CONFIDENTIAL

LEGISLATIVE BILL REVIEW FORM: 2016

Bill Number: H.682 **Name of Bill:** An Act Relating to Medicare supplemental plans for dual eligible Medicaid beneficiaries

Agency/ Dept: AHS **Author of Bill Review:** Susan Coburn, Lindsay Parker

Date of Bill Review: 3/2/16 **Related Bills and Key Players** Sponsors Rep. Dame, Rep. Fagan

Status of Bill: (check one): _X_ **Upon Introduction** _____ **As passed by 1st body** _____ **As passed by both**

Recommended Position:

_____ **Support** _____ **Oppose** ___X__ **Remain Neutral** _____ **Support with modifications identified in #8 below**

Analysis of Bill

1. **Summary of bill and issue it addresses.** *Describe what the bill is intended to accomplish and why.*

This bill proposes to require the Department of Vermont Health Access (DVHA) to submit a report to the Joint Fiscal Committee and Health Reform Oversight Committee by November 1, 2016 to explore whether it would be cost effective to buy supplemental Medicare coverage for "dual eligibles" (individuals eligible for Medicare and Medicaid), and whether it is possible to receive federal funding for this coverage. If cost effective, DVHA will have to propose an implementation plan for a 2017 budget adjustment.

Specifically, the DVHA would be required to study:

- the feasibility of federal financial participation;
- the estimated savings to the State with and without federal financial participation; and
- a comparison of the benefits of providing Medicare supplemental plans to the entire population of dual eligible individuals and of providing the plans to only a subset of the highest utilizers of all or a specific set of services.

2. **Is there a need for this bill?** *Please explain why or why not.*

No. DVHA could choose to conduct this study without this legislative mandate and under current state authority.

Federal regulations will allow a state Medicaid program to pay the cost of an individual's private Medicare Supplement Insurance or "Medigap".

3. **What are likely to be the fiscal and programmatic implications of this bill for this Department?**

DVHA staff resources are needed to conduct the proposed study. The state would have to review various Medicare supplemental products to evaluate cost effectiveness. In order to be cost effective a product

would have to be available to cover the Part A deductible, and the premium cost would have to be lower than the costs incurred with the deductible. A preliminary analysis indicates that Vermont Medicaid would have to spend more than $2,580 on deductible and co-insurance for each dual eligible beneficiary to see cost savings.

Dual eligibles are traditionally cost drivers in Medicaid. However, purchasing supplemental plans is not likely to achieve a cost shift since many of the Medicaid covered services would not be included in a traditional supplemental Medicare plan. Services that would not be covered include: long-term care, home-and-community-based services, eyeglasses, hearing aids, and durable medical equipment. These are services heavily used by the proposed dual eligible population.

If implemented, a state plan amendment and CMS negotiation and approval would be required. It would add another layer of coordination of benefits through another payer, requiring additional staff resources and potential complications to claims processing. It would also require significant and costly changes to the MMIS system. Additional budget appropriation would be required which may exceed possible cost savings.

4. **What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?**

The Department of Financial Regulation, as regulators of supplemental Medicare plans, will likely need to contribute information to the study conducted by DVHA.

5. **What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it?** (*for example, public, municipalities, organizations, business, regulated entities, etc)*

Medicare supplemental insurers will likely support this bill, as it generates additional business for the insurers. Their liability is limited and the federal government and Medicaid typically pays the bill for higher costs.

6. **Other Stakeholders:**

6.1 Who else is likely to support the proposal and why?

Consumers and advocates may support a bill the advances efforts to ensure comprehensive health care coverage, particularly for a population of high health care utilizers.

6.2 Who else is likely to oppose the proposal and why?

Consumers and advocates may oppose having a third care delivery system and additional burden of multiple plans, policies and communications.

7. **Rationale for recommendation:** *Justify recommendation stated above.*

The potential for cost savings may be limited due to: the services that could potentially be covered by Medicare supplemental insurance; the variety of supplemental plans; the segment of the population that savings may apply to; and the administrative burden and costs to implement system changes.

Conducting a study would require staff time and resources. .

8. **Specific modifications that would be needed to recommend support of this bill**: *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*

9. **Will this bill create a new board or commission AND/OR add or remove appointees to an existing one? If so, which one and how many?**

   No.

Secretary/Commissioner has reviewed this document: _____ ***Date:*** 3/8/17

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