

**Commonwealth of Pennsylvania**

***2006-07***

***Governor's  
Executive Budget***

**Medical Assistance Briefing**

**Edward G. Rendell**  
***Governor***



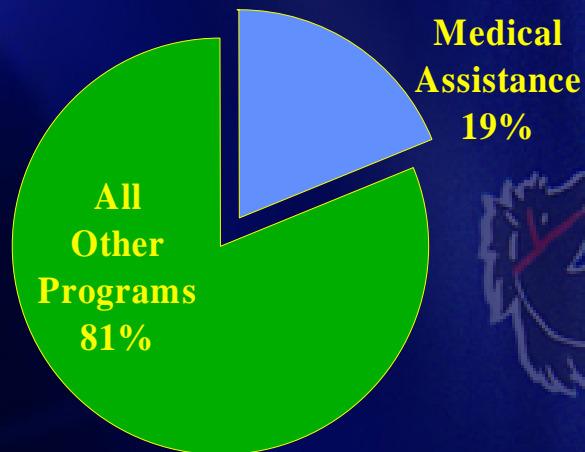
February 14, 2006

# Medical Assistance Remains the Safety Net

- **Every Year More People Rely on Medical Assistance (MA)**
- **Pa MA Currently Serves Over 1.8 Million**
- **Growing to Nearly 1.9 Million in 2006-2007**

# Pennsylvania MA Still Challenged

- Annual Expenditures Exceed \$14 Billion Total Funds
- Growth Rate Continues to Outpace State Revenues
- MA State Fund Portion of General Fund Now 19%

