Stateline Midwest

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Faced with the prospects of losing some federal Medicaid matching dollars, Iowa moved forward this year with a plan to implement reforms to the public health care program. With this plan, the state will expand Medicaid eligibility and implement strategies that lawmakers hope will lead to a more effective and cost-efficient health care system.

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Some states look to crack down on violent video games

Special care

Iowa emerges as national leader with Medicaid reform plan

by Tim Anderson

With the state's fiscal situation already tight and Medicaid expenses rising, Iowa lawmakers faced some more unwelcome news when they arrived in Des Moines this January.

The state was close to losing $65 million in federal health care funding.

The potential loss involved Iowa's use of a financing arrangement known as intergovernmental transfers. These transfers have been a common practice among states, allowing them and local health care systems to tap into more dollars from Washington, D.C.

But policymakers in the nation's capital, looking to rein in federal health care costs, are on the verge of closing this Medicaid financing loophole.

Iowa, however, found a way to avoid the pending, inopportune fiscal hit. A bipartisan solution reached this year will not only offset the loss of intergovernmental transfer dollars, it also will expand eligibility and introduce several cutting-edge ideas into the state's Medicaid program.

"They are breaking new ground," says Kathleen Gifford, a principal at Health Management Associates Inc., a health care research and consulting organization.

If successful, Iowa policymakers say, the Medicaid reforms will cut costs and lead to a better health care delivery system. Those two potential results, even more so than the prospects of losing federal revenue, helped convince lawmakers to enact the changes, says House Speaker Pro Tempore Danny Carroll, a principal architect of the plan.

"I suppose in some ways the budget challenges of the last three or four years have brought us to this point," the Republican from Grinnell adds. "Every time we have come into session, the Medicaid budget has been threatening to take the lion's share. So we want to try and stretch our dollars further.

"But more important than that, at least with me, is addressing ways of better delivering health care. We have been managing things as an emergency room program. We wait until somebody is sick or near death and then step in and say, 'OK, we'll pay the bill.' Why aren't we encouraging and rewarding people for doing the right thing — disease management, checkups, preventative care, and thinking about their health care?"

"There is a growing awareness that there has got to be a better way of delivering care — both in the public and private sector. This is Iowa's modest step forward to say we're serious about trying to improve."

Securing federal support

To move forward with the plan, Iowa had to seek a waiver from the federal government (final approval, though expected, had not been finalized as of late May).

With the waiver, instead of losing the $65 million in federal intergovernmental transfer funds, the state can use the money for its reform initiative, which includes an expansion of program eligibility. Uninsured residents with income levels of up to 200 percent of the poverty level can now enroll (on a limited basis) in Medicaid.

"We'll be able to cover between 20,000 and

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Medicaid reform plan includes incentives to keep costs down

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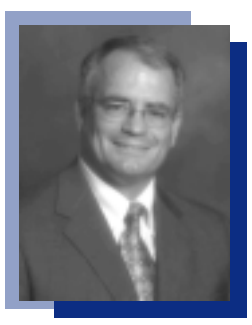
40,000 more Iowans," says Senate Democratic Floor Leader Michael Gronstal of Council Bluffs, one of a handful of Iowa lawmakers who traveled to the nation's capital earlier this year to lobby for the federal waiver.

"We also now have a process in place to expand coverage even more in the future."

Iowa already has been paying for this uninsured population through state and/or county indigent care programs, but without matching dollars from the federal government. That will change under the waiver agreement.



Rep. Danny Carroll

The state legislation needed to authorize the Medicaid reform plan received overwhelming support in both legislative chambers this year and was signed into law by Democratic Gov. Tom Vilsack in May.

"In the end, I think the Legislature saw this as a win-win for Iowa," Gronstal says.

New rules and ideas

As both Gronstal and Carroll note, very different rules will apply to participants in the expanded Medicaid population.

Upon enrollment, members will receive a medical evaluation and personal health care plan. Members' self-assessment of their compliance with the plan will then be tracked by the state.

"We'll have incentives for positive lifestyle choices, including smoking cessation and weight control," Carroll says.

The plan also encourages the use of preventative care. For example, enrollees will need to have a primary care physician and, in many instances, be required to use a nursing hot line before accessing emergency room care.

Members of this expanded Medicaid population also will pay a monthly premium that amounts to 5 percent of their salary.

