Southern Legislative Conference
July 29, 2012

Medicaid Cost Issues

Dr. Bill Hazel
Secretary Health and Human Resources
Commonwealth of Virginia

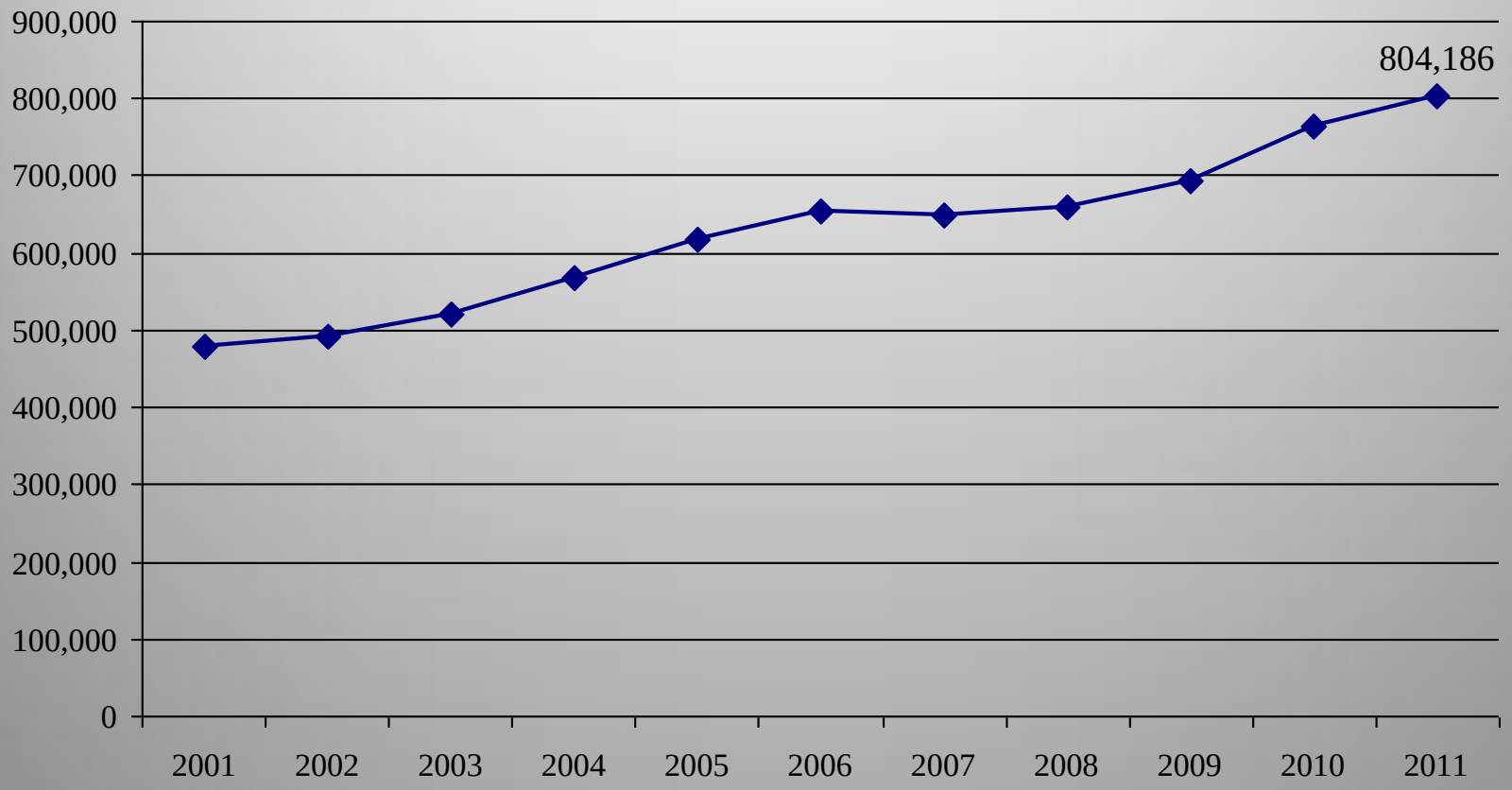
The Scope of Medicaid

- Nationally, over $366 billion spent (federal and state) on 59.5 million recipients
  - Virginia's Medicaid budget is forecast to spend $6.7 billion federal and State) in SFY 2012 (current fiscal year)
  - Average Monthly enrollment (Medicaid-only) more than 800K recipients (an additional 100K+ with CHIP)
  - Expected increase in enrollment of between 30-50 percent under PPACA
  - The Department of Medical Assistance Services (DMAS - the state Medicaid agency) processes upwards of 33 million claims for medical services (FFS + encounters) in any given year

The Problems

- Eligibility Expansion
- Expansion of Eligible Population
- Utilization
- Cost per Unit of Services
- Expansion of Services
- Fraud , Waste, and Abuse
- Are the Federal Promises Real?

Medicaid enrollment trends

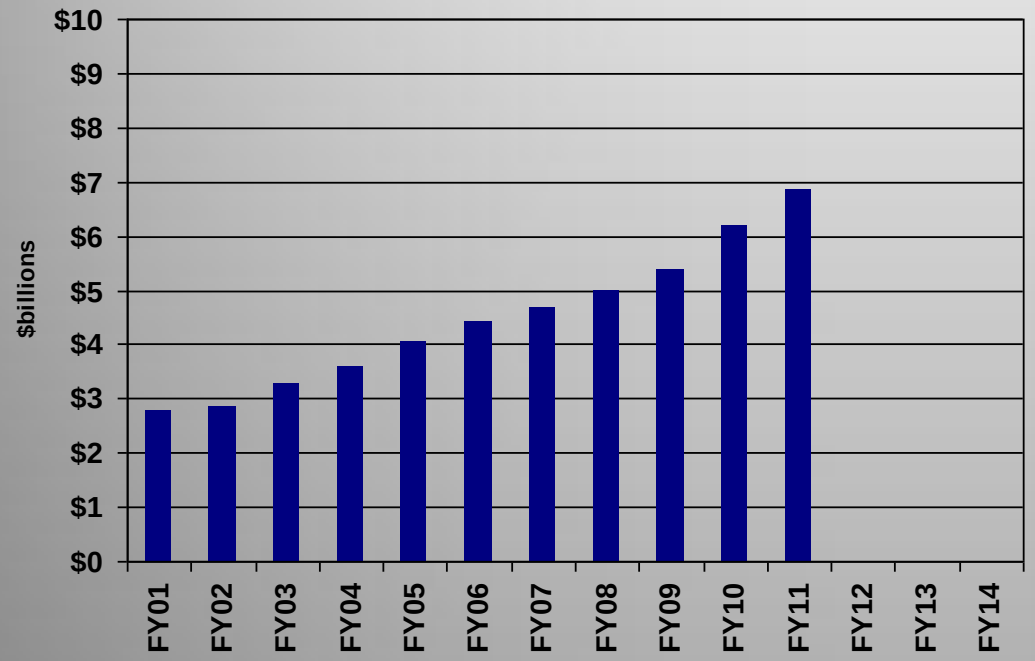


Notes: Average monthly enrollment in the Virginia Medicaid Program, as of the 1st of each month

