

## 2013 Medicaid Changes Under ACA

The Medicaid program currently covers 1 in every 5 Americans, and is the primary public health insurance program for the low-income segment of the nation's population, including pregnant women, children, adults with dependent children, people with disabilities, and seniors.<sup>1</sup> The structure of the Medicaid program, jointly funded by states and federal government, has allowed state programs to remain innovative and adaptable in the ever changing regulatory, reimbursement, competitive, and technological realms of the U.S. healthcare delivery system. In 2013, Medicaid will continue to implement changes in the era of healthcare reform. Among the many factors that will impact Medicaid systems and care delivery include: (1) changing eligibility and enrollment requirements; (2) implementation of new care models; (3) physician reimbursement reforms; (4) and a challenging fiscal and economic environment.

In 2012, median Medicaid eligibility levels for parents with dependent children were at 61 percent of the federal poverty level (FPL), and most states did not provide coverage to childless adults.<sup>2</sup> The Patient Protection and Affordable Care Act (ACA) has proposed that state Medicaid eligibility thresholds be standardized as of January 1, 2014 to a minimum of 138 percent of the federal poverty level (FPL) for all adults under age 65.<sup>3</sup> The majority of costs for this expansion in coverage will be funded by the federal government, but the decision regarding whether to implement these changes will be made by each state.<sup>4</sup> If all states were to implement the proposed expansion, the estimated number of Medicaid insured individuals would rise from over 62 million currently, to more than 87 million by 2022.<sup>5</sup> Additionally, in preparation for the proposed eligibility expansion in 2014, the ACA has mandated improvements to enrollment technology by October 1, 2013 to include web-based, paperless, real-time systems applicable to all insurance carriers, e.g., health insurance exchange programs, and state Medicaid agencies, for all eligible individuals.<sup>6</sup> In efforts to streamline the enrollment process, 42 states have already initiated system development upgrades, and 37 states have implemented electronic application systems as of January 1, 2013.<sup>7</sup>

With the anticipated influx of Medicaid beneficiaries as a result of the ACA, Medicaid will need to address the historic lack of physician participation in the program due to low reimbursement rates, which have risen only

5% from 2008 to 2012 in comparison to the 15% increase for the same services reimbursed by Medicare over that same time frame. On average, Medicaid physician fees in 2012 were 66 percent of Medicare fees, with primary care fees averaging only 59% of Medicare levels.<sup>8</sup> Under the healthcare reform law, the federal government will fully fund increases in primary care reimbursement fees up to the difference in Medicaid fees as of July 1, 2009 and Medicare fee levels in 2013 and 2014, thereby resulting in primary care physicians receiving, on average, an estimated 73% increase in 2013 reimbursement alone.<sup>9</sup>

In light of the federal deficit and an economic environment still recovering from the recession, another concern for expanding Medicaid programs is the potential for federal Medicaid cuts. However, it appears unlikely that significant Medicaid cuts will be implemented while states consider the ACA expansion.<sup>10</sup> Given the current fiscal and economic environment, states are expected to continue cost containment measures in fiscal year 2013, and state Medicaid spending and enrollment growth are expected to remain low.<sup>11</sup> Medicaid programs are also anticipated to adopt a variety of delivery system and payment reforms in 2013 to increase physician participation; enhance quality of care; and, improve access to and delivery of healthcare to beneficiaries.<sup>12</sup> With the likely expansion of individuals eligible for Medicaid under the ACA eligibility requirements, the distribution of state and federal resources to support Medicaid program improvement initiatives and recruiting an adequate supply of providers will likely become integral to an individual state's ability to provide adequate universal coverage in 2014.

