



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

November 23, 2009

Dr. David Carlyle
Chairman
Legislative Health Coverage Commission

Dear Dr. Carlyle:

As requested, DHS has prepared options and cost estimates for an expansion of the IowaCare provider network. The attached documents present five different scenarios that policy makers may consider. These scenarios represent starting points for conversation rather than fully fleshed out proposals. Also, the cost estimates are 'ballpark' as it is very difficult to model, with precision, the impact of any changes in the provider network. Further, we have not suggested a funding source for the increased state funding that would be required.

The following table summarizes the projected cost impacts in FY 2011 for comparison purposes. The options and assumptions are described in more detail in the pages that follow.

Option Title	FY 2011 Projected Total Cost of the Option	FY 2011 Net Cost Increase – State Funds
3 Region	\$176.7 million	\$41.7 million
5 Region	\$176.5 million	\$41.5 million
Primary Care Regions	\$155.8 million	\$20.8 million
Budget Neutral #1	\$139.3 million	\$7.0 million
Budget Neutral #2	\$142.4 million	\$8.1 million

These options provide concepts for discussion and do not represent recommendations by the Department.

Please contact me at 515-725-1121 if you have any questions.

Sincerely,

Jennifer H. Vermeer
Medicaid Director

To begin a discussion of options....

Document provides five different variations. Start points for discussion only. Estimates are 'ballpark'. Many different variables that could be modified to change the cost impact or to address different issues.

These are starting points for conversation only and do not represent recommendations

3 Region model - Full Regionalization, hospital only model

- 3 regions (West, Central, East) – one hospital (inpatient and outpatient services), generic drugs and limited durable medical equipment.
- UIHC and Broadlawns would be the provider in two of the regions; UIHC receives payment for physician services.
- Payment at Medicaid rates
- Pharmacy reimbursement for generic drugs only, \$4 co-payment up to a maximum of \$20.
- Contract for mail order pharmacy for bulk discounts
- Limited laboratory and imaging
- Projected cost impact \$176.7 million (\$33.3 million over the cap)
- Could reduce expenditures by:
 - Capping enrollment – if enrollment capped July 1, 2010, program would be \$155M and only \$12M over the cap)
 - Capping reimbursement by requiring providers to donate prescription drugs, or capping payments at a certain level

5 Region model – Single hospital in each region, limited physician network

- 5 regions (NW, NE, SW, SE, Central) – one hospital in each region (inpatient/outpatient), limited physician network (i.e. FQHCs, or 1-5 physician clinics in each region)
- UIHC and Broadlawns would cover all services in their regions; UIHC receives payment for physician services.
- Payment at Medicaid rates
- Pharmacy reimbursement for generic drugs only, \$4 co-payment up to a maximum of \$20.
- Contract for mail order pharmacy for bulk discounts
- Limited laboratory and imaging
- Projected cost impact \$176.5 million (\$33.1 million over the cap)
- Could reduce expenditures by:
 - Capping enrollment – if enrollment capped July 1, 2010, program would be \$155M and only \$12M over the cap)
 - Capping reimbursement by requiring providers to donate prescription drugs, or capping payments to providers at a certain level

Primary Care Regions – Primary Care regional providers, no regional hospitals

- Regional primary care only. Regions set based on number/location of primary care providers. Could be physician clinics, FQHCs, RHCs, etc.
- Broadlawns and UIHC would be two of the primary care regions.
- All hospital services through either Broadlawns or UIHC (similar to today)
- No drug reimbursement, donated by primary care providers
- Limited laboratory, no imaging
- Payment at Medicaid rates
- Projected cost impact \$155.8 million (\$12.4 million over the cap)
- Budget Neutral Option 1: Could reduce expenditures by:
 - Capping enrollment – if enrollment were capped July 1, 2010, program would be \$152M and only \$8M over the cap
 - Capping payments for UIHC physicians or primary care payments at \$15 million each would reduce expenditures to \$4 million under the cap.

