

The Enhanced Benefits Rewards Program: Is it changing the way Medicaid beneficiaries approach their health?

Florida's Experience with

**MEDICAID
REFORM**

Key Findings

- Beneficiaries have earned \$12.5 million in credits, but only about 10 percent of those credits have been spent to date.
- Many program participants seem unaware of the rewards program, but those who are aware are enthusiastic about the ability to purchase needed items.
- Many beneficiaries and providers are skeptical that the program encourages healthy behaviors; furthermore, there is little evidence that beneficiaries are changing their behavior.
- Program administrative costs have been high, raising concerns about the program's efficiency.

Background

One of the objectives of Florida's Medicaid reform pilot program is to encourage "healthy practices and personal responsibility" by rewarding good choices. The state anticipated that "individual health outcomes will improve as people take an active role in managing and understanding their health needs."¹ The idea of the Enhanced Benefits Rewards Program² is simple on its face. By providing beneficiaries with rewards to encourage them to engage in "healthy behaviors," such as taking a child for a well-child visit, getting a flu shot or stopping smoking, the state would encourage participants to improve their health while presumably lowering costs.

Florida is one of a handful of states trying to incorporate incentives for healthy behaviors in its Medicaid program.³ Policymakers at both the state and federal levels are interested in these approaches. The success or failure of this component of Florida's Medicaid reform, consequently, holds widespread interest.

Medicaid has a particularly challenging task in reaching a goal of informed beneficiaries able to control their "health destiny." Medicaid beneficiaries have more chronic physical and mental illnesses than the population as a whole, and also have lower rates of health literacy and higher rates of limited English proficiency. The limited incomes of Medicaid beneficiaries pose additional challenges: Did the beneficiary miss a doctor appointment because he could not afford the gas money or other transportation to get there? Can a mother enroll her child in an exercise program to earn a reward if the cost has to come out of her food budget?

Do incentive programs work in general?

Offering incentives for healthy behaviors is an idea with growing and intuitive appeal beyond the Medicaid program, especially as health challenges such as obesity continue to attract attention. In the private sector, much of the focus on wellness initiatives has come from employers searching for ways to keep costs down. Whether these programs will save money and improve health is not yet clear, in part because many of the programs are new.⁴

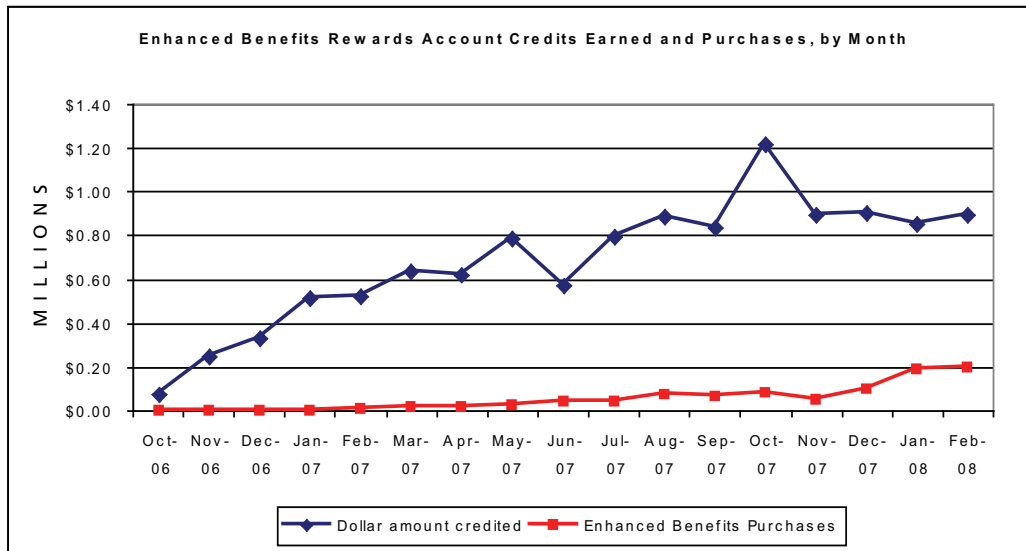
Rigorous studies of incentive programs in general have shown mixed results. The federal Agency for Healthcare Research and Quality (AHRQ) concluded in 2004 that "we may guardedly say that economic incentives are effective in the short run for simple preventive care.... There is insufficient evidence to say [they] are effective for long term lifestyle changes required for health promotion."⁵ Later research done by AHRQ raised questions about the cost-effectiveness of these programs, given the costs of creating the necessary infrastructure to set them up, market them, and administer them, and noted the lack of evidence that they change clinical outcomes.⁶