Medicaid & CHIP Population Growth Rates

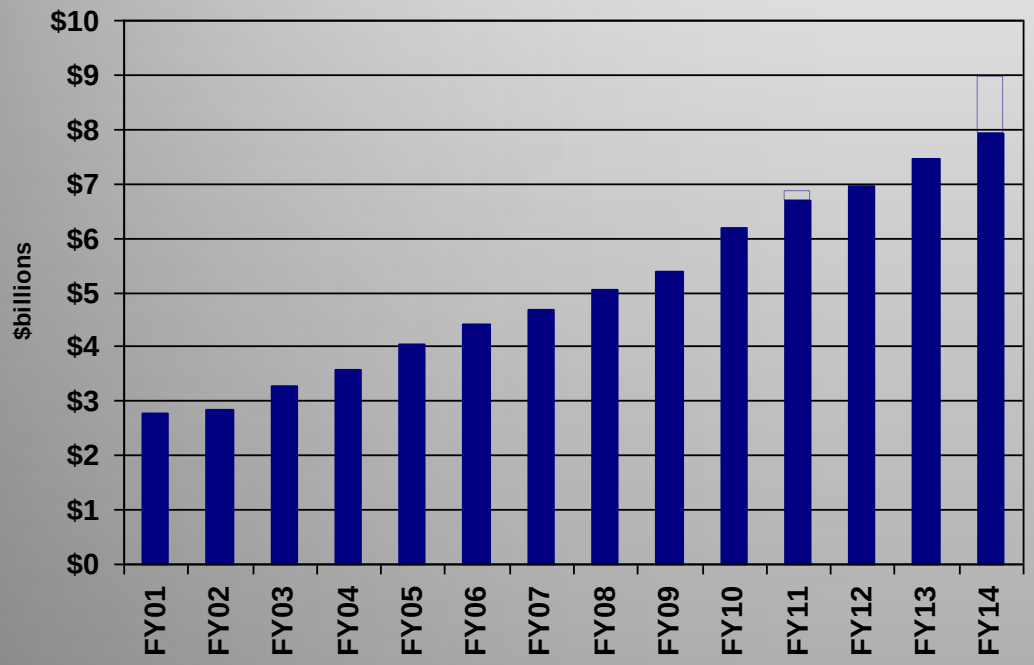
Annual Enrollment Growth									
Medicaid ABDs		Medicaid Adults & Children		MEDICAID TOTAL		CHIP		Total Enrollment	
189,090	1%	288,732	-4%	477,822	-2%	28,551	57%	506,373	0.1%
192,010	2%	299,206	4%	491,216	3%	37,007	30%	528,222	4%
196,141	2%	336,535	12%	532,676	8%	46,528	26%	579,204	10%
200,671	2%	366,834	9%	567,506	7%	55,094	18%	622,599	7%
207,776	4%	409,596	12%	617,372	9%	66,787	21%	684,158	10%
216,805	4%	436,572	7%	653,377	6%	75,672	13%	729,049	7%
221,673	2%	428,230	-2%	649,903	-1%	80,591	7%	730,494	0%
226,083	2%	433,886	1%	659,969	2%	86,970	8%	746,939	2%
231,696	2%	462,580	7%	694,276	5%	95,676	10%	789,952	6%
239,697	3%	524,048	13%	763,745	10%	99,927	4%	863,672	9%
249,294	4%	554,892	6%	804,186	5%	104,842	5%	909,027	5%

Medicaid expenditures have increased $4 billion over the past 10 years



- Now provide coverage to over 400,000 more members than 10 years ago (80% increase)
- Growth in the cost of health care
- Significant growth in expenditures for Home & Community Based Long-Term Care services and Community Behavioral Health services

Preliminary Medicaid Forecast – Adjusted



	Actual Growth Rates	Adjusted Growth Rates
FY01	11%	11%
FY02	3%	3%
FY03	15%	15%
FY04	9%	9%
FY05	14%	14%
FY06	9%	9%
FY07	6%	6%
FY08	6%	7%
FY09	8%	11%
FY10	15%	10%
FY11	11%	8%
FY12	**-1%**	4%
FY13	**10%**	7%
FY14	**20%**	6%

