Transforming Health Care:

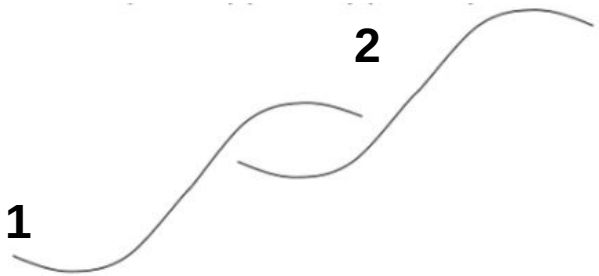
A Proposal for Oklahoma's Future

Elements of the Proposal

- The Case for Change
- Payment and Delivery System Reforms
- Broadening Coverage in Oklahoma

Context: The "New Reality" for Health Care

Transitioning from "Curve 1 to 2"



	FIRST		**SECOND**
➢	Volume	vs.	Value; Pay-4-Performance
➢	Fee/Service	vs.	Quality/Efficiency
➢	Acute care	vs.	Chronic care
➢	Stand-alone	vs.	Highly integrated
➢	Episodic	vs.	Coordinated

Forces Driving Reform of Health Care in Oklahoma

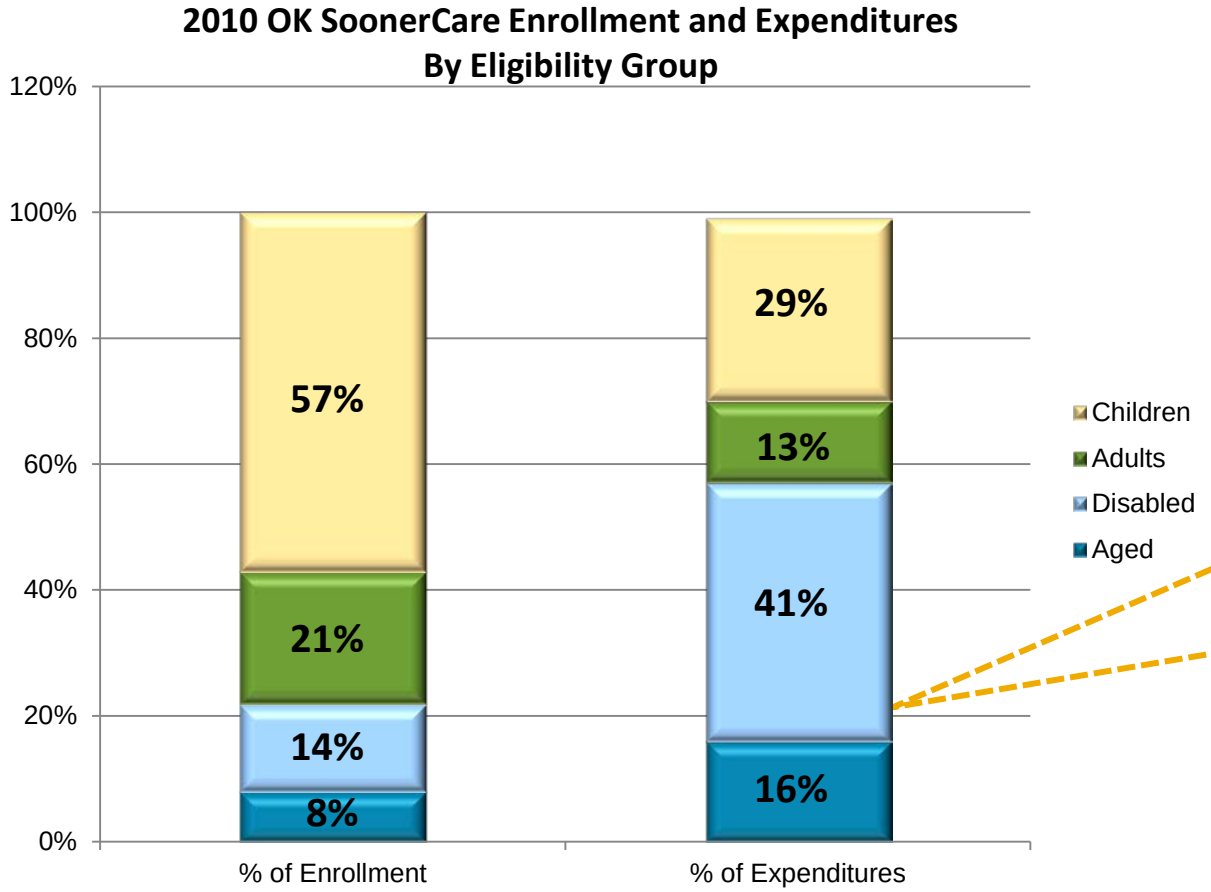
- To achieve a balanced budget, Oklahoma must **control state spending.**
- Despite the state's investment in health care, more than 630,000 remain **uninsured (17% of the population**) in Oklahoma; **cost of that care is shifted to the private sector.**
- **Oklahoma has poor health outcomes**, as evidenced by high rates of smoking, obesity, and diabetes. (46th nationally)
- The high rates of uninsurance and poor health status contribute to the **high cost of health care in Oklahoma.**

