

# SHORT-RUN MEDICAID REFORM

Report of The National Governors Association, August 29, 2005

## Overview & Recommendations

On August 29, 2005 the National Governors Association released a report entitled Short-run Medicaid Reform. The report notes that the recommendations are proposed “as good public policy not to satisfy any spending reduction target.” The report also notes that the Governors Association looks forward to working with the federal Medicaid Commission as they focus on the long-run restructuring of Medicaid.

Subject	Recommendation
Prescription Drugs	<ul style="list-style-type: none"><li>• Switch the federal ceiling for drug pricing from Average Wholesale Price (AWP) to Average Manufacturer Price (AMP), allowing states to negotiate lower prices. Institute reforms to better inform states and ensure accuracy of manufacturer data.</li><li>• Allow states to adopt closed formularies.</li><li>• Allow states flexibility in determining dispensing fees.</li><li>• Increase state’s minimum rebates on brand name drugs to 20%, retaining the “best-price” requirement.</li><li>• Ensure that all drugs are included in “best-price” and “authorized generics” calculations, and that “authorized generic” qualifies a drug for the federal upper limit.</li><li>• Allow Medicaid managed care companies direct access to drug rebates, allowing the state to collect the rebate directly or to allow the plan access to the rebates and to lower capitation payments.</li><li>• Allow states greater flexibility in establishing purchasing pools – allowing combining of populations and Medicaid level prices for state funded drug programs.</li><li>• Establish a new federal reimbursement ceiling for drugs, retaining the federal upper limit, based on AMP.</li><li>• Allow states to require use of mail order pharmacies for maintenance drugs.</li></ul>
Long-term Care	<ul style="list-style-type: none"><li>• With regard to asset transfer, increase the look-back period from 3 to 5 years, begin penalty period on date of application and prevent sheltering of excess resources in annuities, trusts and promissory notes. Tighten asset transfer rules. Include as assets entrance deposits for continuing care retirement community and life care facilities.</li><li>• Include home equity as a countable asset, allowing reverse mortgage upfront costs to be assumed into the mortgage annual payout. Give states an option to allow partial sheltering of home value in exchange for reverse mortgaging that pays for medical and long-term care expenses.</li><li>• Allow states to participate in the Long-term Care Partnership Program, providing flexibility while providing national standards.</li></ul>

<b>Subject</b>	<b>Recommendations</b>
Cost Sharing	<ul style="list-style-type: none"> <li>• Give states the option to implement enforceable cost sharing. Maintain existing cost sharing at or below federal poverty level. Allow states to implement enforceable cost-sharing and premiums for beneficiaries above federal poverty level. Allow states to develop tiered, enforceable prescription drug co-pays for all beneficiaries.</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>• Allow states flexibility to tailor benefit programs to different populations. For relatively healthy persons, the benefit package could be (1) the federal package or another benchmark, (2) coverage at an actuarial benchmark equivalent, (3) existing state-based comprehensive coverage, or (4) coverage approved by the Secretary of CMS.</li> </ul>
Waiver Reform	<ul style="list-style-type: none"> <li>• Streamline the waiver process, allowing more limited population or geographic area pilots and changes by state plan amendment instead of waiver.</li> <li>• Allow renewed waivers to become part of the state plan and current waivers to continue, with state opportunity to revisit the waiver later.</li> <li>• Allow more flexibility within waivers for provider contracting.</li> <li>• Extend time period for waiver cost neutrality and allow consideration of savings to Medicare and other federal programs.</li> </ul>
Judicial Reform	<ul style="list-style-type: none"> <li>• Remove federal legal barriers to state management of optional Medicaid categories.</li> <li>• Require federal DHHS to stand by states when their waivers or state plans are challenged in court.</li> </ul>
Medicare Rx Clawback	<ul style="list-style-type: none"> <li>• Make changes on federal level to ensure that congressional intent of Medicare Modernization Act is realized and all states gain from its passage.</li> </ul>
Reinvestment Options	<ul style="list-style-type: none"> <li>• Consideration of certain reinvestment on the federal level, without increasing Medicaid gross cut.</li> <li>• Review and rebalance partnership of federal government with the territories.</li> <li>• Fund quality and technology improvements in the states, through grants or increased matching rates.</li> <li>• Provide significant tax credits as incentives to purchasing long-term care insurance.</li> <li>• Provide tax credits for individuals and small employers and fund purchasing pools.</li> <li>• Allow states the tools for fraud and abuse prevention – through suspending eligibility of beneficiaries and providers, increase federal match for Surveillance and Utilization Review Services, and allow state repayment of federal match for overpayment due to fraud or abuse in the quarter that the overpayment is discovered.</li> </ul>