

Iowa's Medicaid Program

January 20, 2011

Presentation to:
Health and Human Services Appropriations
Subcommittee



Iowa Department of
Human Services

Presentation Overview

- I. Iowa Medicaid Overview
- II. Current Budget Picture
- III. Key Budget Drivers
- IV. Medicaid Management Strategies
- V. Impact of Federal Health Care Reform
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I. Iowa Medicaid Overview

- What is Medicaid?
 - Health coverage for low-income Iowans.
 - Medicaid is a ‘payor’ (a health plan), not a provider.
 - Pays over **23 million** medical claims per year.
 - Contracts with over **38,000** health care providers.
 - (physicians, pharmacies, labs, hospitals, long-term care facilities, dentists, etc.)
 - Budget of \$3.3 billion in FY 2011
 - (\$393.7M General Fund, \$457.4M Other State Funds, \$152.6M County Funds, \$2.3B Federal).
 - 378,778 Iowans covered as of November 2011.

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Relationship to the Health Care System

- Medicaid as a payor/health plan has some unique characteristics, but is driven by the dynamics of the broader “health care system”

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Key Characteristics

- Created by Title XIX of the Social Security Act in 1965.
- Under federal law, an “**entitlement**” program – everyone who meets the federal and state defined eligibility criteria must be served.
- Operated by the state, on a statewide basis.
- Shared financing – jointly funded by the state and federal government at matching rates determined by federal formula
 - Typical Federal match is approximately 62%; State match rate approximately 38%
 - Current Federal match is 72% due to Federal Stimulus Bill (expires 6/30/11 and returns to 62% rate)

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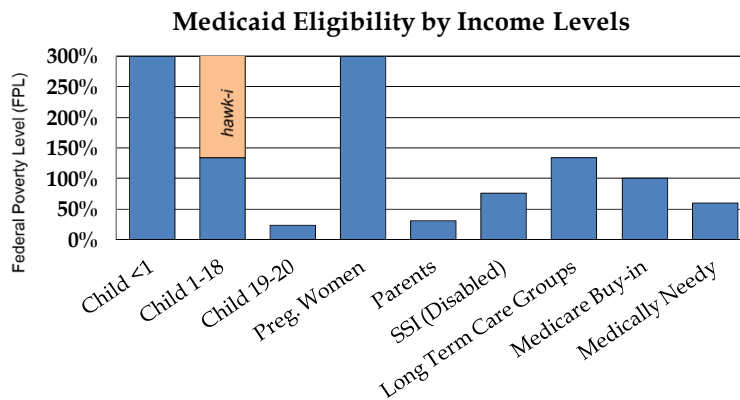
Who is covered?

- In general, Medicaid covers:
 - Children
 - Pregnant women
 - Parents with a dependent child
 - Age 65 and over (elderly)
 - Blind and disabled
- Must meet income limits and fit into one of the federal categories above – not just low-income

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Key Eligibility Groups



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Iowans covered by Medicaid: 378,778

	November 2010 Enrollment
Children	216,289
Adults	60,456
Elderly	30,026
Disabled	<u>70,007</u>
Total Regular Medicaid	378,778

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What is covered?

- Acute care services
 - Hospital, physician, labs, x-ray, pharmacy, home health, dental, etc.
- Long-term care services
 - Nursing facility, facility-based and home and community based services for persons with intellectual and physical disabilities
- Mental health and substance abuse services

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Other Programs: IowaCare

- Created in 2005 in response to loss of federal revenue. Established under 1115 Demonstration waiver -- not an entitlement.
- Replaced Indigent Care Program (“State Papers”) program at University of Iowa.
- Funding source is \$38M Polk County property tax, UIHC funds, and \$2M General Fund request.
- Program coverage:
 - Basic health services (inpatient, outpatient hospital, and physician)
 - Serves adults (males and females without dependent children) up to 200% of the Federal Poverty Level. Over 80% of members are below 100% FPL.
 - Premiums required over 150% FPL
 - **40,000** enrolled as of November 2011.

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IowaCare Expansion

Expansion of provider network enacted during 2010 session:

- Implementation and evaluation of Medical Home* model as test case for regular Medicaid.
- Exchanging health information electronically between sites to improve care coordination, and reduce duplication.
- Seen by some as a transition to Health Care Reform.

