



Prevail.
care is in the details.

**Medicaid, Managed Care,
and Demographics - The
Future of Long Term Care**

Aaron Frazier
Government Affairs
First Quality Enterprises, Inc.
April 30, 2015 – Ohio Health Care Assn.



First Quality Background

- Privately held, family owned manufacturer with facilities in NY, PA, SC & GA
- **Market leader in a full range of incontinence products. Also produce female hygiene, baby diapers, paper products, and bottled water**
- All domestically sold products made in the U.S.A.
- Serve the long term, home care & retail markets



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A Little Bit About Me

- 10+ years of political, policy & lobbying experience
 - Joined **FQ** in 2013, lead all of our government affairs work federally and in the states
 - Director at **HIDA**, a distributors/manufacturers Association actively involved in Health Reform
 - Staffer on two U.S. Senate campaigns and Capitol Hill experience
- Live in Maryland, where I have almost visited all of the state's Civil War battlesites

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Roadmap

- The Landscape
 - *Demographics*
 - *Macro-spending landscape*
 - *Shifts in funding and care delivery*
- What Does Health Reform (likely) Mean for LTC?
 - *What does Medicaid/coverage expansion mean for LTC?*
 - *How will the growth of managed care/MCOs impact us?*
- How do we strategically plan and adjust?
 - *What questions do we need answered?*
 - *Key Takeaways*

Sources: Kff.org, Deloitte.com, Hida.org, cms.gov, jamanetwork.com, wsjournal.com, avalerehealth.net, rwjf.org, HHS.gov, MedPAC.

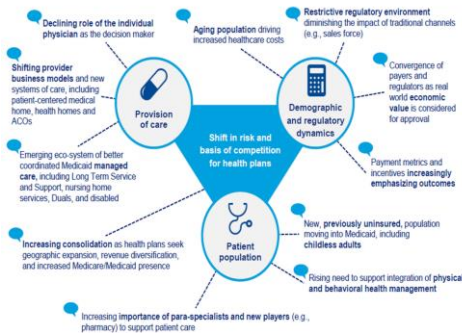


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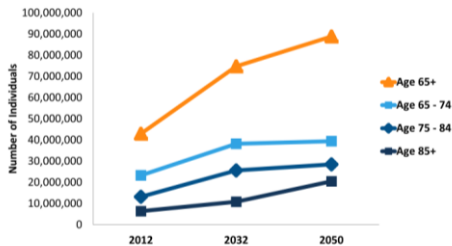
Changing Landscape

The landscape for health plans is evolving as industry shifts change stakeholders' incentives and behaviors



Demographics – More than Dramatic Graphics

The 65 and Over Population Will More Than Double and the 85 and Over Population Will More Than Triple by 2050



SOURCE: A. Houser, W. Fox-Grace, and K. Ujvari. Across the States 2013: Profiles of Long-Term Services and Supports. AARP Public Policy Institute, September 2013. http://www.aarp.org/content/dam/aaa/aarp/research/and/or_policy_institute/09/2013/across-the-states-2013.pdf.
revised AARP age 85 and.

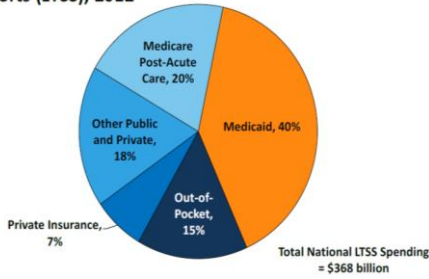


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Medicaid's (Very) Significant Role

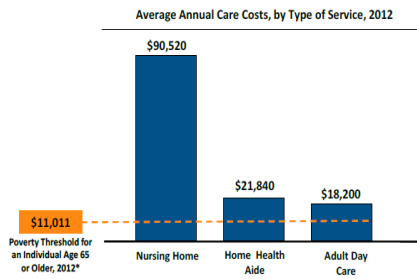
Medicaid is the Primary Payer for Long-Term Services and Supports (LTSS), 2012



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Cost of Care, in Part, Driving Medicaid Expansion
Long-Term Services and Supports Are Expensive, Often Exceeding What Beneficiaries and Their Families Can Afford



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...and, Medicaid's Shifting Role – Home Health Growth

Medicaid Spending on Long-Term Care Has Been Shifting Toward Community-Based Care

IN BILLIONS



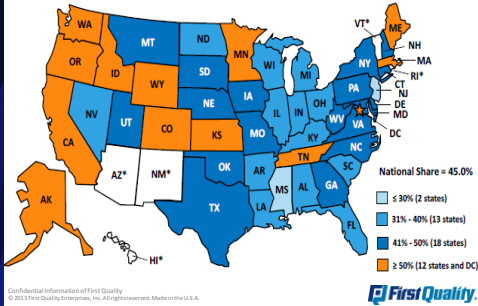
● HOME AND COMMUNITY-BASED CARE | ● INSTITUTION-BASED CARE

Nonelderly individuals with disabilities account for more than half (54%) of Medicaid long-term care expenditures, and 63% of their expenditures are for home and community-based services.