Sources: Bullet 2) Oklahoma Healthcare Authority; 3) Kaiser State Health Facts; 4) United Health Fund's America's Health Rankings® Dec. 2013; The Commonwealth Fund's Scorecard on State Health System Performance for Low-Income Populations, 2013

OHA Oklahoma Hospital Association

A Small Percentage of Beneficiaries Drive Costs

22% of beneficiaries account for 57% of program costs



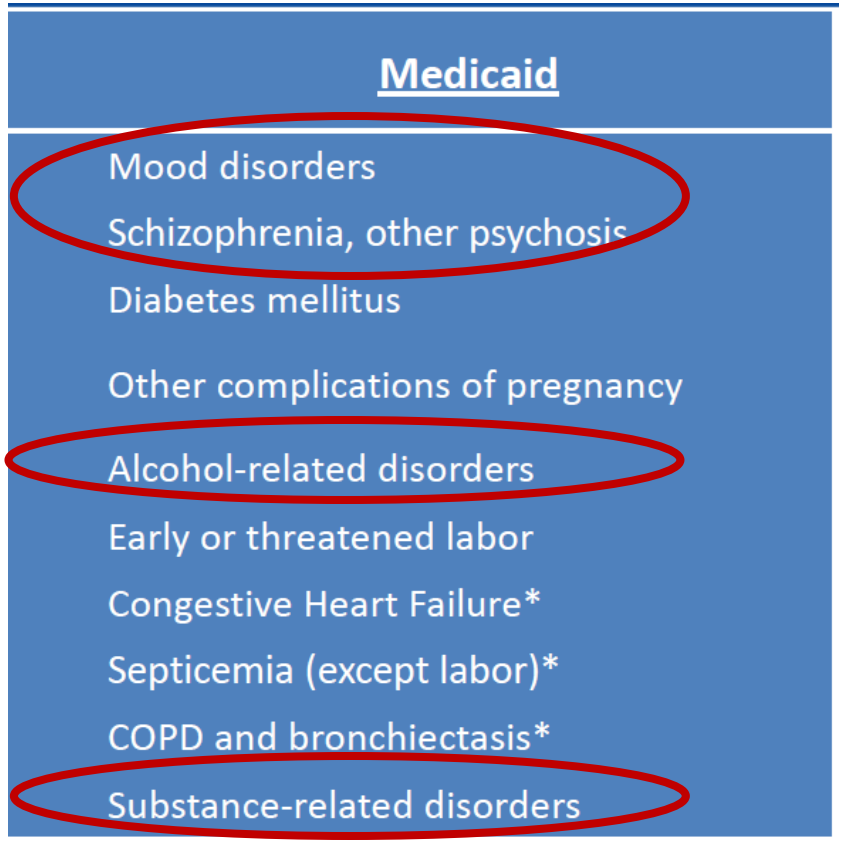
Medicaid Payments per Aged and Disabled Enrollees are $10,085 *and* $13,820, *respectively, compared to $2,462 for children and $2,973 for adults.*

e: Kaiser State Health Facts, Oklahoma.

Oklahoma Hospital Association

Behavioral Health Is a Key Investment Area

Top 10 Diagnoses for Readmissions 2011



Four of the top 10 diagnoses related to readmissions are for behavioral health conditions.