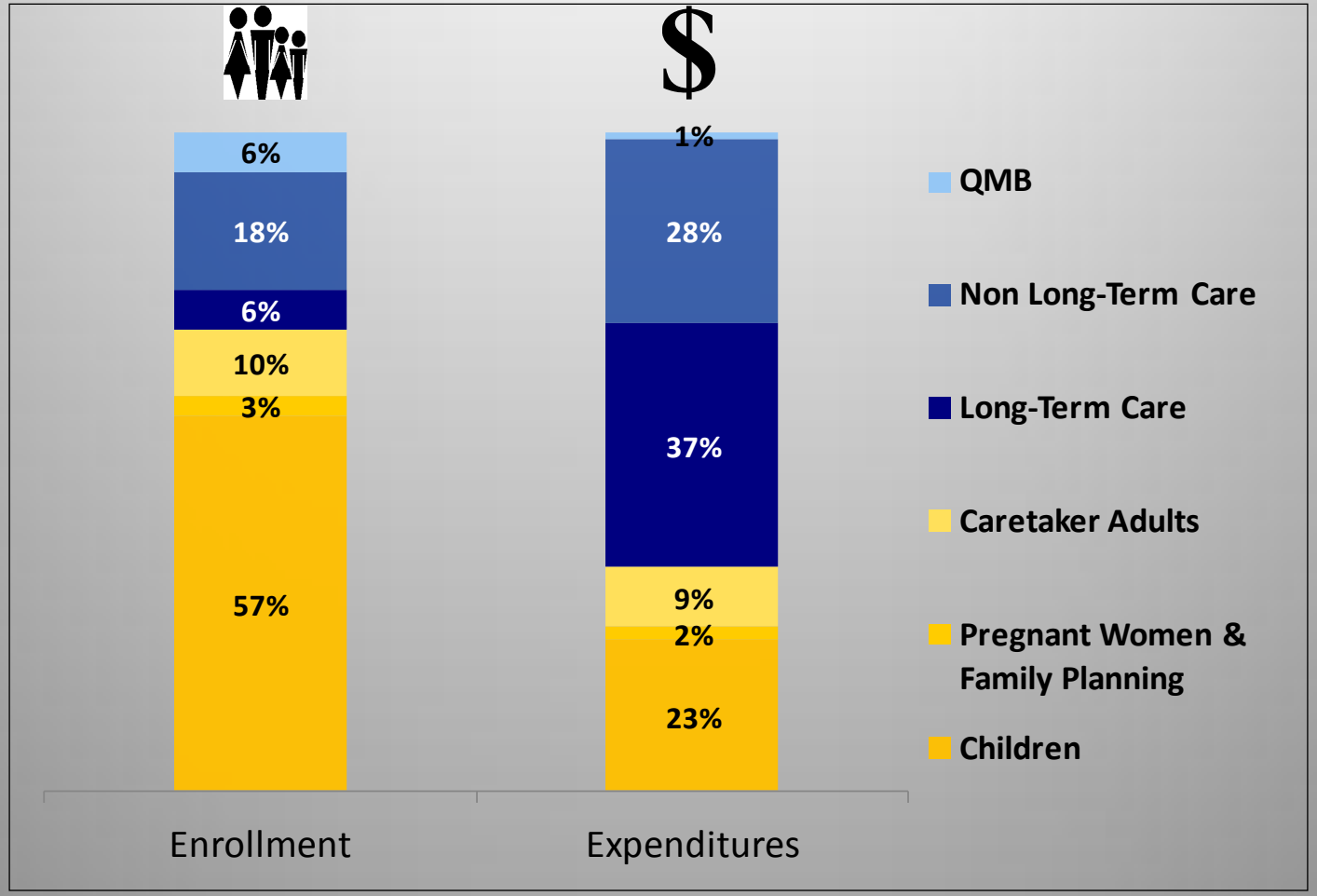
Annual expenditures have been restated to eliminate anomalies due to payment timing changes (i.e, delaying or accelerating payments for cash management or Federal match rate maximization) and federal health reform expansion.

Virginia compared to other states

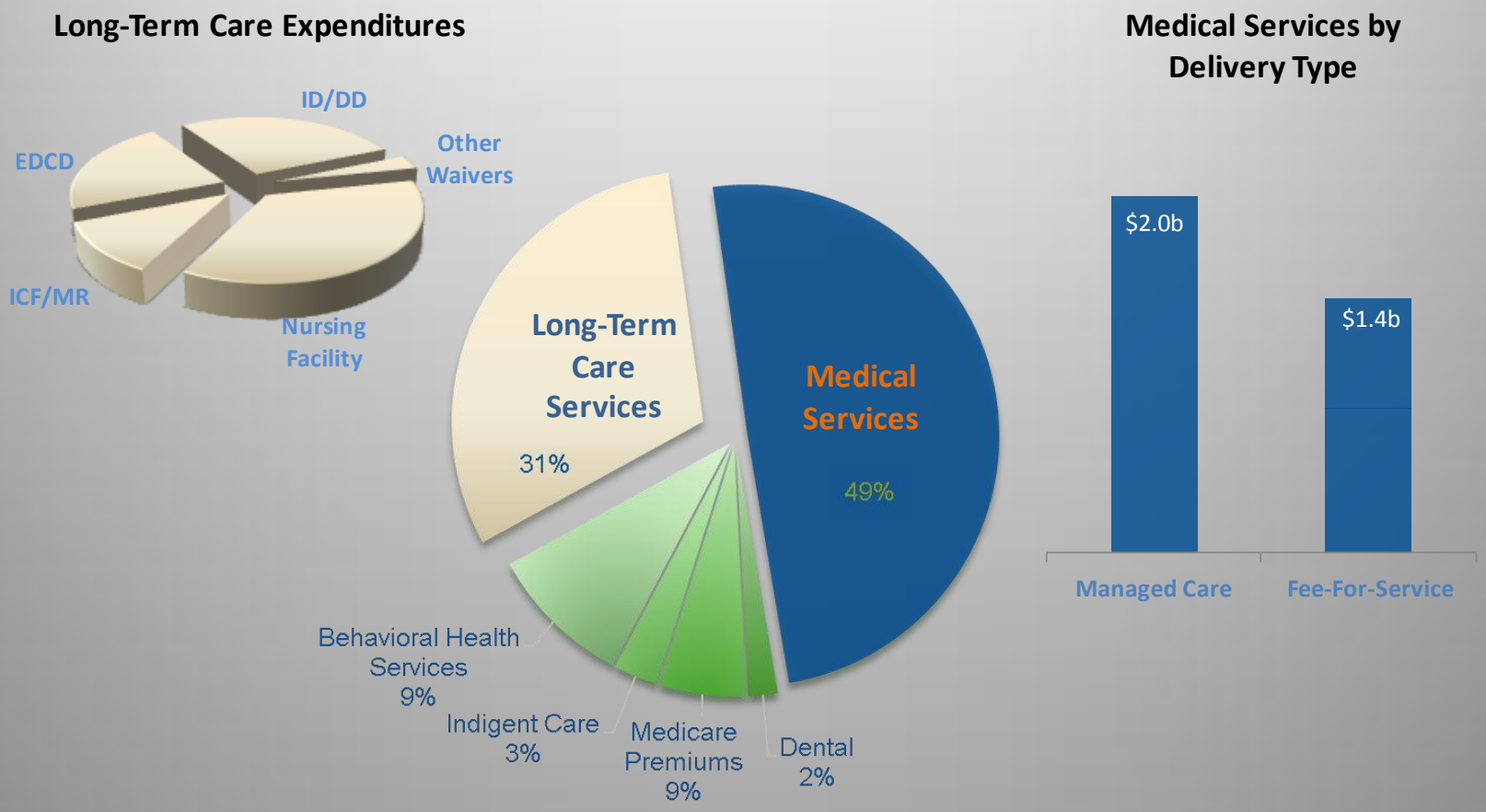
Measure		Rank
• Total Population[1]		12th
• Per Capita Income[1]		8th
• Total Personal Income[1]	9th	
• Number of Medicaid Recipients[2]		21st
• Number of Medicaid Recipients as % of Population[2]		44th
• Expenditure Per Medicaid Recipient[2]		24th
• Total Medicaid Expenditure Per Capita[3]	48th	
• Federal Percent of Medicaid Spending[4]		42nd
• FFY 11 Federal Match Rate = 50% (13 states)[5]		minimum

