The well-documented success of Oklahoma’s Medicaid program in bringing affordable, efficient health care to more than 1 million Oklahomans discredits claims that it is somehow “broken” and unworthy of expansion.

Medicaid is an indispensable cornerstone of Oklahoma’s health care system. The program provides cost-effective care to children, expectant mothers, seniors, and people with disabilities, while paying providers enough to support a statewide network of private-sector health care businesses and practitioners.

Oklahoma’s Medicaid program has earned national accolades for pioneering innovative ways of running the program more efficiently and providing high-quality care, while earning strong customer satisfaction from patients and providers. Oklahoma should continue to build on this success and, by extending coverage to the low-income adults currently excluded from coverage, ensure that our Medicaid program remains one of the finest in the nation.

This issue brief shows why Oklahoma Medicaid is a cost-effective insurance program that offers access to a broad-based provider network, pays providers fairly and competitively, satisfies patients, pioneers innovative health care delivery mechanisms, and leads to better health outcomes for Oklahomans.
**Why is now the time to expand Medicaid?**

Expanding Medicaid eligibility is at the core of the Affordable Care Act’s efforts to ensure access to affordable health insurance for millions of Americans currently lacking coverage. In Oklahoma, one in two adults with income below the poverty level has no insurance.\(^1\) Low-income adults are least likely to have access to employer-based health insurance, and most do not qualify for Medicaid.

The lack of insurance leaves these Oklahomans struggling to access timely, appropriate care for chronic and acute health problems. Hospitals and other providers who care for those without insurance are left to absorb huge uncompensated care costs that ultimately are passed on to all Oklahomans in the form of higher charges and insurance premiums.

Under the Affordable Care Act (ACA), most adults with income up to 133 percent of the federal poverty level, or $25,390 for a family of three, would have been eligible for Medicaid beginning in January 2014, including some 180,000 adults in Oklahoma – more than one in four of the state’s uninsured.\(^2\) However, in its June 2012 ruling upholding the ACA, the Supreme Court left states the choice of whether or not to accept federal funds to extend coverage through Medicaid. In November 2012, Governor Mary Fallin announced that Oklahoma would not participate in the extension of Medicaid.\(^3\)

There are many compelling reasons why extending Medicaid is in Oklahoma’s interest.\(^4\) The extension would close major gaps in health care coverage and keep hard-working but low-wage Oklahomans from falling into a “coverage crater”, where they are ineligible for either Medicaid or tax credits to help buy private coverage in the new health insurance marketplaces known as exchanges (see Figure 1, next page). Extending Medicaid would provide substantial economic benefits to Oklahoma, saving the state millions of dollars that now go to cover the cost of caring for those without insurance, creating thousands of jobs in health care and related fields, and generating significant new tax revenues.

The cost to the state would be extremely modest: the federal government will cover 100 percent of the cost of covering newly eligible Oklahomans for the first three years and at least 90 percent thereafter. Since Medicaid would also cover health care services for those with mental illness and other conditions that Oklahoma currently is paying for with state dollars, the net fiscal impact of extending Medicaid could be even smaller.
Despite these compelling arguments, some assert that Oklahoma would be better off not extending Medicaid. In announcing her decision to reject the Medicaid extension, Governor Fallin referred to Medicaid as an “outdated program,” and asserted that, “the proposed Medicaid expansion offers no meaningful reform to a massive entitlement program already contributing to the out-of-control spending of the federal government.” Others claim that Medicaid “is a broken system that isn't good for the care providers or the clients,” “fails to serve people who need care the most,” and “provides substandard medical care to our most vulnerable citizens.”

If these claims are true, then adding more than 150,000 Oklahomans to its rolls could not be in the interest of the state or the uninsured population that would gain coverage. However, the reality is very different. Oklahoma’s Medicaid is far from broken. In fact, it is thriving in Oklahoma and improving lives every day.
Medicaid is a Vital Cornerstone of Oklahoma’s Health Care System

Medicaid, known as SoonerCare in Oklahoma, is the health care provider for low-income Oklahomans who would otherwise have no insurance. Just over 1 million Oklahomans, or more than one in four of the state’s residents, was covered by SoonerCare at some point during 2012. The main groups covered by SoonerCare are children, expecting mothers, the elderly, and people with disabilities.