How is Florida's Enhanced Benefits Rewards Program structured?

Every Medicaid beneficiary participating in Florida's Medicaid pilots, operating in Baker, Broward, Clay, Duval, and Nassau counties, is eligible to receive up to \$125 in credits annually for engaging in certain activities. These range from single events such as well-child visits, other preventive office visits, immunizations, flu shots, and cancer screenings to more difficult lifestyle changes such as participating in a six-month alcohol or drug treatment program or a weight loss or exercise program.⁷

The Jessie Ball duPont Fund has commissioned researchers from Georgetown University's Health Policy Institute to examine the impact of changes to Florida's Medicaid program in Broward and Duval counties. This policy brief is the sixth in a series and provides insight into whether special components of the reform program are functioning effectively.

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Source: Georgetown analysis of data from Florida's Medicaid Reform Enhanced Benefits Program, Technical Advisory Panel Meeting presentation, April 11, 2008.

more than doubling monthly beneficiary spending in February 2008, compared with December 2007.⁹ The increased use, however, still accounted for only 22 percent of the credits that beneficiaries earned that month. The discrepancy between credits earned and spent could be due to a number of causes; for example, some might be saving their credits towards larger purchases. But it seems likely that a substantial number of those earning credits are still unaware of the program – a significant problem in a program whose success is premised on the active engagement and knowledge of the participants.

Amounts credited range from \$7.50 for medication compliance up to \$25 for a pap smear or a child wellness visit. Credits can be awarded in two ways – automatically when a provider submits billing paperwork with a diagnostic code matching one of the desired behaviors or, for more complex behaviors, when a beneficiary submits a signed form to their health plan indicating that they are participating in a disease management, weight management, smoking cessation or exercise program. The form must be signed by the beneficiary as well as the provider or program sponsor. Individuals receiving credits may redeem them at participating pharmacies for specified products, such as vitamins, bandages or over-the-counter medications.⁸ Participants cannot redeem their credits for cash.

Separately from the Enhanced Benefits Rewards Program, some managed care plans participating in the pilots, like Medicaid managed care plans across the country, are able to offer expanded benefits. Of the plans operating in the five counties, most are offering extra services, such as \$10 or \$25 a month in over-the-counter medications, as part of their efforts to attract enrollees. The similarity of these extra services to the enhanced benefits program, however, is potentially confusing to beneficiaries.

How is Florida's program working so far? Are people earning credits?

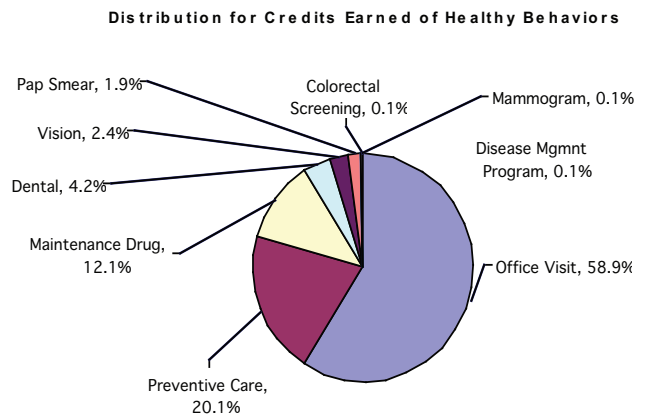
In its first 18 months since participation began in September 2006, Medicaid beneficiaries in the Enhanced Benefits Rewards Program have been awarded a cumulative total of \$12.5 million in credits for their healthy behaviors. Yet as of March 2008, state data indicates that only about 10 percent of the credits (\$1.2 million) had been redeemed. In all, 27,140 beneficiaries (about one in eight of those participating in the reform pilots) have used any of their credits. Use of the credits has consistently lagged behind the amount of credits accumulated each month throughout the program's history, although there has been an increase in use recently.