Sources: [1] U.S. Bureau of Economic Analysis State BEARFACTS: 2010
[2] Kaiser Commission estimates, 2008
[3] Total Medicaid Expenditure from Kaiser Commission 2009; Population from BEA 2009
[4] Kaiser Commission 2009
[5] Kaiser Commission 2011

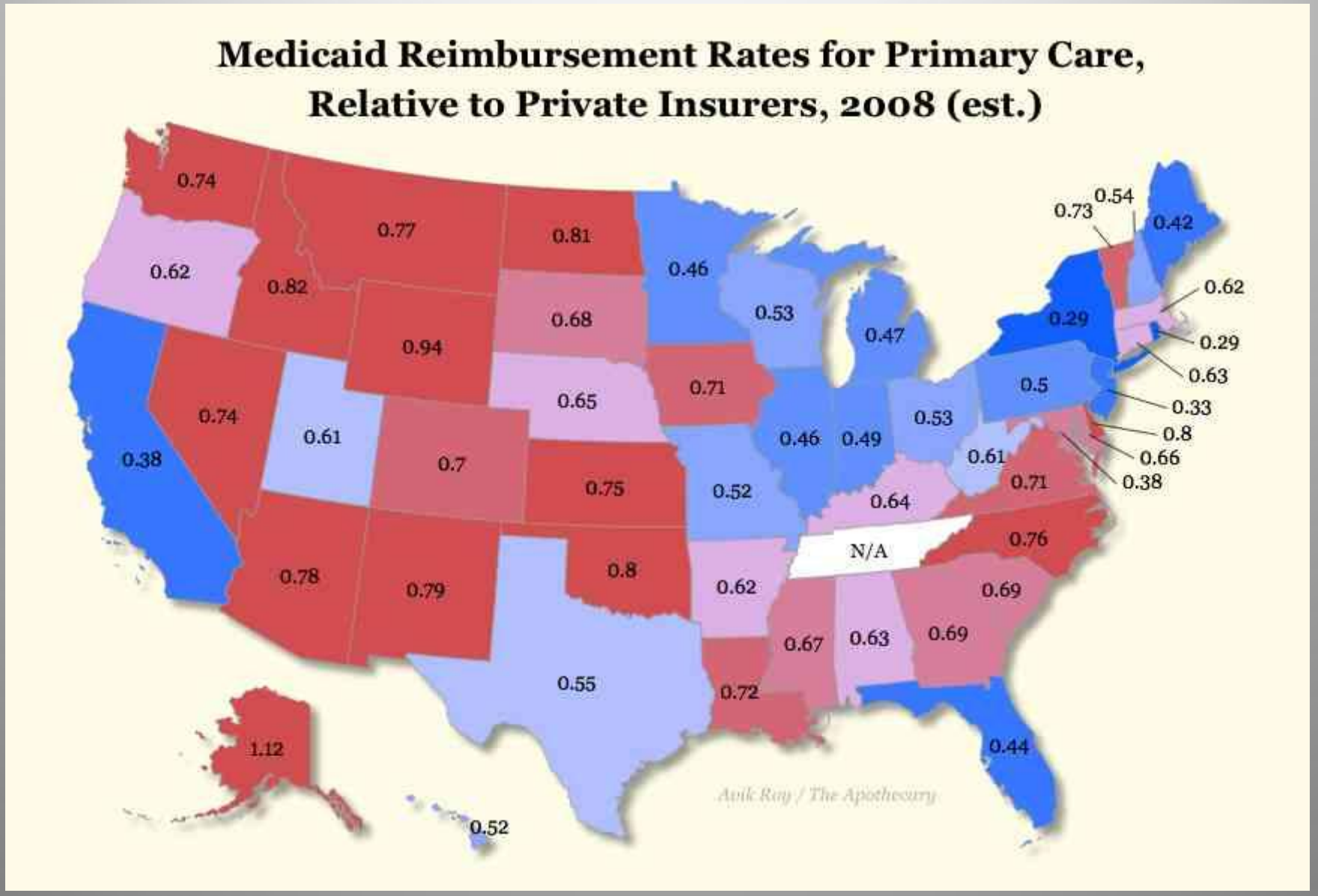
Where is the Money Spent?