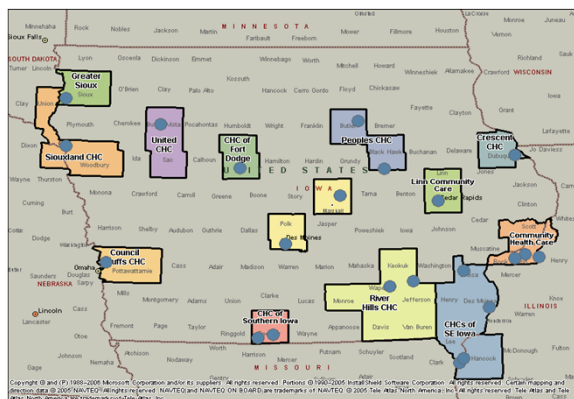
Phase-in:

- Adds 13 Federally Qualified Health Centers on phased-in basis
- Centers in Waterloo and Sioux City went live 10/1/10
- DHS determines phase-in schedule.

*Medical Home = an approach to providing comprehensive primary care... that facilitates partnerships between individual patients, and their personal providers.

IowaCare Expansion

Location of 13 FQHCs



Other Programs – *hawk-i*

- Iowa's Children's Health Insurance Program (Title 21, not Title 19)
- Federal match rate is 73.84%
- Program pays premiums for commercial insurance for eligible children. Wellmark and United Health Care are contracted plans.
- Recent expansion raised income level to 300% FPL
- Premiums apply for families over 150% FPL.
- **47,721** enrolled in November 2010.

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Iowa Medicaid Spending by Program – SFY 2010

Program	Total	Federal	State	County/Other
Regular Medicaid	\$3,049,214,985	\$2,129,885,674	\$719,230,020	\$200,099,291
IowaCare	\$108,074,638	\$78,443,443	\$29,631,195	\$0
<i>hawk-i</i>	<u>\$94,773,890</u>	<u>\$71,292,216</u>	<u>\$23,481,674</u>	<u>\$0</u>
Total	\$3,252,063,513	\$2,279,621,333	\$772,342,889	\$200,099,291

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Medicaid is a significant financier of health care services within Iowa's other service systems

Program Area	FY 2011 State/Federal Estimated Expenditures
Long-term care - Elderly Nursing Facility and home and community based services for the elderly. Medicaid pays for approximately 50% of Iowans in nursing facilities.	\$593.3M
Long-term care – Persons with Intellectual Disabilities (ID) Excludes county payments for state match. Medicaid is the primary financier for persons with ID	\$433.6M
Mental Health Services Excludes county payments for state match.	\$291.2M
Physical and Mental Health Services – Child Welfare	\$54.1M
Health care services delivered by schools and Area Education Agencies	\$47.4M

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II. Current Budget Picture

As of January 11, 2011:

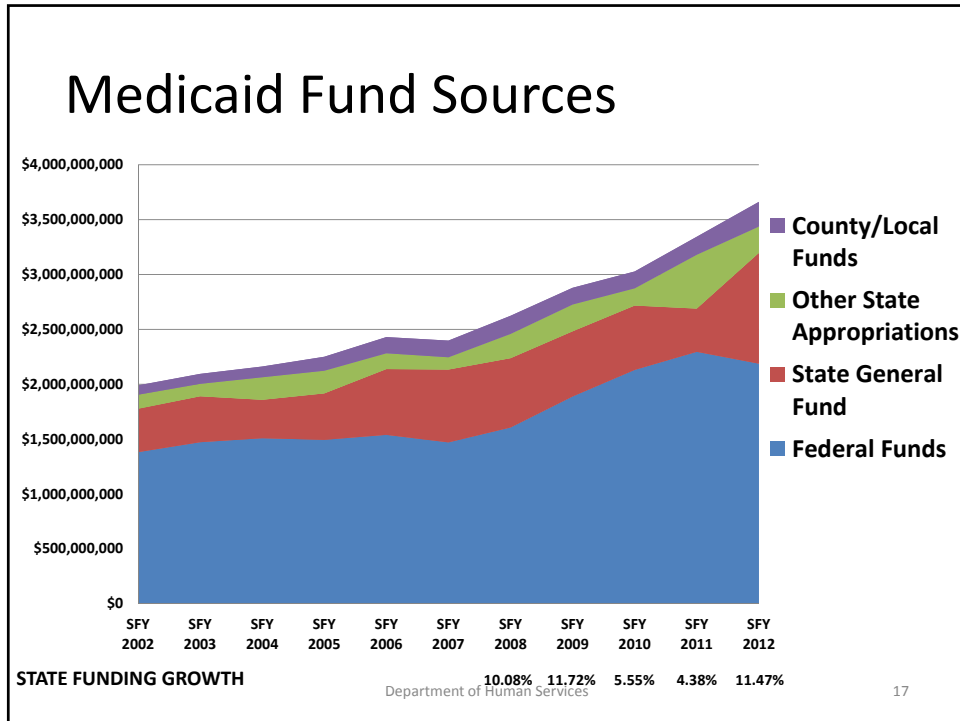
- **FY 2011** - Estimated surplus of \$10M*
- **FY 2012** - Estimated increase of \$571M*
 - \$462M of this amount is due to replacement of one-time funding.