Source: 2011, Data, Healthcare Cost and Utilization Project (HCUP). Agency for Healthcare Research and Quality (AHRQ). http://www.ahrq.gov/research/data/hcup/index.html

OHA Oklahoma Hospital Association

The Burden of Uncompensated Care Costs

- In 2013, Oklahoma hospitals absorbed **$550+ million in uncompensated care costs**, which represented 6.1% of Oklahoma hospitals' total expenses.

- The cost of treating **the uninsured disproportionately affects rural hospitals.**

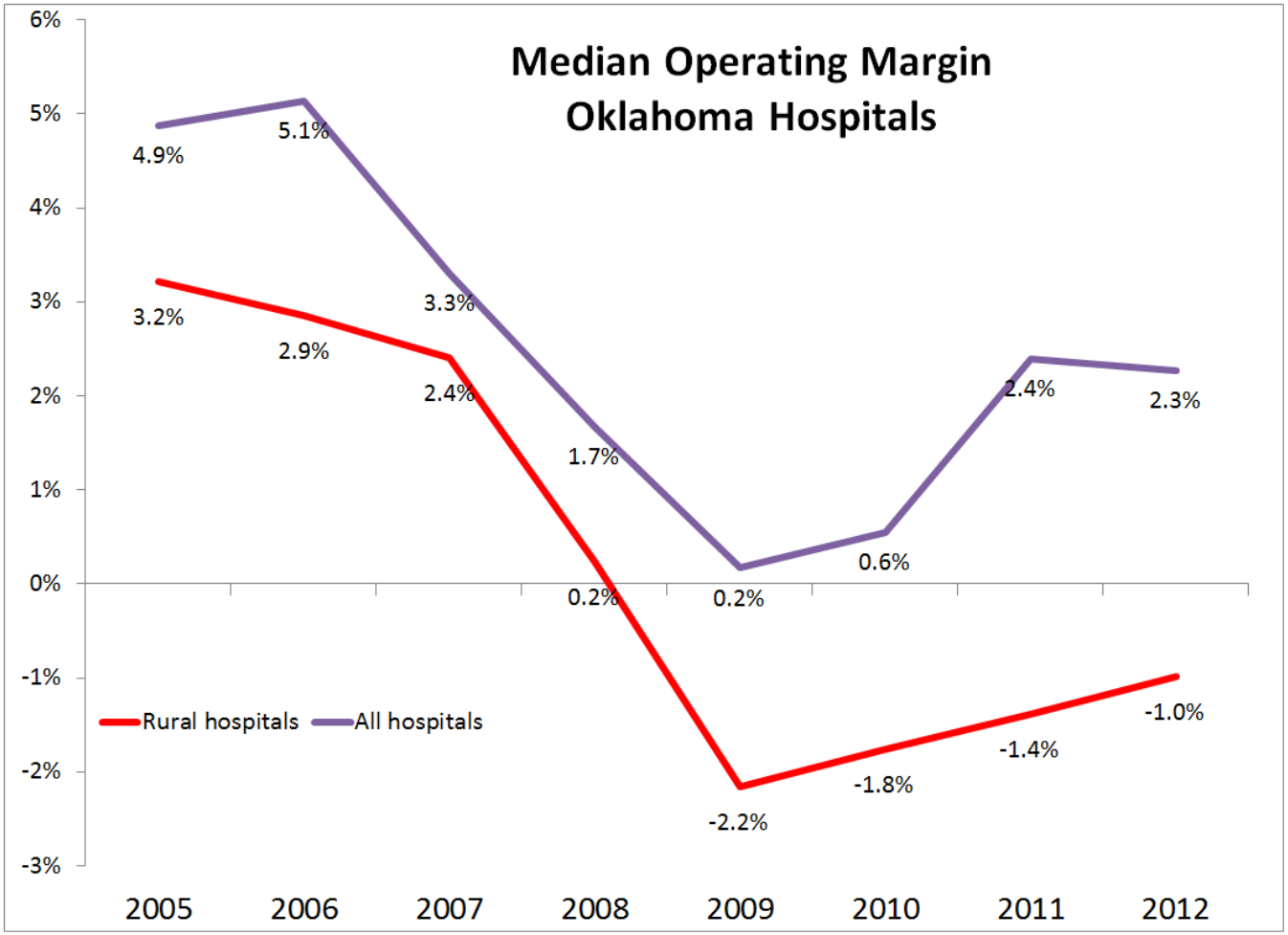
  - Uncompensated care accounted for 10-17% of the expenses for 20 rural Oklahoma hospitals.

