Medicaid Transformation Fact Sheet

KHPA has been engaged for the past two years in a comprehensive effort to review and improve each major component of Medicaid and SCHIP. The overall purpose of the Medicaid Transformation Process is to provide a regular and transparent program reviews to monitor, assess, diagnose, and address policy issues in each major program area within Medicaid. The preparation of these reviews is designed to serve as the basis for KHPA budget initiatives in the Medicaid program on an ongoing basis. The following recommendations are based on findings from 14 program reviews completed in 2008; they address issues related to decreasing expenditures, addressing reimbursement, expanding coverage, and enhancing program oversight. An additional 12 reviews will be completed for 2009.

KANSAS HEALTH POLICY AUTHORITY (KHPA) BACKGROUND:

■ **Medical Services:** In 2006, KHPA was designated as single state agency responsible for Medicaid and SCHIP. However, KHPA only directly administers public insurance programs that provide medical care services, or $1.2 billion of the 2.2 billion spent on Medicaid - SCHIP in fiscal year 2007. HealthWave (managed care) and HealthConnect (fee-for-service with additional $2 per beneficiary per month to provide managed care services) are KHPA's two primary public insurance programs. On a monthly basis, we provide medical coverage to over 300,000 people, including more than 125,000 infants and children, and nearly 88,000 elderly and disabled Kansans.

■ **Long Term Care & Mental Health:** The Kansas Department of Social and Rehabilitation Services (SRS) and the Kansas Department on Aging (KDOA) administer programs that provide long-term care and mental health services, accounting for the remaining $1 billion in FY2007 Medicaid/SCHIP spending.

MEDICAID TRANSFORMATION KEY FINDINGS

- **Cost drivers:** While children and families account for most of Medicaid enrollment, much of the increase in expenditures is driven by aged and disabled beneficiaries.
- **Spending increases:** Reviews demonstrate increases in spending for hospital and hospice services, durable medical equipment, and prescription drugs.
- **Cost Containment:** Reviews indicate that KHPA efforts to reduce costs are meeting with some success. For example, recent changes resulted in a significant slowdown in the escalation of costs for transportation services. KHPA also had success in reducing the cost of home health services, saving over $16 million.
- **Recommendations:** Program reviews demonstrate significant opportunities for Medicaid cost containment and health improvement.

MEDICAID TRANSFORMATION RECOMMENDATIONS:

HealthConnect – Review this program's model as a primary care gatekeeper and work with stakeholders to develop plans to implement a medical home in order to reduce the rising costs of chronic disease.

HealthWave – In order to increase transparency, make comparative health plan performance and health status quality data available for consumers, policymakers, and other stakeholders in 2009. Highlight wellness and prevention efforts for families.

Medical Services for the Aged and Disabled – Convene stakeholders to help evaluate and design a statewide care management program for the aged and disabled aimed at slowing the growth of health care costs through improved health status.

Emergency Health Care for Undocumented Persons – Monitor changes in border state policies regarding immigrants and assess the impact on Kansas.

Dental – Extend prevention and restorative coverage to adults enrolled in Medicaid.

Durable Medical Equipment – Require DME suppliers to show actual costs of all manually priced DME items, ensuring reimbursement is no greater than 135% of cost. Review potential overpayments and coverage usage issues, specifically for oxygen services.

Home Health – Limit home health aide visits. Develop separate acute and long-term home health care benefits with differential rates that reflect the intensity of services over time.

Hospital – Adopt severity adjustment payment system for inpatient services (MS-DRG), review outpatient reimbursement, and emergency room use. Follow Medicare rules on refusing to pay for "never-events" in order to improve patient safety.

Hospice – Enhance scrutiny of retroactive authorizations for hospice services. Review concurrent Home and Community Based Service (HCBS) stays. Increase scrutiny of pharmaceutical coverage and spending. Review extended patient stays.

Lab/Radiology – Review coverage of new procedures and explore adoption of the Medicare payment system as a starting point for reimbursement of all new procedures, and to ensure appropriate payment over time.

Pharmacy – Revise Kansas law to allow for the use of direct management techniques, such as safety edits and the Medicaid Preferred Drug List (PDL) and Prior Authorization (PA) lists, for selected mental health medications. To inform these decisions, use a newly established, specialized mental health advisory committee. Purchase an automated PA system to ease and expand use of PA, and to ensure timely dispensing of medications.

Transportation – Issue a request for proposal to outsource management and direct contracting for Medicaid transportation benefits to a private broker in order to increase scrutiny, right-size reimbursement, and generate modest net savings for the state.

Eligibility – Promote community-based outreach by placing state eligibility workers on-site at high-volume community health clinics around the state. Expand access to care for needy parents by increasing the income limit to 100 percent FPL ($1,467 per month for a family of three). Increase eligibility limits for the medically needy (primarily elderly and disabled people who do not yet qualify the Medicare) so that it is tied to the federal poverty level. Increase the number of people who have access to full Medicare coverage.

Quality Improvement – Publish quality and performance information that is already collected and published for the HealthWave and HealthConnect programs in order to increase transparency. Obtain funding for the new collection of data from beneficiaries and providers in fee-for-service programs to evaluate performance, identify opportunities for improvements, and facilitate comparability across programs.

