Updated Savings Estimates: ACE Kids Act (H.R. 546/S. 298)

Executive Summary
Higher Quality Care and Lower Medicaid Spending through State Opt-in Policy

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Dobson DaVanzo & Associates, LLC (Dobson | DaVanzo) was commissioned by the Children's Hospital Association (CHA) to estimate the financial impact of creating nationally designated pediatric networks to enhance care coordination for children with medical complexity (CMC) within the Medicaid program over a 10-year period (original estimates 2014-2023 and updated estimates 2017-2026). These patients need care coordination due to complex acute and chronic conditions, numerous comorbidities, and a broad range of mental health and psychosocial needs, and may be technology-dependent (e.g., require a ventilator). We estimate the effect of implementing this policy in the form of a voluntary state opt-in policy.

Nationally designated pediatric networks for medically complex children (CMC) could reduce Medicaid spending by approximately $15 to $25 billion over 10 years (2017-2026).

Currently, CMC represent approximately 6 percent of pediatric Medicaid enrollees but comprise nearly 40 percent of Medicaid spending for children overall. Children's hospitals are the focal point of care for many of these patients, as pediatric specialists are often needed to provide expertise in treating the rare and complex clinical conditions of CMC.

As this population grows, several children's hospitals have expanded their efforts to improve their ability to more effectively address the complex needs of these patients through enhanced care coordination, which necessarily involves care outside of the hospital. These hospitals have implemented medical home-type programs that successfully reduce fragmentation in care delivery by improving communication between the hospital, primary care providers, pediatric specialists, and community organizations. Evidence suggests that broad-based implementation of similar care coordination programs across the U.S. can improve care quality and reduce the need for inpatient hospital care for this population, all while providing greater budget certainty and savings.

By adjusting the time period for the scoring window, the results are generally consistent with the original model in that the ACE Kids Act could save Medicaid between about $15 and $25 billion over ten years or 2.2 % to 3.6% of baseline Medicaid spending (see Exhibit ES-1). The updated model also estimates the savings with and without the optional state care coordination payments in the first two years of implementation, currently included in the legislation.

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Exhibit ES-1: Medicaid Savings under State Opt-in Policy: Moderate with Targeted Efficiencies (in Billions)

	With Optional State Care Coordination Payments		Without Optional State Care Coordination Payments	
	Original (2014-2023)	Revised (2017-2026)	Original (2014-2023)	Revised (2017-2026)
Savings	$13.1	$15.5	$20.6	$25.0
% Savings (from baseline)	2.4%	2.2%	3.8%	3.6%

Source: Dobson | DaVanzo analysis of FY2008 MSIS and Truven Health Analytics analysis of MarketSacn Multi-State Medicaid Database of Medicaid patients under 18 enrolled 2009-2011 with standardized 2011 payment data.

Implications

Nationally designated pediatric networks present an opportunity for the Medicaid program to improve quality for some of its most vulnerable beneficiaries by improving care coordination and reducing unnecessary inpatient hospital care. In addition, we estimate that a program to implement these networks could achieve between $15 and $25 billion in savings to the Medicaid program (both federal and state spending) over the 10-year period 2017 to 2026 if hospitals are able to successfully coordinate care with primary care providers, specialists, social services, and other community-based supports.

By organizing the delivery and payment of health care for CMC into accountable care networks that place providers at risk for their care, the ACE Kids Act will lead to better coordination and improved quality of care for this population. If children's hospitals are able to invest in the infrastructure to improve care coordination rather than increase the number of hospital beds and capacity for inpatient care, the Medicaid program could see further reductions in hospital spending over the long term. Such an outcome will require hospitals to change their business models to focus on maintaining patient health status in the community and reducing admissions or length of stay, but the financial incentives put forth in the proposal are designed to lead in this direction.