Budget Neutral Option 2 – Program as is with payment for UIHC physicians to lower wait times

- No change in provider network.
- Add payment to UIHC physicians from Certified Public Expenditures (no new state \$ needed for match)
- UIHC physicians decrease wait times for members to access services
- Payment at Medicaid rates
- Projected cost impact \$142.4 million (\$900,000 under the cap)

Summary - FY 2011 Projected Cost Impact

		Options		
		Primary Care	Budget Neutral	
		Regions	#1	Budget Neutral #2
3 Region	5 Region			

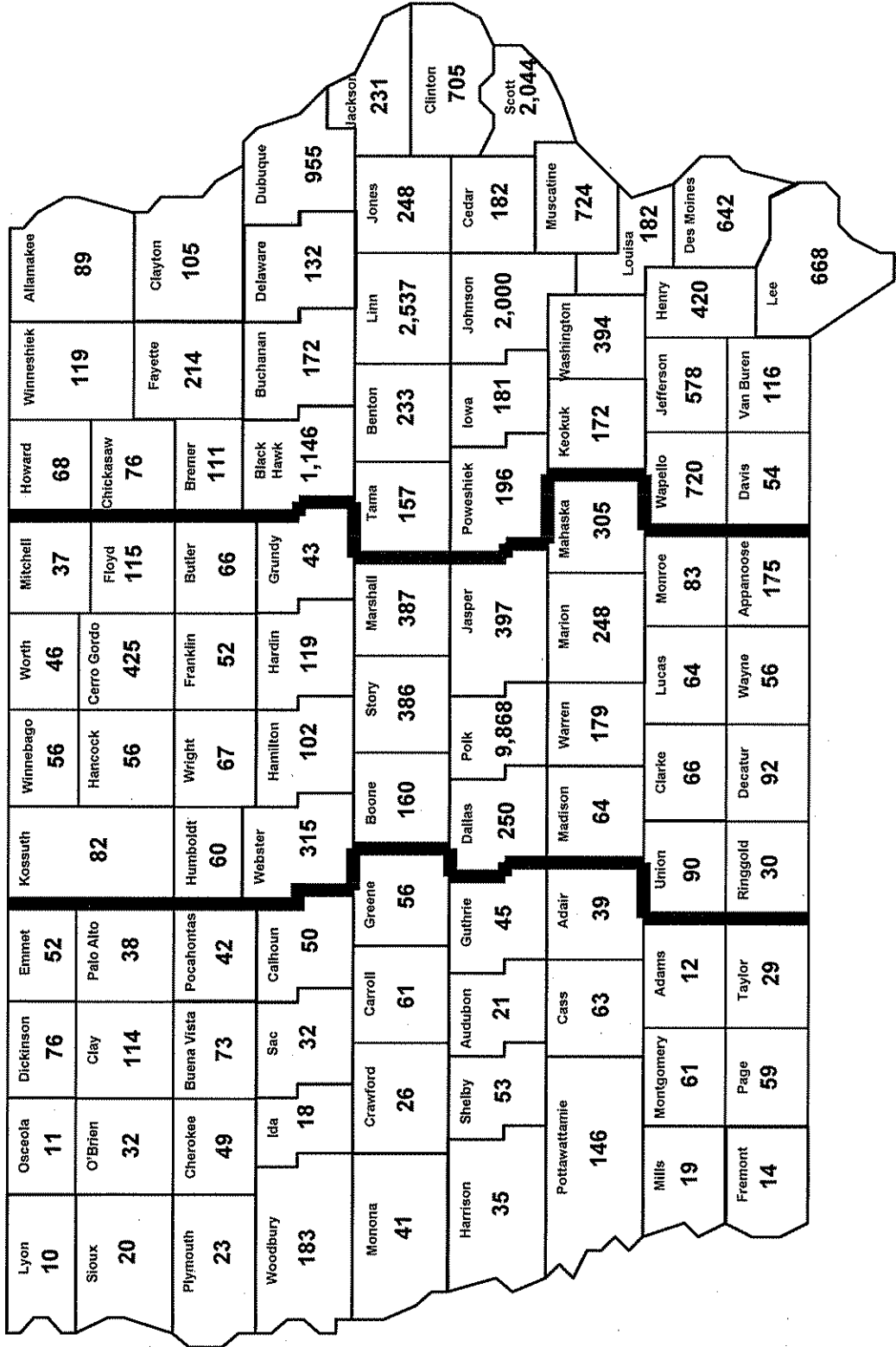
Projected Total Cost	\$ 176,718,599	\$ 176,456,090	\$ 155,779,468	\$ 139,336,384	\$ 142,432,168
Current/Funded Budget (note there is sufficient funding in the IowaCare Account to finance the current FY 2011 projection)	\$ 118,613,158	\$ 118,613,158	\$ 118,613,158	\$ 118,613,158	\$ 118,613,158
Net Cost Increase	\$ 58,105,441	\$ 57,842,932	\$ 37,166,310	\$ 20,723,226	\$ 23,819,010
Amount under the Budget Neutrality Cap:	\$ 24,766,842	\$ 24,766,842	\$ 24,766,842	\$ 20,723,226	\$ 23,819,010
Federal match available					
State Share	\$ 8,378,623	\$ 8,378,623	\$ 8,378,623	\$ 7,010,667	\$ 8,057,971
Federal Share	\$ 16,388,219	\$ 16,388,219	\$ 16,388,219	\$ 13,712,559	\$ 15,761,039
Amount Over the Budget Neutrality Cap: 100%	\$ 33,338,599	\$ 33,076,090	\$ 12,399,468	\$ -	\$ -
State Funds					
Net State Cost over the FY 2011 budgeted levels	\$ 41,717,222	\$ 41,454,713	\$ 20,778,091	\$ 7,010,667	\$ 8,057,971