  - **Rural hospitals are less able to shift costs** to insured patients given their payer mix.

Sources: American Hospital Association/OHA/OSDH Annual Cooperative Hospital Survey

OHA Oklahoma Hospital Association

Investment in Coverage Preserves Access in Rural Communities



Sources: CMS Healthcare Cost Report Information System

Oklahoma Hospital Association

The Stakes are high for OK's Hospitals (2015-2024)

Federal Medicare cuts (enacted)	($4.35 billion)
OK Medicaid cuts (7.75% in 2014)	(.71 billion)
Total Payment Cuts to OK hospitals	($5.06 billion)
Offset if OK accepted federal funds (180,000 – 235,000 individuals)	$4.08 billion

Oklahoma Hospital Association

Estimated Additional State Savings, Annually

Other agencies, whose budgets are currently 100% state funded, would benefit from OK accepting these federal funds:

- **$34M** for Dept. of Mental Health and Substance Abuse Services
- **$11.M** for Dept. of Corrections
- **$2.4M** for State Dept. of Health

A total savings of $48.2 million every year!

Oklahoma Hospital Association

State Budget Math 2014-2023

State Tax Revenue (15,000+ Jobs)	$ 477 million
Replacement of Existing State Expenses	482 million
Total New State Revenue	959 million
Estimated Net State Costs	(689 million)
Positive Impact on State Budget	**$270 million**

CONSERVATIVE

As a result of $8.6 billion in new Federal revenue to Oklahoma.

Oklahoma Hospital Association

Investing in Coverage Provides a High Rate of Return

By accepting $8.6 billion in federal funds (2016-2023):

- Oklahoma is projected to have a **$17.9 billion** impact in total new revenue.
- **23,986** new jobs will be created.
- State and local tax revenue will increase **$620 million.**
- These funds will help support and sustain health care services and physicians for rural Oklahoma.

Source: "The Economic Impact of the Proposed Insure Oklahoma Expansion, 2016-2023," Oklahoma State University, March 2015.

OHA Oklahoma Hospital Association

Goals for the State's Investment in Health

Goals for the State's Health Care Investment

1. **Improve quality, outcomes and value** by holding providers accountable through value based purchasing models emphasizing care coordination and transparency.

2. **Improve access** by broadening coverage, identifying gaps in provider capacity and targeting resources more effectively.

3. **Contain costs** by targeting medically complex, high-cost populations (e.g. individuals with co-morbid physical and behavioral health conditions) and reducing unnecessary emergency department visits and potentially preventable admissions and readmissions.

4. **Improve sustainability** and budget certainty of the Medicaid program.

Building Blocks for an Oklahoma Plan

Payment & Delivery System Reform

- Improve quality & contain costs by moving from volume-based to value-based purchasing.
- Reduce unnecessary utilization, including ER visits and hospitalizations, through enhanced care coordination and access to primary care.
- Integrate services for high cost, high need beneficiaries with physical and behavioral health comorbidities.