- 1 "The Medicaid Program at a Glance", The Kaiser Family Foundation, March 2013, p. 1.
- 2 "Getting into Gear for 2014: Findings from a 5-State Survey of Eligibility, Enrollment, Renewal, and Cost-Sharing Policies in Medicaid and CHIP, 2012-2013", by Martha Heberlein et al., The Kaiser Family Foundation, January 2013, p. 2.
- 3 "Medicaid: 3 Key Issues to Watch in 2013", The Kaiser Family Foundation, February 22, 2013 [http://www.kff.org/medicaid/quicktake\\_medicaid\\_in\\_2013.cfm](http://www.kff.org/medicaid/quicktake_medicaid_in_2013.cfm) (Accessed March 10, 2013); *Ibid*, The Kaiser Family Foundation, March 2013, p. 2.
- 4 "Medicaid: 3 Key Issues to Watch in 2013", The Kaiser Family Foundation, February 22, 2013 [http://www.kff.org/medicaid/quicktake\\_medicaid\\_in\\_2013.cfm](http://www.kff.org/medicaid/quicktake_medicaid_in_2013.cfm) (Accessed March 10, 2013)
- 5 *Ibid*, The Kaiser Family Foundation, March 2013, p. 1-2
- 6 *Ibid*, The Kaiser Family Foundation, February 22, 2013.

- 
- 7 *Ibid*, Heberlein et al., January 2013, p. 3.  
8 “How Much Will Medicaid Physician Fees for Primary Care Rise in 2013? Evidence from a 2012 Survey of Medicaid Physician Fees”, by Stephen Zuckerman and Dana Goin, The Kaiser Family Foundation, December 2012, p. 1-2.  
9 *Ibid*, The Kaiser Family Foundation, February 22, 2013); *Ibid*, Zuckerman and Goin, December 2012, p. 2.

- 
- 10 *Ibid*, The Kaiser Family Foundation, February 22, 2013.  
11 “State Fiscal Conditions and Medicaid Program Changes, FY 2012-2013”, The Kaiser Family Foundation, November 2012, p. 3.  
12 *Ibid*, The Kaiser Family Foundation, February 22, 2013; *Ibid*, The Kaiser Family Foundation, November 2012, p. 4.



(800) FYI - VALU

*Providing Solutions  
in the Era of  
Healthcare Reform*

Founded in 1993, HCC is a  
nationally recognized healthcare  
economic financial consulting firm

- **HCC Home**
- **Firm Profile**
- **HCC Services**
- **HCC Experts**
- **Clients Projects**
- **HCC News**
- **Upcoming Events**
- **Contact Us**
- **Email Us**

**HEALTH CAPITAL CONSULTANTS (HCC)** is an established, nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, Missouri, with regional personnel nationwide. Founded in 1993, HCC has served clients in over 45 states, in providing services including: valuation in all healthcare sectors; financial analysis, including the development of forecasts, budgets and income distribution plans; healthcare provider related intermediary services, including integration, affiliation, acquisition and divestiture; Certificate of Need (CON) and regulatory consulting; litigation support and expert witness services; and, industry research services for healthcare providers and their advisors. HCC's accredited professionals are supported by an experienced research and library support staff to maintain a thorough and extensive knowledge of the healthcare reimbursement, regulatory, technological and competitive environment.



**Robert James Cimasi**, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as Chief Executive Officer of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: *“Accountable Care Organizations: Value Metrics and Capital Formation”* [2013 - Taylor & Francis, a division of CRC Press], *“The Adviser’s Guide to Healthcare”* – Vols. I, II & III [2010 – AICPA], and *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books]. His most recent book, entitled *“Healthcare Valuation: The Financial Appraisal of Enterprises, Assets, and Services”* will be published by John Wiley & Sons in the Fall of 2013.

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows. In 2011, he was named a Fellow of the Royal Institution of Chartered Surveyors (RICS).



**Todd A. Zigrang**, MBA, MHA, ASA, FACHE, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives, and serves as President of the St. Louis Chapter of the American Society of Appraisers (ASA). He has co-authored *“Research and Financial Benchmarking in the Healthcare Industry”* (STP Financial Management) and *“Healthcare Industry Research and its Application in Financial Consulting”* (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser’s Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.



**Anne P. Sharamitaro**, Esq., is the Executive Vice President & General Counsel of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. Ms. Sharamitaro has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in *“Healthcare Organizations: Financial Management Strategies,”* published in 2008.