DHS - IowaCare Provider Network Expansion
Options
11/23/2009

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3 Region Model

(32,715 IowaCare Enrollees at End of FY 09)



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3 Region Model: Single hospital provider in each region, limited physician network, generic drugs, limited DME

FY 2011

	Current Enrollment	Projected Enrollment	PMPY	Subtotal	BL Tax/UIHC tertiary	Total Projected
Central	17,449	11%	\$ 3,000.00	\$ 58,105,836	\$ 20,000,000	\$ 78,105,836
East	19,885	15%	\$ 3,652.00	\$ 83,513,863	\$ 5,000,000	\$ 88,513,863
West	1,924	75%	\$ 3,000.00	\$ 10,098,900		\$ 10,098,900
Grand Total	39,258		45,603	\$ 151,718,599		\$ 176,718,599

Budget Neutrality Cap
(over)/under cap

\$ 143,380,000
\$ (33,338,599)

FY 2012

	Current Enrollment	Projected Enrollment	PMPY*	Subtotal	BL Tax/UIHC tertiary	Total Projected
Central	19,369	11%	\$ 3,090.00	\$ 66,432,402	\$ 20,000,000	\$ 86,432,402
East	22,868	15%	\$ 3,761.56	\$ 98,922,171	\$ 6,000,000	\$ 104,922,171
West	3,366	75%	\$ 3,090.00	\$ 18,203,267		\$ 18,203,267
Grand Total	45,603		53,688	\$ 183,557,840		\$ 209,557,840

Budget Neutrality Cap
(over)/under cap

\$ 153,416,600
\$ (56,141,240)

*PMPY increase of 3% per year

FY 2013

	Current Enrollment	Projected Enrollment	PMPY*	Subtotal	BL Tax/UIHC tertiary	Total Projected
Central	21,499	11%	\$ 3,182.70	\$ 75,952,166	\$ 20,000,000	\$ 95,952,166
East	26,298	15%	\$ 3,874.41	\$ 117,173,311	\$ 7,000,000	\$ 124,173,311
West	5,891	75%	\$ 3,182.70	\$ 32,811,389		\$ 32,811,389
Grand Total	53,688		64,416	\$ 225,936,866		\$ 252,936,866

