New Funds to Improve Health Care in Your State: Opportunities in the Affordable Care Act

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The Affordable Care Act provides new opportunities to help your state balance its budget and stimulate its economy in difficult economic times. It created many grant and demonstration programs that can save your state money or bring addition federal dollars to your state for health system improvements. To help you take advantage of these opportunities, new programs available in 2011 or beginning of 2012 are described below.

Opportunities to Bring New Federal Dollars to Your State Budget

For Medicaid

Medicaid Health Homes State Option

Beginning in 2011, states can qualify for a two-year 90 percent federal matching rate to create health homes for Medicaid enrollees with chronic physical or mental illnesses. This new option will bring new federal funds into your state, and could reduce your state's Medicaid expenditures while improving patient care. To apply, states must submit a Medicaid state plan amendment to US Department of Health and Human Services (HHS).

Medicaid State Balancing Incentive Payment Program

Beginning in October 2011, most states can receive either a 2- or a 5-percentage point increase in federal matching funds for expenditures on Medicaid home and community-based services. To qualify, states must submit an application to HHS and adopt program changes designed to increase the proportion of Medicaid long term care spending that goes to home- and community-based services (as opposed to institutionalized care).

Incentives for Prevention of Chronic Diseases in Medicaid

Beginning in 2011, HHS will award $100 million in grants to states for programs that provide incentives to Medicaid beneficiaries to improve their health. States can contract with Medicaid providers, community-based organizations, faith-based organizations, public-private partnerships, Indian tribes or other organizations to carry out this grant. Programs should help beneficiaries quit smoking, control or lose weight, lower blood pressure and cholesterol, and prevent or improve management of diabetes. HHS can begin awarding grants by January 1, 2011; programs must last at least three years and be finished before January 2016.

Family Planning Medicaid State Plan Amendment

Starting immediately, states can extend family planning services and supplies to individuals earning up to the maximum income eligibility for pregnant women in the state Medicaid

program or in the state Children's Health Insurance Program (CHIP). This program would draw down Medicaid federal matching dollars, and may save state dollars due to a reduction in unintended pregnancies that would have otherwise been covered by Medicaid.[1] To qualify, states must submit a Medicaid state plan amendment to HHS.

Enhanced Federal Funding for Medicaid Eligibility Determination and Enrollment Activities

Under a proposed rule by HHS, states could qualify for 90 percent federal matching rate for design and development of new Medicaid eligibility and enrollment systems, starting from the date this proposed rule becomes final through 2015. The proposed rule would also provide a 75 percent federal matching rate for maintenance and operations of these systems beyond 2015. States must meet a set of performance standards and conditions, including seamless coordination with the exchanges, in order to qualify for the match.

For Private Market Reforms

Rate Review Grants

Between 2010 and 2014, HHS is providing funding to state insurance departments to help them enhance their capacity to review premium increases by insurers. Approximately $1 million is available per state each year. The grant announcement will be released in the first part of 2011, and states are likely to have to meet certain criteria in reviewing premium rates to receive funds.

Exchange Planning Grants

In 2011, states can apply for Exchange planning grants of about $1 million per state. This is the second round of grants to states to help them plan for and build systems to create state Exchanges by 2014. States will have to meet certain criteria determined by HHS to qualify for these grants.

For Public Health Investments

Community Transformation Grants

State and local agencies, nonprofits and Indian tribes can apply to the CDC for grants for innovative approaches that help communities reduce chronic diseases and address root causes of health disparities. These grants, funded from the $15 billion Prevention Fund are expected to be awarded starting this year.

Maternal and Infant Home Visit Grants

A total of $1.5 billion will be awarded to states through 2015 to strengthen programs that help improve the health of mothers and children in at risk communities. The grants support sending nurses, social workers and others in the homes of pregnant women and mothers of young children to connect them with needed services. $88 million was awarded last July. Research shows these programs can save states money by reducing preterm births and emergency room visits.

[1] Utah, for example, found that taking up this state option would produce savings of over $800,000 per year in their Medicaid program. See http://www.healthpolicyproject.org/Publications_files/Medicaid/Familyplanning6-18-10.pdf

Opportunities to Bring New Federal Dollars to Communities in Your State

Children's Health Insurance Program Childhood Obesity Demonstration Project

From 2010 to 2014, the ACA provides $25 million in funding for the Childhood Obesity Demonstration Project, which was established through the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). HHS will award grants aimed at fostering the development of comprehensive approaches to reducing childhood obesity. HHS must determine which entities will be eligible for the grants, but CHIPRA requires that grantees carry out community-based activities that operate through schools, the health delivery system, and community health workers.

Community Health Center Grants

From 2010 through 2015, community health centers in every state can apply for grants totaling $11 billion nationwide to open new community health centers and renovate and expand existing centers. This will allow health centers to double the number of people they serve, save states money, and provide thousands of new jobs. The Centers for Disease Control and Prevention (CDC) distributed some money in 2010, will be distributing more this year based on previous applications, and will be accepting applications for additional funding soon.

School-Based Health Center Grants

Over the next three years, $200 million will be awarded for construction, renovation or equipment purchases by school-based health centers across the country. Applications for the first $100 million were due on Dec. 1, 2010. These centers provide a full range of health services for children, and in some cases, for their families.

Community Based Care Transitions Program

From 2011 through 2015, $500 million in federal funding will be available to hospitals and community-based entities that provide transition services during hospital discharge to Medicare beneficiaries who are at risk of readmissions. To qualify for funding, eligible entities must submit an application to HHS. The goals of the program are to reduce hospital readmissions, test sustainable funding streams for care transition services, maintain or improve quality of care, and document measureable savings to the Medicare program.

Community-Based Collaborative Care Networks

Networks of providers, safety-net hospitals and Community Health Centers are eligible for grants to provide comprehensive, coordinated and integrated health services to low-income populations and to help people access services, enroll in coverage and find a primary care provider or medical home. The program will also support care management, outreach, transportation and other direct care services. Funding is expected to be available between fiscal years 2011 through 2015. To qualify, the networks of providers must submit an application to HHS.

Opportunities to Reduce Your State Medicaid Costs

Medicaid Pediatric Accountable Care Organizations Demonstration Project

From 2012 to 2016, states can choose to recognize as accountable care organizations (ACOs) groups of Medicaid pediatric medical providers that want to work together to be accountable for patients' care. These ACOs will then receive incentive payments if they achieve at least a target level of savings in Medicaid by providing more coordinated care. If they do achieve those savings levels, states will see positive financial benefits as a result of this initiative.

Medicaid Bundled Payments Demonstration Project

Starting January 1, 2012 the ACA authorizes the HHS Secretary to select up to eight states to participate in a bundled payment demonstration project with the potential to lower Medicaid costs while improving patient care. A "bundled payment" is a single payment for all health care services related to a specific treatment or condition over a period of time. Participating states would incentivize integrated and coordinated care by using bundled payments to reimburse for hospitalization and physicians services for specific episodes of care, rather than paying for each service individually. This demonstration program will run through December 31, 2016 and states can apply to the HHS Secretary for participation in this project.

Medicaid Global Payment System Demonstration Project

States may apply to HHS to adjust payments made to a safety-net hospital system from a fee-for-service payment structure (individual services provided) to Medicaid beneficiaries, to a global capitated payment model (all services that each Medicaid beneficiary requires). This could encourage efficiencies in the delivery of care, improve quality of care, and result in savings to the state. The project is intended to run in five states from fiscal years 2010 to 2012.