Leslie Clement, Deputy Director
Department of Health and Welfare
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STATUS REPORT HOUSE BILL 260

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Pharmacy Reimbursement

- Two components to pharmacy reimbursement:
  - Ingredient Cost is now paid using the Average Acquisition Cost
    - Generics implemented 7/5/11
    - Single source drugs implemented 9/28/11
  - Dispensing Fees are now paid using a 3-tiered payment implemented 9/28/11
- Expect to exceed savings projections

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Ingredient Costs

- The (Actual) Average Acquisition Cost methodology is pricing based on actual invoice information collected as part of the ingredient cost survey
  - Contractor monitors market and makes pricing adjustments as necessary
  - Contractor has a process to review interim pricing increases experienced by pharmacies

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Dispensing Survey Responses

Table 2.1 Pharmacies Responding to Dispensing Cost Survey

Type of Pharmacy	Pharmacies Receiving Cost Surveys	Pharmacies Exempt from Filing	Non-Exempt Eligible Pharmacies	Usable Cost Surveys Received	Response Rate
Chain	195	7	188	122	64.9%
Independent	162	3	159	60	37.7%
TOTAL	**357**	**10**	**347**	**182**	**52.4%**
In-state Urban	193	5	188	113	60.1%
In-state Rural	121	4	117	47	40.2%
Border State	43	1	42	22	52.4%
TOTAL	**357**	**10**	**347**	**182**	**52.4%**

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Survey Results

Table 2.5 Dispensing Cost by Pharmacy Total Annual Prescription Volume

Total Annual Prescription Volume of Pharmacy	Number of Stores	Unweighted Average (Mean) Dispensing Cost [B]	Average (Mean) Weighted by Total Prescription Volume [B]
0 to 39,999	47	$16.77	$15.11
40,000 to 69,999	76	$12.40	$12.35
70,000 and Higher	57	$11.41	$11.51

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Medicaid Mental Health

- Reduce adult PSR to 4 hrs/week
  - Implemented 7/1/11
  - Projected general fund savings $2,270,000
- Management tool for PSR
  - Quality assurance work performed by Mental Health Care management staff incorporated the use of the LOCUS/CALOCUS beginning 7/1/11 to further enhance the overall management of PSR service usage
  - Subsequent routine reporting will focus on appropriate and inappropriate service usage

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Developmental Disability Services

- Adult DD budgets – Adjust for health and safety only
  - Implemented 4/1/11
  - Projected general fund savings $2,000,000
- Blended Rate for adult Developmentally Disabled Group and Individual Therapy
  - Implemented 7/1/11
  - Projected general fund savings $1,100,000

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Medicaid Reimbursement

- No rate increases for SFY 2012
  - Implemented 7/1/11
  - Projected general fund savings $4,700,000
- Set reimbursement at 90% of Medicare for Non-Primary Care Procedures
  - Implemented 7/1/11
  - Projected general fund savings $1,500,000

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Therapy Services

- Align PT, OT and Speech with Medicare Caps
  - Implementation 1/1/12
  - Projected general fund savings $200,000
- Reduce Outpatient Hospital – PT, OT and Speech to 90% of Medicare
  - Implemented 7/1/11
  - Projected general fund savings $300,000

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Dental Services

- Reduce Adult Dental Benefit reduced to medically necessary oral surgery and palliative services
  - Implemented 7/1/11
  - Agreed on codes to be included with Idaho State Dental Association
  - Projected general fund savings $1,700,000

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Other Professional Services

- Reduce Chiropractic coverage to 6 visits per year
  - Implemented 7/1/11
  - Projected general fund savings $200,000
- Limit adult Podiatry service and Optometry services based on chronic care criteria
  - Implemented 7/1/11
  - Projected general fund savings $800,000
- Eliminate Audiology Services for Adults
  - Implemented 7/1/11
  - Projected general fund savings $70,000

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Cost Sharing (co-pays)

- Establish co-payments
  - Implementation 11/1/11 chiropractic, optometry and podiatry
  - Implementation 1/1/12 for therapies, outpatient hospital, and physician office visits
  - Projected general fund savings $750,000

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Continued reductions from 2011

