaries to IRS income calculation – Elimination of income disregards;
 - Elimination of asset/resource test for individuals who have the income calculation restructured;
 - Mandatory increase to the provider rates Medicaid pays for primary care services (100% Federal funds).

Key Components of Reform

- Medicaid (continued):
 - Expands Medicaid to any individual under 25 previously served through Child Welfare;
 - Creates State-plan option for family planning services;
- Other programs:
 - Includes grants and incentives to increase utilization of Nurse Home Visitation Services;
 - Reestablishes Abstinence education funding
 - Establishes grants for School-based health services.

Key Components of Reform

- Long-term Care:
 - Establishes the CLASS Act: a national long term care insurance program funded by payroll deductions
 - Creates new options for community-based long-term care through Medicaid
 - Provides FMAP incentives to increase long-term care in the community

Key Components of the Bill(s)

- Private Insurance Reforms:
 - “Community Rating” – limits on variation in premiums for individuals within a geographic area;
 - Prohibits exclusion of pre-existing conditions;
 - “Guaranteed Issue/Renewal” – no one can be denied coverage/dropped due to health conditions;
 - Removes annual/lifetime limits on care;
 - Required Benefits Package (Including Rehabilitation, Habilitation, MH treatment).

Key Components of the Bill(s)

- Individual mandate to buy insurance – allows some individuals to “opt-out” of mandate;
- Establishment of “Exchange”:
 - Based on Massachusetts “Connector” model;
 - Provides centralized marketplace to compare insurance and purchase plans;
 - Federal government provides subsidies for people with low-to-moderate income to assist with the purchase of insurance.
- Competition:
 - Establishes Health care nonprofit cooperatives;
 - State may offer an insurance plan up to 200% FPL
- State Innovation:
 - Waivers for states to try alternate coverage methods.

Potential Impact to State Programs

- Potential Positive Changes:
 - Greater availability of insurance in the private sector;
 - Broader range of services available through private insurance plans;
 - No preexisting condition exclusion, denial of coverage or termination of coverage;
 - CLASS act – LTC without Medicaid funding;
 - New Medicaid coverage for low-income people – including individuals currently served in some State-only programs.

Potential Impact to State Programs

- Potential Issues:
 - Eliminating income disregards;
 - Increased costs on state budgets due to mandatory Medicaid expansions & costs associated with developing and operating the exchanges;
 - Changes to eligibility systems & interoperability with the exchanges;
 - Loss of revenue through restructuring of drug rebate programs;
 - Reduction in “DSH”;
 - Large expansion may cause access issues for everybody (not just Medicaid recipients).