

Pace of Duals Demonstration Approvals Raises Concerns for Vulnerable Populations

Congress should direct CMS to withhold approval of new Financial Alignment Demonstrations until the agency better understands the impacts of these programs on healthcare spending as well as beneficiary access to and quality of care.

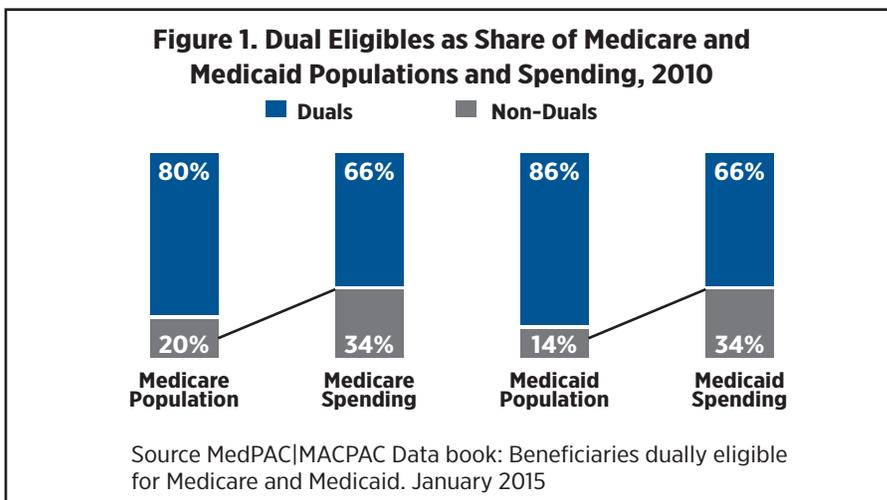
Background

Dual eligible beneficiaries--those eligible for both Medicare and Medicaid--comprise only 14 percent of the Medicaid population but nearly 40 percent of Medicaid spending, and nearly 40 percent of Medicare spending, and 20 percent of the Medicare population but 34 percent of Medicare spending (Figure 1).¹ Most of this spending is attributable to long-term care services and inpatient hospitalizations, respectively. Dual eligible have a wide range of health problems and needs, and typically require care from

multiple provider types in a vast array of settings. As a result, dual eligibles have been largely excluded from mainstream managed care and efforts to coordinate service delivery and payment to date have been impeded by fragmentation of program responsibility and administration as well as misalignment of payment incentives.

The Affordable Care Act (ACA) includes several initiatives intended integrate Medicare and Medicaid services for dual eligibles, including establishment of the Medicare-Medicaid Coordination Office (MMCO) within the Centers for Medicare & Medicaid Services (CMS) and the creation of Financial Alignment Initiative ("Duals Demo"). These demonstrations include a number of significant changes to the current features of both the Medicare and Medicaid programs, including permission to passively enroll beneficiaries in the demonstration plans and jointly funded payments to plans for the full array of Medicare and Medicaid services for enrollees.