Coverage Reform

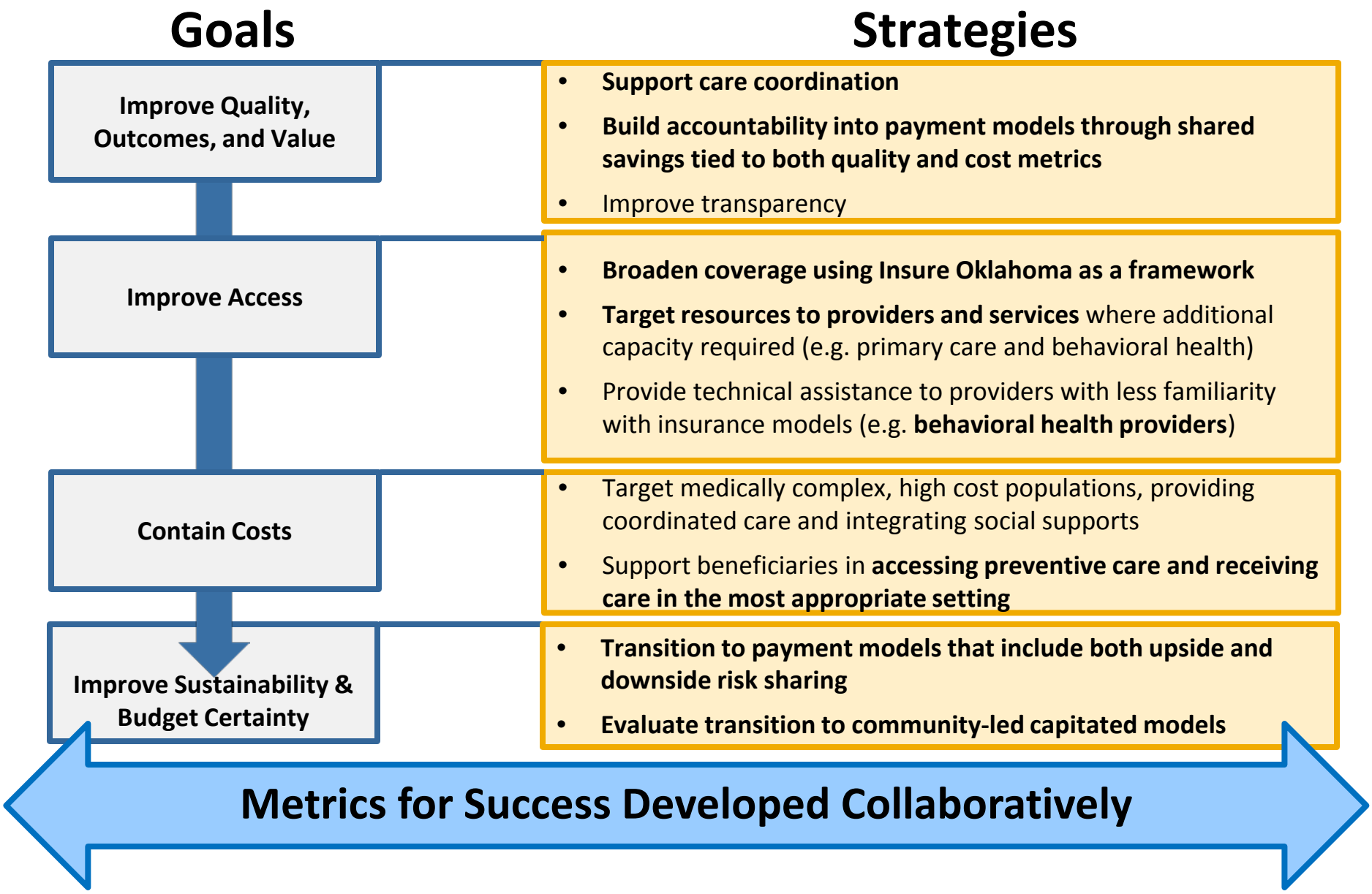
- Build on Insure Oklahoma
- Engage the private sector
- Require personal responsibility
- Incent work and education
- Ensure sustainability

Enables budget predictability for the state

Oklahoma Hospital Association

Payment & Delivery System Reforms

Oklahoma's Health Care Investment Goals & Strategies



Proposed Building Blocks of Reform in Oklahoma

Medical Homes

- Expand patient-centered medical homes (PCMHs) to all Medicaid beneficiaries
- Establish linkages between and among PCMHs, hospitals and FQHCs
- Build on Health Access Networks to support medical home development
- PCMHs, partner hospitals and FQHCs eligible for shared savings

Health Homes

- Expand health homes for individuals with behavioral health conditions
- Establish health homes for individuals with chronic conditions
- Establish linkages with hospitals and FQHCs
- Health homes, partner hospitals and FQHCs eligible for shared savings

Community-Led Accountable Care Models

- Enroll beneficiaries in community-led accountable care models
- PCMHs and health homes provide care coordination and support services; foundation of accountable care
- Payment model developed over three years beginning with shared savings and transitioning to full capitation

