

# Three Faces of Medicaid

Robin Lunge

Nolan Langweil

January 2009



# Outline of the Presentation

- Quick review of broad outlines of Medicaid
- Specific focus on three groups of people & services provided by Medicaid for these people
  - Children
  - People with Disabilities
  - Elders

# Medicaid

- Created in 1965 as Title XIX of the Social Security Act
- Partnership between states and federal government
- Original focus
  - Low-income families
  - People with disabilities
  - Other individuals added

# Medicaid in Vt

- Approx. 145,000 Vermonters – broad eligibility
  - Medicaid (two Waivers)
  - State Children’s Health Insurance Program (SCHIP)
  - State-sponsored health coverage
  - Long Term Care
- Benefit varies by program
  - Most – health care costs + related costs (e.g. transportation)
  - Some – by benefit (e.g. pharmacy)
  - EPSDT (early periodic screening, diagnosis, & treatment)
- Finances - \$1.278 billion per year
  - \$529 million state
  - \$749 million federal

# Medicaid Waivers

- Choices for Care
  - Long term care
  - Was designed to increase access to home and community based services while reducing the use of institutional services and controlling overall Costs
- Global Commitment
  - Designed to provide the state with the financial and programmatic flexibility to help Vermont maintain it's broad public health coverage and provide more effective services

# Medicaid Basics - Waivers

- The federal government has the ability to “waive” many, but not all, of the laws governing Medicaid.
- There are several different types of waivers, but the most significant in Vermont is called an 1115 demonstration waiver (named after its section of Medicaid law).

# Medicaid Basics - Waivers

- 1115 waivers are intended to encourage innovation in the Medicaid program.
- Often, states identify ways to save Medicaid funds and are permitted to use the savings to expand coverage.
- Vermont's VHAP program (1996) and new Long Term Care waiver (2005) are both 1115 waiver programs.

# Medicaid Basics - Waivers

- 1115 waivers ALWAYS have a “budget neutrality” cap. This means that the federal government is held harmless for any spending above what “would have occurred” in the absence of the waiver.
- What would have occurred is negotiated between the state and federal governments.

# Not Just Health Insurance

- Medicaid functions as a safety net program - “a payer of last resort”
- Several health care financing programs in one
- Various working parts are far broader in scope than traditional health insurance coverage

# Vt Medicaid – Broad scope

- Office of Vermont Health Access (OVHA)
  - Most of administration
    - 2/3 of Medicaid spending
  - Eligibility – by Department for Children and Families (DCF), Economic Services Division
- Department of Health
- Department of Mental health
- Department of Children & Families
- Department of Disabilities, Aging and Independent Living (DAIL)
  - Long-term care
  - Services for individuals with developmental disabilities
- Department of Education (DOE)
  - School-based services

### Vermont Medicaid Spending by Department, Projected 2009



Excludes Lump-Sum Payments

Chart excludes Projected *Choices for Care* expenditures

# 4 Faces of Medicaid in Vermont

- Children and Families
- Individuals with disabilities
- Elders
- Low-income adults without children

## 3 Faces: public responsibility for catastrophic needs

- Children and Families (Approx. 60,000 kids)
  - Foster care children & children in state custody
  - Pre-term births
- Individuals with disabilities
  - Intellectual disabilities
  - Serious mental health needs
  - Traumatic brain injuries
- Elders
  - Alzheimer's disease & dementia

# Michelle – Disabled Child

- 10 year old girl who has cerebral palsy
- Lives at home, but without the services provided by the Medicaid program, she would need to be in a nursing home.
- On an individualized education program
- Medicaid pays for personal care services, her 12 prescriptions, medical equipment that she needs, and care from physicians, dentists, and hospitals
- Medicaid paid about \$196,000 for her care

# Bruce – Disabled Adult

- Bruce is a 34 year old man
- Both developmental and physical disabilities
- Medicaid pays for his six prescription medications, numerous physician visits and other medical services, durable medical equipment, and assistive services
- Medicaid paid \$180,000 on his behalf