Funding Source	FY 2011	FY 2012
General Fund	\$393.7M	\$964.7M
Other Funds	\$457.4M	\$190.0M
Supplemental	\$5.0M	_____
Total Projected State Cost	\$846.8 M	\$1,150.6 M

* Estimates shown are the midpoint of an estimated range developed by Dept. of Management, DHS, and Legislative Service Agency (LSA), and meets each month to set the joint estimate.

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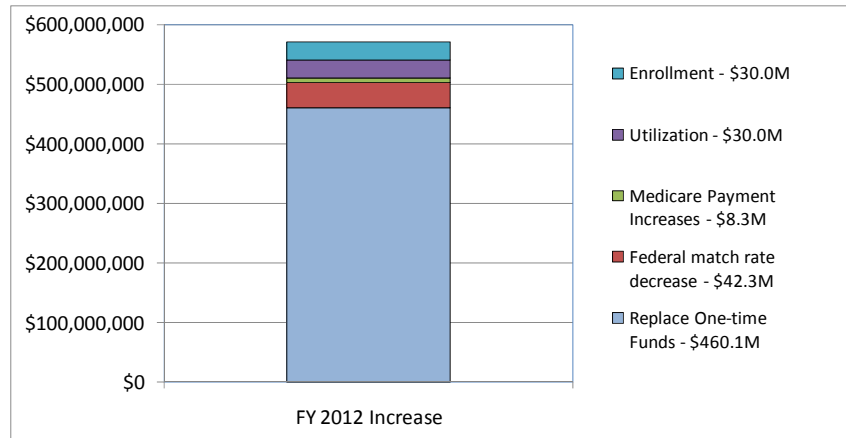
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III. Key Budget Drivers

- Loss of One-time funding sources (Federal stimulus = \$191M, Other state funds = \$271.3)
- Change in regular federal match rate
- Enrollment and utilization increases

Components of FY 2012 increase

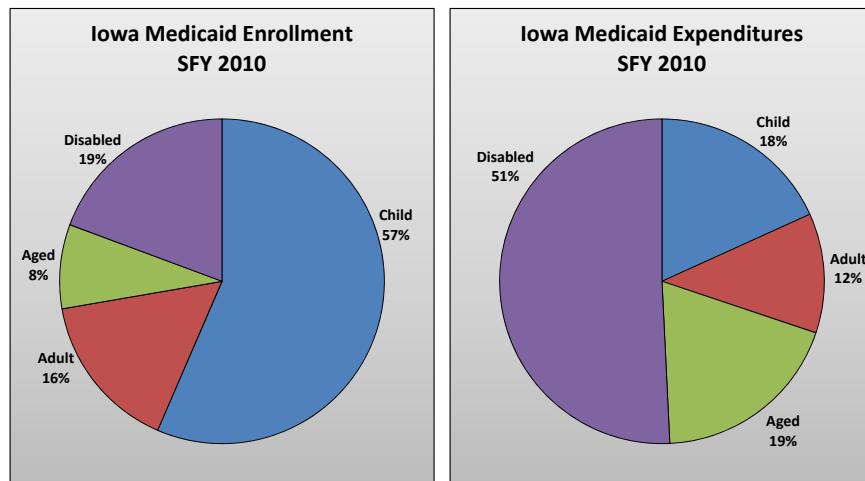


*In total state matching funds, represents an increase of \$571M (11.5%) above FY 11.

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Enrollment and Expenditures



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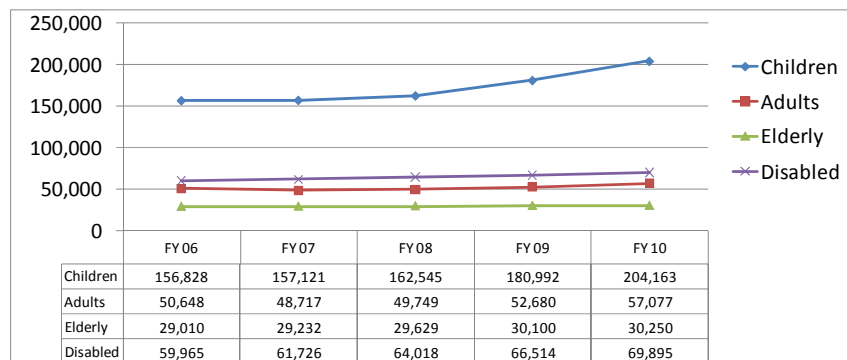
Enrollment trends