DMAS State F2011 Medical Expenditures Composition

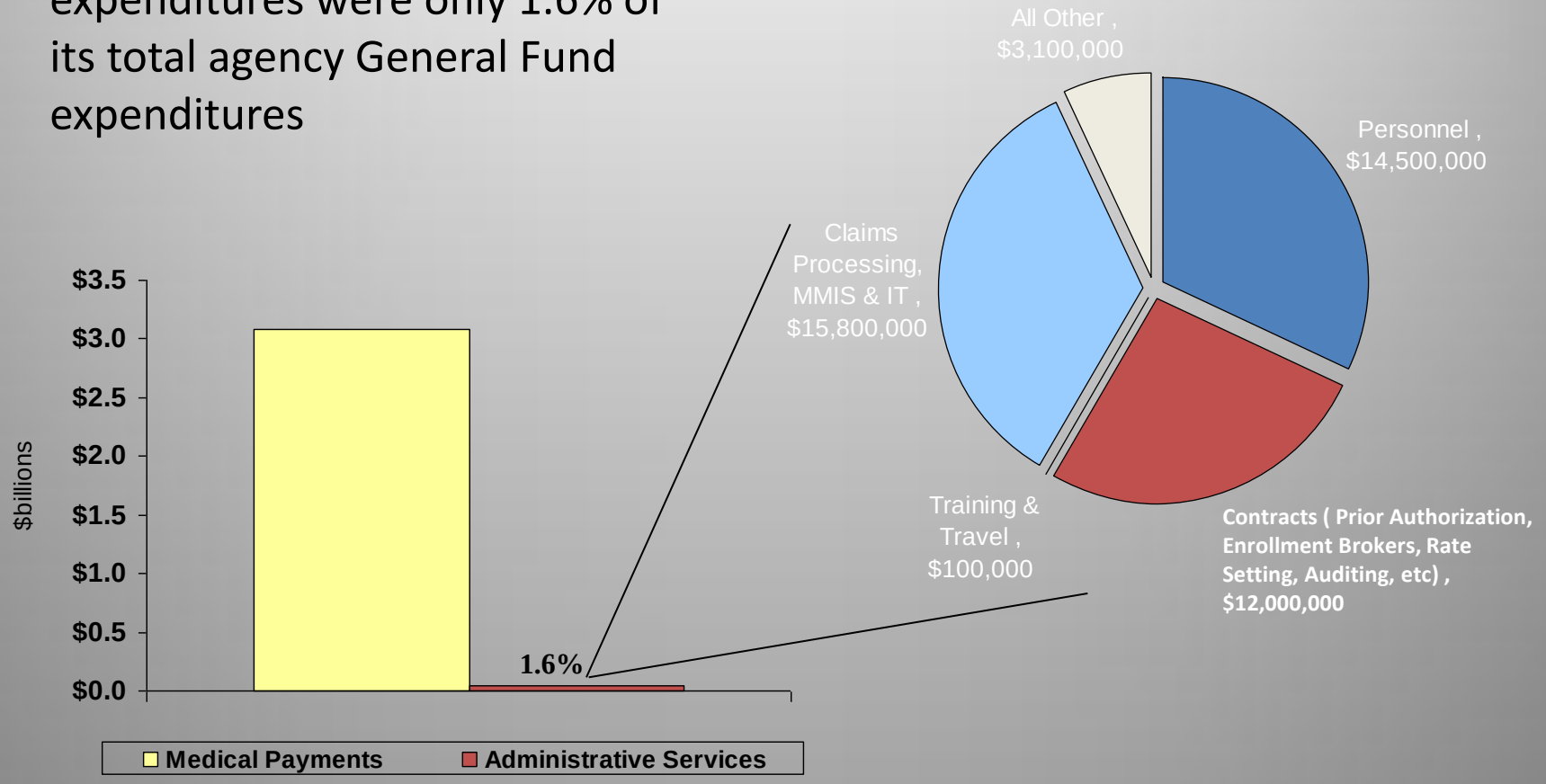


Cost Shifting is an Issue



DMAS' Administrative Budget

- In FY2011, DMAS' administrative expenditures were only 1.6% of its total agency General Fund expenditures



Medicaid Reforms Implemented during McDonnell Administration

Estimated Savings ($millions)			
	FY 2012	FY 2013	FY 2014
Managed Care Expansion – Roanoke Region & Southwest Virginia	($1.6)	($11.0)	($12.4)
Behavioral Health – CSB Independent Assessments & BHO	($5.7)	($30.7)	($35.9)
MCO Enrollment for Acute Care Services		($1.8)	($1.9)
Duals		($11.3)	($23.8)
PACE	($2.1)	($2.6)	($2.9)
Home & Cmmty Based LTC Service Cost Containment Initiatives	($17.0)	($18.5)	($20.1)
Competitive Bidding of Incontinence Supplies	(0.6)	(1.2)	(1.2)
Increased Recoveries from Additional Audits	($3.0)	($3.6)	($3.7)
Subtotal Total Funds	**($30.1)**	**($80.7)**	**($101.9)**
General Funds	**($15.0)**	**($39.3)**	**($49.9)**

Virginia Center for Health Innovation Housed in the Virginia Chamber of Commerce

- Employers
- Health Care Providers
- Health Plans
- Public Purchasers
- Suppliers

Virginia Center for Health Innovation

- **Exhibit 1. A Portfolio Approach to Health Innovation**
- **<u>VCHI Innovation Portfolio</u>**
- 1) Measurement of Employee Health and Productivity
- 2) Value-Based Purchasing
- 3) Value-Based Insurance Design
- 4) Focused Delivery and Payment Reform
- 5) Health Homes
- 6) Price and Quality Transparency
- 7) Reducing Overutilization
- 8) Strategic Wellness Design
- 9) Patient Safety Improvement

Eight Specialties Have Defined Interventions That Should Not be Paid For

Choosing Wisely®
An initiative of the ABIM Foundation

American Academy of Allergy, Asthma & Immunology

American Academy of Allergy Asthma & Immunology

Five Things Physicians and Patients Should Question

1 Don't perform unproven diagnostic tests, such as immunoglobulin G (IgG) testing or an indiscriminate battery of immunoglobulin E (IgE) tests, in the evaluation of allergy.

Appropriate diagnosis and treatment of allergies requires specific IgE testing (either skin or blood tests) based on the patient's clinical history. The use of other tests or methods to diagnose allergies is unproven and can lead to inappropriate diagnosis and treatment. Appropriate diagnosis and treatment is both cost effective and essential for optimal patient care.

2 Don't order sinus computed tomography (CT) or indiscriminately prescribe antibiotics for uncomplicated acute rhinosinusitis.

Viral infections cause the majority of acute rhinosinusitis and only 0.5 percent to 2 percent progress to bacterial infections. Most acute rhinosinusitis resolves without treatment in two weeks. Uncomplicated acute rhinosinusitis is generally diagnosed clinically and does not require a sinus CT scan or other imaging. Antibiotics are not recommended for patients with uncomplicated acute rhinosinusitis who have mild illness and assurance of follow-up. If a decision is made to treat, amoxicillin should be first-line antibiotic treatment for most acute rhinosinsutis.

3 Don't routinely do diagnostic testing in patients with chronic urticaria.

In the overwhelming majority of patients with chronic urticaria, a definite etiology is not identified. Limited laboratory testing may be warranted to exclude underlying causes. Targeted laboratory testing based on clinical suspicion is appropriate. Routine extensive testing is neither cost effective nor associated with improved clinical outcomes. Skin or serum-specific IgE testing for inhalants or foods is not indicated, unless there is a clear history implicating an allergen as a provoking or perpetuating factor for urticaria.

