Medicaid Reform: Policy Roundtable Session

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AcademyHealth Meeting
In aggregate, Medicaid is the largest funder of long-term care services nationally...
... and is the primary source of funding for most residents of nursing facilities.

![Pie chart showing source of payment for nursing home residents.]

- Medicaid: 58%
- Medicare: 15%
- Private sources: 24%
- All other: 3%

Total = 1,628,300 Residents

NOTE: Primary expected source of payment at time of survey.
* Includes private insurance, own income, family support, Social Security benefits, and retirement funds.
** Includes Supplemental Security Income (SSI), other government assistance or welfare, religious organizations, foundations, agencies, Veterans' Administration contracts, pension or other VA compensation, payment source not yet determined and other and unknown sources.

Because other funding sources usually cover the early months of a person’s nursing facility stay.

Sources of Payment for Nursing Home Care, 2002

- Out-of-Pocket: $25.9 Billion (25%)
- Medicaid: $50.9 Billion (49%)
- Private Insurance: $7.7 Billion (8%)
- Other Private: $3.5 Billion (3%)
- Medicare: $12.9 Billion (13%)
- Other: $2.3 Billion (2%)

Total: $103.2 Billion

Source: CMS, Office of the Actuary
... individuals who move to the community do so after a short stay, before Medicaid can easily divert them.

Reasons for Discharge

- Discharged to the Community
- Deceased
- Moved to another institution

Source: The National Nursing Home Survey: 1999 Discharge Data Summary
Most of Medicaid’s spending on dual eligibles is on long-term care services . . .
... due to the lack of an extensive Medicare nursing facility benefit, compared to other Medicare benefits ...
while the remainder of Medicaid spending plugs other gaps in Medicare’s benefits and cost sharing.
Medicare decisions have a major impact on Medicaid.

- Cost sharing levels in Medicare
- Utilization review decisions governing overlapping benefits
  - Skilled nursing
  - Home health
  - DME
  - Rx, in the aftermath of Part D
- Hospital discharges into nursing facilities
- Medicare-paid physicians order Medicaid-paid services
Summary of Reform Proposals
Selected Reform Proposals

- Enhanced state program flexibility
- De-link LTC benefits from acute benefits
- Create incentives for private financing of LTC
- Medicare-related reforms for dual eligibles
Enhance State Program Flexibility

- Allow “HCBS” to be approved without a waiver
  - Largely but not entirely addressed by DRA
- Allow HCBS waivers to utilize a different level of care than nursing facilities
  - Partially addressed by DRA
- Capitated managed LTC without a waiver
- Allow distinct cost sharing rules for LTC
- Allow tailoring of LTC benefits to different populations
De-link Medicaid’s LTC benefits from the acute care benefits

- Allow Medicaid to offer LTC benefit array to individuals who would not be entitled to Medicaid acute care services
  - Expect these individuals to receive acute care from Medicare, employer, or retiree insurance
- Similarly allow Medicaid to offer acute benefits to people who would not have entitlement to LTC benefits
Create incentives for private financing of LTC

- Tax credits or deductions related to the purchase of private LTC insurance
  - Not addressed in DRA
- Remove moratorium on LTC Public/Private Partnerships
  - Addressed in DRA
- Incentivize reverse annuity mortgages
  - Not addressed in DRA
Medicare-Related Reforms for Dual Eligibles

- Revise “homebound” standards for Medicare home health benefit
- Earlier engagement of Medicaid at time of discharge from hospital to nursing facility
- Medicaid share in savings related to Medicare special needs plans and disease management initiatives
Questions

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