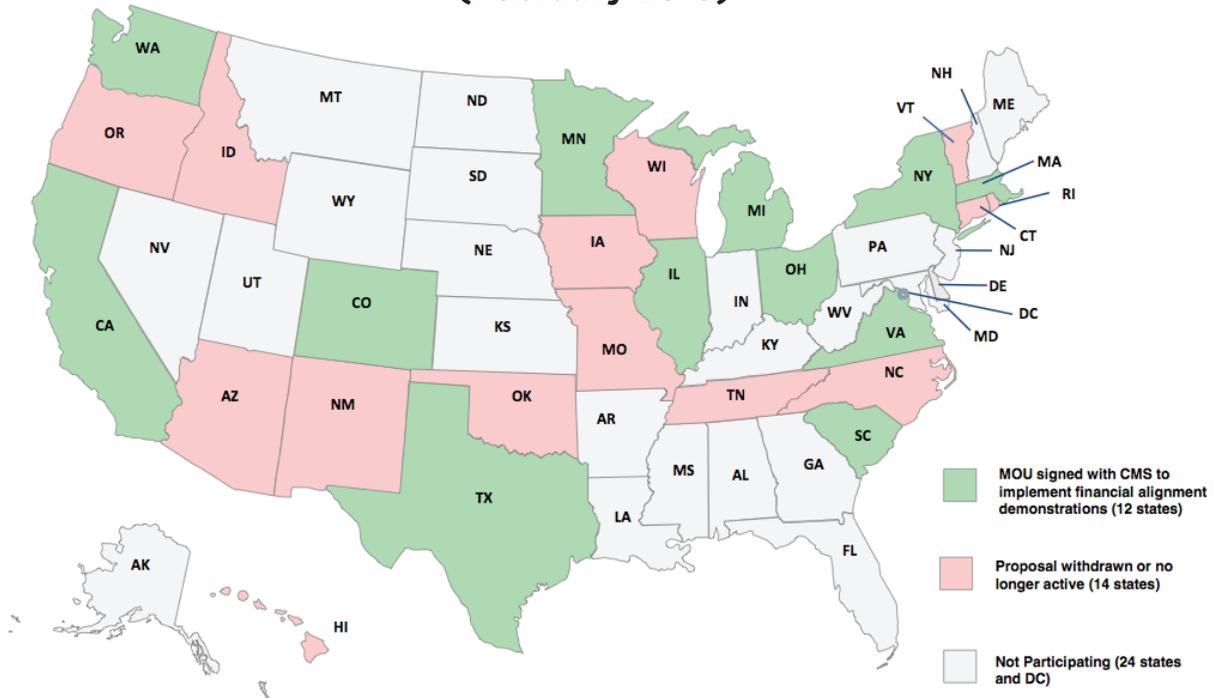
Approximately 600,000 full benefit dual eligible are expected to enroll in the Duals Demos. Although there are a number of supporters of the demonstration, evidence from previous and existing Medicare-Medicaid integration programs have not produced the savings and outcomes anticipated.² Stakeholders and analysts have identified a number of risks and challenges that may ultimately compromise the ability of plans to provide care for these complex high-need populations.



1) MedPAC|MACPAC. Data book: Beneficiaries dually eligible for Medicare and Medicaid. December 2013

2) Brown R, Mann D. Best Bets for Reducing Medicare Costs for Dual Eligible Beneficiaries: Assessing the Evidence. Kaiser Family Foundation. October 31, 2012

**Figure 2. Demonstration Participation
(February 2015)**



Source: CMS Financial Alignment Initiative Website: <http://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/FinancialAlignmentInitiative/FinancialModelstoSupportStatesEffortsInCareCoordination.html>

Key Issues

- ▶ It remains unclear whether payment rates to plans will be sufficient to cover beneficiary needs for the full array of Medicare and Medicare services; payment rates for Duals Demo plans may be less than existing Medicare Advantage plans serving duals despite the inclusion of supplemental benefits because of newly imposed cost savings targets.
- ▶ The demonstrations encourage a shift or rebalancing of current utilization of institutional LTSS to home and community-based services (HCBS). This may increase financial risk for plans, as it has been found that dual eligible HCBS participants with multiple chronic conditions have an avoidable hospitalization rate two times higher than those using nursing facility benefits.³
- ▶ The majority of states pursuing Duals Demos have little to no experience with enrolling older adults in Medicaid managed care; current state and plan infrastructure and policies would require significant modifications to meet the complex needs of the dual eligible population.
- ▶ Although passive enrollment may increase participation, it may be difficult to accurately place beneficiaries in plans that meet their individual needs; plans must take measures to ensure continuity of care and respect current provider/beneficiary relationships.
- ▶ Current provider networks likely do not meet demonstration standards, requiring plans expand networks to serve beneficiaries with complex needs; provider “buy-in” and support will be critical to developing and maintaining comprehensive networks.

3) Walsh, E. Ph.D. (August 2010) Cost Drivers for Dually Eligible Beneficiaries: Potentially Avoidable Hospitalizations from Nursing home, Skilled Nursing home, and Home and Community-Based Services Waiver Programs. Prepared for the Centers for Medicare and Medicaid Services.