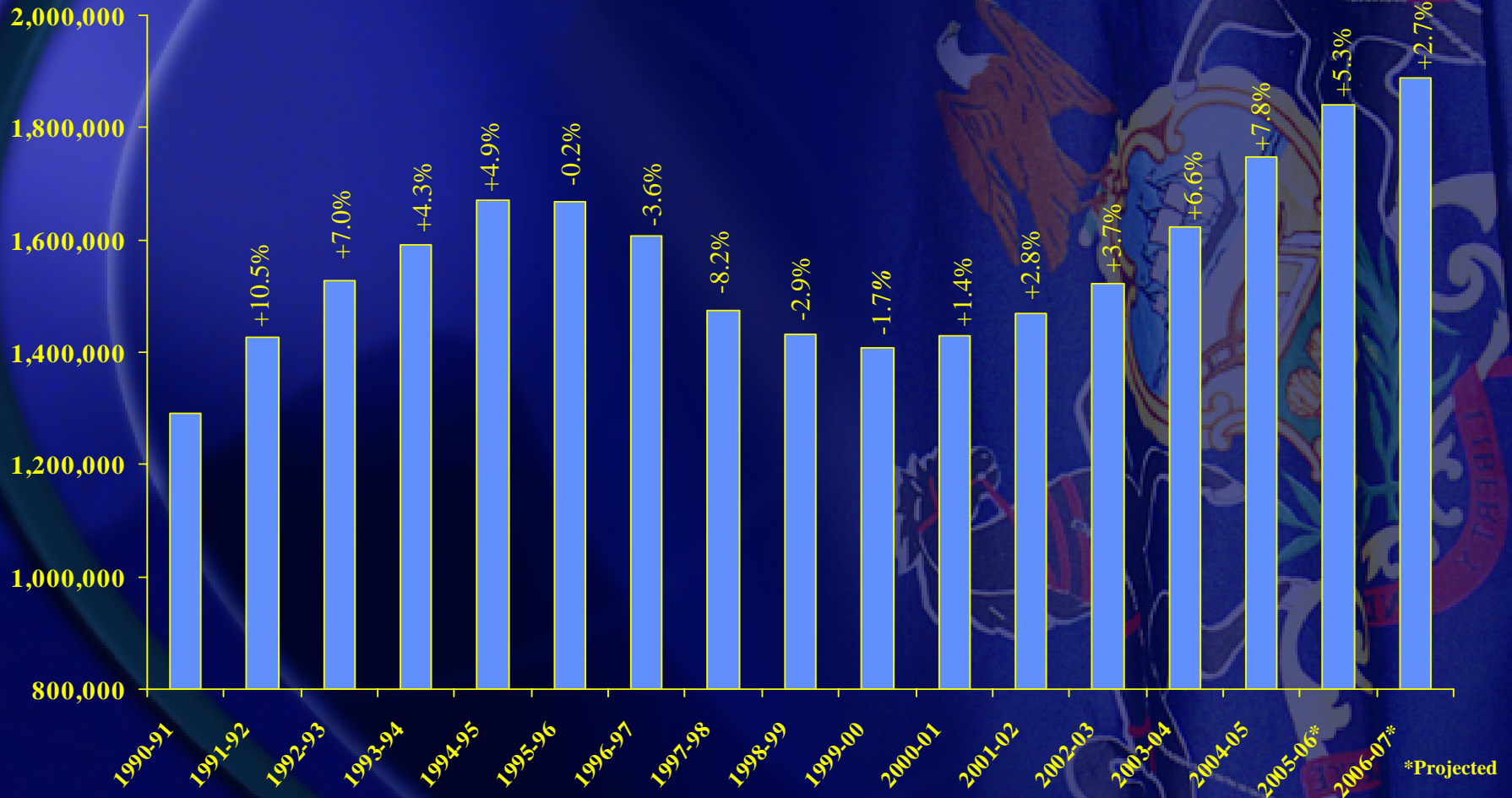


# Why do MA Costs Continue to Grow?

- **Increasing Number of MA Eligibles**
  - **Growing Elderly Population**
  - **Growing Number of Clients With Complex Diseases**
- **Health Care Trends – Rising Costs**
  - **Patient Acuity**
  - **Service Utilization**
  - **New Technology**
  - **New Drug Treatments**
- **Loss of Federal Funding**
  - **Federal Matching Rate**
  - **One-Time Funding**
  - **IGT**
  - **Impact of Federal Budget**

# Caseload Increases Explain Some of the Growth

*The Medical Assistance program is projected to expand by nearly 50,000 new eligibles in 2006-07.*