Beneficiaries receive an account statement each month or quarter (depending on their level of activity), and late in 2007 the program started inserting one-page flyers with the statements promoting specific products beneficiaries could purchase. The state credited these inserts for

What are people earning credits for?

Nearly 60 percent of Enhanced Benefits credits earned have been the result of adults and children keeping their primary care appointments.¹⁰ The state's reports, however, do not distinguish primary care appointments for an illness from wellness visits. Another 20 percent of credits have been earned as a result of preventive care (mostly screenings and immunizations for children) and 12 percent for compliance with prescribed maintenance drugs. Other behaviors were far less frequent – for example, pap smears represented 2 percent of all credits.

Behaviors that require beneficiaries to submit a form for credit and involve a more complex behavioral change have garnered few credits. For example, disease management programs have been responsible for only 0.1 percent of all credits (fewer than 1,000 cases). No credits have been earned for participation in health improvement activities such as exercise, weight loss, or smoking cessation programs, even though most plans had developed criteria by April 2007 for awarding these credits.¹¹



Source: Georgetown analysis of data from Florida's Medicaid Reform Enhanced Benefits Program, Technical Advisory Panel Meeting presentation, April 11, 2008.

Selected Activities for Which Medicaid Beneficiaries Could Earn Credits 9/06-6/08

Healthy Behavior	Credit Earned	Limit Per Year
Keep all primary care appointments (Children)	\$25	Any combination up to 5
Preventive screenings and immunizations (Children)	\$25	
Wellness visits (Children)	\$25	
Dental cleaning (Adults)	\$15	2
Keeps all primary care appointments (Adults)	\$15	2
Mammography screening (Adults)	\$25	1
Colorectal screening (Adults)	\$25	1
Vision exam	\$25	1
Disease management participation	\$25	1
Exercise program participation	\$25	1
Exercise program 6-month success	\$15	2

Selected Products and Supplies Available Through the Enhanced Benefits Rewards Program

Antacids	Multivitamins (Children and adults)
Antidiarrheals	Nose drops
Baby care products	Pain medications
Bandages and wound dressings	Shampoo
Braces and related health aids	Sleep aids
Cough and cold preparations	Stomach acid reducers
Dental products	Sunscreens
Ear drops and wax removal	Thermometers
Eye drops	Topical creams and lotions
Hearing aid batteries	Vaginal preparations
Laxatives	Vaporizers and hot water bottles
<i>Only over-the-counter products are covered</i>	

Indeed, the most common behaviors being rewarded seem to be those for actions people might likely have taken in the absence of the program. This, together with the fact that many may not even be aware that credits are available, raises questions about the premise that beneficiaries are being directed toward healthier behaviors by tangible rewards. In fact, the state's advisory panel tentatively decided in March 2008 to award credits only for office visits in the first 60 days of enrollment and to reduce payments for adult visits by half to \$7.50. These changes are scheduled to begin at the start of the program's third year (July 1, 2008).

Initial administrative expenses associated with the Enhanced Benefits program included two vendor contracts: (1) to create and maintain an information system to manage the accounts and (2) to establish a call center to handle inquiries.¹² Total first-year administrative costs were reported in September 2007 as \$1.1 million, an amount that well exceeded the less than \$300,000 total credits redeemed by beneficiaries in the program's first year, thus raising additional questions about the program's efficiency. Some of these are one-time costs and others are recurring, but it is difficult to determine the scope of ongoing costs.¹³ The state has not reported information on the second year's administrative costs.

