



Iowa Department of Human Services

Terry E. Branstad
Governor

Kim Reynolds
Lt. Governor

Charles M. Palmer
Director

August 15, 2012

Michael Marshall
Secretary of Senate
State Capitol Building
LOCAL

Charlie Smithson
Chief Clerk of the House
State Capitol Building
LOCAL

Dear Mr. Marshall and Mr. Smithson:

Please find attached the quarterly report to the General Assembly relative to cost savings achieved due to the cost containment strategies implemented September 1, 2011, and after.

This report was prepared pursuant to 2011 Iowa Acts, House File 649, Section 10.

The Iowa Medicaid Enterprise was tasked with implementing cost containment strategies and reporting results on a quarterly basis.

Sincerely,

Jennifer Davis Harbison
Policy Advisor

JDH/jl

Enclosure

cc: Governor Terry E. Branstad
Senator Jack Hatch
Senator David Johnson
Representative Dave Heaton
Representative Lisa Heddons
Legislative Services Agency
Kris Bell, Senate Majority Staff
Josh Bronsink, Senate Minority Staff
Brad Trow, House Majority Staff
Zeke Furlong, House Minority Staff

DHS- Medical Assistance
 Medicaid Cost Containment Strategies
 Quarter Ending 6/30/12

Cost Containment Strategies	Implementation Date	Total State Savings Up to 6/30/12	Projected Annual State Savings
<u>Prescription Drug Efficiencies</u>			
Implemented a 15-Day initial supply limit on select new prescriptions	9/1/2011	\$ 285,789.00	\$ 351,000.00
Eliminated coverage of prescription cough and cold, and weight loss medications	9/1/2011	\$ 120,252.00	\$ 152,373.00
<u>Increase Program Integrity & Third Party Recoveries</u>			
Increase identification of other insurance	7/1/2011	\$ 436,751.00	\$ 250,000.00
Increase monitoring of special needs trusts	4/1/2012	\$ 50,000.00	\$ 200,000.00
Allow recovery of payment in cases of medical malpractice	4/1/2012	**Delayed Imp.	\$ 500,000.00
<u>Reduce Inappropriate Use of Emergency Room</u>			
Change reimbursement policies	9/1/2011	\$ 3,834,567.00	\$ 3,468,330.00
Impose \$3 co-pay to apply when service is not an emergency	9/1/2011	\$ 65,946.00	\$ 26,500.00
<u>Service Limitations in Optional Services to Address Overutilization</u>			
Institute service limits for therapies	9/1/2011	\$ 428,802.00	\$ 300,000.00
Increase medical necessity requirements for orthodontia	9/1/2011	\$ 424,464.00	\$ 1,480,860.00
<u>Increase Claims Payment Accuracy and Consistency with Medicare</u>			
Eliminate payments for 'never events'	9/1/2011	\$ 491,880.00	\$ 389,700.00
***Align with Medicare payment policy for certain physician services	9/1/2011	\$ 1,844,885.00	\$ 2,299,230.00
Limit payment on Medicare crossover payments - Medicare Part B Cross Over Form	9/1/2011	\$ 36,000.00	\$ 50,000.00
<u>Payment Reforms</u>			
Eliminate medical education payments to out-of-state hospitals	9/1/2011	\$ 478,341.00	\$ 711,669.00
Change reimbursement policy for medical equipment	9/1/2011	\$ 124,231.00	\$ 92,635.00
Align reimbursement for medical equipment for pharmacies	9/1/2011	\$ 74,046.00	\$ 100,000.00
Saving Totals		\$ 8,695,954.00	\$ 10,372,297.00

Cost saving strategies were implemented 9/1/11, so the projected annual savings will be two months short.

**The Medical Malpractice cost saving strategy was implemented on 4/1/12 with a 90 day implementation period. No savings to report at this time.

***The legislature nullified this cost saving strategy effective 4/25/12 forward.

Programming changes were made 6/4/12, to eliminate the site of service adjustment for dates of service 4/25/12 forward. Appropriations Bill (SF 2336) re-instituted this cost saving strategy, but only up to \$1 million in savings. This is still under discussion on how best to implement.