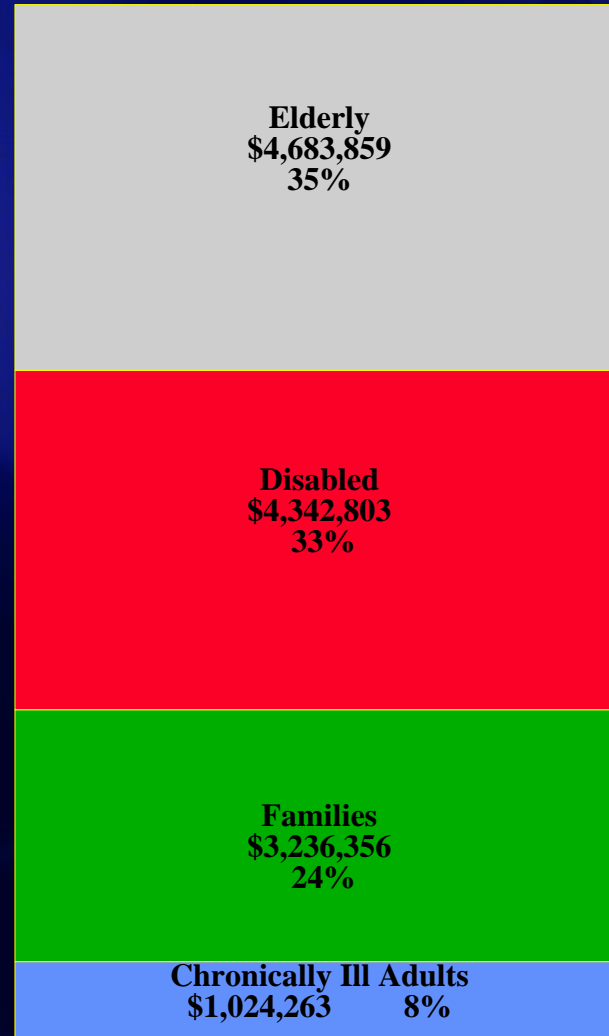


**Average Monthly Enrollment**

Source: DPW Budget Office

# The Largest Expenditures are for the Elderly and Disabled

*Almost 70% of MA Expenditures Are For Elderly and Disabled,  
But They Make Up Only 33% of Eligibles*



2006-07 Projected Expenditures

66

Source: DPW Budget Office

## **Medicare Part D Clawback**

- **Over 266,000 Dual Eligibles Now to Get Most Prescriptions from Medicare**
- **The Catch: Commonwealth Must Continue to Pay (Clawback)**
- **In 2006-07 the Clawback Equals \$348M**
- **In the Future, the Clawback will be adjusted by national pharmacy trend factors**
  - Will become a fixed portion of the Medicaid budget
  - Unaffected by Pennsylvania pharmacy management initiatives
- **PA is Strongly Considering Joining Litigation That Questions the Legality of the Clawback**

## 2005-06 Priorities.....

- **Controlling the Cost of Prescription Drugs**
- **Implementing Benefit Changes**
- **Pursuing Fraud and Abuse Aggressively**
- **Prudently Purchasing Services**
- **Improving FFS**
  - ACCESS Plus
  - FFS Case Management
  - Improving Management of FFS Operations
- **Reforming PA's Long Term Living System**
- **Keeping People Healthy**
- **Transitioning to Medicare Part D**

# 2005-06: Controlling the Cost of Prescription Drugs....

## *Initiatives*

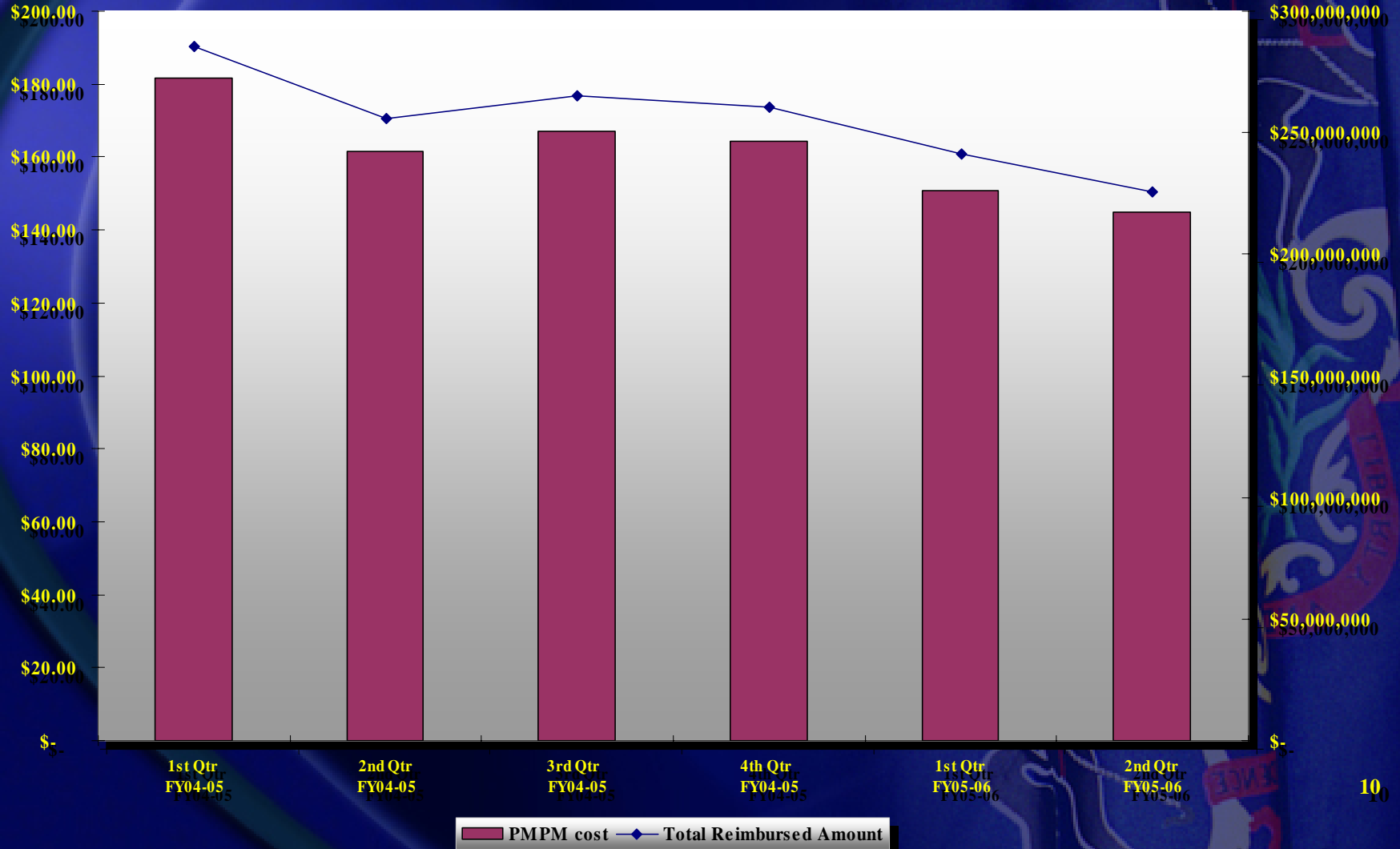
- **Revised Reimbursement Rates**  
*(More in Line With Industry Standards)*
- **Establish Fee for Service Preferred Drug List**  
*(CMS Approval for MCO PDL Pending)*
- **Improve Management of Drug Benefit**