What do participants think of the program?

During three rounds of focus groups with 124 participants conducted in Broward and Duval counties by Georgetown University researchers, disabled adult Medicaid beneficiaries and the parents of children enrolled in Medicaid were asked what they knew about the Enhanced Benefits program. In the summer of 2006, after some initial publicity around the reform pilots but before enrollment had begun, most beneficiaries had not heard of this element of reform. In January 2007, beneficiaries had been enrolled in reform plans for a few months, but most still were unaware of the availability of credits. Some who seemed to know about the program appeared to confuse it with the "extra services" benefits for over-the-counter drugs available from some plans. By the spring of 2008, nearly half the beneficiaries in the focus groups were aware of the Enhanced Benefits program, although distinguishing it from the "extra services" was still an issue.

Both in 2007 and 2008, some of the beneficiaries who knew about the program were not sure how to redeem the credits they had earned. In the first year, some confused credit statements with a bill for services. After the state made the statements clearer, some beneficiaries reported difficulties identifying available products or purchasing them at pharmacies. The state reported about 300 complaints regarding the Enhanced Benefits program in the three most recent quarters; well over half had complained that they had problems purchasing items at a pharmacy, while others called about issues such as differences between the shelf price and what they were charged for over-the-counter items.¹⁴ Still, by the program's second year researchers heard from a subset of enthusiastic participants who were eager to tell their fellow focus group participants how they could purchase diapers, children's cold medicines, or other products. Others wanted to know whether they were eligible and how to use their credits. The state has acknowledged problems in marketing the program, and improvements it has implemented, together with growing familiarity over time, may be helping.

It remains less clear, however, whether beneficiaries accept the idea that credits will change behavior. Another study of Florida's program found it unclear whether current efforts will succeed in informing participants about the program; "without recipient awareness and understanding of the incentive program, offering rewards will not be effective for catalyzing promotion of healthy behaviors."¹⁵

In 2006, after being told how the program would work, focus group participants debated with each other whether it was fair to reward people for doing things they would likely do anyway. A few even raised the possibility of penalties for failing to do things, such as keeping appointments, while others suggested that benefits were justifiable if the changed behaviors saved the state money. In 2008, participants remained generally skeptical that the program would encourage healthy behaviors. Most who knew about the program seemed to see the credits as rewards for things they would do regardless. One woman who had received credit for her regular pap smear jokingly asked whether she could get another credit if she had an extra one done.

What do providers think of the program?

Some physicians and other providers interviewed for this project in 2006 indicated cautious optimism about the Enhanced Benefit pro-

gram's potential to improve compliance with appointments, immunizations, and medications. According to one mental health provider, it "could be good," suggesting that some patients would use it. But others were more pessimistic. One provider in Broward County said, "I'm not convinced that giving people a coupon in exchange for taking a diabetes course is going to encourage them to do better. There will be some that do it, but I'm not sure it's the best encouragement. We've found that personal contact is really what gets people to do the right, healthy thing."

By 2008, many providers still are not aware of the program. In preliminary results from Georgetown's latest survey of physicians practicing in Broward and Duval counties, three quarters of those responding were unfamiliar with the program even when a description was provided.¹⁶ In stakeholder interviews conducted on project site visits, providers who reported in 2006 that they knew about the program seemed to have grown more skeptical, despite some increase in beneficiary awareness. Some thought it was not working yet, while others pointed to bureaucratic glitches that kept their patients from receiving their benefits. One Duval County provider said, "There's no indication that patients know about the enhanced benefits or are altering their behaviors as a consequence."

In a second question on the most recent physician survey, most respondents said they thought that the program is not changing the way beneficiaries try to keep themselves healthy. Providers interviewed on site visits still reported low awareness of the program among beneficiaries; "When we tell the patients they're surprised," said one. In fact, one physician thought that the entire concept of "healthy behaviors" needed refinement, and another thought the money could be better spent on provider reimbursement.