Transition to Provider Risk-Bearing Models Over Time

Broaden Coverage in Oklahoma

Closing the Coverage Gap: Newly Eligible Adults

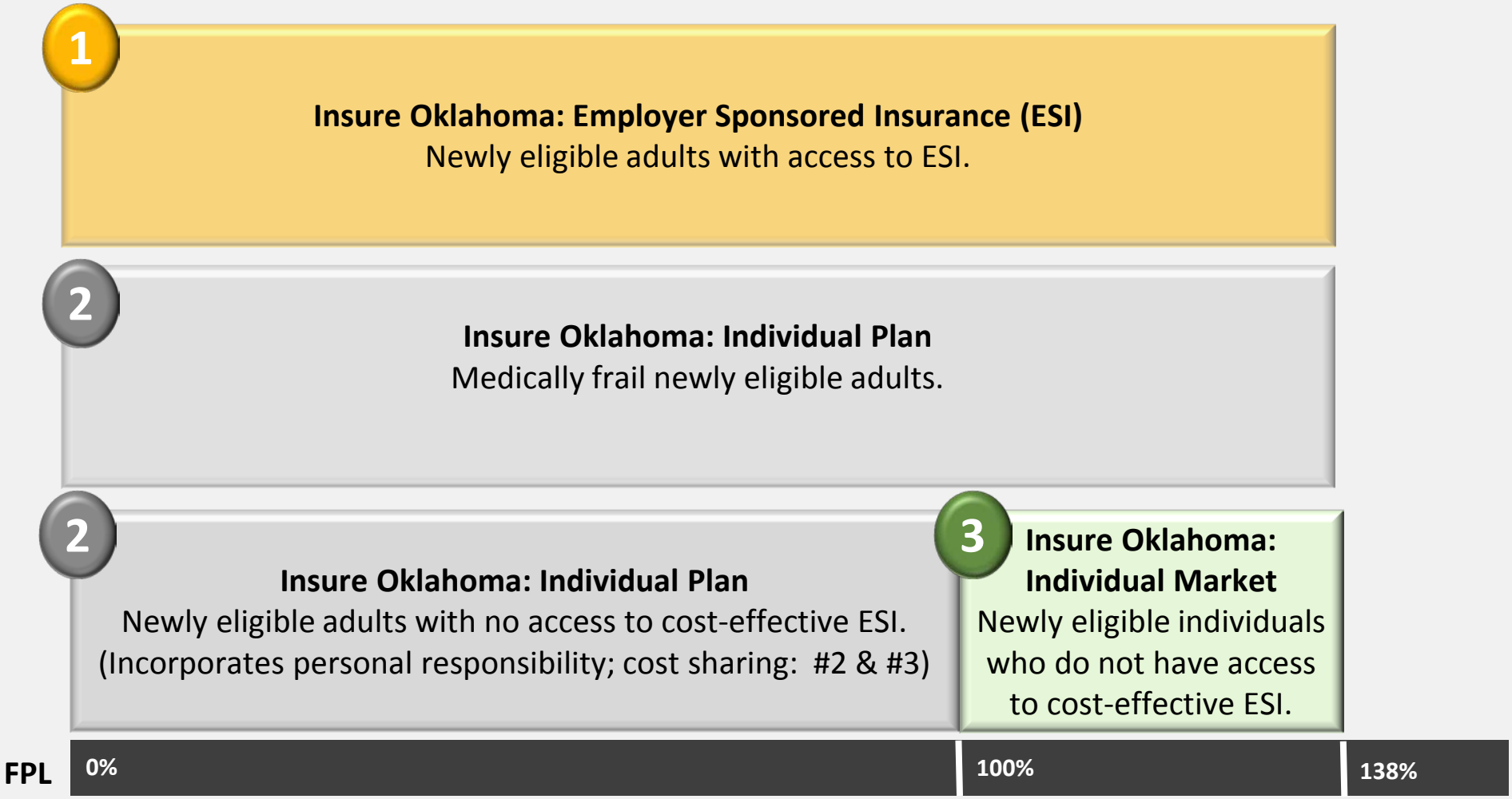
NEWLY ELIGIBLE ADULTS

- Childless adults with income below 138% FPL ($16,105)
- Parents with incomes between 42% - 138% FPL *(Example: family of two with parent and child, income between $6,606-$21,707)*
- Estimated 233,334 individuals would enroll in coverage over 10 years based on medium take-up rate

Source: Kaiser State Health Facts; Leavitt Partners: "Covering the Low-Income, Uninsured in Oklahoma"

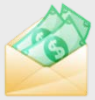
OHA Oklahoma Hospital Association

Insure Oklahoma: Proposed Coverage Solution



Features of Oklahoma's Coverage Approach

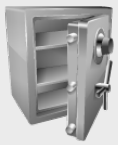
Benefits. Alignment of the alternative benefit plan for newly eligible adults with the benefits offered by QHPs to the maximum extent possible.



