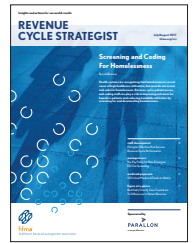


# REVENUE CYCLE STRATEGIST

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• **medicaid payments** •

## 10 Critical Medicaid Trends to Watch

By Marie Hinds

*Changes to Medicaid expansion could increase uncompensated care and the uninsured rate.*

Medicaid, the third largest government-funded program, is at risk for a dramatic restructuring. The current American Health Care Act (AHCA) proposal calls for changes that will be monumental to the entire population and our nation's healthcare system. Although healthcare reform may be fluid in Washington, it is still important to forecast Medicaid trends and their potential impact on health systems, Medicaid eligibility teams, and patients. Watching the following key changes can help organizations prepare.

*Medicaid funding may shift to per capita cap and block grants.* The AHCA calls for per capita or per enrollee Medicaid funding in each state. Block grants are also an option for states that do not want per capita funding for certain populations. Although per capita funding allows for some fluctuation and flexibility, block grants are specific amounts that allow the federal government to have more control on spending. It is possible people will lose coverage under both funding plans. Moreover, hospitals could feel the economic ripple through increased bad debt and charity care.

*Retro Medicaid could go away.* Most states currently offer retroactive coverage, which allows hospitals to submit



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bills dating back 90 days from Medicaid application dates. Retro Medicaid can provide significant hospital payment while reducing uncompensated care and relieving the burden for patients who received services prior to enrollment. Losing this funding could increase patient debt, the bankruptcy rate, and hospital bad debt.

#### *Extreme variations continue among states.*

As a result of Medicaid expansion, eligibility processes already vary among states. If the AHCA passes, there is the potential for 51—including the District of Columbia—different Medicaid programs. Medicaid eligibility professionals will need to understand the details and potential changes in their states. Hospital leadership, education, and operations will play critical roles in implementing new processes, developing training materials, and capturing all potential requirements for payment.

#### *More “skin in the game” for enrollees.*

The AHCA bill provides a 5 percent enhanced federal match to add work requirements for the adult (non-elderly, non-disabled, non-pregnant) population. This change could begin as early as October 2017. No state has implemented work requirements to date. The skin-in-the-game concept also refers to copayments, deductibles, and other potential requirements before obtaining Medicaid. Those in favor say it familiarizes individuals with the concept of having commercial insurance, which will prepare them for eventual transitions off Medicaid. Opponents say it will reduce the number of insured and drive up health-care costs as the uninsured wait to address chronic illnesses that advance and become more expensive to treat over time.

#### *Shift to private insurance and change in premium assistance.*

Under the AHCA, some enrollees could shift to private insurance plans if there are reductions in the number of those who qualify for Medicaid. This

could be effective if there are affordable options or help paying the premiums. Private insurance, however, is not retroactive, which could lead to an increase in bad debt for providers and patients.

#### *Medicaid expansion will wind down in 2020.*

On Jan. 1, 2020, the federal government will no longer fund newly enrolled childless adults (the expansion population). It will only fund those who had Medicaid prior to 2020 as long as recipients continue their Medicaid coverage without a break. Individual states, however, may continue covering this population if their funding allows. The uninsured rate is the lowest it has been in at least 20 years. Changes to Medicaid expansion could increase the uninsured rate, emergency department visits, and uncompensated care.

#### *Social Security Income claims may increase if expansion is repealed.*

Since the enactment of Medicaid expansion, Social Security Income (SSI)/Social Security Disability Insurance (SSDI) claims decreased by 12 percent (Selected Data from Social Security’s Disability Program, Social Security Administration). Although other economic drivers could have impacted this number, the Affordable Care Act (ACA) played a huge role. If Medicaid expansion is eliminated, SSI or SSDI claims are likely to increase as more individuals look for ways to obtain insurance. Hospitals can expect the time on cases to increase and their self-pay or Medicaid-pending accounts receivable aging to grow. It will be important that eligibility representatives receive proper training on Social Security to maximize hospital payments.

#### *Hospital presumptive eligibility will go away.*

As a result of the ACA, all states created a hospital presumptive eligibility (HPE) process. HPE allows specific employees within hospitals to make immediate Medicaid eligibility determinations. HPE is set to

be repealed effective Jan. 1, 2020. From a Medicaid eligibility perspective, its removal is assumed to have minimal impact.

#### *States will re-determine Medicaid for the expansion population every six months.*

Currently, most states require patients to re-certify Medicaid coverage every 12 months. The AHCA, however, requires expansion applicants to re-certify every six months beginning Oct. 1, 2017. If hospitals are proactive and have processes and resources to identify and assist patients, this change may have little impact on payments.

#### *MMIS system upgrades.*

The AHCA aims to improve technology systems used to process Medicaid eligibility and claims. Effective FY18 and FY19, the federal government will provide 100 percent Federal Medical Assistance Percentage (FMAP) funding for state maintenance management information systems (MMIS). Funding will also increase by 60 percent for implementation expenses for new data requirements. An increase in automated processes or IT upgrades could lead to faster Medicaid approvals and processing times in the future, leading to quicker hospital payments.

#### **Looking to the Future**

If the AHCA passes, the impact will depend on how much funding states receive or set aside to run their programs. If funding is significantly reduced, fewer low-income patients will receive Medicaid assistance. In the meantime, new ideas are emerging as states look at strategies to cover their residents while continuing to drive down costs. There is much that is still unknown, but the points outlined above provide a realistic view of what could happen based on what we know today. •

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