## *Results*

- **Cost Per Recipient Per Month Dropped 12% From \$162 to \$145**
- **Average Cost per Drug Claim Dropped From \$61 to \$54**
- **Generic and Over the Counter Drug Utilization Increased from 54% to 63%**
- **Per Member Utilization Has Been Flat Through 2005-06**

# 2005-06: Controlling the Cost of Prescription Drugs....

The Average Prescription Drug Cost Per MA Recipient is Decreasing



# 2005-06: Implementing Benefit Changes.....

## *Initiatives*

- **Limits on Quantity of Selected Services for Adults and GA Recipients**
- **Re-structure Co-pays to Increase Use of Generic Drugs\***

## *Results*

- **Recipients and Providers are More Productively Managing Their Services**
- **Recipients and Providers are Working Cooperatively With DPW Exceptions Staff to Maximize Available Benefits**

*\*Emphasis Recommended During Listening Tour*

# 2005-06: Pursuing Fraud and Abuse Aggressively\*....

## Initiatives

- **Pharmacy Audits:** \$4M in State Fund Savings
- **Oxygen Reviews:** \$2M in State Fund Savings
- **DRG Validation:** \$2M in State Fund Savings
- **Medi-Medi Project:** \$5M in Total Savings
- **Nursing Home Recoveries:** \$6M in Total Savings
- **Private Insurance Data Matches** \$4M in State Fund Savings

## Results

- **Total Recoveries Increase from \$10.7M in 2004 to \$17.2M in 2005**
- **During 2005, Recoveries Represented Almost 1 Percent of Total MA FFS Expenditures**

\**Emphasis Recommended During Listening Tour*

# 2005-06: Prudently Purchasing Services.....

## Rate Increases for Services Provided to Medical Assistance Recipients

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Inpatient Hospitals (Fee-for-Service)	2.8%	3.0%	4.0%	4.1%	1.0%	3.5%	2.0%

Rates are negotiated with the Hospital Association of Pennsylvania.

