Medical Care Advisory Council

Advisory Council to the Medicaid Director

December 12, 2012

The Honorable Rick Snyder
Office of the Governor
State of Michigan
P.O. Box 30013
Lansing, MI 48909

Dear Governor Snyder:

On behalf of the Medical Care Advisory Council, the federally mandated advisory body to the state Medicaid director, I am writing to encourage your support of a full Medicaid benefits package to the Medicaid expansion population up to 138% of the Federal Poverty Level. We previously wrote to you in support of the Medicaid expansion (letter attached) on September 11, 2012.

There are compelling health and administrative reasons to provide the full Medicaid benefits package, rather than an "Alternate Benefit Plan" to the newly eligible Medicaid population. The services provided will be 100% federally funded for the first three years, requiring no state funds investment, providing a compelling financial reason as well.

Michigan has an unprecedented opportunity to improve the health of Michigan's low-income residents through the cost-effective expansion of the Medicaid program and by providing the full range of services needed by this population. Untreated conditions frequently escalate requiring more expensive and more complex treatment. Providing comprehensive benefits to the newly eligible population will empower and allow them to receive needed medical care and to take control of their healthcare needs.

In addition, due to the low incomes of the expansion population, it is very important to not create obstacles or barriers to accessing care through the imposition of more than very nominal copays (at the same levels of the Medicaid program) or other cost-sharing requirements.

Research by the Urban Institute indicates that 76% of Michigan's newly eligible population will have incomes below 100% of the Federal Poverty Level. In addition, nearly 90% of the newly eligible population below 100% FPL, are childless adults, many of whom have incomes significantly below the federal poverty line, but have been closed out of the limited Adult Benefits Waiver program due to enrollment caps. These individuals may have significant unmet health needs both because they are very low-income and because they have not had access to ongoing healthcare coverage.

HEALTH considerations

While the essential health benefits package mandated in the Affordable Care Act must be provided to the Medicaid expansion population, that package excludes key benefits included in the current Michigan Medicaid program. Because the Medicaid program is designed to serve low-income, vulnerable populations, it includes comprehensive benefits to meet the complex and various needs of its recipients, and would serve the expansion population well.

Unlike those with moderate or higher incomes, individuals in the Medicaid expansion group do not have the resources to pay for higher co-payments or other cost sharing than the nominal amounts charged to currently eligible groups, much less to pay in full for benefits or services not covered at all.

Benefits such as vision and dental are included in the essential health benefits categories, but only for children. Appropriate vision care is essential for people to gain employment and be productive in their jobs. It is also essential for those with diabetes, more prevalent in low-income residents, to prevent or treat eye damage caused by diabetes. Inclusion of dental benefits is cost-effective and efficient; allowing needed care to be provided in the appropriate setting. As you know dental pain is one of the top reasons for hospital emergency room visits, where only palliative, rather than restorative care can be provided. We applaud your recognition and understanding of the relationship of oral health to overall health and the serious conditions that can result when oral health issues are not addressed. Your Special Health message very clearly articulated the importance and benefits of oral health coverage, particularly for underserved populations.

Comprehensive behavioral health benefits, including substance abuse treatment and case management, provided by the Medicaid program are very important to this low-income population who often report fair or poor behavioral health status. Podiatric services do not appear to be included in Michigan's bench-mark essential health benefits plan. However, podiatric services are very important to individuals with diabetes, occurring more frequently in low-income Michigan residents.

While concern has been raised about the availability of providers to meet the needs of the newly eligible population, the efforts your Administration has initiated through the Health Care Workforce Planning Team and the identification of regulatory reform opportunities should provide options to address upcoming provider shortages.

ADMINISTRATIVE considerations

Establishing separate benefits or levels of benefits for the newly eligible population would add an unnecessary level of complexity and administrative cost for the Medical Services Administration, the Department of Human Services (DHS), and providers. Eligibility and claims processing systems modifications (to differentiate benefits and payments by eligibility category) would be required as well as modifications to provider submission systems. Individuals could be forced to pursue disability determinations or other full-benefit Medicaid categories to receive needed comprehensive benefits, increasing DHS staff workloads with costly, time-consuming eligibility determinations.

A tiered approach will create confusion among recipients and providers and potentially disrupt continuity of care if a beneficiary moves between tiers of benefits. If higher cost sharing is imposed on the expan-sion population, it will not only be a barrier to needed care for recipients, but will also increase admini-strative cost and complexity for both healthcare providers and the state Departments that administer Medicaid.

FISCAL considerations

As indicated above, services for the Medicaid expansion population will be 100% federally funded for the first three years, requiring no state funds investment. Therefore, any "savings" from not providing the full Medicaid benefits package will accrue to the federal government, not the state. However, half of the administrative cost of providing tiered benefits would be borne by the state.

In future years, a small state investment for services will be required phasing up to 10% by 2020. During the first three years, significant state savings will be realized for those in the expansion population who

are currently receiving limited state-funded benefits that would become covered by Medicaid with 100% federal financing. The federal funds infusion to Michigan, assuming full Medicaid expansion with full benefits, is estimated between $1.9 billion and $2.2 billion per year.

To reduce costs in the long run, the state could focus on innovative delivery systems and policies to improve outcomes while delivering quality care efficiently. Integration and care coordination, rather than fragmentation, are demonstrated strategies to avoid service duplication and reduce costs. Providing needed services in the appropriate settings will both reduce emergency room use and cost. Service delivery reforms can be implemented to complement the full Medicaid benefits provided to the expansion population while moderating cost. In addition, as experience is gained and better outcomes achieved for this population, capitation rates to managed care organizations (physical and behavioral health) will be adjusted accordingly.

Recommendations

- Provide the full Medicaid benefit package to the expansion population, the vast majority of whom are very low-income and could greatly benefit from Medicaid's comprehensive benefits package.
- Improve the health status of hundreds of thousands of low-income Michigan residents by providing needed healthcare services with no state funds investment, while bringing billions of federal funds to the state.
- Pursue and develop value-based policy and delivery systems that will provide the right care, at the right time, in the right place, by the right provider.

We look forward to working with you on these important issues. Members of the Council would be pleased to meet with you or your staff to answer any questions or concerns you may have.

Sincerely,

Jan Hudson

Jan Hudson
Chairperson

cc: Bill Rustem, Director of Strategy, Office of the Governor
Dennis Muchmore, Chief of Staff, Office of the Governor
John Nixon, Director, Office of the State Budget
Jim Haveman, Director, Michigan Department of Community Health
Steve Fitton, Michigan Medicaid Director

Attachment (1)