States Focus on Quality and Outcomes Amid Waiver Changes

Findings from the Annual Kaiser 50-State Medicaid Budget Survey

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Today we are releasing 2 reports that draw on findings from our 18th annual survey of Medicaid directors.

- Survey of Medicaid directors in all 50 states and DC
- Conducted in June-September 2018
- Study findings and other research in 2 reports:
  - *States Focus on Quality and Outcomes Amid Waiver Changes*, jointly released with NAMD, provides a detailed look at the policy and programmatic changes in Medicaid programs across all states.
Figure 2
Medicaid enrollment growth is flat and spending growth is relatively steady in FY 2018 and FY 2019.

Annual Percentage Changes, FY 1998 – FY 2019

- Total Medicaid Spending
- Medicaid Enrollment

NOTE: Spending growth percentages refer to state fiscal year (FY).
SOURCE: FY 2018-2019 spending data and FY 2019 enrollment data are derived from the KFF survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2018; historic data from various sources including: Medicaid Enrollment June 2013 Data Snapshot, KCMU, January 2014. FY 2014-2018 are based on KFF analysis of CMS, Medicaid & CHIP Monthly Applications, Eligibility Determinations, and Enrollment Reports and from KFF Analysis of CMS Form 64 Data.
Figure 3

Growth in total and state Medicaid spending is generally parallel, except when statutory changes impact FMAP.

State Medicaid Spending Growth

Total Medicaid Spending Growth


ARRA Enhanced FMAP (2009 – 2011)

100% ACA Enhanced Match (CY 2014 – 2016); 95% CY 2017; 94% CY 2018; 93% CY 2019

Expiry of ARRA FMAP

NOTE: FY 2019 projections based on enacted budgets. FMAP: Federal Medical Assistance Percentage.
SOURCE: Historic Medicaid spending growth rates derived from KFF analysis of CMS Form 64 Data. FY 2018-2019 data reflect changes in spending derived from the KFF survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2018.
For FY 2019, states project that a number of factors will contribute to enrollment and spending trends.

**Enrollment Growth**
- Stable economy
- Processing delayed eligibility re-determinations
- New eligibility systems

**Spending Growth**
- Targeted provider rate increases
- Changing enrollment case-mix
- Rising Rx and LTC costs

SOURCE: Kaiser Family Foundation survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2018.
States Focus on Quality and Outcomes Amid Waiver Changes: Key Policy Areas

SOURCE: Kaiser Family Foundation survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2018.
A number of states are pursuing Section 1115 waivers that include eligibility changes.

Enhancements
- 10 states in FY 2018 and 7 states in FY 2019
- Aside from ACA Medicaid expansion in ME and VA, most enhancements are narrow in scope
- Primarily through SPAs

What to Watch
- 3 states could adopt ACA expansion through ballot initiatives (ID, NE, UT)
- Additional states pursuing eligibility changes through waivers planned for FY 2020 or later years
- 7 states have plans for new or increased premiums in FY 2019 (6 are through waivers)

New Requirements / Restrictions
- 6 in FY 2018 and 11 in FY 2019
- Most common are work requirements, waive retroactive eligibility, and lock-out periods
- Primarily through Section 1115 waivers

NOTE: *Policies that have or are likely to result in enrollment declines are counted as restrictions. Waiver provisions in pending waivers that states plan to implement in FY 2019 or after are not counted here.

SOURCE: Kaiser Family Foundation survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, October 2018.
In 33 states of 39 states with MCOs, at least 75% of all Medicaid beneficiaries are in an MCO.

NOTES: Limited to 39 states with MCOs in place on July 1, 2018. Of the 32 states that had implemented the ACA Medicaid expansion as of July 1, 2018, 27 had MCOs in operation. North Dakota’s rate for “All Beneficiary Groups” was estimated from a state Quarterly Budget Insight report. Illinois reported the MCO penetration rate for “All Beneficiary Groups” but did not report penetration rates for the individual eligibility categories; therefore, state counts in individual eligibility category bars above do not sum to totals below the bars.

SOURCE: KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2018.
Figure 8

States are increasingly implementing MCO contract provisions that aim to improve quality and outcomes.

