

SUMMARY OVERVIEW

GLOBAL COMMITMENT TO HEALTH MEDICAID 1115 DEMONSTRATION WAIVER

WHAT IS MEDICAID?¹

The program known as Medicaid became law in 1965, as a jointly funded cooperative venture between the Federal and State governments to assist states in the provision of adequate medical care to eligible needy persons. Medicaid is the largest program providing medical and health-related services to America's poorest people. The Federal statute identifies over 25 different eligibility categories for which federal funds are available. These statutory categories can be classified into five broad coverage groups: Children, Pregnant Women; Adults in Families with Dependent children; individuals with disabilities, and individuals 65 or over.

Within broad national guidelines which the Federal government provides, each of the states: establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program. Thus, the Medicaid program varies considerably from state to state.

Vermont has chosen to expand those covered by Medicaid over time so that today the program provides health care coverage to nearly one in four Vermonters.

WHAT IS A MEDICAID DEMONSTRATION WAIVER?

The federal government has the ability to “waive” many, but not all, of the laws governing Medicaid, including what services are covered by Medicaid and who can be determined eligible for Medicaid coverage. The federal government developed the 1115 Demonstration waiver program to encourage state innovation in the Medicaid program. Often, states identify ways to save Medicaid funds and are permitted to use the savings to expand coverage.

Using these 1115 demonstration waiver mechanisms, Vermont has been a national leader in making affordable health coverage available to low income children and adults and people with disabilities. Vermont has been one of the few states to take the Medicaid program that was designed to cover the disabled and poor, and expand it through an 1115 demonstration waiver to cover children and working class families (i.e., VHAP, Dr. Dynasaur). As a result, nearly one in four Vermonters is covered by some form of Medicaid and the state has one of the lowest rates of uninsured people in the nation. The new Long Term Care waiver is also an 1115 waiver program.

¹ Excerpted from the Centers for Medicare and Medicaid (CMS) Web-site <http://www.cms.hhs.gov/states>

WHY DO WE NEED GLOBAL COMMITMENT?

Vermont's achievements are now being jeopardized by the escalating cost of health care, changes in the rates of federal participation in this program, and dependence on state revenue sources that do not grow at the rate of medical inflation. The Vermont Medicaid program today faces the prospect of a cumulative deficit over the upcoming five fiscal years, if unaddressed, of approximately \$370 million in state funds. That is, we will not be able to sustain our existing services because we cannot provide the state share needed for reimbursement by the federal government.

To help address this Medicaid crisis, as of October 1, Vermont entered into a new five year comprehensive 1115 federal Medicaid demonstration waiver called the ***Global Commitment to Health***. The goals of the Global Commitment to Health waiver are to: 1) provide the state with financial and programmatic flexibility to help Vermont maintain its broad public health care coverage and provide more effective services; 2) continue to lead the nation in exploring new ways to reduce the number of uninsured citizens; and 3) foster innovation in health care by focusing on health care outcomes.

WHAT IS GLOBAL COMMITMENT?

Under the Global Commitment to Health waiver, overall expenditures (State and Federal dollars) for Vermont Medicaid services over the next five years are capped at \$4.7 billion. (1115 waivers always have a "budget neutrality" cap - this means that the federal government is held harmless for any spending above what "would have occurred" in the absence of the waiver.)

The Waiver program converts the Office of Vermont Health Access (OVHA), the state's Medicaid organization, to a public Managed Care Organization (MCO). Prior to Global Commitment, about two-thirds of Medicaid-funded services were provided by physicians, dentists, other private practitioners, hospitals, etc. via the Office of Vermont Health Access (OVHA). The balance was provided through services managed by other departments, including the Department of Health, Department of Disabilities, Aging and Independent Living, the Department for Children and Families, and by local schools. Now, under Global Commitment, AHS will pay the MCO a lump sum premium payment to ensure the provision of all Medicaid services in the State (with the exception of the new Long-term Care Waiver, which will be managed separately). This premium payment will be based on historical Vermont Medicaid spending and an actuary must certify that it is sufficient to cover all services.

AHS will have an Intergovernmental Agreement with the MCO (OVHA) that includes requirements set by the federal government for MCOs. The MCO will have Intergovernmental Agreements with existing AHS departments and the Department of Education that will be based on existing programs, expertise, and budget allocations. That is, Departments will continue to develop their own policies and practices for their particular populations and services, and receive appropriations through the existing budget and legislative process. A few changes will need to be made in Grievance and

Appeals processes, for example, but overall, things will not change within departments due to the new Waiver organizational structure.

