

Iowa Medicaid Program

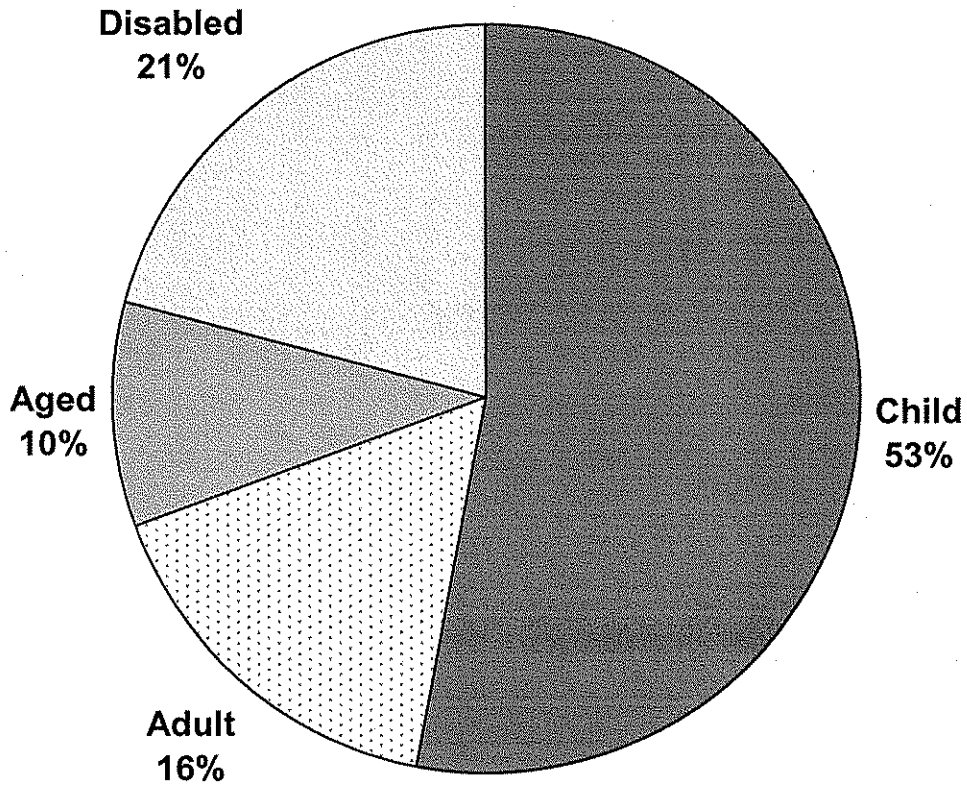
Kevin Concannon, Director
Eugene Gessow, Medicaid Director

