LEAVITT PARTNERS

Covering the Low-Income, Uninsured in Oklahoma: Recommendations for a Medicaid Demonstration Proposal

Oklahoma Health Care Authority
June 27, 2013

Executive Summary

In February 2013, the Oklahoma Health Care Authority (OHCA) contracted with Leavitt Partners to evaluate its current Medicaid program and to make recommendations on how to optimize access and quality of health care in the State. This report addresses the second component of the contract, providing recommendations for a Medicaid demonstration waiver proposal. It should be reviewed in tandem with the report evaluating the current SoonerCare acute care program,[1] as some of the areas identified for improvement influenced the proposals outlined in this paper.

Target Population: Low Income, Uninsured Oklahomans

Since 2007, Oklahoma has ranked as one of the bottom five states in terms of overall health status—and the negative health factors that contribute to Oklahoma's poor health are exacerbated in the low-income, uninsured population (the population that would be targeted in a demonstration waiver proposal). Understanding this population's specific health characteristics and needs enables the development of effective approaches to covering the population that focus on improving the health of Oklahoma's citizens, improving access to quality and affordable health care, and reducing levels of uncompensated care.

Several surveys and studies were used to analyze the characteristics of Oklahoma's low-income, uninsured population. Some key points from Leavitt Partners analysis are provided below.

- **The prevalence of risk factors is higher among the low-income, uninsured population and this population is more likely to engage in risky behaviors.** Low-income, uninsured individuals are much more likely to report poor health, smoke, and have diabetes, heart disease, and asthma—all risk factors for more serious chronic conditions. They also have higher rates of heavy drinking and obesity. Sedentary lifestyle and unhealthy eating have led to diabetes and cardiovascular disease rates that are 17% to 20% higher in Oklahoma than the national average.[2]

- **While risk factors are higher among the target low-income, uninsured population, these factors seem to be more directly related to income than to insurance coverage status.** This indicates that while increasing access to health care is important, encouraging positive healthy

[1] "Program Strengths and Areas for Continuing Improvement: An Evaluation of Oklahoma's SoonerCare Acute Care Program," Leavitt Partners (June 27, 2013).
[2] "America's Health Rankings," United Health Foundation (2012).

behaviors (both in terms of seeking appropriate treatment and making positive health choices) is critical to making lasting changes in the overall health of a community.

- **The population experiences an increasing rate of risk factors.** Almost all risk factors for the low-income, uninsured population in Oklahoma have increased in prevalence since 2005.[3]

- **The need for behavioral health services is higher among the target population than the current Medicaid population.** Oklahoma's target population has a higher prevalence of serious mental illness, serious psychological distress, and substance use disorders than both the national low-income, uninsured population as well as Oklahoma's current Medicaid population.

- **The population consists of a range of individuals—from relatively healthy individuals to those with chronic, co-occurring conditions.** The low-income, uninsured population is not a homogenous population and will require multiple approaches to address its varying needs.

- **A more cost-effective approach is needed to provide care to this population.** While some support services are currently available to this population, many of its health care treatments go unpaid, resulting in uncompensated care costs. These costs are ultimately paid by providers, the State, and the public. Developing avenues for the uninsured to access appropriate preventive and coordinated care could improve the efficiency and effectiveness in how care is provided, reducing costs over time.

Medicaid Demonstration Proposal

In order to provide cost-effective health care coverage for Oklahoma's low-income, uninsured population, Leavitt Partners recommends OHCA utilize a premium assistance approach based on the Insure Oklahoma (IO) framework. The approach would streamline and simplify the State's existing Medicaid program by eliminating optional Medicaid coverage where individuals would be either eligible for Medicaid under the base program or eligible for an advanced premium tax credit (APTC) to assist in the purchase of commercial coverage through a health insurance exchange.

The State would provide premium assistance to eligible enrollees to purchase qualified health insurance through the federally-facilitated exchange or employer-sponsored insurance (ESI) through the current IO ESI program. Eligible enrollees would include relatively healthy, low-cost uninsured individuals with income up to 138% of the Federal Poverty Level (FPL).

For uninsured individuals who don't qualify for Medicaid under the State's existing eligibility rules, but are disabled or considered medically frail, the State would use a modified version of the IO Individual Plan as the basis for benefit design and care delivery. This model will also serve as the alternative option to the commercial buy-in choices as well as the wrap-around coverage for the commercial products purchased through the exchange or group market.

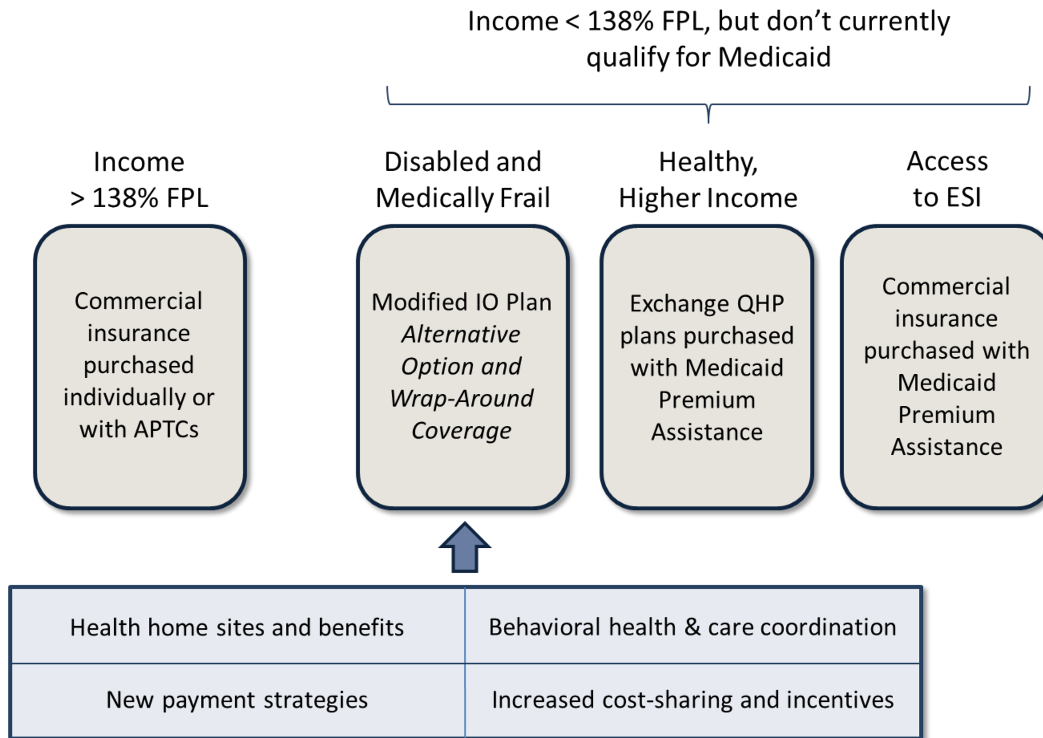
[3] Oklahoma's Behavioral Risk Factor Surveillance System Data (2010).