Budget Neutrality Cap
(over)/under cap

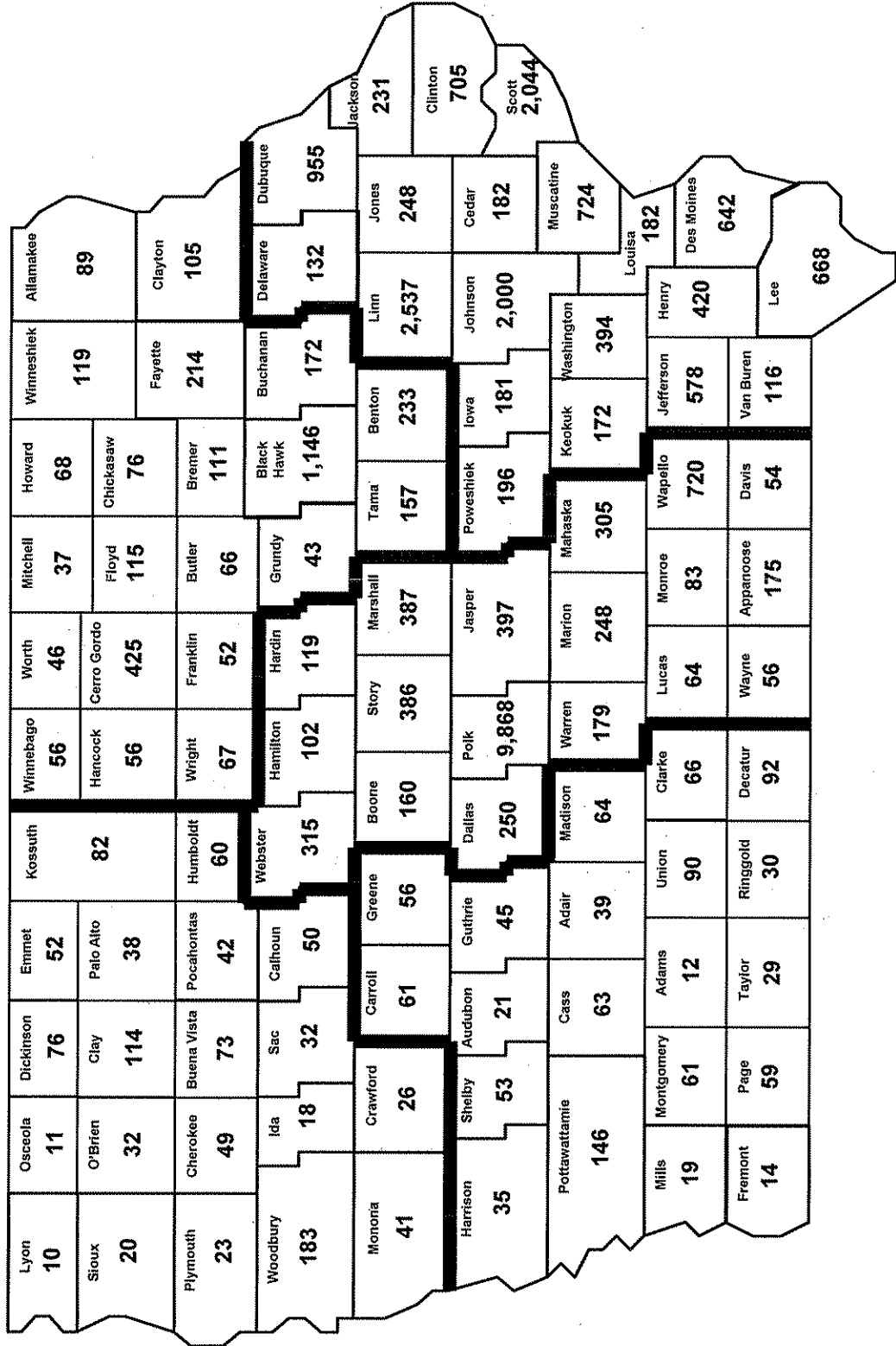
\$ 164,155,782
\$ (88,781,084)

*PMPY increase of 3% per year

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5 Region Model

(32,715 IowaCare Enrollees at End of FY 09)



DRAFT

5 Region Model: Single hospital provider in each region, limited physician network, generic drugs, limited DME

FY 2011

	Current Enrollment	Projected Enrollment	Projected Enrollment	PMPY	Subtotal	BL Tax/UIHC tertiary	Total Projected
Central	16,642	11%	18,472	\$ 3,000.00	\$ 55,416,528	\$ 20,000,000	\$ 75,416,528
Northeast	4,144	30%	5,387	\$ 3,000.00	\$ 16,160,040		\$ 16,160,040
Northwest	1,238	75%	2,167	\$ 3,000.00	\$ 6,501,600		\$ 6,501,600
Southeast	15,968	11%	17,725	\$ 3,652.00	\$ 64,731,422	\$ 7,000,000	\$ 71,731,422
Southwest	1,266	75%	2,216	\$ 3,000.00	\$ 6,646,500		\$ 6,646,500
Grand Total	39,258		45,966				\$ 176,456,090