Managed Care Organizations	9.3%	6.1%	10.7%	7.7%	4.6%	5.0%	2.0%
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Rates are negotiated with the plans but must be within actuarially sound rate ranges

Nursing Homes	7.1%	3.5%	5.8%	4.6%	6.7%	6.2%	2.8%
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Rates are determined by inflation factors and the acuity level of residents.

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# 2005-06: Improving FFS - ACCESS Plus.....

## *Initiative*

- **ACCESS Plus**
  - Implemented March 1, 2005 in 42 Counties
  - Emphasizes Health Education and Preventive Medicine
  - Disease Management Component to Provide More Appropriate, Systematic Care to Chronically Ill Recipients

## *Results*

- **275,000 Enrolled in ACCESS Plus**
- **Over 28,000 Enrolled in Disease Management**

DM Component	% of DM Enrollment
Asthma	53.7%
Diabetes	22.8%
Chronic Obstructive Pulmonary Disease	9.6%
Coronary Artery Disease	9.2%
Congestive Heart Failure	4.7%

## **2005-06: Enhancing FFS Case Management....**

- **Started in July 2004; Now Staffed With 15 Nurses**
- **Actively Managed Over 1,000 Cases in 2005-06**
- **Currently Managing**
  - Medically Fragile**
  - Medically Complex**
  - Chronic Pain**
  - Adolescent Diabetics**
- **Adding High Risk Maternity and Neonates in Hospital this Spring**

## **2005-06: Improving Management of FFS Operations\*....**

- **Currently 68,000 Medical Providers Enrolled With MA**
- **93% of New Enrollments Now Processed Within 30 Days**  
*(Planning to Issue RFP for Enrollment and Credentialing)*
- **Most Prior Authorizations Processed Within 7 Days**  
*(None Exceeding 21 Day Limit)*
- **Dramatically Improved Response Time for Provider Inquiry Line**
- **Added Client Hotline**

*\*Emphasis Recommended During Listening Tour*

# 2005-06: Reforming PA's Long Term Living System...

## *Initiatives*

- **Community Choice**
- **Nursing Home Transition**
- **Aging & Disability Resource Center Grant**
- **Quality Assurance/Quality Improvement**
- **Integrating Long Term Supports and Affordable Housing**

## **2005-06: Keeping People Healthy.....**

- **Reducing and Preventing Obesity**
- **Encouraging Smoking Cessation**
- **Reducing and Preventing Domestic Violence**

## **2005-06: Transitioning to Medicare Part D.....**

### **Pre-January 1, 2006:**

- **Advocated for Duals With CMS**
- **Held Information Sessions**
- **Mailed Information to Providers**
- **Worked with Dental Providers**
- **Sent Notices to All Affected Clients**
- **Set Up Client Hotline**
- **Set up Website on Medicare Part D**

### **Post-January 1, 2006:**

- **Implemented 5-Day Supply/Excessive Co-Pay**
- **Submitted Waiver to Continue Transportation**
- **Handled 800-1,000 Client Calls Daily**
- **Responded to 140 Pharmacy Inquiries daily**
- **Added Tip Sheets to DPW Website**
- **Sent Alerts to Provider Associations**
- **Held Conference Calls With Pharmacists**

# **2006-07 Budget**

## *Guiding Principles*



- ✓ **No One Currently Receiving Services Will Lose Eligibility**
- ✓ **Coverage for Children Will Not Be Reduced**
- ✓ **Pennsylvania Will Meet Anticipated Demand for Services for Those in Need**

# **2006-07 Budget**

## **Initiatives**

**Selective Contracting**

**Enhanced Program Management**

**Hospital Reimbursement Restructuring**

**Modest Provider Rate Increases**

**Improved Capitated Managed Care Program**

**Continued Reform of Long Term Living**

**2006-07**

# **Selectively Contract for DME and Home Health**

- ✓ **Establish Best Value Pricing**
- ✓ **Direct Volume to Selected Providers**
  - Who Can Provide Full Range of Services
  - Who Can Price at Below Current Fee Schedule
- ✓ **Incorporate Quality Improvement and Monitoring**