Premiums and Cost-Sharing. Targeted use of premiums and cost sharing for individuals with incomes above 100% FPL.

Healthy Behavior Incentives. Incentives for meeting health or wellness standards, including elimination or reduction of co-pays or premiums.

Work and Education Referrals. Referrals to job training and placement programs (e.g., www.OKJobMatch.com) for unemployed individuals with incentives for participation.



State Protections. Use of a trust fund and a provider fee backstop to cover the non-federal share of the newly eligible; adoption of a provision to sunset coverage should the federal match rate go down.

States Cover ABP Benefits for New Adults at Enhanced Match

ALTERNATIVE BENEFIT PLAN (ABP)

- 10 Essential Health Benefits
  - Ambulatory patient services
  - Emergency services
  - Hospitalization
  - Maternity and newborn care
  - Mental health and substance use disorder services, including behavioral health treatment
  - Prescription drugs
  - Rehabilitative and habilitative services and devices
  - Laboratory services
  - Preventive and wellness services and chronic disease management
  - Pediatric services, including oral and vision care
- Early Periodic Screening, Diagnosis, and Treatment (EPSDT) for 19 and 20 year olds
- Non-emergency medical transportation

YEAR	ENHANCED FEDERAL MATCHING RATE NEWLY ELIGIBLE ADULTS UP TO 138% FPL	
	State Share	*Federal Share*
2014	0%	100%
2015	0%	100%
2016	0%	100%
2017	5%	95%
2018	6%	94%
2019	7%	93%
2020+	10%	90%

Personal Responsibility: Premiums and Cost Sharing

Premiums

- Individuals with incomes 100% to 138% FPL subject to a premium up to 2% of household income
- Failure to pay premium for 90 days results in disenrollment
  - Re-enrollment not tied to repayment of back premiums
  - Unpaid premiums are a collectible debt
  - Consistent with PA's approach
- Individuals with incomes <100% FPL have no premium obligation

Cost Sharing

- Cost sharing consistent with federal rules for newly eligible adults 100-138% FPL (*see appendix*)
- Medicaid cost sharing for individuals >100% FPL generally aligns with QHP cost sharing for individuals <150% FPL

Incentives for Healthy Behaviors, Work Search & Education

Healthy Behavior Standards

- Reduction in cost sharing obligation or premiums for meeting healthy behavior standards, such as attending smoking cessation counseling or receiving all recommended preventive screenings

Work & Education Referrals

- Unemployed individuals referred to job training or work placement programs, e.g., www.OKJobMatch.com
- May include vouchers to reduce premiums or cost sharing for participation

Protections Used in Other States

Trust Fund

- Savings generated from increased coverage set aside to offset the State's share beginning in 2017.
- Sources of savings: cost of services for new adults currently funded with state dollars (e.g., mental health and substance abuse programs) and enhanced match for coverage of some existing eligibility groups e.g., Insure Oklahoma.

Provider Fee Backstop

- Revenue generated from provider fee may be used to cover a portion of the State's share for increased coverage if cost for new adults exceeds an established target.
- *[Enact a Second Provider Fee?]*

Sunset Provision

- Termination of coverage for new adults if Congress reduces the federal share authorized by the Affordable Care Act (federal share is 100% through 2016 and decreases overtime until it reaches 90% in 2020).

Time Frame for Implementation of Proposals

Current	Phase 1 (2015-2016)	Phase 2 (2017-2020)
• Multi-stakeholder process to develop specific coverage and reform features and develop metrics for success.	• Expand Insure Oklahoma: ESI • Expand Insure Oklahoma: Individual Plan • Launch Insure Oklahoma: Individual Market • Expand PCMHs and develop shared savings program • Expand health homes and develop shared savings program • Develop provider-led accountable care model(s) and launch initially with FFS and shared savings	• Transition provider-led model(s) to capitated payments, potentially requiring a health plan or other state license.

“How does this relate to activities this legislative session?”

Thank You.

Craig W. Jones, FACHE
(jones@okoha.com)
405-427-9537