A year from now, the state plans to offer health savings accounts to the expanded population. Enrollees would be entitled to a credit of up to $1,000 toward any Medicaid-covered service. Any unused money could be pocketed by the enrollee.

The state's hope is that these accounts encourage enrollees to practice healthy lifestyles and avoid costly medical treatment.

"There's an effort, in several different ways, to increase personal responsibility within this expanded population," Gronstal notes.

For instance, enrollees who follow their health care plans or don't smoke would pay lower premiums and co-pays.

Iowa's reform package also includes provider-performance rewards and incentives for employers to offer health insurance to workers in the Medicaid expansion program.

In addition, in an effort to improve the quality of care and reduce avoidable medical errors, the state will expand the use of electronic medical records for Medicaid providers and their patients.

"This is a five-year [federal] demonstration waiver," Carroll says. "And we hope it proves to be a good example of how states can begin to explore innovative ways of managing Medicaid and controlling costs."

Ideas in Medicaid reform

This is the first in a three-part series examining how states are trying to contain costs and improve care in their Medicaid programs. Next month's article will examine cost-containment proposals that have either been implemented or are being considered in three Midwestern states — Kansas, Ohio and Wisconsin. The third article in the series will focus on the future of Medicaid program and state-federal relations in health care.

Medicaid spending in the Midwest, FY 2003 ($ in millions)

		Spending by service		
State	Total	Acute care	Long-term care	DSH payments*
Illinois	$5,034	67.4%	29.2%	3.4%
Indiana	$1,506	55.4%	39.1%	5.5%
Iowa	$939**	52.5%	46.3%	1.2%
Kansas	$604	52.5%	45.2%	2.4%
Michigan	$3,395**	72.8%	21.8%	5.4%
Minnesota	$2,327	45.3%	53.6%	1.2%
Nebraska	$466	53.2%	46.8%	0.0%
North Dakota	$141	39.0%	60.7%	0.3%
Ohio	$9,199**	49.1%	48.6%	2.3%
South Dakota	$164	58.0%	41.8%	0.2%
Wisconsin	$1,511	46.5%	52.5%	0.9%
United States	*$101,807*	58.3%	36.4%	5.3%

** DSH (disproportionate share hospital) payments represent the additional money provided to hospitals serving a disproportionate share of low-income patients with special needs.*

*** Spending in Iowa includes $90 million of local funds and $3 million of provider taxes. Michigan's total includes local funds of $13 million and provider taxes of $167 million. In addition, public health and community and institutional care for mentally and developmentally disabled individuals are partially reported in the state's Medicaid totals. In Ohio, the expenditure of certain federal reimbursements is included in the state's spending on Medicaid.*

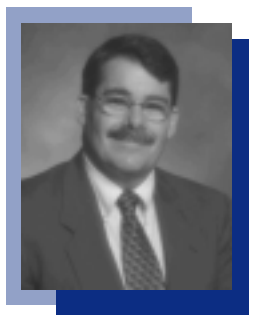
Source: Kaiser Family Foundation (using information collected by the National Association of State Budget Officers, Urban Institute, and Kaiser Commission on Medicaid and the Uninsured)

Improving the level of care

Parts of the plan focus specifically on the expanded Medicaid population, but others impact everyone covered by the public health care program.

Through various incentives and outreach programs, for example, Iowa will attempt to reduce smoking among its Medicaid population to less than 10 percent.

In an effort to improve oral health care, every Medicaid-enrolled child age 12 and under will participate in a new "dental home program." Participants in this initiative will receive the dental screenings and preventive care identified in oral health standards developed by the state.



Sen. Michael Gronstal

"We have been suffering expenses later on because children aren't getting good health care," Carroll says.

The reform initiative also calls for a move away from institutional care, both for the elderly and developmentally disabled.

"We want to encourage more home and community-based service," Carroll says.

To do so, the Medicaid reform plan increases the threshold level for admissions into nursing homes and intermediate care facilities for people with mental retardation. The state also will examine ways of amending regulations on nursing homes to allow them to pursue community-based long-term services.

As the various programs under the five-year waiver begin being implemented, a joint legislative committee will be charged with reviewing the various initiatives.

Gronstal says he hopes the reform plan is the beginning of ongoing Medicaid improvements in Iowa.

"For most healthy people, the cost of the program is not terribly expensive," he says. "It's those target populations with expensive, ongoing chronic disease problems that really cost the system a lot of money.

"If we can do a better job of controlling costs in that population, the savings can be pumped back into the system to provide broader care."