SELECTED MEDICAID COST EFFICIENCIES UNDER KHPA TO DATE:

■ **Increased Managed Care to Control Costs.** Agency has transitioned to new, more comprehensive program of managed care, adding 50,000 members and choice of health plans within HealthWave; adding competition to HealthWave is estimated to *save between $10 - $15 million annually.*

■ **Resolved Federal Disputes and Improved Program Integrity.** KHPA spearheaded resolution of significant liabilities with the federal government, settling in 2007 a number of outstanding audits with potential financial deferrals and/or disallowances of federal Medicaid payments *saving Kansas potentially hundreds of millions of dollars.*

■ **Better Targeted Payments for Hospitals who serve Low Income.** KHPA implemented reform of disproportionate share hospital (DSH) program to target these payments to hospitals in Kansas that have the greatest burden of uncompensated care. The former DSH payment method resulted in hospitals receiving $22.2 million of federal funding in Fiscal Year 2007. With the reforms, the DSH program will provide *at least an additional $4.3 million in federal matching funds annually*.

■ **More Federal Funding for Physicians Who Train Medical Students.** KHPA obtained an *additional $8.8 million in federal Medicaid funding* to pay for care provided by physicians who teach at the KU School of Medicine campuses in Kansas and Wichita who serve a high volume of Medicaid patients.

■ **More Federal Funding for Safety Net Clinics.** KHPA obtained more federal funding for critical safety net providers that provide health care to low income Kansans to improve and expand coverage for Medicaid consumers as well as offer better reimbursement for qualified clinics that accept Medicaid. This will result in an *additional $575,000 in federal Medicaid funds in FY 2009* alone.

■ **Increased Efficiencies by Using Standard Medical Identification Cards:** In September 2008, KHPA discontinued the production and mailing of monthly paper medical ID cards and implemented a permanent medical ID card using recently developed national standards. Kansas is first State to make card information conform with national advanced ID card technology standards, *estimated savings of $210,000 in the first year alone.*

■ **Increased Enrollment in the *Working Healthy Program*:** An increasing number of people with severe developmental and physical disabilities are now enrolled in *Working Healthy*, a program that offers people with disabilities who are working or interested in working the opportunity to keep their Medicaid coverage while on the job. *Working Healthy* was also *awarded a $910,000 Medicaid Infrastructure Grant* to support the competitive employment of individuals with disabilities for 2009.

■ **Proposal to Manage Medicaid Mental Health Pharmaceuticals.** As part of our reduced resource budget, KHPA proposes to use a preferred drug list (PDL) for Medicaid mental health drugs (under the guidance of a panel of mental health experts) in order to improve safety and control costs; *expected savings of $2 million including $800,000 from the SGF in FY 2010*.

■ **Proposal toTime limit MediKan.** As part of our reduced resource budget, KHPA proposes to place a firm "lifetime limit" of 18 months on the receipt of MediKan benefits (from current of 24 months) and would redirect a portion of current expenditures to offer basic health care and employment services aimed at re-entry into the workforce. Under the Governor's budget recommendations, the *expected savings are $6.7 million in SGF in FY 2010.*

Medicaid Savings for FY 2010 included in Governor's Budget Recommendations: In addition to the Medicaid Transformation recommendations and our reduced resource budget recommendations, KHPA was asked by the Governor to suggest more ways to reduce Medicaid expenditures without eliminating programs or reducing provider reimbursement. Recommendations from the Medicaid Transformation process, coupled with additional administrative savings and efficiencies in pharmacy are included in the following table:

How does Kansas Medicaid compare to other states?

- ***Total spending***. Overall Medicaid spending per beneficiary is relatively high in Kansas: $5,902 per beneficiary in FY 2005, compared to the national average of $4,662. Per-person spending is higher than average for each major population group (aged, disabled, adults, and children), with the aged and disabled ranking highest among those three populations.
- ***Spending on Aged and Disabled is above average***. Compared to other states, Medicaid spending in Kansas is somewhat concentrated among the aged and disabled populations. Kansas ranks above-average in spending per-person for both the aged (16th highest) and the disabled (also 16th highest), and ranks 14th highest in the percentage of the Medicaid population who are disabled.
- ***Spending on poor adults in far below average***. While coverage of children is typical at 200% of the poverty level, coverage for non-disabled adults is very low. Kansas ranks 39th in the percentage of Medicaid eligibles who are low-income, non-disabled, working-age adults, and is ranked between the 41st and 46th in income threshold for adults in this category. Partly as a result, Kansas ranks near the bottom (43rd) in the percentage of its population covered by Medicaid (13%).

	FY 2010	
Medicaid Savings in FY 2010 (Governor's Recommendation); excludes Fee Fund proposals	**SGF**	**All Funds**
Manage Medicaid Mental Health Pharmaceuticals through an expanded Medicaid preferred drug list ; reduced resource item	800,000	2,000,000
Time Limit Medikan to 18 months with additional employment supports; reduced resource item	6,700,000	6,700,000
Pharmacy Changes: Cost reimbursement for physician office administered drugs; Improve cost avoidance and third party liability in pharmacy claims; Accelerate review of generic drug price limits ; other administrative savings	$4,400,000	$11,000,000
Ensure Medicare pays its share of hospital charges for beneficiaries with dual eligibility; other administrative savings	$4,000,000	$10,000,000
Home Health Reforms; Medicaid Transformation recommendation	$200,000	$500,000
Durable Medical Equipment pricing reforms; Medicaid Transformation recommendation	$160,000	$400,000
Transportation Brokerage; Medicaid Transformation recommendation	$200,000	$500,000
Tighten payment rules for Hospice Services; Medicaid Transformation recommendation	$300,000	$750,000
Automate and expand pharmacy prior authorization; Medicaid Transformation recommendation	$300,000	$750,000
Total	$ 17,060,000	$32,600,000