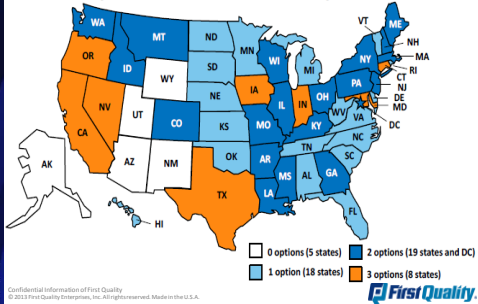
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But, HCBS Spending Still Varies Widely
HCBS Represents a Minority of Medicaid LTSS Spending in 38 States (2012)

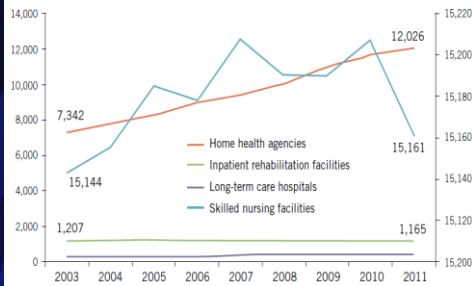


Reliance on (1915) Waivers for HCBS is Waning...
States Are Pursuing Multiple Medicaid Home and Community-Based Services (HCBS) Options Provided or Enhanced by the Affordable Care Act, July 2014



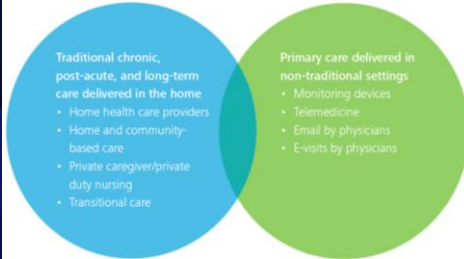
Spending Tracks with Facility/Site Shifts...

Growth in Extended Care Facilities, 2003 - 2011



The Shifting Home Health Landscape

Home Health Is the Only Medicare Post-Acute Care Service Not Requiring a Hospital Stay



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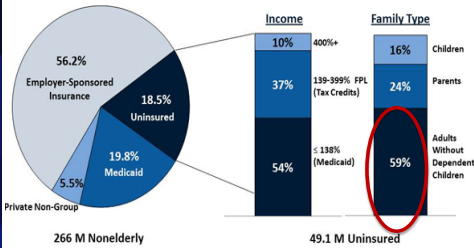
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Changing and Growing Medicaid Population

17-22 million individuals expected to gain coverage

The Uninsured—As a Share of the Nonelderly Population and by Income and Family Type, 2010



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Are These Our Patients/Customers? Some Are – Yes!

**138% of the FPL is \$16,105 for an individual; \$27,310 for a family of three in 2014

How the ACA Medicaid Expansion Affects Low-Income Adults



Family with one child
Employed full-time
Annual Income: \$21,200

Larry and Mary Perry

The Perry family struggles to make ends meet. Larry works full-time as a farm hand for a large, corporate farm and Mary prepares meals at a nursing home. Neither employer offers health coverage. Because of their low income, their son, Jerry, is covered by Medicaid; however, due to different eligibility levels for parents and children, Larry and Mary do not qualify for Medicaid. As a result, Larry and Mary are uninsured.

Because the family's income is below 138% poverty, Larry and Mary will qualify for Medicaid, along with Jerry.



62 year-old single adult
No children
Self-employed
Annual Income: \$10,000

Jo Cohen

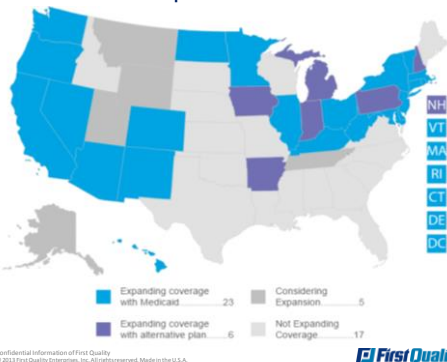
Jo Cohen is a self-employed musician. He had a heart attack last year and has had to scale back his work. He is uninsured and unable to purchase coverage in the individual market due to his medical condition and lack of resources. He's facing significant medical bills and is having a hard time paying for medications.

