

MERCER GOVERNMENT HUMAN SERVICES CONSULTING

HEALTH CARE REFORM

Since 1985, Mercer has consulted to more than 30 states and the federal government on a wide variety of health care and human service issues, including actuarial, data/systems analysis, clinical, policy, operations, and procurement.

THE OPPORTUNITY

Virtually all states have attempted to address the uninsured, but very few have been able to address this problem completely. Reform at the national level may very well provide the impetus to finally achieve the comprehensive coverage that so many states have desired. Many states have also contemplated changes to their existing programs, but they lacked the compelling reason to do so. States can use this opportunity to re-evaluate all of their existing programs, benefits, delivery systems, and approach to financing. And, perhaps, there has never been a better time to promote changes focused on delivering quality health care, with measurable outcomes, in the most cost-effective and efficient manner.

The passage of the Patient Protection and Affordable Care Act (PPACA) and related legislation presents the greatest opportunity, along with the greatest challenge, that most states have ever faced.

THE CHALLENGE

PPACA is extremely complex. It assigns states many new responsibilities, which will affect multiple agencies and programs, requiring new processes and linkages. States will face increased enrollment in Medicaid and will see additional newly covered individuals enroll through health insurance exchanges. Who will these new enrollees be? What benefits do they need? How significant will pent up demand be? What will they cost? What are the likely “woodwork” or selection effects on other insurance programs? How much pressure will this additional coverage exert on existing provider capacity? How can Medicaid programs integrate with exchanges to facilitate continuity of care as eligibility changes?

The questions that need to be answered are overwhelming but critical to quantifying the true financial impact of health care reform on a state and on ensuring successful implementation. Moreover, virtually all states are struggling with funding current programs, let alone the increased enrollment and additional administrative responsibilities under PPACA.

HOW CAN MERCER HELP?

Mercer is uniquely positioned — through its intense Medicaid/government focus, combined with extensive experience working with many of the world’s largest employers — to assist states in preparing for the impact of health care reform. The lines have blurred between Medicaid and employer coverage, and with the advent of exchanges, they will continue to blur.

Expanding access to quality health care is an exciting opportunity. Unfortunately, the enthusiasm for doing so is dampened by funding and budget challenges. Mercer's approach in assisting states with meeting the challenges of health care reform is grounded in sound financial analytics. Mercer continues to be one of the world's leading employers of actuaries and financial analysts; and this enables us to bring the best critical thinkers forward in helping our clients address their issues.

Mercer can assist state clients in seizing the opportunities that health care reform presents, while considering the challenges that must be met:

- **Overall implementation plans** — Mercer can develop implementation plans to help states identify gaps in their readiness to implement all facets of health care reform, and document the myriad of issues and questions that states must be prepared to answer:
 - Who will operate exchanges?
 - Can current delivery systems handle the increased enrollment?
 - What are the financial and programmatic implications for other state programs?
 - Is the state's current agency and organizational structure supportive of implementing health care reform?
 - What needs to happen and when?
 - Do existing waivers optimize the state's position under PPACA?
 - Should alternative delivery systems be considered?

- **Valuation tools** — Mercer has developed several tools to value key changes:

- First, a customizable expansion population model provides a mechanism to understand likely costs of new Medicaid enrollees. The model is adaptable to test the impact of varying population characteristics, provider reimbursement levels, and benefit designs. Data analysis and research on historical Medicaid expansions provide guidance about how new populations' utilization may compare to existing enrollees.

This model and supporting research allow Mercer to objectively measure the estimated cost associated with various subsets of expansion populations and the potential impact of different benefit mixes allowed under PPACA. Paired with sister models that can test participation, selection, and migration among products or markets under different scenarios, Mercer is equipped to help clients understand complete changes in their health insurance marketplace.

- Second, Mercer has developed a tool to value the PPACA requirement that Medicaid primary care services be paid at 100% of Medicare payment levels during 2013 and 2014. This model can evaluate the potential impact of that change in Medicaid managed care programs and/or under a state's FFS payment structure.

Working with our actuaries are physicians, nurses, pharmacists, and social workers who continually remind us that behind all of the budgetary challenges are real people with very specialized health care needs. Our actuarial and clinical teams work in tandem to promote evidenced-based, cost-effective approaches to the financing and delivery of health care.

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