Iowa Department of Human Services

Presentation to:
Health and Human Services
Appropriations Subcommittee

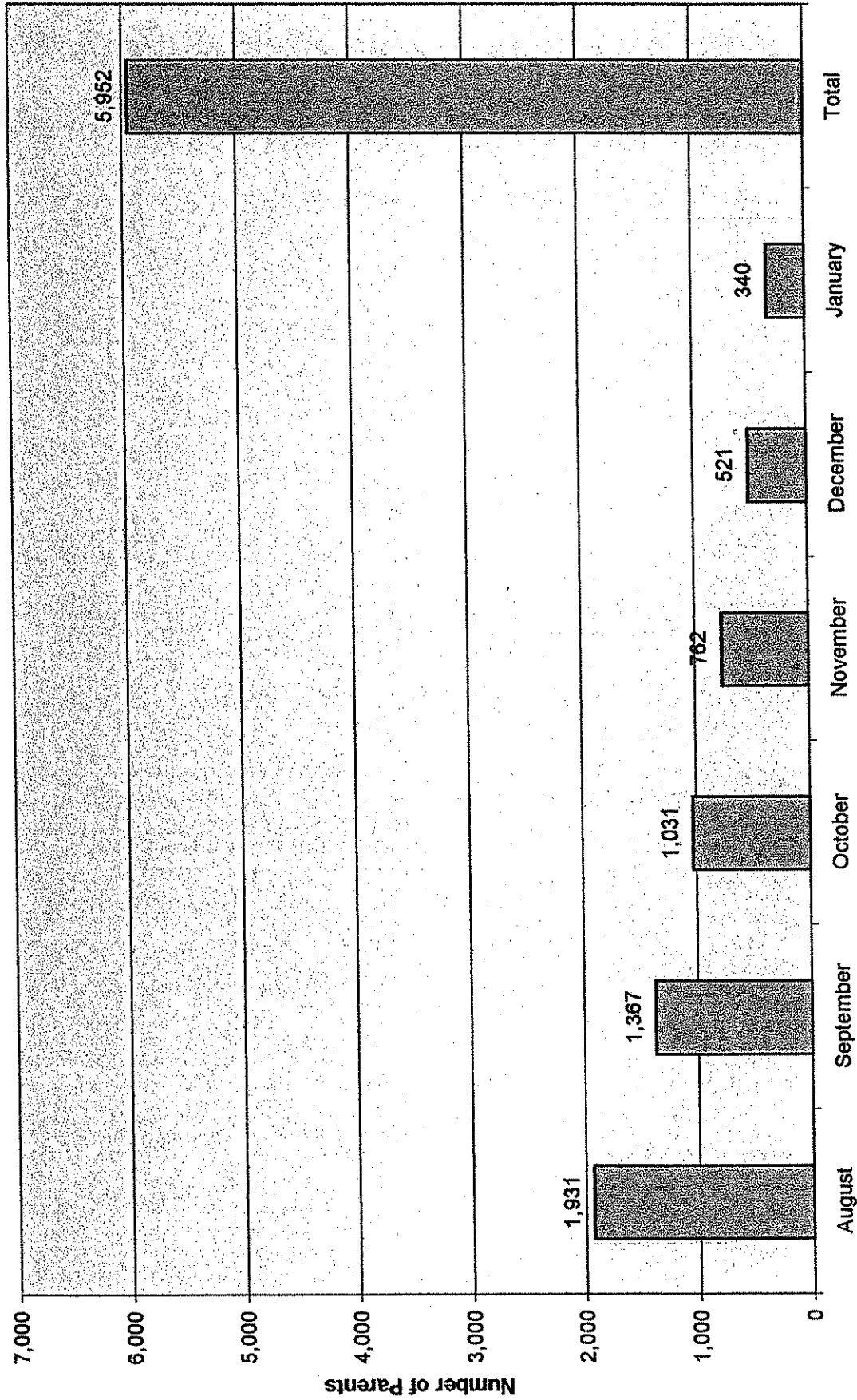
February 6, 2008

FY 2007 Medicaid Enrollment



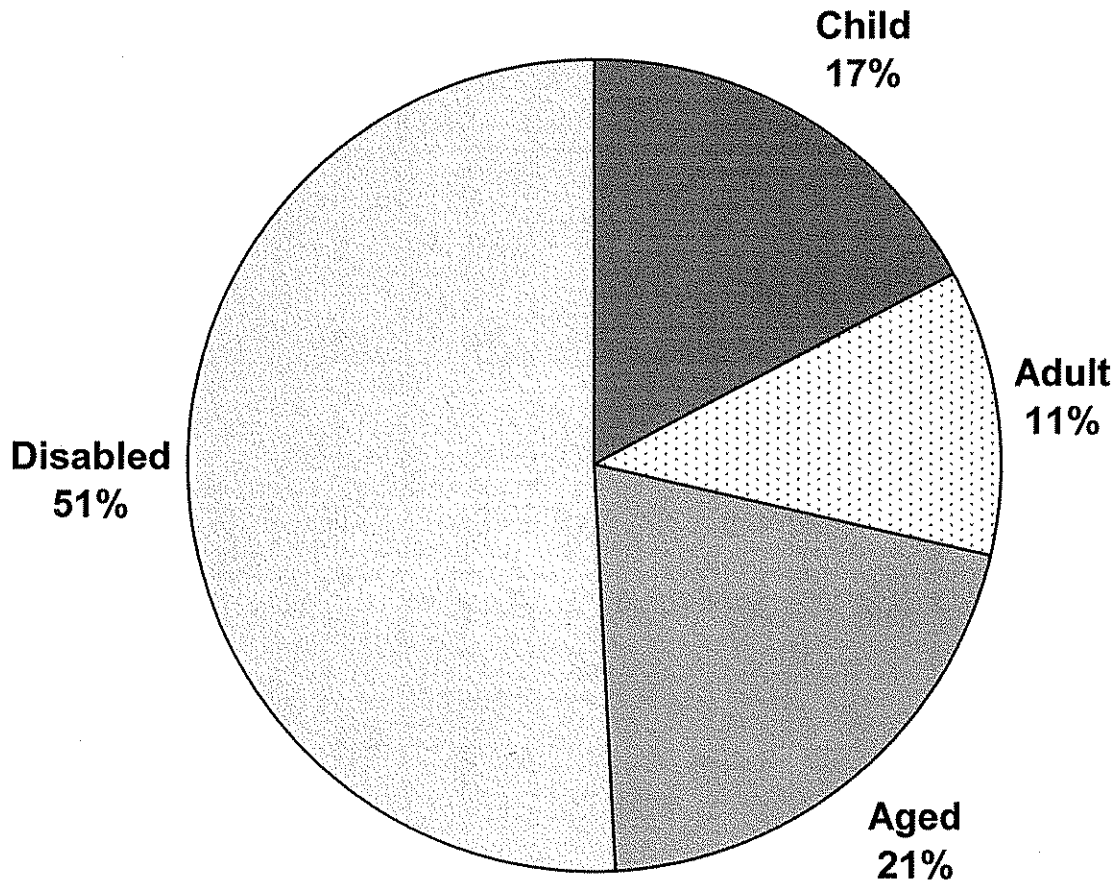
	<u>FY 2007 Average Enrollment</u>	<u>FY 2008 Average Enrollment</u>	<u>FY 2009 Average Enrollment</u>
Child	157,121	161,803	164,215
Adult	48,717	50,169	50,917
Aged	29,232	30,104	30,552
Disabled	61,726	63,566	64,513
Total - Regular Medicaid	296,797	305,642	310,197
Family Planning Waiver	20,373	21,392	22,461
IowaCare Enrollees	16,001	20,308	24,402
Total - All Programs	333,170	347,342	357,060

Parents Added to Medicaid Due to Increase in Work Incentive Deduction to 58%