WHAT ARE THE ADVANTAGES OF THIS NEW WAIVER?

In September, the Vermont legislature approved entering into the waiver agreement because of the potential financial and programmatic benefits for Vermont.²

First, the Global Commitment Waiver provides the State with federal authority to continue the VHAP-Uninsured, VHAP Pharmacy, VScript, PCPlus and CRT programs developed under the previous 1115 demonstration waiver, and the 1915 home and community-based waivers that support services for people with developmental disabilities, people with traumatic brain injuries, children with severe emotional disturbances, and people with disabilities who need personal care services and supports.

A primary fiscal advantage to the MCO model is that the MCO can invest in health services irrespective of their current funding source, as long as they are responsible investments that provide necessary health care services for Vermonters. This will enable Vermont to bring in an estimated \$135 to \$165 million in new federal funds. The ability to invest in programs that are currently operating at the state or local level will allow the state to reduce the projected five year GF deficit by this amount, and will also help to address a large portion of the projected deficit for the coming fiscal year (FY07). This double opportunity (to invest in tangible health care programs that heretofore have not been federal-state partnerships) is potentially an enormous opportunity for the state.

The waiver also provides the state with the ability to be more flexible in the way it uses its Medicaid resources because we are no longer bound by the traditional Medicaid rules. Examples of this flexibility include utilization of creative payment mechanisms (e.g., case rates, capitation, combining funding streams for different populations) rather than fee-for-service to pay for services not traditionally reimbursable through Medicaid (e.g., consultation for pediatricians by psychiatrists regarding mental health issues) and investment in innovative programmatic initiatives (e.g., the Chronic Care Initiative and prevention programs). It also will encourage inter-departmental collaboration and consistency across programs. It is hoped that this type of flexibility will enable the State to implement programs and reimbursement mechanisms in the first few years of the program that will curb the health care inflation experienced within the state and thereby reduce even more of the projected five year deficit. Additional savings may be realized

² The Legislative Joint Fiscal Committee unanimously granted approval for the Global Commitment to Health Demonstration Waiver Program to begin on October 1, 2005, contingent on the following being provided by November 17, 2005: 1) a more thorough explanation of waiver provisions; 2) final information about premium rates and methodologies; 3) a list of criteria and MCO targeted health care investments; and 4) review by the Attorney General.

to the extent we are able to more effectively address enrollees' needs and encourage appropriate utilization.

While the Global Commitment reduces the Medicaid deficit and provides additional tools for managing program expenditures, programmatic changes and/or new revenue sources still will be necessary to totally eliminate the Medicaid deficit.

HOW WILL THIS AFFECT MEDICAID BENEFICIARIES?

Current Medicaid beneficiaries will not experience any changes to their benefits or eligibility for services upon implementation of Global Commitment. As has been the case in the past, any future changes in program eligibility or benefits will require state legislative approval, and most will also require federal review before implementation. Also, the federal approval of the waiver is very explicit that all mandatory populations and mandatory benefits cannot be changed under the new waiver. However, some individuals previously not participating in PCPlus will be required to select a 'medical home' or Primary Care Provider due to federal managed care requirements.

Within the next few weeks, all current Medicaid beneficiaries not enrolled in VHAP - the existing 1115 Waiver Demonstration program – will receive a letter telling them that they are now part of a waiver demonstration program, but that there are no changes to their benefits or services as a result of this.

IS THE CAP TOO LOW?

Projections are that we will only spend \$4.18 billion over the next five years for our current enrollees and programs, so there is still room in the waiver cap, or \$4.7 billion, to handle higher costs or an increase in enrollees. Also, currently we don't even have the General Fund dollars needed to support the full \$4.18 million for existing Medicaid services, so reaching the \$4.7 billion target would be challenging.

IS THIS A BLOCK GRANT?

This is not a block grant. Block grants provide a lump sum payment to states that is very broad in its purpose and not tied to reimbursement based on the amount of services provided. In addition, the amount of block grants approved by the federal government can be increased or decreased by the federal government each year. As an example, President Bush proposed a Block Grant program several years ago that automatically decreased federal support to states over time.

In comparison, the Global Commitment waiver has a capped amount available to Vermont for reimbursement for services that are provided, and this amount increases annually based on a 9 percent inflationary trend, which equals a total of the \$4.7 billion cumulative cap for the five years. In addition, this capped amount is permanent – the federal government has made a five-year commitment to adhere to this trend rate of nine percent annually.