Budget Neutrality Cap (over)/under cap \$ 143,380,000 \$ (33,076,090)

FY 2012

	Current Enrollment	Projected Enrollment	Projected Enrollment	PMPY *	Subtotal	BL Tax/UIHC tertiary	Total Projected
Central	18,472	11%	20,504	\$ 3,090.00	\$ 63,357,716	\$ 20,000,000	\$ 83,357,716
Northeast	5,387	30%	7,003	\$ 3,090.00	\$ 21,638,294		\$ 21,638,294
Northwest	2,167	75%	3,793	\$ 3,090.00	\$ 11,719,134		\$ 11,719,134
Southeast	17,725	11%	19,675	\$ 3,761.56	\$ 74,007,435	\$ 8,000,000	\$ 82,007,435
Southwest	2,216	75%	3,877	\$ 3,090.00	\$ 11,980,316		\$ 11,980,316
Grand Total	45,966		54,851				\$ 210,702,896

Budget Neutrality Cap (over)/under cap \$ 153,416,600 \$ (57,286,296)

* 3% cost/utilization growth

FY 2013

	Current Enrollment	Projected Enrollment	Projected Enrollment	PMPY *	Subtotal	BL Tax/UIHC tertiary	Total Projected
Central	20,504	11%	22,760	\$ 3,182.70	\$ 72,436,877	\$ 20,000,000	\$ 92,436,877
Northeast	7,003	30%	9,103	\$ 3,182.70	\$ 28,973,675		\$ 28,973,675
Northwest	3,793	75%	6,637	\$ 3,182.70	\$ 21,123,739		\$ 21,123,739
Southeast	19,675	11%	21,839	\$ 3,874.41	\$ 84,612,701	\$ 9,000,000	\$ 93,612,701
Southwest	3,877	75%	6,785	\$ 3,182.70	\$ 21,594,520		\$ 21,594,520
Grand Total	54,851		67,124				\$ 257,741,512

Budget Neutrality Cap (over)/under cap \$ 164,155,762 \$ (93,585,750)

* 3% cost/utilization growth

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Primary Care Regions - Regional providers for primary care and limited lab, all other services to UIHC, Broadlawns stays the same

FY 2011

	Current Projection
Broadlawns	\$ 44,168,669
UIHC - Hospital	\$ 74,075,239
	<u>\$ 118,243,908</u>
Add: UIHC Physicians	\$ 24,188,260
Add: Primary Care payments	
Visits (44,000 member x 5 visits	
per year x \$150)	\$ 33,000,000
UIHC savings 20%	\$ (19,652,700)
Total Expenditures	\$ 155,779,468
Budget Neutrality Cap	\$ 143,380,000
(over)/under cap	\$ (12,399,468)

Budget Neutral Option 1: Primary Care Regions with capped payments, donated prescription drugs, limited lab, capped UIHC physician payments, Broadlawns stays the same.

FY 2011

	Current Projection
Broadlawns	\$ 44,168,669
UIHC - Hospital	\$ 74,075,239
	<u>\$ 118,243,908</u>
Add: UIHC Physicians	\$ 15,000,000
Add: Primary Care payments	
- Capped payment	\$ 15,000,000
UIHC savings 10%	\$ (8,907,524)
Total Expenditures	<u>\$ 139,336,384</u>
Budget Neutrality Cap	\$ 143,380,000
(over)/under cap	\$ 4,043,616

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Budget Neutral Option 2: Payment to UIHC physicians using Certified Public Expenditures, reduced wait times, no change to provider network

Broadlawns	\$	44,168,669
UIHC	\$	74,075,239
	\$	<u>118,243,908</u>
Add: UIHC Physicians	\$	24,188,260
Total Expenditures	\$	<u>142,432,168</u>
Budget Neutrality Cap	\$	143,380,000
(over)/under cap	\$	947,832

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