4 Don't recommend replacement immunoglobulin therapy for recurrent infections unless impaired antibody responses to vaccines are demonstrated.

Immunoglobulin (gammaglobulin) replacement is expensive and does not improve outcomes unless there is impairment of antigen-specific IgG antibody responses to vaccine immunizations or natural infections. Low levels of immunoglobulins (isotypes or subclasses), without impaired antigen-specific IgG antibody responses, do not indicate a need for immunoglobulin replacement therapy. Exceptions include IgG levels <150mg/dl and genetically defined/suspected disorders. Measurement of IgG subclasses is not routinely useful in determining the need for immunoglobulin therapy. Selective IgA deficiency is not an indication for administration of immunoglobulin.

5 Don't diagnose or manage asthma without spirometry.

Clinicians often rely solely upon symptoms when diagnosing and managing asthma, but these symptoms may be misleading and be from alternate causes. Therefore spirometry is essential to confirm the diagnosis in those patients who can perform this procedure. Recent guidelines highlight spirometry's value in stratifying disease severity and monitoring control. History and physical exam alone may over- or under-estimate asthma control. Beyond the increased costs of care, repercussions of misdiagnosing asthma include delaying a correct diagnosis and treatment.

VCHI Core Strategies

- Benchmark Research
- Convening & Education
- Demonstration Projects
- *Virginia Health Innovation Network*