Policy change implemented August 1, 2007. Department estimated 6,000 additional parents would become eligible in SFY '08.

FY 2007 Medicaid Expenditures



The Aged & Disabled represent 31% of enrollment and 72% of expenditures.

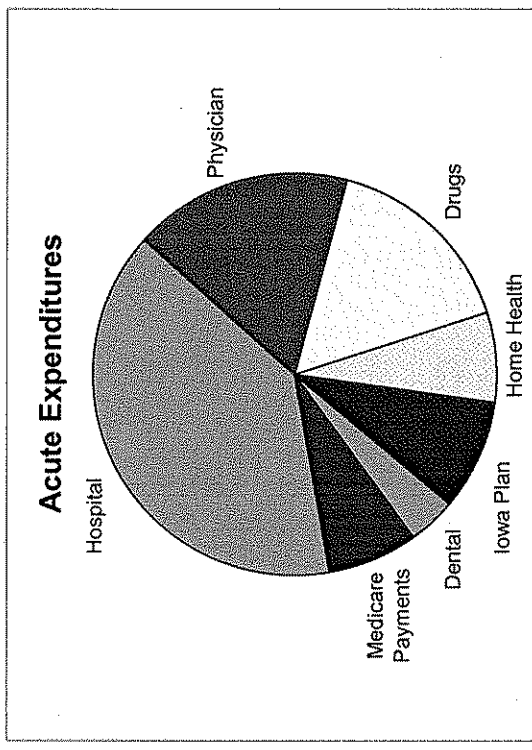
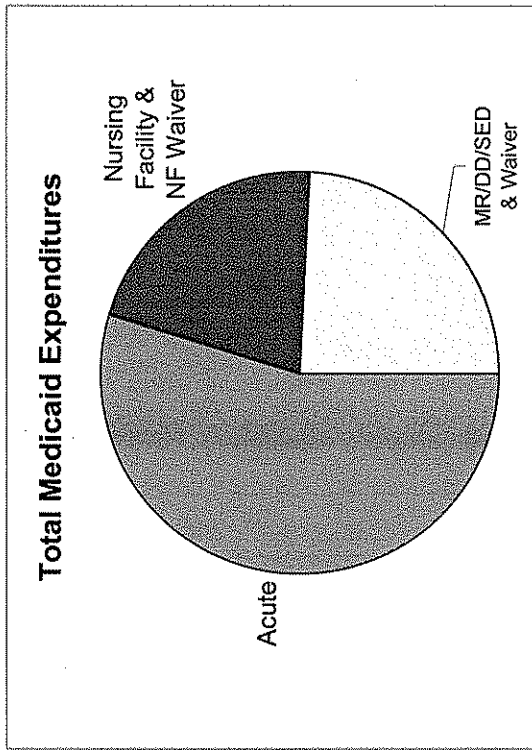
	FY 2007 Actual Expenditures	FY 2008 Projected Expenditures	FY 2009 Projected Expenditures
Child	\$ 409,007,927	\$ 440,846,319	\$ 459,573,528
Adult	\$ 273,866,307	\$ 295,184,874	\$ 307,724,366
Aged	\$ 489,703,960	\$ 527,823,971	\$ 550,246,002
Disabled	\$ 1,215,890,654	\$ 1,310,539,194	\$ 1,366,211,070
Total - Regular Medicaid	\$ 2,388,468,849	\$ 2,574,394,359	\$ 2,683,754,967