Because his income is below 138% poverty, Jo will be eligible for Medicaid.



So, Where Are the Jo Cohen's?

28 States Have Expanded Medicaid as of March 2015





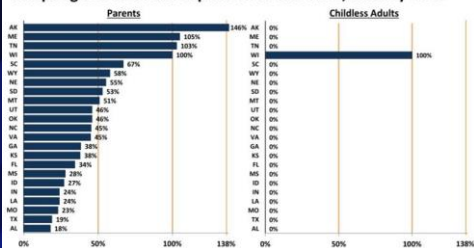
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Growing Gap in Non-Expansion States...

A Texan's Annual Salary Must Be Below \$2,217 to Qualify for Medicaid: Rate of Uninsured (24%) Highest in U.S.

Medicaid Income Eligibility Limits for Adults in States Not Adopting the Medicaid Expansion at this Time, January 2015



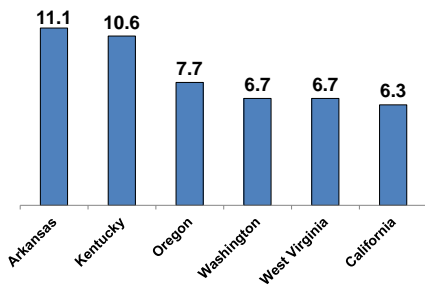


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...While Expansion States Reduce Uninsured

Arkansas, Kentucky Seeing Double-Digit Percentage Drops to Uninsured Rates – Gallup, February 2015

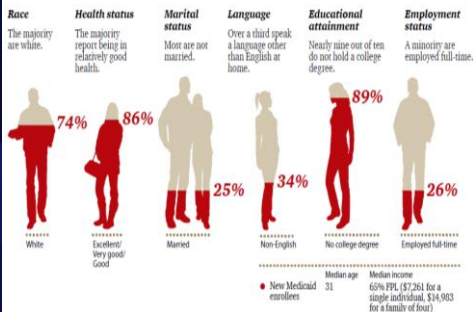




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Beginning to Understand Medicaid's New Population



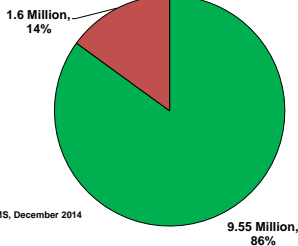
Sources: PeW-HRI analysis for year 2011, Current Population Survey, Medical Expenditure Panel Survey and CBO



Beginning to Understand Medicaid's New Role... State Decisions Reflected in Latest CMS Data

Medicaid has grown by 25.6% nationally in a year, But 86% of that growth is in the 27 Expansion States

27 States Expanding Medicaid 23 Non-Expansion States



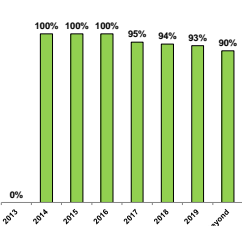
Source: CMS, December 2014



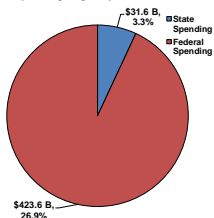
Beginning to Understand Medicaid's New Role... 100% of Expansion Federally Funded, 2014-16

23 Non-Expansion States Would See a 3.3% Increase in State Medicaid Spending Over Ten Years if They Decided to Expand

Medicaid Expansion Financed by Federal Government



Potential Increase in State/Federal Medicaid Spending for 23 States Not Expanding Eligibility, 2015-2022

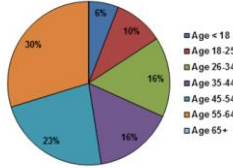


Source: Robert Wood Johnson Foundation, August 2014



It's Not Just About Medicaid's New Role...

- 1. October 2013 through January 2015:
11.2 million people were newly enrolled in Medicaid as a result of the Affordable Care Act (ACA).
- 2. 48% of the 6.4M enrolled for 2015 **Marketplace Plans** are between the ages of 45-64 years old.



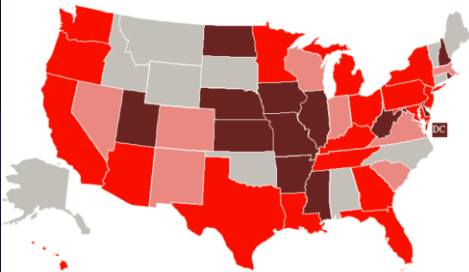
Age Distribution of Marketplace Plan Selections for the Five-Month period: 11-1-15 to 3-31-15



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So How Do We Pay for This?