# Edna – Frail Elder

- Edna is a 70 year old, suffering from heart disease and dementia
- Last year, she also had pneumonia, bronchitis, and dehydration
- She spent time in a hospital and a nursing home, and also received care at home
- Dually eligible - Medicare doesn't cover many of the services that Edna needed
- Medicaid paid about \$130,000 on her behalf

# Children and Families

- Kids Coverage
- Transitional Youth

# Kids Coverage

- Medicaid
  - Up to age 21 – “Ribicoff”
    - Really low-income – roughly 100% FPL
    - Asset limit (\$2000/3000)
  - Part of Reach Up family – to age 18 (unless child has a disability)
    - Really low-income – roughly 100% FPL
    - Asset limit \$1000
  - Child receives SSI – last as long as SSI eligibility
  - IV-E Foster Care
  - Special Needs Adoptions

# Kids Coverage cont.

- Medicaid cont.
  - Katie Becket - Disabled Children's Home Care
    - Medicaid services in the community for children with disabilities
    - up to age 19 who need an institutional level of care
    - Parental income and resources are not counted
  - Medically Needy Spend-Down Program
    - For individuals with income or resources above the usual financial cut-off points for Medicaid
    - Qualify if "excess" income and/or resources are spent on medical expenses (to Medicaid level, not Dr. D level)
- Dr. Dynasaur & SCHIP (state children's health insurance program)
  - Up to age 18
    - 300% FPL
- Special education services up to age 21

# Youth to Adult Transition

- Medicaid
  - Ribicoff up to 21
  - SSI-based Medicaid (adults)
  - Medically-Needy Spend Down program
- VHAP
  - Income under 150% of FPL - \$1,307/month\*
- Catamount Health
  - Premium Assistance: Income under 300% of FPL - \$2,613/month\*
  - Full-cost insurance product

\* 2008 Federal Poverty Levels

# Youth in Foster Care

- After age 18, need to transition to different eligibility category
- Foster Care Independence Act
  - Option to create new eligibility group for youth transitioning out of foster care at age 18
  - Up to age 21
  - State may set income & asset limits (not required)

# Individuals with Disabilities

- Adults with severe and persistent mental illness (SPMI)
- Children and adolescents experiencing a severe emotional disturbance (SED)
- Individuals of all ages with developmental disabilities
- Adults and adolescents with problems of substance abuse

# MH / DS / SA Services

- Goal – Provide community supports and services needed for independent living
- Serve about 30,000 beneficiaries
- Statewide system – 11 designated agencies & 6 specialized service agencies
- 80% of funding from DAIL and VDH-DMH

# VT State Hospital Issues

- Joint Commission Accreditation – Sept. 2008
- DOJ Investigation
- VSH not certified by CMS
  - Lost certification in 2003
  - Denied states latest request in Oct. 2008
  - Not receiving Federal match on Medicaid
- Futures
  - If/how to replace hospital/services

# Elders & Individuals with Disabilities

- Long-term care
- Pharmacy Programs

# Long-term care: Eligibility

- Income
- Assets
- Must be over 65, or have a disability

# Long Term Care

- Increase consumer choice on where LTC needs met
- 1996 landmark law (Act 160)
  - Increase capacity for home- and community-based services (HCBS)
- “Choices for Care” waiver - Oct 2005
  - Equal access to HCBS or nursing home
- Roughly 40% of Medicaid LTC beneficiaries served in home or community
  - VT is a leader among states

# Long Term Care

- Approx. 4,000 individuals in Choices for Care, mostly frail elderly, also disabled persons
  - Key issue is careful management of limited funding:
    - ✓ Serve all people needing LTC services
    - ✓ Preserve funding to support sustainability of LTC provider system

# Pharmacy Coverage

- Medicare, Medicaid and Dr. Dynasaur include Rx coverage
- Waiver programs to expand access to Rx coverage and make it affordable
  - VPharm – Medicare Part D wrap
  - Vermont Rx (VHAP Pharmacy, Vscript, Vscript Expanded)
  - Healthy Vermonters