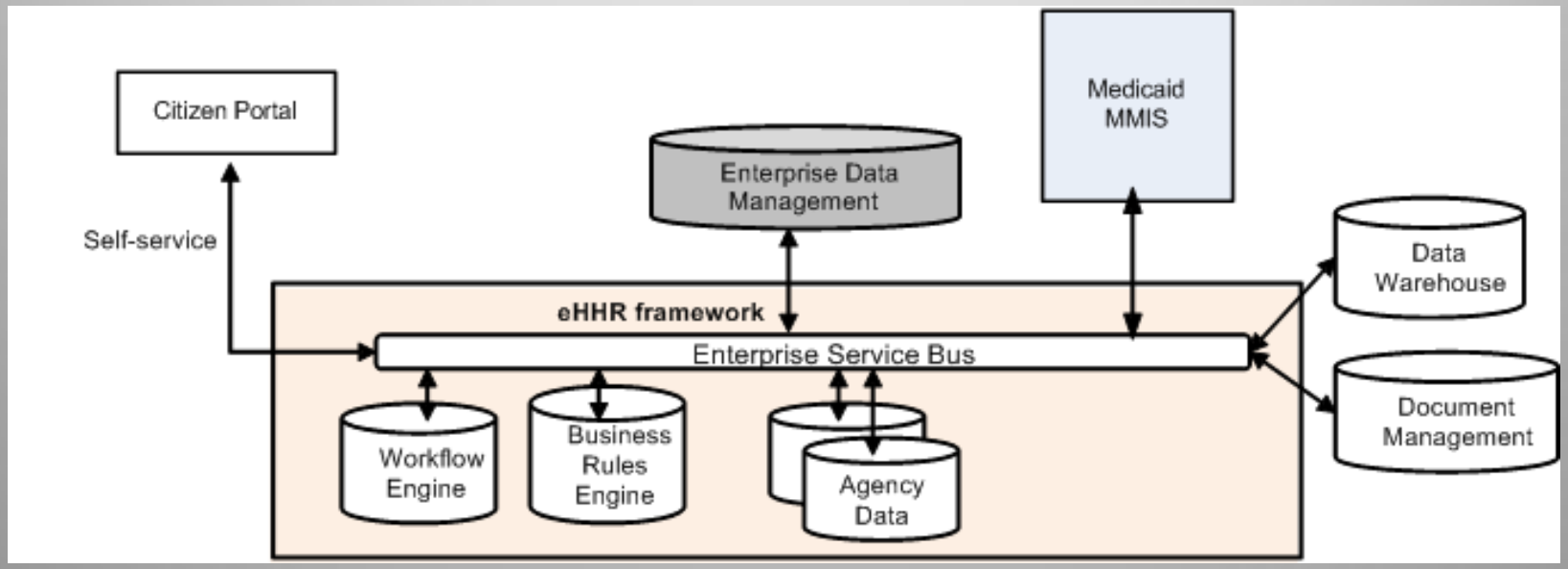
eHHR Program

eHHR Summary presented to the Virginia Joint Commission on Technology & Science

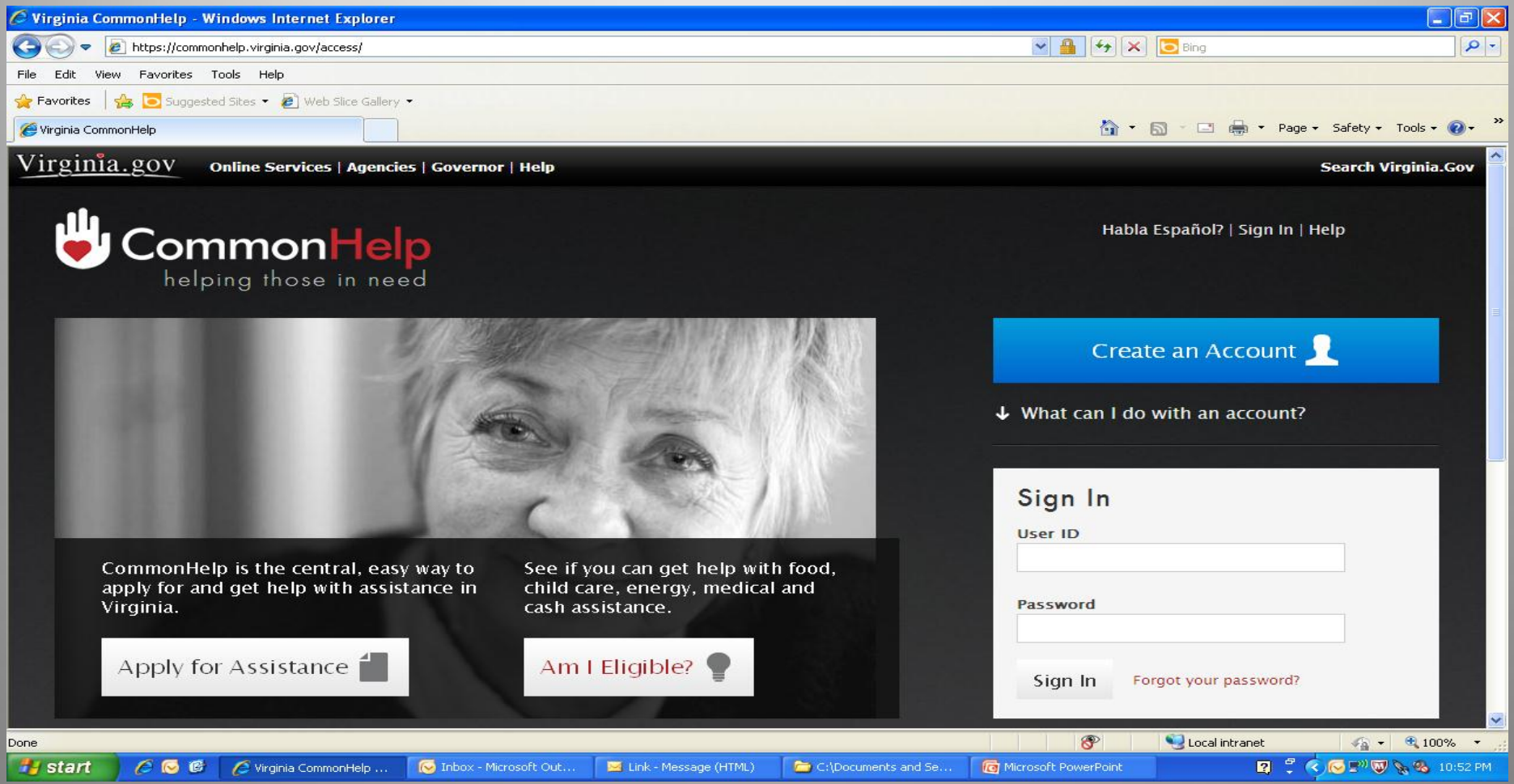
Secretary Bill Hazel, HHR

July 17, 2012

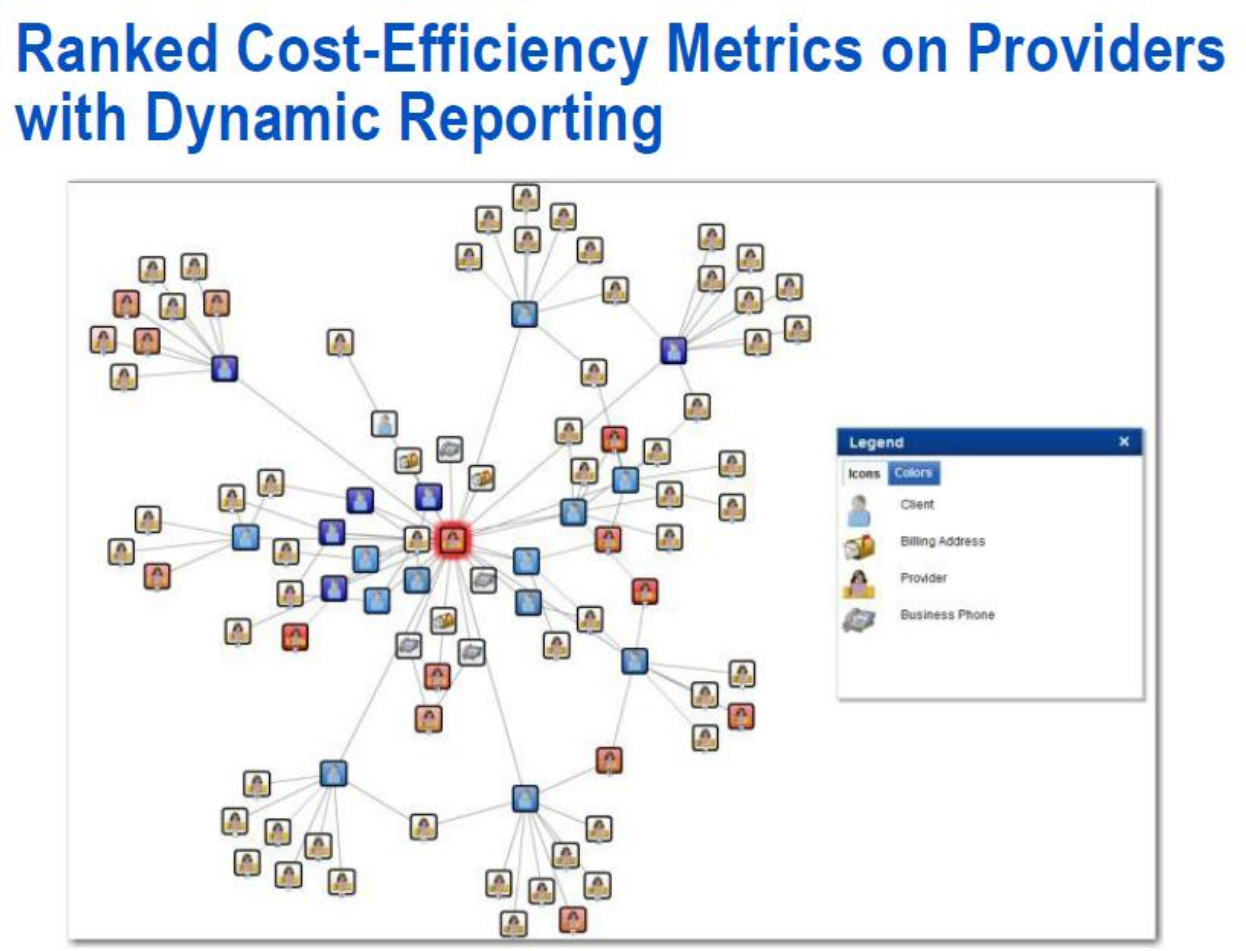
eHHR Technology Vision



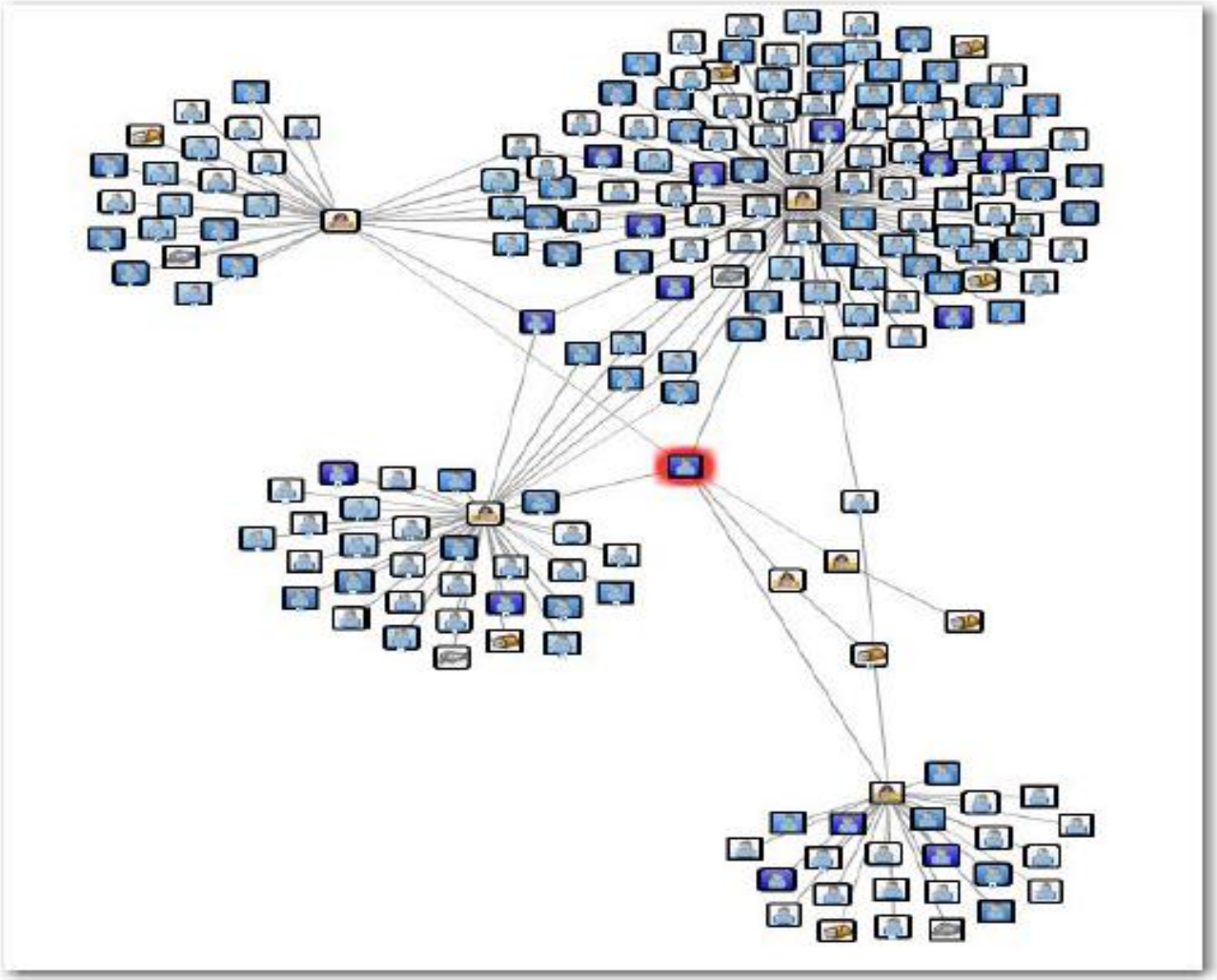
Early Success – CommonHelp



Children’s Services Paid for by Medicaid



Dynamic Visualization of Data



Program Integrity in Virginia Medicaid

Commonwealth of Virginia, Secretary of Health & Human Resources – Dr. Bill Hazel

Integrity Resources in Virginia

- Virginia conducts extensive prepayment review…
  - Prior authorization
  - Claim Check
- …and post-payment data mining / audit
  - During last two fiscal years, over 1000 providers have been reviewed through a combination of 50 full-time staff and (currently) four national firms under contract
    - Contractors conduct ≈ 70% of audits / internal staff ≈ 30%
    - Over $40 million (last two fiscal years) identified through this process as potential “overpayment”
- DMAS has achieved a 97% success rate for audit finding on appeal

Highlights of Virginia's Program Integrity Effort

- Most recent PERM payment error calculation established a payment error rate of *less than 1%* (0.7%), considerably below the national average
  - Indicates that pre-payment activities employed by Virginia Medicaid have been extremely successful in avoiding "improper" payment

- Post-payment identification of improper payment indicates that 99% of what is missed on prepayment review (based on the PERM error rate) is identified in post-payment review

Highlights of Virginia's Program Integrity Effort

- In Virginia, suspected cases of fraud are referred to our Medicaid Fraud Control Unit (MFCU) established at the Office of the Attorney General