*2006-07*

## **Selectively Contract for Specialty Pharmacy**

- ✓ **Institute Exclusive Provider Contracts**
- ✓ **Optimize Utilization and Reduce Waste of Expensive Drugs**
- ✓ **Realize Lower Plan Costs Through Bulk Purchasing**

**2006-07**

# **Continue to Aggressively Pursue Fraud and Abuse**

## **✓ Recipient Lock-In**

**-For Clients Receiving Excessive or Unnecessary Services**

## **✓ Medicare Recoveries**

**-Prevention/Recovery of MA Payments for Medicare-Covered Services**

**-Require Providers of Medicare Covered Services to Participate With and Bill Medicare First**

**-Medical Support Enforcement Thru Data Matches**

*2006-07*

## **Improve Management of Radiology Services**

- ✓ **Develop Criteria for Authorization of Costly Procedures**
- ✓ **Improve Utilization of Expensive Radiology Services**
- ✓ **Improve Quality of Care to MA Population**

*2006-07*

## **Implement HIV/AIDS Case Management**

- ✓ **Cost Effective Clinical Management**
- ✓ **HIV/AIDS Clients Residing in Rural Areas**
- ✓ **Improved Access to Appropriate Care**

*2006-07*

## **Implement Provider Credentialing**

- ✓ **Ensure that MA Recipients Receive Services Only From Qualified Providers**
- ✓ **First-line Defense in the Prevention of Fraud and Abuse**
- ✓ **Improvement in Quality of MA Provider Network**

*2006-07*

## **Restructure Hospital Reimbursement**

- ✓ **Move to a Medicaid-Specific Reimbursement for Hospitals**
- ✓ **Recognize and Reward Hospitals for Their Risk Related to Providing MA Services**
- ✓ **Tie Special Payments for Hospitals More Closely to the Volume of Services Provided to Low Income Clients**
- ✓ **Provide Incentives for Providing Quality Inpatient Services**

**2006-07**

**\*Listening Tour Idea**

## **Continue to Prudently Purchase Services**

### **✓ Hospitals:**

- 4% Rate Increase Proposed for 2006-07**
- Increase for 2005-06 was 2%**

### **✓ Managed Care Organizations:**

- 4% Rate Increase Proposed for 2006-07**
- Increase for 2005-06 was 2%**

### **✓ Nursing Homes:**

- 4% Rate Increase Proposed for 2006-07**
- Increase for 2005-06 was 2.8%**

*2006-07*

## **Improve Capitated Managed Care Program**

- ✓ **Implement MCO PDL or Pharmacy Carve Out**
  
- ✓ **Improve PH/BH Coordination**
  
- ✓ **Evaluate Current Capitation Model**
  - Future of Voluntary Managed Care
  - Structure of Current HealthChoices Program by Zone
  - Improve Management of GA Population

*2006-07*

## **Continued Reform of Long Term Living**

- ✓ **Continue Expansion of Home and Community-Based Services**
- ✓ **Expand Nursing Home Transition Efforts**
- ✓ **Continue Expansion of Community Choice**
- ✓ **Discuss Incentives for “Right-Sizing” and Expansion of Continuum of Services**
- ✓ **Ensure Consistency in Clinical Assessments/Care Planning**
- ✓ **Maximize Utilization of PDA Waiver Resources**

# And Last, but not Least....

- **Keeping an Eye on Washington**
- **Federal Budget Reconciliation Bill (Deficit Reduction Act of 2005)**
- **Commission on Medicaid and Medicare**
- **Plan for the future of Medicaid in PA**
  - **Waiver Opportunities**
  - **Restructuring of Managed Care Programs**