Conclusion

Working with beneficiaries to improve their health is a worthy objective, but there is little evidence to suggest that this program is achieving this objective. Factors include both the structure of Florida's program and the challenges it has faced upon implementation. Economic incentives are more likely to work for simple objectives, such as obtaining well-child visits, but not for more complex behaviors, such as losing weight or tobacco cessation. But even when beneficiaries earn credits, it remains unclear whether the program actually changes behavior.

Some beneficiaries are enthusiastic about participating in the program, but many still appear unaware of the program or how to redeem credits.

Many think the credits are rewarding behaviors that would have occurred anyway. Providers also appear to have little awareness of the program. Lackluster redemption of the credits beneficiaries are earning and high administrative costs raise questions about the efficacy of this approach. Little evidence is available to show whether health outcomes have been improved.

ENDNOTES

¹ Florida Medicaid Reform Application for 1115 Research Demonstration and Waiver, October 19, 2005, p. 3.

² As of July 1, 2008 Florida is renaming its program - its new name is used throughout this brief.

³ Idaho and West Virginia also have Medicaid programs underway, although West Virginia's program incorporates a more punitive approach which limits benefits for those who do not comply (or whose parents do not comply). Wisconsin and Michigan are undertaking new efforts.

⁴ See D. Draper et al. *Health and Wellness: The Shift from Managing Illness to Promoting Health*. Center for Studying Health System Change, Issue Brief No. 121, June 2008.

⁵ R.I. Kane et al. *Economic Incentives for Preventive Care* AHRQ Publication No. 04-E0242. Rockville, MD. Agency for Healthcare Research and Quality, August 2004.

⁶ AHRQ Consumer Financial Incentives: A decision guide for purchasers. AHRQ publication 07(08) 0059. November 2007. Available at www.ahrq.gov

⁷ For a complete list of the behaviors and how much participants can earn for each one, see http://www.fdhc.state.fl.us/Medicaid/Enhanced_Benefits/approved_credit_amounts_090106.pdf.

⁸ For a complete list of products that can be purchased, see www.fdhc.state.fl.us/Medicaid/Enhanced_Benefits/classes.shtml

⁹ Enhanced Benefits Purchases were \$96,411.42 in December 2007; \$192,645.31 in January 2008; and \$201,582.12 in February 2008. Incomplete spending data for March 2008 showed purchases of \$278,815.80 as of March 28, 2008. "Florida's Medicaid Reform Enhanced Benefits Program," Technical Advisory Panel Meeting presentation, April 11, 2008.

¹⁰ Data on credits are taken from the AHCA presentation at the Medicaid Reform Technical Advisory Panel Meeting, April 11, 2008.

¹¹ Office of Program Policy Analysis and Government Accountability (OPPAGA), "Medicaid Reform Implementation Memorandum No. 4", May 2007.

¹² "Agency's Response to Questions from Marc Ryan Regarding the Funding of the Enhanced Benefits Account Program," Medicaid Reform Technical Advisory Panel Meeting., September 14, 2007.

¹³ OPPAGA, "Medicaid Reform Implementation Memorandum No. 4."

¹⁴ Agency for Health Care Administration, Florida Medicaid Reform: Quarterly Progress Reports for January 1, 2008 - March 31, 2008; October 1, 2007 - December 31, 2007; and July 1, 2007 - September 30, 2007.

¹⁵ J. Greene, "Medicaid Efforts to Incentivize Healthy Behaviors," Resource Paper, Pub. 299, Center for Health Care Strategies, July 2007. http://www.chcs.org/usr_doc/Medicaid_Efforts_to_Incentivize_Healthy_Behaviors.pdf

¹⁶ These findings are preliminary results from a survey sent to physicians in Broward and Duval counties in June 2008. Results reported include initial responses from more than 200 physicians who are members of the Broward and Duval county medical societies.

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It may be found online at www.dupontfund.org and at hpi.georgetown.edu/floridamedicaid



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