* Represents Total Funds (State, County, and Federal).

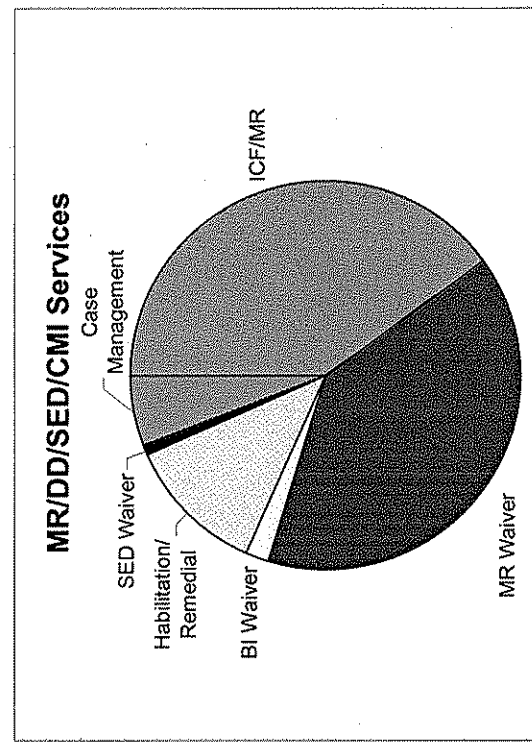
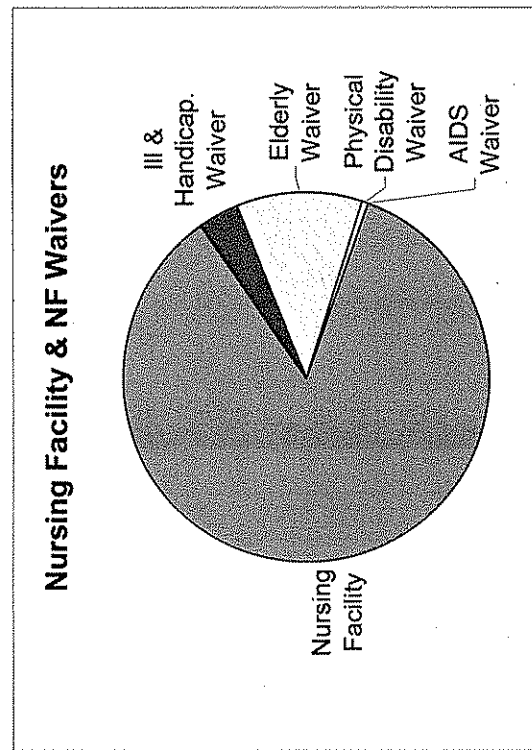
* Federal matching assistance percentage is approximately 62%