# Medicare Part D

- Federal program administered by private companies each with a different plan
  - Different drugs
    - Preferred Drug List or formulary
      - manufacturers agree to supplemental rebate to be included on the PDL
      - Prior authorization needed for drugs off PDL
    - Exception process
  - Different premiums & cost-sharing
  - Different pharmacies
- Optional

# Part D in Vermont

- 47 prescription drug plans (PDPs)
  - Offered by 21 companies in VT
- Approx. 14 qualify for low-income subsidy
  - VPharm full coverage of cost-sharing
- Premium range \$19.40 to \$111.30/month
- 98,000 Vermonters on Medicare
  - State covers 30,000 people
    - 15,000 dual eligibles
    - 15,000 VPharm or Part D eligible

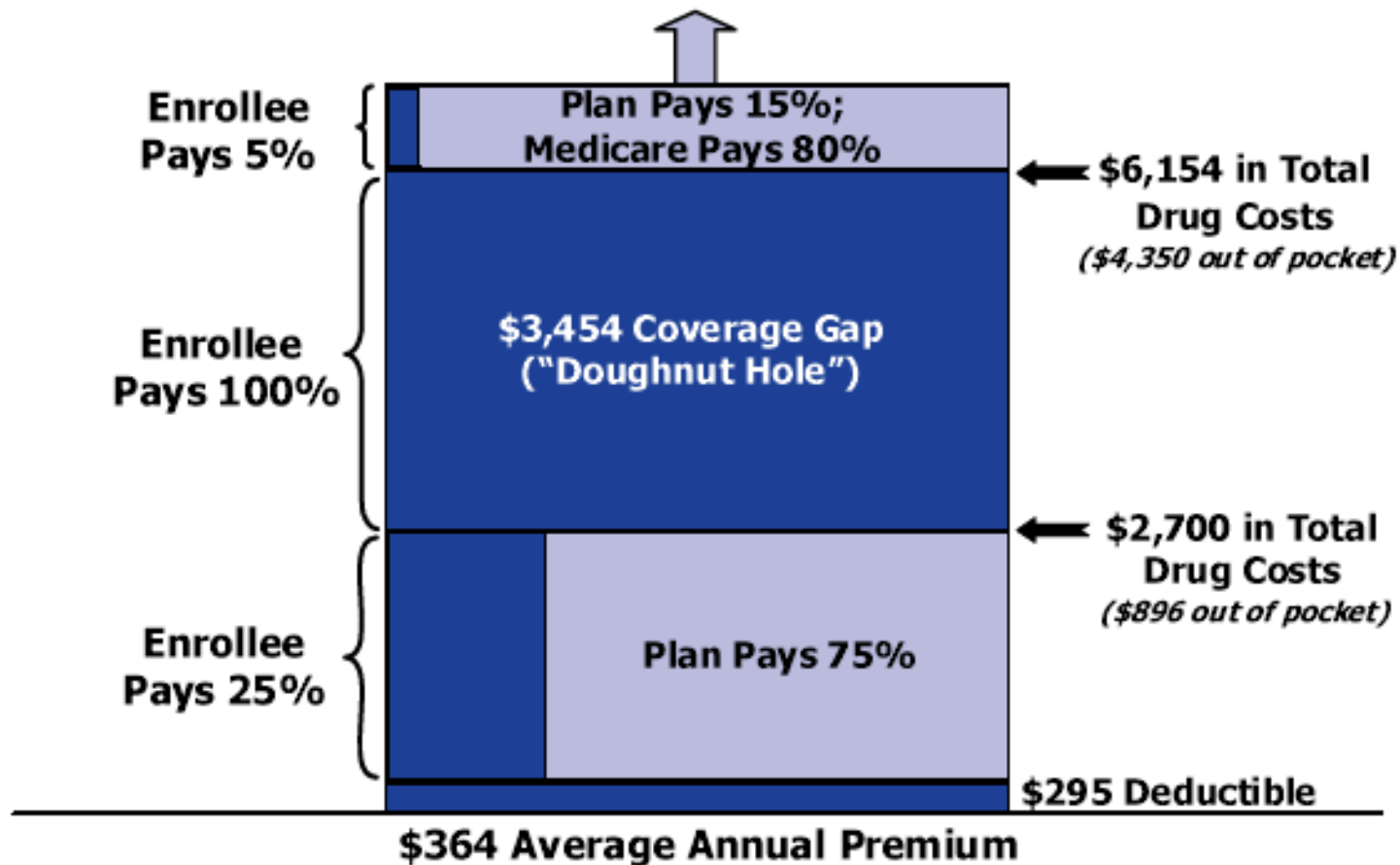
# Part D & VPharm

- Prior to Part D, Vermont offered Rx coverage for elders and individuals with disabilities
- VPharm is designed to keep Vermonters at the same level of benefits as before Part D
- Individuals eligible for Medicare
  - Over 65
  - With a disability lasting over 2 years

# Part D Coverage: Standard

- Annual Average premium: \$364
- Annual deductible: \$295
- Cost-sharing (after deductible):
  - 25/75% split up to \$2,700 in total drug costs
    - Enrollee pays 25% of costs
  - \$3,454 Doughnut Hole
    - enrollee pays 100% up to \$6,154 in total costs
  - 5/95% split
    - Enrollee pays 5% of costs

