

TO: Interested Parties
FROM: Anya Rader Wallack, Medicaid Director
RE: Reinventing Medicaid – Expanding Access, Improving Care, Controlling Costs
DATE: February 26, 2016

Rhode Island has embraced the ACA and made a clear **commitment to expanding access** to affordable healthcare. In large part because of our commitment to Medicaid expansion, we’ve cut our uninsured rate in half since 2013. **Ninety-five percent of Rhode Islanders have health insurance**,¹ one of the highest rates in the nation. Governor Raimondo is unwavering in her commitment to expanding access to care; she also recognizes that **in order to expand access, we need to responsibly manage costs and pay for outcomes instead of volume**.

A year ago this week, the Governor signed an executive order creating the Working Group to Reinvent Medicaid. The Governor directed the group to identify progressive, sustainable savings initiatives in order to transform Rhode Island’s Medicaid program to pay for better outcomes, better coordination and higher-quality care, instead of more volume. The initiatives focus on:

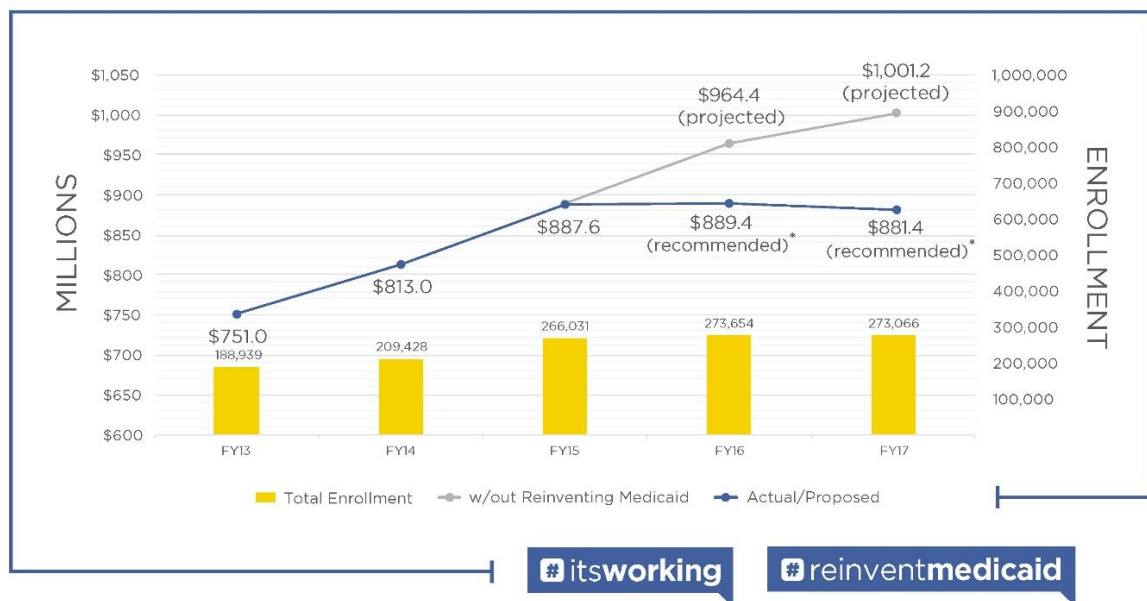
- better coordination of mental and physical healthcare;
- better coordination of care through our managed care organizations and new provider partnerships;
- a continued emphasis to shift service delivery away from institutional care and toward community-based services; and
- better enforcement, through new electronic monitoring programs, of Medicaid rules to protect against waste and fraud.

Medicaid Reforms On Track to Achieve \$100M+ in Sustainable Savings, Bend Cost Curve with Focus on Better Care

With strong partnership from the General Assembly; working with leaders in the healthcare, business, and labor communities; and thanks to tireless work from the Medicaid program team, we passed the Reinventing Medicaid Act of 2015. Since then, we have been implementing these initiatives and others that are projected to save approximately \$75 million in state Medicaid spending² this year **without cutting eligibility** and **without reducing benefits**. In out years, the savings associated with these initiatives are projected to be even larger, including nearly \$120 million in projected savings in FY17 relative to projected costs without Reinventing Medicaid.

Reinventing Medicaid Reforms Save \$100M+

Rhode Island Finds Progressive Formula to Bend Medicaid Cost Curve without Cuts to Eligibility or Reduction in Benefits



* As recommended in the Governor’s FY17 budget proposal. Fluctuations in caseload may alter projections.