FY 2009 Medicaid Expenditures - Key Categories

FY 2009	
Total Medicaid Expenditures	
Acute	\$ 1,469,046,540
Nursing Facility	\$ 562,946,324
MR/DD/SED	\$ 651,762,103
	\$ 2,683,754,967
Acute Care Expenditures	
Hospital	\$ 449,365,566
Physician	\$ 199,916,008
Drugs	\$ 181,812,918
Home Health	\$ 82,662,883
Iowa Plan	\$ 102,631,653
Dental	\$ 42,994,966
Medicare Payments	\$ 82,477,346
All Other	\$ 327,185,201
Total	\$ 1,469,046,540



Nursing Facility & NF Waivers	
NF	\$ 476,974,676
Ill & Handicapped Waiver	\$ 19,556,120
Elderly Waiver	\$ 62,660,809
Physical Disability Waiver	\$ 3,275,647
AIDS Waiver	\$ 479,072
Total	\$ 562,946,324
MR/DD/CM/SED	
ICF/MR	\$ 275,902,668
MR Waiver	\$ 274,763,979
BI Waiver	\$ 15,019,559
Habilitation/Remedial	\$ 79,979,003
SED Waiver	\$ 6,096,894
Case Management	\$ 39,891,764
Total	\$ 651,762,103



Iowa Medicaid Enterprise Processing Statistics

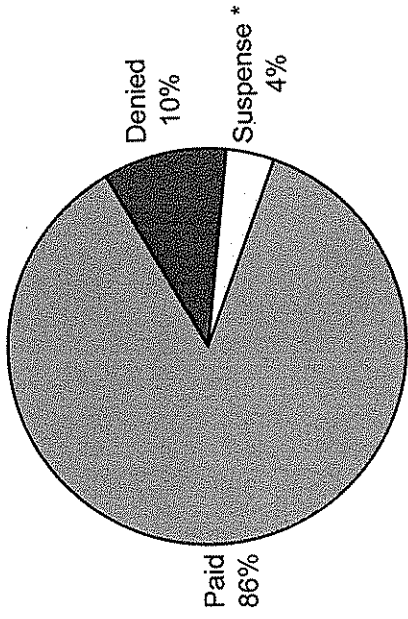
Average Number of Days from Receipt of Claim to Payment = 9.0 days

<u>Paid Claims Per Month</u>	
Paid	1,290,000
Denied	150,000
Suspense *	60,000
Total	1,500,000

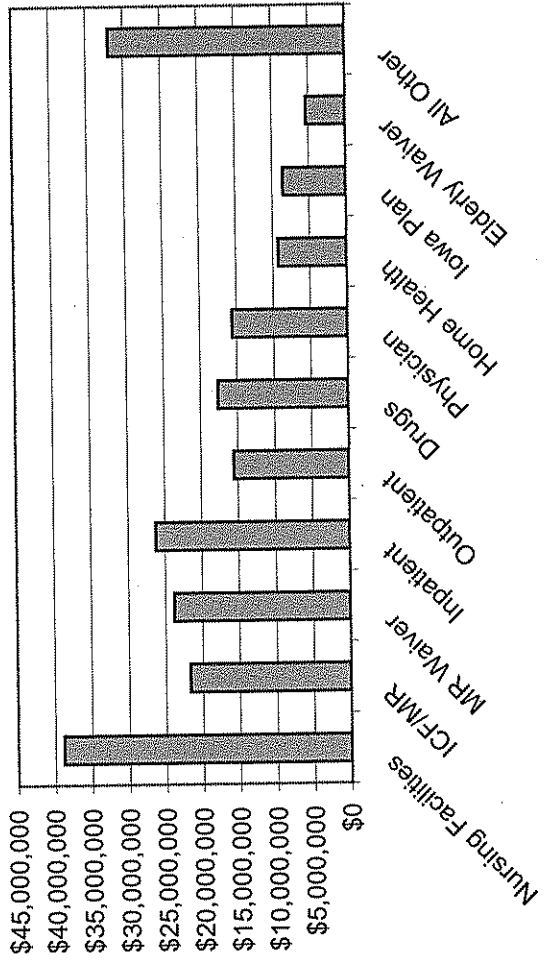
* Suspense = Further review/manual processing required.