  - 58 cases referred from DMAS over the past two years
  - $25 million in recoveries (SFYs '09 & '10)
- DMAS and MFCU have a very collaborative working relationship which has been identified as a best practice
- The MFCU continues to expand its resources, which should further enhance fraud detection efforts

Focused Areas of Improvement in Virginia's Program Integrity Effort

- The PERM Eligibility review indicated several areas of concern related to the eligibility determination process
  - While the error rate is likely overstated, as an educational tool, the review reinforced existing concerns regarding the local administration of Medicaid eligibility
  - The Commonwealth is taking proactive steps to alleviate these concerns, with particular focus on implementing a new eligibility system
- In addition, DMAS is focusing efforts on improving the effectiveness and collaboration of program integrity efforts under our Medicaid MCO program
- Also, DMAS has awarded a contract to Health Management Systems (HMS) to enhance data mining efforts to further identify potential target areas for auditing

Recent Federal Efforts to Address Program Integrity

- Payment Error Rate Measurement
  - Concerns with the implications of eligibility error rates and their accuracy as related to actual "improper" payment versus technical error
- Medicaid Integrity Contractor (MIC)
  - Still requires considerable State resources to facilitate these auditors on state-specific policies and procedures, as well as reconsideration of findings on appeal
- Recovery Audit Contractor (RAC)
  - Resource concerns as with MIC
  - Concerns with contingency-based auditing and the impact of this additional program on existing audit plans
  - RAC contract awarded to HMS
- Medicaid Integrity Institute (MII)
  - Has been a great resource for State program integrity staff

Questions