- Children are the vast majority of SoonerCare members in Oklahoma. Just over 610,000 children were covered by SoonerCare at some point during the year in 2012. Children in families with income up to 185 percent of the federal poverty level (about $35,000 for a family of three) are eligible for SoonerCare. As fewer employers offer workers and their families health insurance, SoonerCare has succeeded in lowering the rate of children without insurance in Oklahoma to 10 percent, compared to 17 percent for the state’s population as a whole.

- SoonerCare provides prenatal care and delivery services to pregnant women with income up to 185 percent of the poverty level. SoonerCare paid for nearly two-thirds (63.9 percent) of all deliveries in Oklahoma in 2010.

- SoonerCare also plays a central role in supporting the state’s aging population by helping cover the costs of long-term care and providing additional coverage to low-income Medicare recipients. In Oklahoma, 67 percent of nursing home residents have their care paid for through Medicaid. SoonerCare also helps pay for home- and community-based services for 36,000 aging and disabled Oklahomans, providing alternatives to more costly nursing facilities.
Low-income individuals are eligible if they have serious physical limitations or chronic health problems that limit their ability to live independently. In 2012, this included more than 130,000 Oklahomans who were blind or had chronic conditions and disabilities.17

In addition to these core eligibility groups, Oklahoma provides Medicaid to people who are otherwise unable to afford breast and cervical cancer treatment (Oklahoma Cares), family planning services (SoonerPlan), and several other services.

The most glaring shortcoming in Medicaid coverage is for low-income working-age adults. Parents of dependent children are eligible only if they have income below approximately 30 percent of the federal poverty level. Adults without children are ineligible for Medicaid regardless of how little they earn. Medicaid in Oklahoma covers only some 50,000 non-pregnant working age adults, while 131,000 adults with incomes below the poverty level are without insurance. Half of the state’s non-elderly adults with income below the poverty level are uninsured.18

The size and scope of the Medicaid program makes it a vital component of Oklahoma’s health care system. Medicaid spending totaled $4.8 billion in SFY 2012, which is about one in six of all health care dollars spent in Oklahoma.19

Medicaid funding is especially critical for private health care providers that serve a large number of low-income, elderly, and disabled Oklahomans. This includes hospitals, nursing homes, community health clinics, community mental health and substance abuse treatment providers, durable medical equipment suppliers, in-home support workers, and others.

State Medicaid spending of $1.1 billion generated 99,036 jobs, an additional $2.8 billion in state income, and increased tax revenue of $315 million in 2007, according to a 2007 economic impact study.20
**Medicaid is a cost-effective health insurance program**

The rapid growth of health care spending is a legitimate concern, and containing costs while improving access to and quality of care must be a top priority for policymakers. However, Medicaid does a better job of controlling costs than other forms of health insurance.

Between 2000 and 2009, Medicaid costs per patient rose by an average of 4.6 percent a year while premiums for employer-sponsored insurance rose by an average of 7.7 percent (see Figure 2).\(^{21}\) Total national health expenditures per capita, which include spending on private insurance as well as on public programs like Medicaid and Medicare, rose by an average of 5.9 percent. Per capita costs for Medicaid patients were 27 percent less for children and 20 percent less for adults than for those covered by private insurance in 2005, after adjusting for enrollees’ health differences.\(^ {22}\) Medicaid also has lower administrative costs compared to private insurance plans.\(^ {23}\)

Oklahoma’s Medicaid costs are well below the national average, even while the state reimburses providers at higher rates than most other states, as we discuss below. The overall average annual cost for Medicaid in Oklahoma was $4,848 compared to $5,527 for the nation as a whole in 2009.\(^ {24}\) For children, Oklahoma’s average cost was $2,414, slightly above the national average of $2,305. For all other categories, Oklahoma’s average cost was at or below the national average: $2,913 per adult patient ($2,900 nationally); $10,464 per aged patient ($13,149 national); and $13,952 per disabled patient ($15,840 nationally).

The average annual cost per adult Medicaid patient in Oklahoma, which was $2,913 in 2009, is especially significant for the proposed coverage expansion under the Affordable Care Act. Assuming average annual growth in costs of 6 percent between 2009 and 2014, the projected cost of each new Medicaid recipient would be $3,880, or $323 per month, in 2014, paid for entirely by the federal government.
Figure 3


SOURCE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute analysis

Figure 4

Medicaid Payments per Enrollee, FY2009

SOURCE: Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates
Medicaid recipients have access to a broad-based provider network

Some have expressed concern that if Medicaid is expanded, there will not be enough providers to serve Medicaid patients. However, that is not likely to be a major problem in Oklahoma.