<u>Pharmacy Claims</u>	
Claims / month	300,000
Avg. cost/prescription/month	\$ 60.95
# of Prior Authorizations	4,554
PA approval rate	67%
Avg time to complete PA	2.0 hours

1.5 Million Claims Processed Per Month



Average Monthly Payments = \$214 million



<u>Average Monthly Payments</u>	
Nursing Facilities	\$ 38,856,405
ICF/MR	\$ 21,695,327
MR Waiver	\$ 23,810,144
Inpatient	\$ 26,229,963
Outpatient	\$ 15,555,894
Drugs	\$ 17,598,517
Physician	\$ 15,630,628
Home Health	\$ 9,236,034
Iowa Plan	\$ 8,499,388
Elderly Waiver	\$ 5,316,713
All Other	\$ 31,969,158
Total	\$ 214,398,171

**Medical Assistance Program
FY 2009 Budget**

	Base Line Cost	State Dollars
FY 2008 Appropriation (including \$10.4 million for NF Rebasing)		\$627,171,820
Baseline changes:		
Change in federal matching rates		(\$13,611,793)
Increases in enrollment and utilization *		\$13,706,569
Increases in payments for Medicare Part A, B and D		\$10,017,594
MHI backfill due to IowaCare waiver conditions		\$16,874,211
	Cost of Baseline changes	\$26,986,581
Coverage of Uninsured Children		\$2,795,782
State Share Medical Assistance for Individuals Released by Corrections (DMIE)		\$1,143,522
	Additions to Baseline	\$30,925,885
Provider Reimbursement		
Nursing Facilities		
1% rate increase (Fully funds Acuity Based Reimbursement Methodology)		\$1,795,844
Eliminate Accountability Measures		(\$3,026,000)
Hospitals (including PMIC)		
1% Rate Increase		\$1,838,931
1 % Increase in DSH, Indirect Medical and Direct Medical Education Payments		\$126,546
Waivers Services		
1% provider rate increase		\$571,660
Additional 2% increase for CDAC providers (total of 3%)		\$121,285
1% provider rate increase for targeted case managers		\$96,446
Targeted Case Management - 'unit sensitive' reimbursement methodology		(\$240,000)
Physicians		
1% rate increase		\$758,974
Reimbursement for drugs dispensed in the office - pay equal to pharmacies		(\$100,000)
Anesthesiologists - pay equal to Medicare		(\$1,000,000)
Pharmacy, Medical Supplies		
1% rate increase (dispensing fee)		\$58,670
1 % Rate Increase for Medical Supplies		\$164,504
Revise State Maximum Allowable Cost (SMAC) method for generic drugs		(\$3,800,000)
Mental Health		
1 % Rate Increase for Iowa Plan Network Providers		\$376,395
1 % Rate Increase for Habilitation Services Providers		\$114,559
1 % Rate Increase for Remedial Services Providers		\$37,079
All other providers		
1% Rate Increase for Home Health Agencies		\$311,604
1 % Rate Increase for Dental Providers		\$163,927
1 % Increase for EPSDT Service Providers		\$55,374
1% Increase for All Other Providers		\$300,785
Add \$1.50 per claim surcharge for filing claims on paper rather than electronic		(\$863,115)
		(\$2,136,532)
Net cost (savings) - Provider Reimbursements		
Revenue:		
Supplemental Rebates on Diabetic supplies		(\$425,000)
Supplemental Rebates for behavioral health drugs (include on the PDL)		(\$1,700,000)
		(\$2,125,000)
		Net New Revenues
	Cost of Additions to Baseline - Adjusted	\$26,664,353

* Includes impact of outreach campaign and 'parent expansion'.

** Does not include: \$7.3 DSH State Psych Paper change for IowaCare and \$35.3M shift of HITT fund.

Notes on Program Recommendations

Nursing Homes

- Each nursing home is paid a *per diem* rate by Medicaid. The rate is based on the actual reported costs of that nursing home.
- Nursing homes may also earn an accountability payment – which is not related to their costs - but is based on the quality and efficiency of care and their commitment to certain resident populations. No other Medicaid provider type is eligible for this kind of payment.
- The proposal is to increase per diem rates and eliminate the accountability payment.

Notes on Program Recommendations

Payments to Physicians for Drugs

- Physicians are paid for drugs which they administer in their offices at a rate equal to AWP (Average Wholesale Price) minus 10%. They also receive payment for administration of the drugs.
- Pharmacies' AWP methodology for payment of drugs is AWP minus 12% plus a dispensing fee for brand name drugs.
- The proposal is to pay physicians for drugs using the same AWP methodology as pharmacies (AWP minus 12%).