Leavitt Partners recommends OHCA modify the current IO Individual Plan by:

- Incorporating a health home model and adding specific health home benefits;
- Using care coordination and behavioral health benefits to reduce barriers to achieving individual accountability;
- Imposing maximum allowable cost sharing, and utilizing appropriate reductions in cost-sharing requirements to incentivize positive health choices; and
- Implementing new payment strategies that incentivize providers to be efficient and to focus on improved patient and overall health outcomes.

Figure 1

Recommended Approach for Covering Low-Income, Uninsured Oklahoma Residents



To oversee the implementation of the approach, Leavitt Partners recommends OHCA create a Steering Committee made up of key executive, legislative, and community stakeholders. The Steering Committee should consider issues such as working toward multi-payer models for the program's health home system, developing a strong evaluation component, and demonstrating cost-effectiveness.

The Steering Committee should also consider how best to leverage current OHCA initiatives as well as integrate public health initiatives into the approach. This will help ensure that the approach maintains a broader focus on health outcomes and improving the State's overall health.

Indian Health System Proposals

Leavitt Partners also recommends that OHCA develop complementary proposals for the Indian Health System to preserve its unique program characteristics and maximize cost savings. Leavitt Partners offers three 1115 waiver options, the latter two of which were presented to Leavitt Partners at the Tribal meeting in Oklahoma City on March 6, 2013.

1. The first waiver proposal would continue to allow full federal reimbursement to Indian Health Service, Tribal, and Urban Indian clinics (I/T/U) through Medicaid for: 1) pregnant women with income up to 185% FPL; 2) family planning services up to 185% FPL; and 3) breast and cervical cancer up to 250% FPL.

2. The second waiver proposal would allow full federal reimbursement through Medicaid for uncompensated care provided by I/T/Us to individuals with incomes up to 138% FPL.

3. The third waiver proposal would identify specific issues significantly impacting health care in Oklahoma, define quality measures and metrics, and implement payment strategies that focus on provider incentives and shares savings between the I/T/Us and the federal government.

While the recommended approach is presented as an overall plan, each individual point can be considered separately and developed as its own proposal.

Estimated Impacts

In designing the demonstration proposal, Leavitt Partners goal was to develop an approach that would improve the health of Oklahoma's citizens, improve access to quality and affordable health care, and provide a more cost-effective approach that reduces both direct and indirect costs to the State (including uncompensated care). While the proposal is expected to increase direct costs to the State over a 10-year period, the overall net effect is positive due to program savings and increased tax revenue. Total economic impact is expected to range from $13.6 to $17.3 billion.

Figure 2

Estimates of Ten Year Financial Cost and Economic Impact of the Proposed Demonstration Program, 2023				
Take-Up	New Enrollees	Total Cost (Federal and State)	Net Cost to State (Surplus)	Total Economic Impact
Low	204,911	$10.5 Billion	($486 Million)	$13.6 Billion
Medium	233,334	$12.0 Billion	($465 Million)	$15.6 Billion
High	257,493	$13.3 Billion	($447 Million)	$17.3 Billion

Source: Leavitt Partners analysis.

Conclusion and Next Steps

Since the IO framework serves as the basis for Leavitt Partners recommendation, it is important to note that CMS has indicated that it will not allow Oklahoma to extend Insure Oklahoma past 2013, unless the State is willing to make certain changes such as complying with federal requirements, including benefit, cost-sharing, eligibility, and enrollment rules. Also, during its 2013 legislative session, the Oklahoma State Legislature did not to approve a proposal to maintain Insure Oklahoma as a state-funded program.

Despite these challenges, Leavitt Partners suggests that the State continue to seek an extension of the existing IO program for one year as necessary changes and modification are made. If Oklahoma is successful in this effort, it will be able to maintain IO's existing administrative framework and connections to the commercial insurance market, allowing for an easier transition to future health care system reform.

While discontinuing the current IO program will result in a coverage gap between the time when the program terminates and when the State can implement a new program, a reintroduction of a premium support program in the future can still be accomplished. Other recommendations put forth in this paper can also be put into effect should the State decide to adopt all or elements of the approach (either through state-based options or under new 1115 authority).

If an agreement cannot be reached with CMS to extend the existing program, the State should move forward with creating the suggested Steering Committee and examining ways to use elements of the IO program in delivery system reform. As part of this process, OHCA should also conduct a Tribal consultation to address and refine its approach to Tribal health and the uninsured.