Most children and non-elderly adult Medicaid patient are enrolled in the SoonerCare Choice program, and select or are assigned a primary care provider (PCP). Across the state, there are over 5,738 Medicaid PCPs. Each PCP determines a maximum number of patients he or she is capable of serving. As of August 2012, the SoonerCare Choice network was at just 43.4 percent of patient capacity, meaning that its network of PCPs would be willing to serve more than twice as many SoonerCare patients as are currently enrolled in the program.25

The Oklahoma Health Care Authority has done county-level analysis mapping their provider network against the anticipated growth in SoonerCare enrollment.26 There are some 371 primary care providers in the state with capacity to serve additional adults. If 57 percent of eligible adults enroll in Medicaid, patient loads will remain at less than 70 percent of provider capacity in 51 counties and between 70 and 100 percent of capacity in an additional 17 counties. In only 9 of the state’s counties will there be a projected shortfall of providers; the three largest of those (Washington, Rogers and Pottawatomie) have easy access to the large provider networks of Tulsa and Oklahoma City. In short, while developing a medical workforce sufficient to meet the health care needs of Oklahomans will be a continuing challenge requiring attention and resources, Medicaid is not facing a crisis of provider capacity in Oklahoma.

Oklahomans currently enrolled in SoonerCare have access to a statewide network of providers offering a full range of medical services (see Figure 5). It includes over 10,000 physicians, 1,363 dentists, 1,197 pharmacies, 1,069 hospitals, 364 extended care facilities and 227 laboratories.27 Ninety percent of all physicians in Oklahoma had SoonerCare contracts in 2006.28 In total, there are 34,132 providers with a SoonerCare contract as of August 2012, which represents an increase of 25 percent, or over 6,700 providers, compared to 2006.
MEDICAID PAYS PROVIDERS FAIRLY AND COMPETITIVELY

Over the past decade, Oklahoma has made important and successful strides in ensuring that physicians and others who care for Medicaid patients are paid fairly and competitively. Nationally, Medicaid physician payment rates were just 72 percent of payments for Medicare in 2008. However, in 2005, Oklahoma’s Medicaid physician rates were pegged at 100 percent of Medicare physician rates for primary care, obstetric care, and other services.

Although provider rates were cut by 3.5 percent to help address budget shortfall in 2010, Oklahoma’s provider rates have remained among the nation’s highest. Under the Affordable Care Act, all states must now pay primary care physicians at full Medicare rates in 2013 and 2014.

While the Medicare fee schedule provides the baseline for Medicaid reimbursement, physicians who are affiliated with the University of Oklahoma and Oklahoma State University medical schools are paid at 142 percent of Medicare rates, which is equivalent to the average rate paid by commercial insurance plans. This enhanced reimbursement rate has helped make it financially feasible for these physicians to maintain substantial Medicaid patient loads.

Other major providers are also paid fair and competitive rates for treating Medicaid patients. In 2011, the Oklahoma Legislature approved the Supplemental Hospital Offset Payment Program (SHOPP), a 2.5 percent assessment on designated hospitals that allows their Medicaid rates to be raised to 100 percent of the federal payment limit. Since 2000, nursing homes and care facilities for individuals with developmental disabilities have also paid a provider fee that generates matching federal revenues to boost reimbursement rates for these facilities.

MEDICAID PATIENTS ARE SATISFIED WITH THE SERVICE

Surveys of Oklahoma Medicaid patients consistently show high levels of satisfaction with their care. Among adults in SoonerCare Choice – the population comparable to the one newly eligible for Medicaid under the Affordable Care Act – 91 percent rated their satisfaction with the plan as “above average”. The average satisfaction score on a 10-point scale was 7.82, with a third of participants giving the plan the highest possible score (see Figure 6, next page).
The survey, conducted by an independent evaluation firm, concluded, “the overall picture drawn by the…data is one of high and rising satisfaction with several different aspects of health care received from SoonerCare providers, and also customer services provided directly by SoonerCare.”

Similarly high marks were reported by the parents of children enrolled in SoonerCare Choice. Eighty-two percent of parents surveyed in 2010 gave the health plan a rating of eight or higher on a 10-point scale, and the average rating was 8.7 out of 10. In the SoonerCare Health Management Program, a nurse-based program aimed at managing chronic diseases, 84 percent of participants described themselves as ‘very satisfied’. Participants say the program has significant value, with one-third reporting health improvements due to their participation.

