

REPORT for the Medical Assistance Advisory Group

On May 14, 2002, the Department of Human Services (DHS) convened the Medical Assistance Advisory Group (MAAG) as directed by H.F. 2245 (FY 2002 Medicaid Supplemental Act) enacted in February 2002.

Invitations were sent to the joint legislative and executive branch members as specified in the Act. Public notice of the meeting was also given.

The meeting convened in Room 19, , State Capitol in Des Moines, Iowa. Members in attendance were Jessie K. Rasmussen, Director of the Department of Human Services, Senator Ken Veenstra, Representative David Heaton, Representative Robert Osterhaus and Senator Johnie Hammond. Cynthia Eisenhauer, Director of the Department of Management was unable to attend the meeting. The meeting was called to order by Director Rasmussen shortly after 8:30 a.m. The agenda for the meeting is attached to this Report.

Medical Assistance Projections

The Medicaid Summit held in November 2001 recommended that the Department of Human Services, Department of Management and Legislative Fiscal Bureau establish a joint process for forecasting costs in Medicaid. Since November 2001, representatives from the three departments have been meeting monthly to review Medicaid expenditure and eligibility data and to reach consensus on forecasts for the remainder of fiscal year 2002.

A joint presentation was done by staff from the DHS and the Legislative Fiscal Bureau (LFB) regarding the key variables and strategies presently utilized in forecasting costs in Medicaid. It was pointed out that the Department of Management staff member was unable to be present.

A PowerPoint presentation was made by DHS staff members, Patti Ernst Becker, Lucinda Wonderlich Fuller and Dean Wheeler (a copy is available on the DHS website www.dhs.state.ia.us)

Sue Lerdal and Sam Leto from the LFB also highlighted for the group their role in the joint projection work group.

Jan Clausen, CFO for DHS, explained that the group uses a consensus agreement approach to arrive at a range for the Medicaid assistance projection (the number of eligibles (persons) and cost).

The Advisory Group was also reminded that at the November Medicaid Summit it was recommended that the joint projection meetings also include representatives from the Legislature, and the meetings should coincide with the Revenue Estimating Conference meetings. Additionally, the November Summit had recommended that the Medicaid projection be revised/reviewed prior to the Legislature setting a fiscal year budget and any underfunding of the projection be accompanied with direction on what services should be eliminated or reduced to comply with the appropriated dollars.

Leveraging Strategies

The members were provided a handout from the DHS that lists all current, new and potential leveraging and cost containment strategies for the Medical Assistance program. (This 20 page document is on the DHS website www.dhs.state.ia.us)

Presentations were made by Keenan Buoy from Myers and Stauffer, Inc. Mr. Buoy reviewed the nursing facility case mix strategy, the state maximum allowable cost program and the utilization management program, all of which are currently being implemented. Additionally, Mr. Buoy addressed the bed-hold day policy, dual-certification and crossover claims for nursing facilities. These are areas the DHS will be pursuing for cost savings in '03.

A description of the current bed hold policy was provided as follows: The current bed hold policy is intended to ensure that a Medicaid resident who is absent from the nursing facility due to hospitalization, visitation, or vacation is able to return to the same facility. Iowa Medicaid currently reimburses nursing facilities 75% of their established Medicaid rate for each day that a bed is reserved (held). Limitations are placed on the maximum number of days a nursing facility can bill bed hold for each resident. These limits are ten days in any calendar month for hospitalization and eighteen days in any calendar year for visitation or vacation. There are several ways in which the bed hold policy can be modified, these include: reducing the amount of payment from 75% to a smaller factor; reduce the number of days that Medicaid would pay, apply a minimum occupancy standard to the criteria and only pay for bed hold days to nursing facilities with occupancy above that standard. The department will go through a rule making process to change the current policy while still ensuring that residents are able to return to the facility of their choice.

Finally, Mr. Buoy presented on the Intermediate Care Facility/Mentally Retarded (ICF/MR) provider participation fee that could be implemented if Legislative approval was given. This strategy could leverage \$3.7 million in state general fund savings.

Julie Kuhle, from the Iowa Pharmacy Association presented on the role of the Drug Utilization Review (DUR) Commission. She reported on the current drug prior authorization process, as well as patient focused and problem focused reviews. Ms. Kuhle also addressed some new ideas for cost savings. (Ms. Kuhle's handouts are also on the DHS website www.dhs.state.ia.us)

National Perspective

Donna Folkemer from the National Conference of State Legislatures (NCSL) joined the Advisory Group via telephone for a presentation on national issues related to Medicaid budgets. Ms. Folkemer talked about: prescription drug options (preferred drug lists, supplemental rebates, ingredients and dispensing fees); provider taxes/user fees; long-term care planning; selective contracting discussions, Health Insurance Flexibility and Accountability (HIFA) waivers and other new federal options; and disease management strategies. Materials referenced by Ms. Folkemer can be accessed on the NCSL website: www.ncsl.org

Next Steps

The members agreed to the DHS drafting a report of the meeting, to be sent to members by email for their edits. The members met on Tuesday, May 28 to approve the final report. The members further agreed to meet again in early August.

Requests for additional information by the members of the Advisory Group:

- Specific information regarding what is driving costs
- Comparison of costs per eligible between states
- Information regarding cost avoidance through preventive health care
- Incentives for timely submission of provider claims
- Drug cost containment strategies utilized by other states
- Information on HIFA waivers
- Information on disease management strategies and the process for managing when a person has multiple health issues

Recommendations for Consideration

- Enhance the Medicaid forecasting process by:
 - 1) Aligning Medicaid forecasting with Revenue Estimating Conference (REC) reports;
 - 2) Adjusting Medicaid forecasts immediately prior to establishing a fiscal year appropriation; and
 - 3) Requiring the Legislature, in the event the Medicaid appropriations is less than the forecasted need, to identify what services should be eliminated or reduced to align with the appropriated dollars.
- Enhance the existing drug cost containment efforts by:
 - 1) Reviewing guidelines for over-the-counter medications and supplies; and
 - 2) Expanding pharmacy case management.
- Establish a process for evaluating the existing State Medicaid Plan for the purpose of determining the need/value of doing a fundamental redesign of Iowa's Medicaid Plan.
- Legislatively direct the implementation of the ICF/MR provider participation fee