

Modernizing Medicaid: SOLUTIONS FOR BUILDING A BETTER, HEALTHIER CONNECTICUT

Connecticut faces an *unprecedented state budget crisis*, but Connecticut hospitals have developed a package of *workable, practical solutions for modernizing Medicaid* – turning this crisis into an opportunity for improving access to care, creating a Medicaid system that better focuses on quality and efficiency, while reducing the state deficit.

A combination of short- and longer-term structural changes to modernize Connecticut’s Medicaid program will build a better, healthier Connecticut. We urge the Governor and legislature to include the following elements in the 2012-13 budget:

Improve access to physicians and primary care for Medicaid patients

- **Raise Medicaid physician rates to Medicare levels and allow hospitals to bill for physician services provided. Effective January 1, 2013.** This can be done with no cost to the state by taking advantage of increased federal matching funds for primary care physicians and by converting some current Disproportionate Share Hospital payments into Medicaid rate increases for physicians. Raising payment rates and attracting more physicians to participate in Medicaid will ensure that patients have access to more consistent, coordinated care, resulting in better health outcomes – and also help to ensure that hospital Emergency Departments are focused on providing critical emergency care, not congested by patients without other options in a system that doesn’t work properly.

Cost to the state budget: \$0

Combining short- and longer-term structural changes to modernize Connecticut’s Medicaid program will:

- Improve access to care for Medicaid patients;
- Create an up-to-date Medicaid payment system that better focuses on quality, efficiency, and safety; and
- Reduce the state deficit.

Reduce the state deficit

- **Implement existing Medicaid law** (to move from current managed care contracts, a change that was passed in 2010 and included in current budget planning, but not implemented), and apply medical management to all Medicaid populations. **Effective July 1, 2011.** Estimated savings include \$60 million from medical management and \$60 million in administrative savings. Savings to the state budget: \$60 million annually
- **After using \$60 million in savings to help the state budget, reinvest the remaining \$60 million of savings, plus \$35 million from current Disproportionate Share Hospital payments, to begin to modernize the hospital payment system** by raising physician rates and beginning the transition process to a DRG system (discussed below). **Effective July 1, 2011.** Cost to the state budget: \$0
- **Introduce a gain-sharing element that encourages effective, coordinated patient care management.** This puts a portion of new hospital funding “at risk” and ensures that hospital and state incentives are aligned. **Effective July 1, 2011.** Cost to the state budget: \$0
- **Align the state’s Medicaid program with health reform guidelines** by enrolling in private insurance those Medicaid patients with incomes eligible for federal subsidies in the new Health Insurance Exchange. **Effective January 1, 2014.** The shift of patients from Medicaid to private insurance will result in significant savings: even assuming the state pays all out-of-pocket costs to keep beneficiaries whole and invests an additional \$250 million in hospital rates and modernization, the state would still see an enormous return. Savings to the state budget: \$229 million annually

Create an up-to-date Medicaid hospital payment system that better focuses on quality, efficiency, and safety

- **Converting to a Diagnosis Related Group (DRG) system**, such as that used by Medicare (and nearly all other states for their Medicaid programs), **creates the foundation for a system that can also reliably measure quality, efficiency, and safety. Implementation to begin in 2011.**

Replacing Connecticut's outdated TEFRA target system (which does not connect payment to specific care provided), with a DRG system would provide a manageable, appropriate way to relate the resources needed by specific patients with the payments hospitals receive for caring for those patients.

Cost to the state budget: \$0

These are actionable solutions that will enable Connecticut hospitals to continue providing top quality care to patients across the state. They don't require legislation or a federal waiver. They are solutions that improve the care and value for patients, dramatically reduce the state deficit, materially reduce the cost shift to Connecticut businesses and workers, and make it possible for Connecticut hospitals to remain strong and viable in their role as Connecticut's healthcare safety net.

An effective Medicaid program must:

- Offer quality options for patients
- Provide high value and collaboration between providers
- Fully leverage available federal dollars
- Align provider incentives with program goals
- Provide adequate payment to providers through a modern reimbursement system

Connecticut hospitals stand ready to be actively engaged partners in building a financially sound Connecticut, supported by a dynamic, job-generating economy, and an innovative, compassionate healthcare system that meets the needs of all Connecticut residents.



Contact **CHA**
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