

Shared savings could increase CT Medicaid spending by over \$90 million

Connecticut Medicaid is rushing headlong into a shared savings payment model with the intention of controlling costs in the program. Shared savings is a very new, untested model and the results so far are not encouraging. Medicaid's budget is already under stress prompting \$63.5 million in rescissions earlier this month and 20,000 HUSKY parents were dropped from the program in the state budget passed in June. Driven by staff to our state's troubled State Innovation Model plan, this new shared savings model could drive Medicaid costs significantly higher, risking state tax dollars.

Medicare's vast shared savings experiment has disappointed again in its second year. The plan was to encourage providers to assemble into large health care systems to coordinate care and keep people well. The incentive is that the health systems share half (or more) of the resulting savings. The only problem is that the savings aren't there. An [analysis by Kaiser Health News](#) found that last year, the second year of the program, the costs of care for patients in almost half of those groups nationally cost more than they would otherwise have. After paying bonuses, the entire program lost almost \$3 million last year while it was expected to save between \$10 million and \$320 million.

Unfortunately Connecticut's health systems performed even worse than the national average. Among the four Medicare health systems that serve only Connecticut residents, together covering 82,027 people, none earned a savings bonus and they collectively spent \$14 million more on health care than we would have without the program.ⁱ

Year 2014	Enrollees	Savings/loss (%)	Savings/loss (\$)
Hartford Healthcare	21,207	0.024	\$5,580,893
MPS	6,067	(0.053)	(\$3,534,038)
ProHealth	33,204	(0.057)	(\$18,333,327)
St. Francis	21,549	0.009	\$2,322,395
Total	82,027	(0.016)	(\$13,964,077)

Source: [Kaiser Health News](#), Sept. 14, 2015

If Connecticut’s health systems overspend in Medicaid shared savings as they have in Medicare, it will cost taxpayers an extra \$93.7 million each year.

Total CT Medicaid spending, FY 2015 ⁱⁱ	CT health systems total Medicare savings/loss	Estimated savings/loss to Medicaid
\$5,830,583,309.74	(0.016)	(\$93,692,418.67)

SIM’s plans to move every state resident into this same shared savings payment model, has [encountered serious challenges](#). Advocates are especially concerned about a rush to put 200,000 Medicaid members into the untested model by July 1, 2016. Details of Medicaid’s shared savings program must be set in less than two weeks to meet that deadline and dozens of critical decisions haven’t been explored. Connecticut’s budget could be hit hard if this program doesn’t perform.

Connecticut’s [Medicaid program is now recovering](#) from a similar untested payment model. Quality is improving, more providers are participating, and per person costs of care are down over the last three years since we moved away from capitated managed care organizations to a care coordination-focused system. Connecticut taxpayers have saved hundreds of millions of dollars since the switch. We can’t afford another poorly designed policy model that ends up costing the state more.

Bottom Line: Connecticut needs to take the time to redesign Medicaid carefully, avoid harm to people and the state budget.

ⁱ Among the ten systems serving Connecticut Medicare beneficiaries, only WESTMED Medical Group in Purchase NY earned a savings bonus from Medicare last year. Six of those systems also serve residents of other states. Collectively those ten ACOs spent \$12.5 million over what care would have cost without the program. Using that level of performance, shared savings could be expected to cost Connecticut Medicaid \$36.8 million/year.

ⁱⁱ CFSR, DSS, June 2015