**Figure 6**

SoonerCare Choice Health Plan Ratings

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Source: Oklahoma Health Care Authority. CAHPS Adult Health Survey for SoonerCare Choice. May 2010.
Oklahoma’s Medicaid Program has developed innovative programs to improve delivery of high-quality, cost-effective care

In recent years, Oklahoma has implemented a number of innovative programs to improve the quality of care and service for Medicaid patients and to reward providers for better and more cost-effective care. These programs have ranged from small local pilot programs to full-blown statewide initiatives. Several have attracted national attention and acclaim.

"When it comes to enrolling its citizens in Medicaid, Oklahoma is a shining example of how to do things right."

One of Oklahoma’s most notable initiatives was the launch of a new Medicaid enrollment system in 2010, which transformed an in-person, paper-based system to one in which applicants can apply and have their eligibility for benefits determined online and in real-time. The system is considered one of the most advanced in the nation. A recent article in the national journal Health Affairs stated, “when it comes to enrolling its citizens in Medicaid, Oklahoma is a shining example of how to do things right” and suggested that other states learn “from the vision and transparency of Oklahoma’s leaders.”

At the 2011 Quality Oklahoma Team Day awards, which recognize successful projects completed by agency work teams, Medicaid’s new enrollment system received a Governor’s Commendation and the “Motivating the Masses” award.

In 2011, Oklahoma became the first state to provide incentive payments to Medicaid and Medicare providers for use of electronic health records (EHR). Paid for fully with federal dollars, the incentive payments encourage medical professionals and hospitals to adopt, implement or upgrade certified EHR technology and use it in a meaningful manner. Through June 2012, the program has paid out over $79 million to some 1,295 medical professionals and 75 hospitals.

Oklahoma has also initiated several promising programs aimed at improving the coordination of health care for Medicaid patients. For example:

- Oklahoma was among 15 states awarded federal funds to create innovative ways to coordinate care for members who are ‘dually eligible’ for Medicaid and Medicare. The
state is operating three pilot programs to develop an integrated delivery system and payment model aimed that improves the quality, coordination, and cost-effectiveness of care for seniors and persons with disabilities.\textsuperscript{38}

- A more integrated and seamless system of mental health care was created for SoonerCare members under the age of 21. Based on intensive case management and close coordination of services among several state partners, the project yielded cost savings of approximately $1 million.\textsuperscript{39}

- A public-private partnership for prior authorization for all radiology scans, saved SoonerCare $1.5 million during the first year.\textsuperscript{40}

**Medicaid Coverage Leads to Better Health Outcomes**

Some have asserted that Medicaid is a poor quality health insurance program, and that having Medicaid coverage might be worse than having no insurance. Recent research has convincingly established that Medicaid provides wide-ranging benefits in terms of access to health care, the physical and mental health of children, seniors and people with disabilities, and the financial stability of families.

In Oregon, a team of leading health care researchers and economists has been comparing the well-being of people who gained Medicaid coverage through a random lottery in 2008 with those who didn’t.\textsuperscript{41} They have found that Medicaid coverage increases access to health care, improves health, and reduces the financial strain against being uninsured. Those with Medicaid were 70 percent more likely to have a regular office or clinic where they could receive primary care, 25 percent more likely to report themselves in “good” or “excellent” health, and 40 percent less likely to have to borrow money or leave other bills unpaid in order to cover medical expenses.

Another recent study conducted by researchers at Harvard University and published in the New England Journal of Medicine compared three states that substantially expanded adult Medicaid eligibility since 2000 (New York, Maine, and Arizona) to neighboring states without expansions.\textsuperscript{42} Medicaid expansions were associated with a significant reduction in death rates, especially among older adults, minorities, and residents of poorer counties. Expanding Medicaid eligibility also lowered the number of residents without insurance and delayed care because of costs, and increased rates of self-reported health status of “excellent” or “very good”.
22. Ibid
32. Ibid, p. 23
35. See note 11, p. 42
37. See note 11, p. 22
38. See note 1
39. See note 11, p. 28 for total Medicaid spending. Total health expenditures in Oklahoma were $23 billion in 2009 (StateHealthFacts.org http://www.statehealthfacts.org/comparemaptable.jsp?ind=196&cat=4
42. Oklahoma Health Care Authority, SHOPP Hospitals, webpage http://www.okhca.org/providers.aspx?id=13568
46. See note 11, p. 9
48. Ibid, p. 15
51. See note 11, p. 16