¹ Providence Business News, September 10, 2015 - <http://pbn.com/HealthSource%20RI%20Rate%20of%20uninsured%20drops%20to%205%20percent,108588>

² Savings in Medical Assistance. Includes projected savings from Phase I implementation of UHIP.

The savings we are achieving this year, and the savings we are projecting next year, are truly “bending the cost curve” in Medicaid. The savings we have achieved are particularly remarkable when you consider that **we’re expanding enrollment** at the very same time.

Medicaid enrollment is projected to grow by more than 2.5 percent between 2015 and 2017, but state spending on the program is projected actually to **decline** over the same period of time. Without the Medicaid reforms, EOHHS projects that Medicaid spending would have grown by nearly 13 percent over that two-year period.

We’re able to achieve those savings, even with higher enrollment, because Medicaid **reform is about more than controlling costs**. From the day Governor Raimondo established the Working Group to Reinvent Medicaid, our top priority has been to provide Rhode Islanders with **better care** and to achieve **healthier outcomes** for more people.

Medicaid Reform Helps Get Rhode Island’s Fiscal House in Order

When she took office, Governor Raimondo inherited a nearly \$200 million structural deficit and an economic recovery that lagged behind neighboring states. One of the challenges associated with growing our economy was **enhancing predictability for businesses by controlling state costs**. In Rhode Island, Medicaid accounts for roughly \$0.30 of every state dollar.³ When she took office, Medicaid was growing more quickly than the rest of the budget, and the most-recently available data showed Rhode Island was #2 -- second highest in the country -- in cost per enrollee.⁴

After the November 2015 revenue estimating conference, Rhode Island faced a \$50 million budget deficit. That shortfall would have been as high as \$170 million if not for the progressive Medicaid reforms passed last year. Based on budget projections from the November adopted caseload testimony, the Governor’s proposed budget includes \$881.4 million in state general revenue for Medicaid. That includes both (1) savings projections from the reforms passed last year; and (2) initial projected savings from additional reforms proposed in the Governor’s recommended FY17 budget. Without these reforms, it is projected that state spending on Medicaid would have grown to more than \$1 billion in FY17. With the reforms in place, state spending on Medicaid is now projected to be lower in FY17 than it was in FY15.⁵

Medicaid Reforms Cut Per Member Per Month Costs by 4.4 Percent

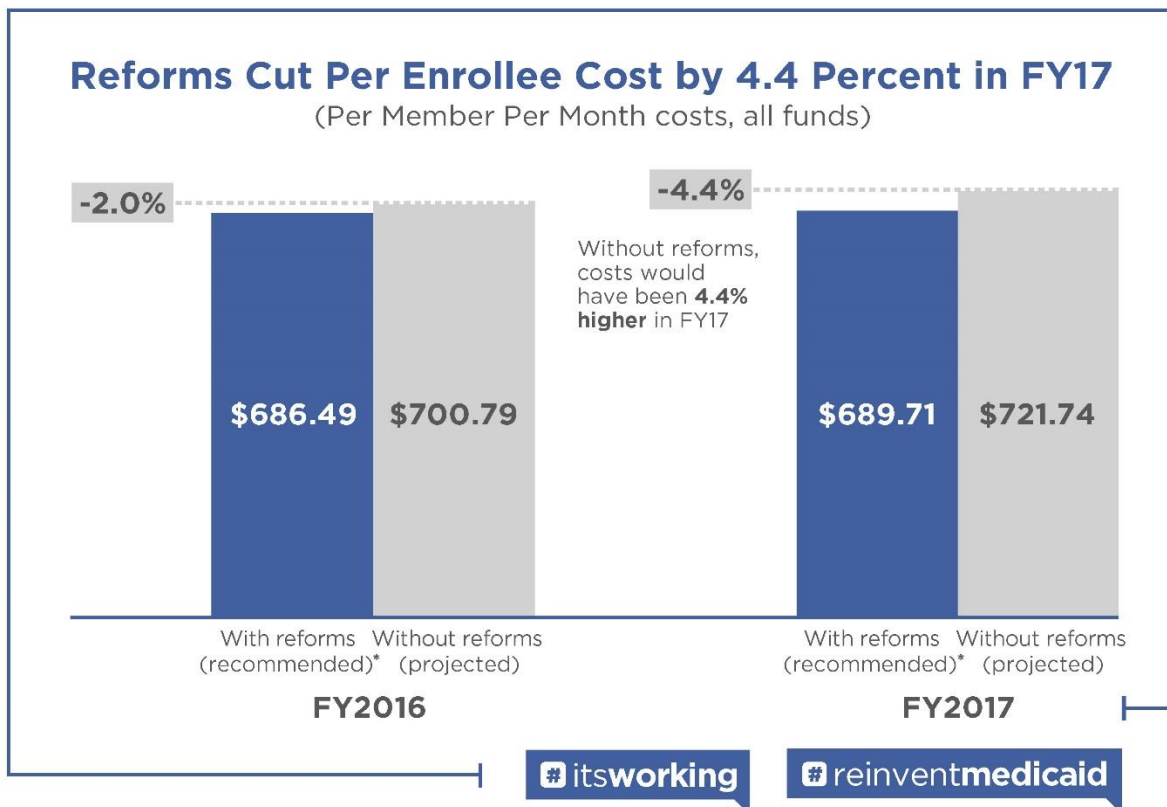
As a result of the reform actions we’ve taken, we **protected and maintained vital services** for Rhode Island’s most vulnerable residents and **lowered the monthly bills for taxpayers**. Looking at this dramatic transformation from an individual perspective, we have seen a decrease in our “per member per month” (PMPM) costs,⁶ largely attributable to payment reforms that reward providers for better coordination and better outcomes. Specifically, we anticipate that our all funds PMPM cost will be \$689.71 in FY17. Without the Reinventing Medicaid reforms, EOHHS projects that PMPM cost would have been \$721.74.