## Standard Medicare Prescription Drug Benefit, 2009



NOTE: Annual premium amount based on \$30.36 national average monthly beneficiary premium (CMS, August 2008). Amounts for premium, coverage gap, and catastrophic coverage threshold rounded to nearest dollar.  
 SOURCE: Kaiser Family Foundation illustration of standard Medicare drug benefit for 2009 (standard benefit parameter update from CMS, April 2008).

Source: Henry J. Kaiser Family Foundation

# VPharm

- Part D premium & cost-sharing
  - Monthly state premium amounts vary by income
    - \$1,307/mo (0 -150% FPL) = \$17
      - Must apply for federal low-income subsidy
    - \$1,524/mo = (150-175% FPL) = \$23
    - \$1,960/mo = (175-225% FPL) = \$50
- Classes of drugs Part D does not cover
  - E.G. - Benzodiazepines – acute anxiety, panic attacks, seizure disorders
- Cost-sharing paid only for maintenance meds if individual's income is above 175% FPL

# Vermont Rx

- Individuals over 65 or with a disability
  - Not eligible for Medicare
- Uninsured for Rx
- Monthly Premiums vary by income
  - \$1,307/mo (0-150% FPL) = \$17
    - Must apply for federal low-income subsidy
  - \$1,524/mo (150-175% FPL) = \$23
  - \$1,960/mo (175-225% FPL) = \$50
- No other cost-sharing or co-payments

# Vermont Rx

- VHAP Pharmacy
  - Income under 150% FPL
  - Covers same medications as Medicaid
  - Diabetic supplies & eye exams
- Vscript & Vscript Expanded
  - Income under 225% FPL
  - Maintenance medication & diabetic supplies

