

## **Background on Utah's New Medicaid Waiver**

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### **Why did Utah propose this Waiver?**

In the first few months of his first term in 1993, Governor Leavitt introduced *HealthPrint*, a step-by-step incremental plan for reducing the uninsured rates in Utah. Under *HealthPrint*'s careful design, the Leavitt Administration has implemented access initiatives targeted at specific populations to increase coverage for children, seniors, and the disabled.

One of these initiatives was the highly successful Children's Health Insurance Program [CHIP] which offered benefits similar to that of the Utah Public Employees Plan rather than the more generous Medicaid design. CHIP had become so successful in reaching uninsured children that its enrollment surpassed available funding, and program enrollment was suspended in January 2002. The program will offer open enrollment periodically to replace children who leave the program.

These initiatives have contributed to Utah seeing the lowest uninsured rates for some time. The overall uninsured rate in Utah as of February 2002 is approximately 8.7% and is even lower for children at approximately 6.8%. [The children's rate could be as high as 11% without CHIP.]

With these successful initiatives to build on, it is time to address health care access for low-income working adults who have no health care coverage at all. These Utahns may be working 2 or 3 part-time jobs and do not qualify for paid health care coverage through their employer, or may hold a full time job in a company that cannot afford to provide their workforce with health care coverage, or may have short term seasonal employment that does not offer health care coverage.

Within the 8.7% of Utahns who remain uninsured, approximately 145,000 individuals are between the ages of 18 and 64. Approximately 85,000 of these adults have family incomes below 200% of the federal poverty level. Most of these individuals are working. This new waiver will allow the State to reach approximately 25,000 of these individuals with a limited health care benefit. This limited benefit will provide access to primary care, pharmacy and emergency coverage among other benefits. This Waiver program will reduce the number of uninsured in this age group by over 17%.

### **Why is this Waiver so revolutionary?**

This will be the first time the federal government has permitted a state to offer a limited benefit plan that does not include hospitalization and specialty care under Medicaid. It is also the first time that the federal government has allowed a state to reduce some benefits to current Medicaid eligibles in order to reallocate these funds to offer some coverage to working individuals who have no health care coverage in the workplace.

We believe this decision by Secretary Thompson recognizes that States cannot continue to expand full Medicaid coverage to the remaining uninsured as that model is too costly, covers too few people, and encourages "crowd out", the phenomenon where people already insured in the workplace migrate to public coverage resulting in no reduction in the number of uninsured. There is considerable evidence that those States that have simply expanded full Medicaid coverage to adults have spent a great deal of state funds, but have not had the impact on the uninsured rates in their State that they had expected.

Utah's philosophy under this new Waiver is to offer some coverage to low-income working adults until their income allows them to afford more complete coverage, or they become employed in a company that pays for a bigger share of their health care coverage. We believe this is far better than providing no coverage at all. We believe that the single benefit design required by Medicaid rules fails to recognize the complexity of issues that arise as you attempt to cover more of the low income working population. These issues include crowd out concerns, how to adjust for the acute care costs of this population which are largely embedded in the State's health care system already [cost-shift], and how to garner political support to finance the initiative. Utah could not achieve political support to extend full Medicaid coverage to this population, nor are there funds to finance such an initiative.

### **Who will be eligible for this new Waiver?**

Any adult between the age of 19-64 who has not had health care coverage for at least 6 months, whose employer pays less than 50% of their health care benefit, and whose annual income is less than 150% of the federal poverty level can be covered under this program. Adults do not have to be parents to qualify.

Since this is a demonstration program, enrollment will be limited to 25,000 adults until program evaluations can be completed on how successful this limited benefit plan is in reducing health problems for this population, in reducing the use of emergency rooms and hospital admissions, and its effectiveness in providing some medical coverage to the uninsured without causing crowd out.

### **What benefits will the Waiver offer?**

The Waiver will provide primary and preventive care plus some emergency coverage. The benefit plan includes primary care physician office visits, flu immunizations, urgent care visits, emergency room visits, lab, x-ray, ambulance transport, medical equipment, medical supplies, oxygen, basic dental care, hearing tests, vision screening but not eyeglasses, and prescription drugs.

### **What benefits will not be covered?**

Not covered services include out-patient hospital; in-patient hospital; out-patient and in-patient specialty physician care; non-emergency transportation to medical care by public transit or taxi; some dental care like orthodontia, root canals, and crowns; mental health treatment; substance abuse treatment; physical therapy; occupational therapy; and chiropractic care.

### **What will enrollees in the new Waiver be required to pay?**

There will be an annual enrollment fee plus co-payments similar to those required by enrollees in the CHIP program. There will be a \$1000 annual out-of-pocket maximum per enrollee.

### **How will the Waiver be financed?**

It is important to note that State dollars will be increased overall under Governor Leavitt's budget recommendations for Fiscal Year '03 by nearly \$26 million, or 8%. This should demonstrate that the Waiver is not a cost cutting exercise, but rather an initiative to equalize the distribution of health care dollars to cover more people with some level of benefit, rather than providing very broad coverage to some and leaving others with no coverage at all.

Financing the Waiver will be accomplished by redistributing state funding as follows, and by bringing in the additional federal dollars noted:

	State Funds	Federal Funds	Total Funds
• UMAP Transfer	\$3,500,000	\$ 8,200,000	\$11,700,000
• Medicaid Reductions	700,000	1,600,000	2,300,000
• Cost Sharing	<u>\$1,400,000</u>	<u>3,300,000</u>	<u>4,700,000</u>
• Total	\$5,600,000	\$13,100,000	\$18,700,000

### **Will some current Medicaid recipients lose benefits?**

Yes, some will see reduced coverage but it is important to note that even after these reductions, coverage will still be comprehensive, very much like that offered under the Children's Health Insurance Plan and comparable to most employer sponsored plans.

### **How many Medicaid recipients will be affected?**

Approximately 17,600 adults out of 143,000 Medicaid recipients will be affected. However, benefits for children, the physically disabled, the chronically mentally ill, persons 65 and older, pregnant women, and women with breast or cervical cancer will not be affected.

### **Who are the Medicaid recipients that will be affected?**

These 17,600 adults are the parents of children on Medicaid, or who are receiving both Medicaid and TANF assistance.

### **What kind of service reductions will these recipients experience?**

Vision services, physical therapy, chiropractic services, dental services and mental health will still be covered but there will be some limitations added. Non-emergency transportation by taxi or public transit to doctor visits will not be covered. Ambulance services will continue to be covered.

### **Will these Medicaid recipients pay more for services they receive?**

Yes, but only slightly more. Medicaid recipients will still not pay a monthly premium for coverage, but will pay a little more in co-payments. For example, a physician visit will increase from \$2 to \$3, and prescription co-pay will increase from \$1 to \$2.

**How will HB 122 help the Medicaid Waiver?**

HB 122 will change state law so private insurers can offer employers the same limited benefit plan that the Waiver creates. This will allow the State to partner with insurers and employers to purchase this coverage through the private market rather than expanding enrollment in public programs.

**When do you expect the new Waiver to start taking enrollees?**

We hope to start enrollment by July 1, 2002.

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