Notes on Program Recommendations

Physician services

- On average, Medicaid pays physicians (other than anesthesiologists) approximately 96% of the Iowa Medicare rate.
- Iowa proposes to increase physician reimbursement rates by 1%.
- Anesthesiologists are reimbursed by Medicare and Medicaid based on units of time. The average Iowa Medicaid unit rate is approximately 144% of the Iowa Medicare unit rate.
- The proposal would drop the Iowa Medicaid unit rate for anesthesiologists to 100% of the Iowa Medicare unit rate for anesthesiologists.

Notes on Program Recommendations

Pharmacy Payments – Generic Drugs

- Pursuant to legislative authority, Iowa pays pharmacists for generic drugs based on regular sampling from Iowa pharmacists of their actual cost to purchase these generic drugs. Essentially they are paid 140% of the average cost of the drugs in the sample.
- The sample today includes the costs of the brand name drugs for which the generic drugs in the sample can be substituted. Thus the average cost of all drugs in the sample exceeds the average cost of all generic drugs in the sample.
- The proposal is to remove the cost of brand name drugs when calculating the reimbursement rate of generic drugs.

Notes on Program Recommendations

Paper vs Electronic Claims

- Most – but not all providers can submit claims electronically (and be paid electronically – i.e. through an Electronic Funds Transfer). Paper claims are more likely to be paid incorrectly and later than electronic claims.
- Our understanding is that Medicare automatically holds all paper claims for 30 days.
- The proposal is to reduce the payment due on a paper claim that could be filed electronically by \$1.50 to encourage providers to file electronically if they can do so.

Notes on Program Recommendations

Rebate on Diabetic Supplies

- Savings can be obtained by having a preferred list of diabetic supplies. Prior authorizations could still be submitted for non-preferred products.
- Diabetic supply manufacturers provide rebates on their products in exchange for exclusive or semi-exclusive rights to provide those medical supplies to Iowa Medicaid members.
- Stores or other providers are paid the same as they are currently reimbursed. The savings come from rebates paid to Iowa by the diabetic supply manufacturers, after Medicaid has reimbursed the stores or other providers for the items.

Notes on Program Recommendations

Cost Avoidance and Supplemental Rebates for Behavioral Health Drugs

- The current annual Medicaid drug budget is \$234 million, with \$110 million (47%) spent on behavioral health drugs.
- The physical health drugs are currently managed through the Preferred Drug List (PDL). The proposal is to manage the behavioral health drugs through the PDL using the same standards for evaluation that are applied to the physical health drugs.
- The PDL for behavioral health drugs would apply **ONLY** to **NEW drug starts**. Those already taking these drugs would not have to change.
- Using a PDL strategy to manage behavioral health drugs is consistent with the management strategies of other private insurers, Medicare Part D and other Medicaid programs.
- The Medicaid program can achieve approximately \$4.5 million (total) or \$1.7 million state savings by managing behavioral health drugs through the PDL.

Notes on Program Recommendations

DMIE Grant

- Federal grant program to provide Medicaid, employment and specialized parole supports for inmates with mental illness returning from prison.
- Intent is to demonstrate that the program can help individual avoid long-term dependence on disability programs.
- CMS considers us “approved” although no cash in hand – yet.
- Budget includes funding for state match.

MFP Grant

- Federal grant program totaling \$50M over 5 years. Intensive programming to help individuals transition from ICF/MR’s to community.
- Currently in planning year.
- Operational protocol submitted to CMS in January.
- Budget continues funding at FY 08 levels. FY 09 expenditures increase by \$1.2 million (not currently funded). Carryforward language of unexpended FY 08 funding would cover the gap.

Other Issues

- Iowacare Deficit – State Psych Papers Solution
- CMS Review of Payments to AEA – Realignment Solution
- New CMS AMP Regulation (Pharmacy Payments) - Federal Court Injunction, Prognosis on Dispensing Fee Increase
- New CMS Targeted Case Management Regulations – Solutions in Process. Could cost more.
- New CMS School Transportation Regulation – Will reduce revenue to Education
- New CMS Regulations – Graduate Medical Education (GME) – Would reduce GME payments
- I-Smiles
- President’s Budget for Medicaid