REFORMING MEDICAID

THE SOUTH CAROLINA PLAN

SOUTH CAROLINA MEDICAID CHOICE REFORM

- SOUTH CAROLINA MEDICAID PLAN
- A.) ACUTE CARE - FEE FOR SERVICE, SMALL HMO
- B.) DISABLED - COST BASED REIMBURSEMENT
- C.)NURSING HOME/LTC – COST BASED REIMBURSEMENT

- TYPICAL MEDICAID PLAN AND PROBLEMS
- 1.) BENEFICIARIES AND PROVIDERS HAVE THE “WRONG” INCENTIVES
- 2.) NO REAL MARKET PLACE EXISTS WITH ADMINISTERED PRICING
- 3.) NO INCENTIVE FOR INNOVATION AND
- PRODUCTIVITY
- 4.) LOW QUALITY CARE

- **ACUTE CARE REFORM**
- **A.) BENEFICIARIES WILL RECEIVE A PERSONAL HEALTH ACCOUNT (PHA) TO PAY FOR PART OF THEIR HEALTH EXPENSES**
- **B.) ACCOUNT BALANCES WILL “ROLL OVER” AND INCLUDE PARTIAL PORTABILITY TO A PRIVATE HSA OR FOR PURCHASE OF MORE TRADITIONAL HEALTH INSURANCE**
- **C.) PSA IS COMBINED WITH CATASTROPHIC COVERAGE OF LIMITED BENEFITS (INPATIENT HOSPITAL, PHYSICIANS VISITS, LIFE THREATENING DRUG COVERAGE, LAB & X-RAY)**

- **D.) CATASTROPHIC COVERAGE ITEMS WILL HAVE SIGNIFICANT CO-PAYS PAYABLE WITH PSA FUNDS. PREVENTATIVE CARE ITEMS WILL NOT HAVE A CO-PAY (IMMUNIZATIONS, BLOOD PRESSURE SCREENING, …)**

- **E.) PSA FUNDS MAY ALSO BE USED TO BUY DRUGS/DRUG PLAN, DENTAL, PODIATRIC, EYECARE AND SO FORTH AT MEDICAID INSURANCE & PROVIDER EXCHANGE (A HEALTH MART)**

- **E.) ACTUARIAL VALUE OF CATASTROPHIC COVERAGE AND PSA MAY BE USED TO BUY PRIVATE SECTOR INSURANCE PLANS AT THE IPE (NETWORK PLANS, HMO'S, PRIVATE SECTOR HSA PLANS, …)**

- **F.) RISK ADJUSTMENT WILL BE THROUGH MEDICAID “REINSURANCE” OF MAJOR MEDICAID EXPENSE AREAS (NEO-NATAL, TRANSPLANTS, …)**

- **G.) NEAR POOR MAY TAKE FUNDS ON A SLIDING SCALE TO PURCHASE PRIVATE INSURANCE, INDIVIDUAL AND SMALL GROUP MARKET WOULD BE ALLOWED TO BUY AT IPE**

- **G.) MEDICAID WILL CHANGE FROM DETERMINING PRICES TO BECOMING FINANCIER, SETTING RULES AND MINIMUM STANDARDS AND PROVIDING INFORMATION**

- H.) OUTCOME – SHORT RUN REDUCED UTILIZATION BECAUSE OF COST SHARING, PREVENTATIVE CARE AND MANAGING OF HIGH DOLLAR COSTS, LONG RUN PRIVATE SECTOR INNOVATION, FEWER RECIPIENTS AND FEWER UNINSURED IN THE STATE

- **COMMUNITY CARE REFORM FOR DISABLED AND FRAIL ELDERLY**

- **INDIVIDUALS WHO ARE CARED FOR IN THE COMMUNITY AND RECEIVE SPECIFIC ITEMS AND SERVICES PAID FOR BY MEDICAID, THESE ARE STANDARD SERVICES THAT ARE OFTEN NOT TAILORED TO INDIVIDUAL NEEDS, RESULT – HIGH COST AND LOW QUALITY**

- **REFORM INVOLVES CASE RATING OF EACH INDIVIDUAL ON SEVERITY OF THEIR NEEDS, INDIVIDUALS OR GUARDIANS WILL RECEIVE PSA (80-90% OF CURRENT COSTS) FOR PURCHASES OF NEEDED GOODS AND SERVICES (INCLUDING FROM FAMILY), UNUSED FUNDS MAY BE ROLLED FOR FUTURE HEALTH CARE USE**

- **PROFESSIONAL SERVICES FOR THIS GROUP WILL BE BID AT IPE, ALSO POSSIBILITY OF VENDORS OFFERING GROUP DISCOUNTS AT IPE (WHEEL CHAIRS, OXYGEN, …)**

- **OUTCOME**
- **DISABLED BECOME FULL CONSUMERS, SHOP FOR BEST PRICES.**
- **USE FUNDS TO DEAL WITH DIVERSE INDIVIDUAL NEEDS**
- **EXPENSIVE BUREAUCRACY OF PUBLIC FUNDED PROGRAMS IS REDUCED**

PROVIDERS CAN OFFER THEIR SERVICES IN A TRUE ECONOMIC ARENA, MEDICAID’S ROLE SHIFTS TO BENEFICIARY EDUCATION AND GUIDANCE.

- INSTITUTIONAL LONG TERM CARE
- THIS TYPE OF CARE HAS A COMMON UNIT OF SALE, DAY OF CARE, CURRENTLY REIMBURSED ON A COST BASED FORMULA FOR NURSING HOMES AND ICF'S
- RESULT IS PREPONDERANCE OF INEFFICIENT, HIGH COST PROVIDERS

- **MEDICAID WOULD DETERMINE ELIGIBLES FOR CARE AND THEN AUCTION OFF AMOUNT TO PROVIDERS, LOW BIDDER WOULD SUPPLY 100 BEDS AT $80 PER DAY, NEXT LOWEST 200 BEDS AT $85 AND SO FORTH UNTIL NEED IS COVERED**

- **BIDDING WOULD BE AS NEED ARISES SO CURRENT BENEFICIARIES WOULD NOT HAVE TO MOVE (CURRENT TURNOVER AROUND 20% PER YEAR), BIDDING WOULD BE THREE YEAR CYCLE, AMOUNT ADJUSTED ANNUALLY BY A "QUALITY" INDEX**

- OUTCOME

- ICF’S RUN BY STATE WOULD “BID” AS WELL, NO MORE COST BASED PAYMENTS, PRIVATE SECTOR PROVIDERS WOULD ALSO BE ALLOWED TO BID AT IPE WITH ADJUSTMENTS BASED ON “QUALITY” INDEX

- ELIMINATES NURSING HOME AND ICF “MONOPOLY”, MARKET FORCES DRIVE EFFICIENCY AND QUALITY GAINS, STATE OVERHEAD IS REDUCED BY ELIMINATION OF AFTER THE FACT COST AUDITS

- EXPECTED PROGRAM OUTCOME
- INITIAL EFFICIENCY GAINS IN RANGE OF 5-15% DEPENDING ON STATE PLAN
- SLOWDOWN IN LONG-RUN GROWTH RATE AS INNOVATION PRODUCES GREATER EFFICENCY