

Health Care Task Force

Governor's Presentation

-----Thanks for your commitment to finding solutions to a very challenging problem for our state.

-----The last time I appeared here, I expressed my support for continuing the coverage for the expanded population on 2 conditions:

----- (1) that we find the savings within the Medicaid budget to pay for the state's share of the costs; and

----- (2) that we change the rules so that our Arkansas values of personal responsibility; work and program integrity are reinforced.

We have worked hard at the *solutions, debated amongst each other, listened* and everyone has contributed.

Now, let me outline my recommendations:

I. The first condition is to create savings in the Medicaid program

Goal: \$835 million over 5 years. This averages to \$167 million savings from overall Medicaid budget per year (\$50 to 60 million in general revenue savings

Strategy: "Best service for the customer at the best price for the taxpayer" We need savings and we can get there different ways.

--Managed care; partnerships with industry for best practices; third party administrators; expansion of PCMH model.

Long term care---\$250 million over 5 years. This is based upon working with the industry that includes an independent assessment for each patient annually; instituting tiers of care at home for individuals who not require institutional care; and a smart rebalancing between home care and institutional care. **We need more time to finalize the details on these savings.**

Dental---\$20 million over 5 years. Work with the Dental Association and industry groups to accomplish value based purchasing; with performance measures for improved access, prevention savings and enhanced program integrity.

Pharmacy---\$110 million plus over 5 years. This is based upon working with industry that includes: expansion of the UAMS EBRx preferred drug list; value based purchasing and increasing the medications on the Competitive Acquisition Program.

Behavioral Health---We need to create savings of \$231 million over 5 years. (*Stephen Group Report*) There is disagreement on how this can be accomplished. I have met with industry representatives and the offer of savings is insufficient.

---- Rep. Michelle Gray presented a proposal for savings yesterday and there is disagreement as to whether that is sufficient to create the needed savings.

-----Stephen Group recommends moving the beneficiaries to full risk managed care. The Stephen Group report outlines how any RFP for care management would be implemented including quality management, incentives and independent assessments.

Developmentally disabled---\$232 million over 5 years. The savings from this group has not been agreed upon. There is more work to be done. The Stephen Group Report describes the elements of an RFP for care management for this population. *Note: The Human Development Centers (HDC) will be excluded from the larger managed care initiative but we will work for a plan to assure the sustainability of HDCs.*

SUMMARY OF SAVINGS: Resulting savings from these efforts: \$843 million over 5 years, if the agreed upon steps and we reach agreement with industry or ourselves on the direction.

Again, there is not yet agreement on this point.

-- These estimates are conservative and larger savings will be the goal.

Other: In addition to the above savings, DHS Medicaid will work for continued increased savings in the continuation of patient centered medical homes (PCMH); improved contract management; and other reforms.

II. The second objective is to reinforce our values and to encourage work and responsibility. I call it ARKANSAS WORKS

Arkansas Works reflects adoption of the framework I outlined and recommendations of the Stephen Report.

The primary elements include:

1. Encourage employer based insurance rather than a permanent reliance on government insurance.

---implement mandatory employer-sponsored premium assistance. This requires Medicaid-eligible individuals with access to cost-effective ESI to enroll in employer coverage with Medicaid (a) covering the employee's premium and cost sharing that might exceed Medicaid levels; and (a) providing any benefits not covered by ESI but offered by Medicaid.

--Savings could approach up to \$29 million per year.

--The state should also look for additional incentives for employer based insurance coverage and should consider Sec. 1332 waiver to more effectively use the SHOP exchange to provide cost effective insurance for a larger number of employers.

2. Incentivize work

---work training referral requirements along with continued discussion with administration on need for work requirements (this would only apply to those who are able bodied)

----offer enhanced coverage options or other incentives for those who are in compliance and who meet the goals of a Healthy, Active Arkansas.

3. Personal responsibility including Healthy, Active Arkansas emphasis and incentives

---premium payments required for those with incomes above 100% of FPL (similar to the marketplace of 2%?)

---other waivers requested for options to include some contribution for those above 50% of FPL with premium waived for those who accomplish objectives of a Healthy, Active Arkansas, e.g. wellness exam.

---*Accountability that is workable and does not increase uncompensated care or increase costs to the state from an administrative standpoint.*

4. Program Integrity

----We need to start the debate on restrictions on coverage or increased cost sharing for those with substantial assets. For

example, a primary residence of over \$200,000 or those with cash or cash equivalent assets of \$50,000 or more; but this restriction is currently not allowed under federal law.

---cap on length of coverage for those not participating in work opportunities and *who are able bodied*. (similar to TANF)

----eliminate the 90 day retroactive eligibility

----option to exit the waiver with 30 day notice and wind down plan; if the match rate is changed

Conclusion:

I would like your support for allowing my administration to begin the process of negotiating waivers from CMS to accomplish the objectives of Arkansas Works.

I would like your commitment to find a minimum of \$835 million over 5 years to be saved from the Medicaid budget.

-----Critical nature of action

Review process

Thank you.