<table>
<thead>
<tr>
<th></th>
<th>In place FY 2018</th>
<th>Expected in place FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Require MCOs</td>
<td>16 states</td>
<td>19 states</td>
</tr>
<tr>
<td>Encourage MCOs</td>
<td>10 states</td>
<td>16 states</td>
</tr>
</tbody>
</table>

NOTES: States with MCOs indicated if selected quality initiatives were in place in FY 2018, new or expanded in FY 2019.
SOURCE: KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2018.
Most states with MCOs are implementing MCO quality initiatives, and more broadly most states are also implementing other delivery system reform initiatives.

### Any MCO Quality Initiative (Total of 39 States)
- In Place in FY 2018: 35
- New/Expanded in FY 2019: 17

### Any Delivery System Initiatives
- In Place in FY 2018: 43
- New/Expanded in FY 2019: 19

**NOTES:** Expansions of existing initiatives include rollouts of existing initiatives to new areas or groups, and other increases in enrollment or providers.

**SOURCE:** KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2018.
States were most likely to increase payment rates for MCOs and LTSS.

NOTES: Provider payment restrictions include rate cuts for any provider or freezes for nursing facilities or hospitals. FY 2019 rates had not been determined for MCOs in Maryland or for Dentists in Ohio at the time of the survey.

SOURCE: KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2018.
Nearly all states are expanding community-based LTSS in FY 2018 and FY 2019.

**LTSS Direct Care Workforce**
- Wage increases: 15 states in FY 2018, 24 states in FY 2019
- Workforce development strategies: 12 states in place in FY 2018, 10 states adding/enhancing in FY 2019

**Housing Services**
- 30 states identified specific housing-related services they plan to continue after MFP funding expires
- About half of MFP-funded states anticipate discontinuing services or admin activities

**Total States with HCBS Expansions**

<table>
<thead>
<tr>
<th>Year</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018</td>
<td>46</td>
</tr>
<tr>
<td>FY 2019</td>
<td>48</td>
</tr>
</tbody>
</table>

**SOURCE:** KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2018.
Mental health and substance use disorder treatment (MH/SUD) were the most commonly reported benefit enhancements.

**Benefit Enhancements**
- FY 2018: 19 states
- FY 2019: 24 states
- Most common: MH / SUD services, dental, and telehealth

**Benefit Restrictions**
- FY 2018: 4 states
- FY 2019: 6 states
- Most common: dental

SOURCE: KFF survey of Medicaid officials in 50 states and DC conducted by HMA, October 2018.
States are implementing pharmacy cost-containment initiatives and strategies to address the opioid epidemic.

**Pharmacy Cost-Containment Actions**
- Many states reported:
  - Initiatives to generate greater rebate revenue
  - Utilization controls
  - Ingredient cost reductions
  - Medication therapy management, case management, or adherence programs

**MCO Pharmacy Policies**
- Many states reported:
  - Uniform clinical protocols
  - Uniform PDLs
  - Risk sharing

**Opioid Policies**
- Many states reported:
  - Adopting pharmacy benefit management strategies (e.g., quantity limits, use of prior authorization)
  - Coverage of methadone, in addition to other MAT drugs covered in all states
  - Some challenges related to access to MAT

SOURCE: KFF Survey of Medicaid Officials in 50 states and DC conducted by Health Management Associates, October 2018.
Provisions in the SUPPORT Act will help states provide SUD coverage and services.

- **IMD Services**
  Permit use of federal Medicaid funds for IMD services for adults up to 30 days

- **MAT Drug Coverage**
  Require coverage of all FDA-approved MAT drugs
  Oct. 2020 – Sept. 2025

- **Corrections**
  Require suspension of Medicaid eligibility for people under 21 or former foster care youth up to 26 while incarcerated, require restoration of coverage upon release

- **Provider Capacity**
  Authorize new demonstrations to help states increase Medicaid SUD provider capacity

Key priorities and challenges in FY 2019 and beyond include the following:

- Improving quality and focusing on health outcomes through managed care, value-based purchasing initiatives, and other delivery system reforms

- Implementing or pursuing new Section 1115 waivers:
  - Common focus-areas include behavioral health services/the IMD exclusion and work/community engagement
  - Waivers often necessitate system changes, contracting with new support vendors, outreach and engagement, and other administrative tasks

- Continuing to tackle the opioid epidemic

- Managing program costs (particularly costs tied to new specialty drugs)

- Adapting to new policy directions in some states post November elections

SOURCE: KFF Survey of Medicaid Officials in 50 states and DC conducted by Health Management Associates, October 2018.