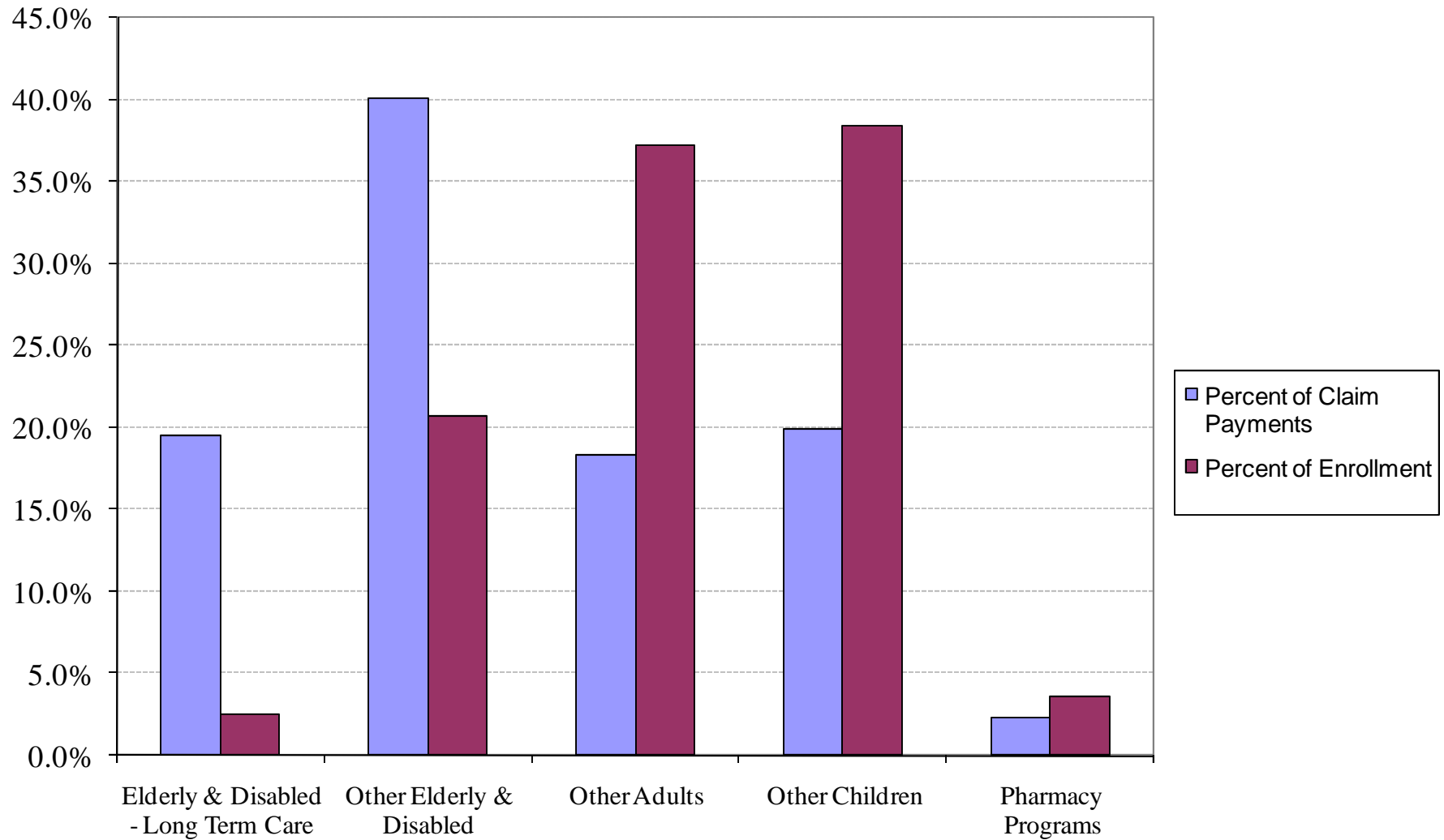
# Healthy Vermonters

- Uninsured for Rx or exhausted coverage
  - \$2,613/mo (1 person) - 300% FPL
  - \$3,484/mo (1 person) – 400% FPL – over 65 or have a disability
  
- Discount card– individual pays the Medicaid rate

# Vermont Medicaid Spending

- By Eligibility Category
  - About 40% of spending is for the Aged, Blind, and Disabled
  - About 20% is for Long Term Care beneficiaries
  - About 20% is for other children (not disabled)
  - About 20% is for other adults (not elderly or disabled)