- Eligibility expansion
 - Streamlining eligibility processes and increasing to 300% FPL
- Primarily economy
- **Since the beginning of SFY 2010, Medicaid enrollment increased by 25,456 individuals -- children accounted for 70% of this growth.**

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Iowans enrolled in Medicaid



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Average Per Person Costs

	Average Cost Per Person Per Year FY 2010 Actual
Children	\$2,622
Adults	\$6,132
Elderly	\$13,541
Disabled	\$21,331
Average for all populations	\$8,128

- Largest enrollment growth has been children. Children are least expensive category.
- The average cost per person per year has recently declined.
- Private health insurance premiums increased over 10% during the same time period.

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Provider Reimbursement Rate Changes

- 5% across the board rate decrease in FY 2010
- Nursing facility rebase in FY 12
- Provider rate increases financed by new provider taxes – Nursing Facility and Hospital (interest developing on the part of other provider groups).
- Health care providers choose whether to participate in Medicaid
- Provider payment rates have an impact on whether providers choose to participate.
- Per federal law, Medicaid must ensure adequate ‘access to services’, or an adequate availability of providers to meet their health care needs.

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IV. Medicaid Management Strategies

- Access
 - Quality
 - Affordability
 - Appropriateness
- Ensuring the right services to the right person at the right time

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Access

- Strategies:
 - Transportation broker – statewide management of travel to medical services.
 - Streamlining of eligibility application and renewal processes have been implemented
 - Coverage expansions in the recent past have expanded access

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Quality

- Ensuring members have access to high quality services
- Strategies:
 - Chronic Care management program – use of predictive modeling tools to identify high cost/high risk populations for health coaching and care management. FY 11 savings estimate - \$8.7M.
 - Medical Home – implementation and evaluation of medical home model in IowaCare to test for possible deployment for regular Medicaid
 - Working toward voluntary public reporting of children’s and adults quality measures (increased transparency).

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Affordability

- Ensuring services are affordable and sustainable for the state
- Strategies:
 - Adoption of data analytics tools for discovery of fraud, waste and abuse. FY 11 savings estimate - \$20M
 - Targeted, expanded types of reviews of payments to providers
 - Review of provider reimbursement rates
 - Aggressive management of prescription drug costs through the Preferred Drug List, joining a multi-state pool. FY 11 savings estimate - \$39M

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Appropriateness

- Ensure reimbursement for only **medically necessary** and **appropriate** services
- Strategies:
 - Implementation of new prior authorization procedures for commonly over-utilized services
 - High tech imaging (CT scans, MRI) - FY 11 savings estimate \$3.8M
 - Home and community based services – FY 11 savings estimate \$15.1M savings
 - Initiatives to improve claims payment accuracy - FY 11 savings estimate \$10M.

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VI. Cost Containment Options

No Longer in the Tool Box*

- Lowering eligibility levels (with some exceptions)
- Increasing premiums or enrollment fees
- Imposing more restrictive eligibility procedures

Still in the Tool Box

- Changing amount, duration or scope of some services
- Changing co-pays
- More aggressive utilization management
- Reducing optional services
- Changing provider reimbursement rates

*Due to Maintenance of Effort requirement in Federal Health Care Reform.

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Other Medicaid savings opportunities

- Medical Home / “Health Home” option, including partnership with other health care payors
- Payment reform strategies (bundled payment and outcome-based payment strategies)
- More aggressive management of prescription drug utilization
- Shifting services from nursing facility/institutions to home and community based services
- Greater use of managed care to integrate mental health services and decrease reliance on institutional care
- Promote use of LEAN and other process improvement strategies

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V. Federal Health Care Reform

- Expands Medicaid eligibility to 133% of the Federal Poverty Level on January 1, 2014
- Adds estimated 100,000 adults to Iowa Medicaid
- States will have to upgrade eligibility systems to meet new rules
 - DHS has detailed implementation proposal with necessary steps from now until 2014.
- ‘Maintenance of Effort’ prevents states from reducing eligibility for any programs now through 2014, except for adults over 133% FPL
- Several class action lawsuits in process. **Uncertainty** of what will happen to the law complicates planning.

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VI. Summary

- Medicaid is a large, complex funder of health care affecting a large number of lowans.
- Due to one-time funding decisions, there is a financing issue in FY 2012.
- Like general health care costs, future costs of the program may not be sustainable.
- Therefore, good management and effective cost containment strategies are critical for program sustainability.