18 States Have 800,000 or More Lives in Managed Medicaid Plans – December 2014



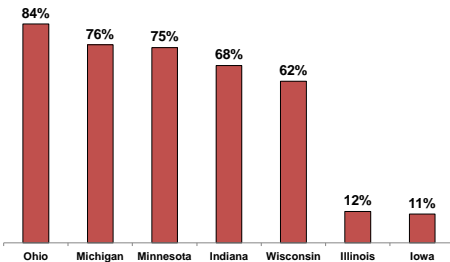
Legend:
 - No private managed Medicaid (Grey)
 - 400,000-800,000 private managed lives (Light Red)
 - >800,000 private managed lives (Dark Red)



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So How Do We Pay for This?

**High Rates of MCO Penetration across Midwest
Rate of Managed Medicaid in 2014**



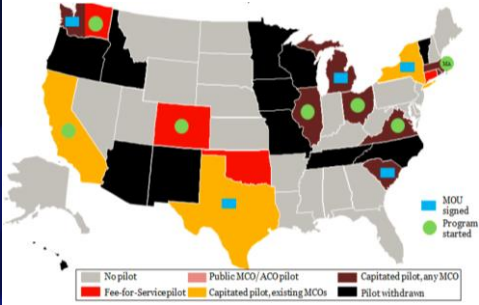
Source: PwC, December 2014

Both states are currently planning MCO transitions



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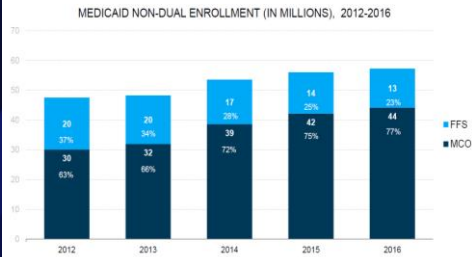
MCOs Now Managing Dual-Eligible Projects for 14 States' Sickest, Most Expensive Patients



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**Demographics and Funding Driving Other Shifts...
 Medicaid Managed Care Enrollment to Increase by 38% from 2013 to 2016**



Source: Avalere Analysis using Avalere Enrollment Model, scenario 2, in which 24 states do not expand Medicaid eligibility under the Affordable Care Act. Updated December 2013.
 FFS = Fee-for-service
 MCO = Managed Care Organization

Source: Avalere Health, January 2014

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...Which is Driving Consolidation in the Insurance Market

- **2015: Anthem Bulks Up Medicare/Medicaid Insurance With Acquisition**
 - **M&A News:** “Simply Healthcare Holdings, headquartered in Florida, provides Medicare and Medicaid plans”
- **2012: WellPoint Buys Amerigroup, Bets Big on Medicaid Expansion**
 - **Forbes:** “WellPoint, one of the largest private-sector insurers, announced that it had reached an agreement to acquire Medicaid specialist Amerigroup, for \$4.9 billion in cash.”
- **2012: Aetna Buys Coventry Health Care for \$5.7B**
 - **WSJ:** “Aetna, known more for commercial health insurance, has been interested in expanding government-based health plans—Medicare for the elderly and Medicaid for the poor—that are growing as baby boomers and states look for help managing Medicaid costs.”

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So, What Does it All Mean – 6 Key Takeaways?

- Medicaid spending will increase – *and, our markets rely significantly on Medicaid funding*
- Demographics and funding realities are leading to very real shifts from SNFs to hybrid/home care settings
- Consolidation will continue (payors, providers, distributors)
- While overall federal spending is increasing, the growth rate of that spending is set to slow - leading to new focuses on efficiencies, coordination of care, fraud/abuse, cost-savings, innovation, streamlining of operations, etc.
- Significant shifts to managed Medicaid/MCOs are reshaping the home care and LTC markets...*the outcomes of this reshaping are not 100% clear at this stage*
- Advocacy, education, and collaboration amongst partners has never been more important



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...and, a host of other issues to keep us busy

- **What, exactly, will the states do (Medicaid budgets, health exchanges, MCOs, contracting, etc.)?**
- **CMS releasing new Proposed Rules on Medicaid Managed Care**
 - HHS says they will modernize federal regulations to reflect “changes in the usage of managed care delivery systems”
 - Ten years since CMS last updated federal MCO rules
- **Indirect impact of other health reform provisions**
 - E.g. ACOs, IPAB, dual-eligible demo projects
- **Possible systemic changes to Medicare/Medicaid**
 - Medicare “Premium Support/Vouchers” and Medicaid block grants
 - House passed both measures in budget legislation, Feb. 2015



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Questions?

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