³ Politifact: April 19, 2015 - <http://www.politifact.com/rhode-island/statements/2015/apr/19/elizabeth-roberts/ri-hhs-secretary-elizabeth-roberts-says-more-30-pe/>

⁴ Politifact: March 29, 2015 - <http://www.politifact.com/rhode-island/statements/2015/mar/29/gina-raimondo/gov-gina-raimondo-says-ri-medicaid-costs-enrollee/>

⁵ Of course, fluctuations in caseload may alter projections.

⁶ Per member per month costs are the average amounts Medicaid pays per enrollee, per month.



* As recommended in the Governor's FY17 budget proposal. Fluctuations in caseload may alter projections.

Progressive Reforms Expand Access, Improve Quality

Rhode Island is bending the cost curve in Medicaid without cutting eligibility or reducing benefits, and we're doing it by focusing on better quality, better coordinated care and paying providers for achieving better outcomes. Our implementation is running on schedule and current projections show that we will likely surpass our initial savings estimates.

The progressive package of reforms laid a strong foundation to move Medicaid away from paying for volume, and instead towards a system that **pays for outcomes, coordination, and quality**. The FY17 budget proposal seeks to build on the reform initiatives in last year's reform package and projects roughly \$40 million in additional savings through a package of reforms, including new initiatives that:

- reduce managed care administrative expenses;
- better integrate care for seniors who need long-term care through the Integrated Care Initiative;
- increase commercial insurance contributions to the Children's Health Account that cover certain services for children with special needs; and
- position the state to successfully launch Phase II of the Unified Health Infrastructure Project, which is projected to return its state investment in two to three years.

A key to our progressive Reinventing Medicaid reforms is **providing high-quality home- and community-based care for more Rhode Islanders** and directing more patients to more **appropriate levels of care**. In order to build capacity, we need to give our dedicated homecare workers a raise. Medicaid homecare workers haven't had a raise since 2008. Governor Raimondo's budget proposal includes \$4 million (all funds) to give Rhode Island's Medicaid homecare workers a raise and \$5 million (all funds) to raise wages for direct care workers in Rhode Island's developmental disabilities program.

Conclusion

Because of the dedicated work of the General Assembly, the Working Group to Reinvent Medicaid, and many others, we have developed great ideas, built implementation plans, and put new policies to work. As a result, we are providing a model for how states can simultaneously **control costs and expand access** to higher-quality care.

We have much more to do. Our work to reinvent and transform Rhode Island's Medicaid system is constant. We have initiatives we need to bring on line, we are working toward the July launch of UHIP Phase II, and we'll complete the launch of the Integrated Care Initiative. We will continue to monitor and hold ourselves accountable for the goals we've set. I am excited for the work ahead and confident that with Governor Raimondo and Secretary Roberts' leadership and support, our Medicaid reforms will provide a necessary spark for progressive innovation across Rhode Island's entire healthcare system.