

Make Medicaid Work for Children

INNOVATIVE SOLUTIONS, NOT CUTS, ARE KEY TO IMPROVING MEDICAID

CHILDREN'S HOSPITALS HAVE ANSWERS

Medicaid is the single largest health care program for children, covering 32 million children nationwide – more than 40 percent of all children. Of all the populations Medicaid covers, children represent half of all Medicaid enrollees but just a quarter of costs. The most vulnerable 6 percent of children, those with complex medical conditions, account for 40 percent of all Medicaid spending on children. These are the children a reformed Medicaid program can assist the most by producing improvements in care as well as reduction in total cost.

Achieving these savings will require innovation and improved care coordination models, not simple budget cuts. The key to making Medicaid work for children, especially those with complex medical conditions, is a framework that supports the sharing of data, clinical standards, and quality measures designed for this population. Children's hospitals are piloting scalable solutions that will not only cut costs, but improve care for children with medical complexity. Children's hospitals are experienced at working together to provide care and are uniquely positioned to work with state and federal governments to innovate solutions for transforming pediatric health care.

UNDERSTANDING MEDICAID

Enacted along with Medicare as part of the Social Security Amendments of 1965, Medicaid is a health insurance program, jointly funded by states and the federal government, which provides coverage for low-income adults, children and some individuals with disabilities. In contrast, Medicare is managed and paid for by the federal government, and covers elderly and disabled people who receive Social Security, regardless of their income.

The differences between Medicaid and Medicare are extensive. One of the most profound differences is that every state establishes its own standards for Medicaid eligibility, benefits, and provider payment rates within broad federal parameters; these vary widely by state and by year.

Furthermore, states can and have cut Medicaid for the past several years, exacerbating the underfunding of the program. State Medicaid cuts automatically reduce federal payments to the states. Additional federal cuts only shift costs to states; states, in turn, shift costs to providers. Providers, already dealing with inadequate Medicaid reimbursement rates, decide whether to restrict or eliminate access to care. As a result of these Medicaid payments, children with Medicaid coverage are significantly more likely to be denied an appointment with private practice physicians than privately insured children.

These realities amplify the challenge of providing adequate, consistent health care coverage for children and since children rely so heavily on Medicaid, they are disproportionately impacted by these budget cuts.

INNOVATIVE SOLUTIONS

The Children's Hospital Association has worked with Congress and the Administration to advance delivery system and payment reform innovations that not only cut costs and promote efficiency but improve children's health care. Children's hospitals are exploring efforts that are state by state, multi-state and national demonstrations to optimize care for children with medical complexity.

Medical homes for children with medical complexity

- Arkansas Children's Hospital showed state Medicaid savings of \$14,000 per child per year in a recent analysis of their medical home program. In addition to reduced health care costs, Arkansas and other similar children's hospital-administered medical home programs have documented higher quality of care and improved quality of life. The lower costs result from the reduction of hospitalizations, readmissions and emergency room visits.
- Medical home programs coordinate and manage the care (primary and specialty) for children with multiple, very severe, long-term chronic conditions. Unfortunately, sustainability and replication of these medical home programs are limited because current reimbursement doesn't encourage coordinated care. A Medicaid payment model that recognizes coordination management costs would incentivize cost-savings and improved outcomes, potentially saving billions of dollars annually while streamlining and improving care for children with medical complexity.
- Children's hospitals continue to seek opportunities to work with the Centers for Medicare & Medicaid Services with their states to advance these medical homes and attempt to replicate models across the country. The Children's Hospital Association in partnership with ten children's hospitals was awarded a grant from the Center for Medicare & Medicaid Innovation (CMMI) to implement a proposal to advance these models to improve care for children with medical complexity. While the grant represents a commitment to this cohort of children, their families and those who provide their care, it does not obviate the need for a national delivery system framework that will improve care and reduce costs for this very vulnerable population across the country.

