



SOCIETY OF ACTUARIES

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Medicaid News

By the Medicaid Subgroup



Here are a few topics of current interest:

MEDICAID EXPANSION UNDER THE ACA

Medicaid expansion has captured a continuous stream of attention in the news, and Medicaid actuaries are looking at the early results with interest. As of July 2014, there were 27 states (including the District of Columbia) that are expanding, 21 that are not, and three that are still discussing options. As of the time of writing this article, three states are expanding using an alternative method—Iowa, Michigan and Arkansas (with Pennsylvania as a possibility).

The numbers for Medicaid enrollment are significant. Nearly 7 million people have been added to Medicaid and Children's Health Insurance Program (CHIP) rolls since last fall. For most states, the rapid expansion meant that enrollment goals exceeded expectations dramatically. As a result, several states are challenged with a backlog of enrollment. The federal government directed six states to provide a method to resolve their backlogs by July; Tennessee has been sued.

The new enrollees are often older than the existing population, use the emergency department, and, as

expected, have pent-up demand that did not show up in the first month of enrollment, but emerged two or three months after the programs began. The pent-up demand was for procedures as well as office visits and screenings. However, since this is Medicaid, and each state is different, there are variations in experience that reflect the nature of the prior program, the demographics of the state, and the timing of the expansion. Some hospitals have noted that they have noticed a reduction in uncompensated care for the same time period, which they attribute to a reduction in the uninsured.

RATING AND RATE REVIEWS

Medicaid actuaries have been following a practice note when doing Medicaid rate making; later this year a new actuarial standard of practice (ASOP) will be released that addresses Medicaid rates. The draft was released last spring; comments have been submitted and it is proceeding to a final form.

As the impact of the Affordable Care Act (ACA) fueled expansion increases uncertainty in Medicaid rating, several organizations, including America's Health Insurance Plans (AHIP), National Association of Medicaid Directors (NAMD) and the American Academy of Actuaries (AAA), have been express-

ing their concern about the process of rate approval by the Centers for Medicare & Medicaid Services (CMS). The letters have discussed the problems with timing, transparency, and the concept of actuarial soundness. Many of these issues had been raised in the 2010 GAO report on Medicaid rating; there is some expectation that CMS may provide some sort of response this year to that report.

Timing of rate setting is challenging for all parties. The initial rates were developed using the best information available; now the experience for the existing population is so incomplete that the next round of rates is emerging with little new information. This situation should be familiar to actuaries who have been filing exchange renewal rates, but Medicaid rate setting is complicated by differing covered services, expansion start dates and population dynamics.

DUALLY ELIGIBLE MEMBERS

Members who are both Medicaid- and Medicare-eligible for coverage, either due to low income or disability, are an especially challenging population. Up until recently, they had two systems that did not integrate well with each other to navigate, and fragmented, uncoordinated care has been endemic. To allay this problem, the ACA included a provision for fully integrated, dual-eligible special needs plans (D-SNPs). The D-SNPs have been in place for long enough for some experience to be emerging. Also, CMS has approved several financial alignment projects to test models of integration between Medicare and Medicaid. Several states have released rates this year after months of discussion, and enrollment is ramping up. There is keen interest to see if assumptions about enrollment, relative morbidity and managed care savings were on target.

LONG-TERM SERVICES AND SUPPORTS

Medicaid is the largest payer of long-term services and supports (LTSS) in the country; Medicaid expansion and the move to managed care for populations that had previously been fee-for-service are of interest to Medicaid actuaries. Plans that have accepted capitation for members who use LTSS are facing challenges with finding resources to care for patients, integrating this care with acute care, and

meeting the expectations of both quality and managed care cost savings. ACA expansion has added a large number of homeless and post-incarceration members, often with mental health and substance abuse diagnoses (or both), who do not have social networks and who may have serious untreated medical conditions as well, further stretching the system capacity to provide safe, effective and seamless care to members. Figuring out the expected costs of care for these members is another challenge.

SPECIALTY DRUGS AND NEW TECHNOLOGIES

Expensive specialty pharmaceuticals such as Sovaldi for hepatitis C (\$85,000) and Kalydeco for cystic fibrosis (approximately \$300,000/year) pose challenges for Medicaid plans. Conditions such as these are more prevalent in the Medicaid population, so the impact of expensive new treatments is more pronounced. Though these new regimens are significant improvements over older treatments, even life-saving, the costs are so extreme (despite Medicaid reimbursement rates), that state budget makers have a tough time finding money to cover the care. Six months of Sovaldi experience are showing a definite impact in pharmacy costs, but this is just one drug and there are more treatments emerging every month. This will continue to be an area of intense analysis for Medicaid actuaries.

If this subject matter interests you and you want to be involved, please join the Medicaid subgroup listserv: <https://www.soa.org/News-and-Publications/Listservs/list-public-listservs.aspx>.

Here are a few useful links for more information about Medicaid topics, including most of the material discussed in this brief:

For news and statistics: <http://kff.org/medicaid/>

For state health policy: <http://www.nashp.org/>

For state Medicaid links: <http://medicaiddirectors.org/>

For federal Medicaid links: <http://www.medicaid.gov/> ■