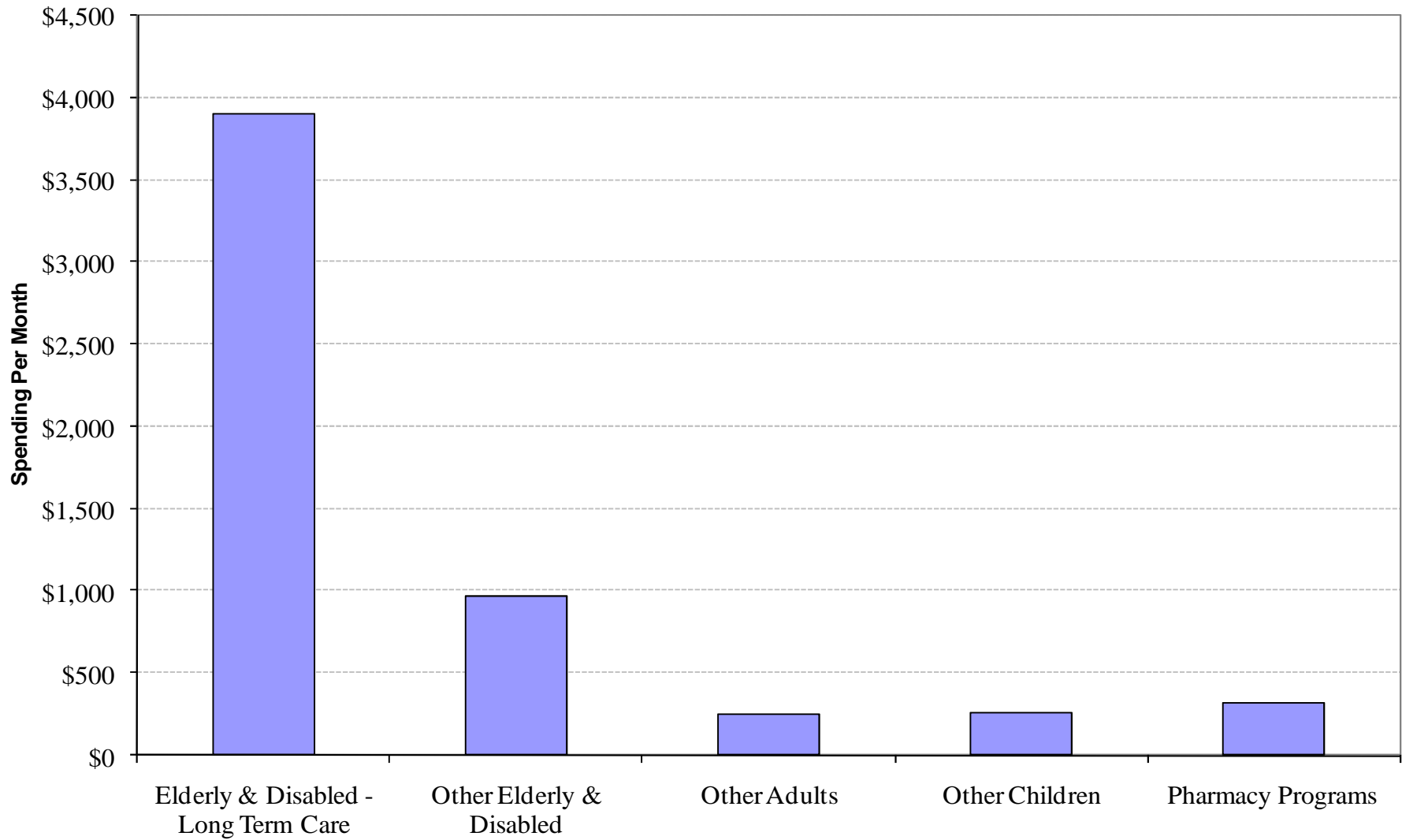
### Proportion of Spending and Enrollment, Vermont Medicaid, 2006



# Enrollment and Spending by Group

- Frail elders and people with disabilities comprise one-quarter of beneficiaries, but account for nearly 60% of spending
- Low-income children and adults = three-fourths of Medicaid beneficiaries, but slightly more than one-third of Medicaid spending

### Per Person Per Month Spending, Vermont Medicaid, 2006



# Five Year Spending Cap

- Overall spending in each program area of Medicaid is more directly interrelated
- Growth in one program area leaves less funding available for other program areas
- Financing strategies - Increase use of Medicaid dollars as long as a state match can be identified
- Now – need to evaluate impact on funding available for other Medicaid priorities

Questions?