Pediatric Accountable Care Organization demonstration

- The Medicare program supports Accountable Care Organizations right now, but there is no equivalent pediatric effort.
- The Affordable Care Act authorized a Pediatric Accountable Care Organization demonstration to operate from Jan. 1, 2012, through Dec. 31, 2016. No federal funds have been appropriated and CMMI has indicated that it cannot fund this demonstration under its existing budgetary authority. Funding for this demonstration will allow the testing and evaluation of accountable care models for children and payment alignment that incentivizes the right care, which has resulted in lower costs as the medical home research shows.
- The Association would like to work with Congress to fund this important demonstration for children. This investment will support the testing of innovations for children that could then be spread nationally to reduce costs and improve care.

A STRONG MEDICAID PROGRAM IS NEEDED FOR CHILDREN

Medicaid is the nation's largest provider of health care coverage for children. The nation's weak economy has had a tremendous impact on the growth of Medicaid enrollment in recent years due to eroded job-based coverage and the impact of the recession on employment and income.

Medicaid plays a vital role for children

- Medicaid is the largest payer of children's health care services, covering more than 40 percent of all children.
- Children account for half of all Medicaid beneficiaries, but only a quarter of costs.
- Children with medical complexity account for approximately 6 percent of children covered by Medicaid but 40 percent of Medicaid spending on children. These children also require numerous providers to care for their needs.
- Medicaid provides a comprehensive set of essential benefits for children, including preventive services such as immunizations and well-child checkups; medically necessary care (as determined by a child's physician) including pediatric specialty services; vision and dental.
- The majority of children (61 percent) dependent on Medicaid live in households where at least one parent works.

Children's hospitals' role in Medicaid

- On average, 52 percent of patients at a children's hospital are enrolled in Medicaid, compared to 16 percent of patients for all other hospitals.
- Children covered by Medicaid represent 60 percent of all children's hospital emergency room visits, 56 percent of all inpatient days and 49 percent of all outpatient visits.
- On average, Medicaid reimburses children's hospitals only 78 percent of the cost of care provided, including DSH (Disproportionate Share Hospital) payments.

IMPACT OF MEDICAID CUTS

While cuts to Medicaid providers are a common cost-control strategy for state governments, they are not a long-term solution to improving Medicaid for children, especially those with complex medical conditions. Many states have implemented provider cuts or scaled back services over the past several years, and cuts at the federal level only shift Medicaid program costs on to the states.

Vital health care programs for children have already endured funding cuts at both the federal and state levels that threaten their sustainability. These cuts are a vicious cycle as they create or exacerbate barriers to access to care for children. A lack of access to primary and/or preventative care drives up health care costs in the long run and can also undermine care for existing chronic and complex health care conditions.

DYLAN DEPENDS ON MEDICAID

Meet Dylan, age 10. Unlike most kids, Dylan is dependent on a ventilator to breathe. He was born without a left lung and only half of a right lung, and he depends on Medicaid to cover his health care services. Dylan's pediatrician, Daniel Plasencia, M.D., and the team at St. Joseph's Children's Hospital in Tampa, FL, are pioneers in coordinating care for kids like Dylan who represent children with medical complexity. The hospital's medical home clinic has been proven to lower hospital admissions and emergency room visits and to save Medicaid thousands of dollars per patient per year. After more than seven years of enrollment in the St. Joseph's Chronic Complex Clinic, Dylan is thriving and able to enjoy his frequent trips to Disney World.



For more information contact Shannon.Lovejoy@childrenshospitals.org, 202-753-5500



CHILDREN'S
HOSPITAL
ASSOCIATION

600 13TH STREET, NW, SUITE 500
WASHINGTON, D.C. 20005
p | 202-753-5500
f | 202-347-5147

6803 WEST 64TH STREET
OVERLAND PARK, KS 66202
p | 913-262-1436
f | 913-262-1575

WWW.CHILDRENSHOSPITALS.ORG