- Rule authority to make HB 701 changes permanent
  - Continued from SFY 2011
  - Projected general fund savings $6,940,000
    - Move primary care management fee to tiered payment
    - Eliminate payment for collateral contact
    - Eliminate duplicative skill training
    - Restrict Partial Care to diagnosis of severe and persistent mental illness
    - Eliminate personal care service coordination
    - Eliminate supportive counseling
    - Reduce annual assessment hours
    - Reduce plan development hours
    - Eliminate requirement for annual plans
    - Reduce plan and assessment administrative requirements

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Idaho Home Choice Project

- Move individuals from institutions to community – Money Follows the Person grant
  - Implementation 10/1/11 – first resident to move from institution into a community setting
  - Projected general fund savings $1,300,000

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Certified Family Home Fees

- Initiate application/certification fees for Certified Family Homes
  - Implemented 7/1/11
  - Collection of $176,000 YTD
  - 134 Certified Family Homes have not yet paid
  - Projected general fund savings $294,000

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Program Integrity

- NCCI – edits implemented in claims system to ensure accurate payments
  - Projected savings of $50,000 will be exceeded
- 8 additional Medicaid Integrity staff
  - Initiated hiring 7/1/11 will have all hired by 10/28/11
  - Projected general fund savings $1,100,000

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Assessments

- Add to Hospital Assessment
  - Implementation 6/30/12
  - Projected general fund savings $3,500,000
- Add to Nursing Home Assessment
  - Implemented 12/31/11
  - Projected general fund savings $3,500,000
- New ICF/ID Assessment
  - Implemented 12/31/11
  - Projected general fund savings $500,000

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HB 260 REPORT – Managed Care

56-261: Medicaid Cost Containment and Health Care Improvement Act:

- identifies the current health care delivery system of payment to Medicaid health care providers on a fee-for-service basis fails to provide the appropriate incentives, and
- can be improved by incorporating managed care tools, including capitation and selective contracting, with the objective of moving toward an accountable care system that results in improved health outcomes.

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Managed Care Plan

56-263: Medicaid Managed Care Plan

- Directs the Department to present to next year's legislature a plan for Medicaid managed care with focus on high-cost populations
- Requires that the plan include certain elements:
  - Improved care coordination through medical homes
  - Improved coordination & case management of high-risk, high-cost adults
  - Managed care for behavioral health benefits
  - Elimination of practices that result in unnecessary utilization and costs
  - Contracts based on gain sharing, risk-sharing or a capitated basis

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Actuarial Analysis

HB 341 Section 24 DHW Appropriations Bill

Directs Medicaid to:

- Complete an actuarial analysis of all Medicaid plans by population, subgroup and region before November 1, 2011
- Provide a copy of the actuarial report to DFM and LSO by December 1, 2011, and
- Provide the report with recommendations for the next phases for implementation of managed care to JFAC during the 2012 session.

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Actuarial Analysis: status

Status of activities as of October 2011:

- Analysis focusing on mental health and dual eligible rate ranges
- Working through functionality threshold process for long-term care
- Developing rate ranges for physical health services

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Medical Homes/Health Homes

Status of activities as of October 2011:

Improve Care Coordination through Medical Homes

- Interviewing project coordinator – second round
- Commercial payers proposing pilot scope that focuses on high-risk population
- Medicaid "health home" state plan amendment in 2012 to focus on high risk populations, including those with serious persistent mental illness and compensated through tiered case management fee plus fee-for-service

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Mental Health Managed Care

Status of activities as of October 2011:

Establish managed care for behavioral health benefits.

- Initiated a Request for Information – received six responses from health plans
- Public Forum held on August 30th engaged a panel of mental health experts to obtain advice on desired Idaho requirements for a Request for Proposal.
- Web site established that includes our RFI, FAQs, educational material on managed care and an avenue for the public to submit questions and suggestions. www.MedicaidMHManagedCare.dhw.idaho.gov
- RFP to be posted within next five months
- Waiver work initiated with CMS

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Dual Eligibles and LTC

Status of activities as of October 2011:

Exploring opportunities to further develop managed care for the dual eligibles.

- Reviewing a technical assistance opportunity from CMS to pilot new financing models to improve system integration, Medicare & Medicaid benefit coordination, and payment reform to improve health outcomes.
- Invited Health Plans to assess willingness to partner on this initiative and gained their support.
- Scheduled Public Forum on October 26th with panel experts to obtain input regarding a seamless, integrated plan that includes acute, behavioral health and long-term care.
- Web site launched with information on duals and LTC www.MedicaidLTCManagedCare.dhw.idaho.gov

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Legislators Opportunity

Oregon and Utah managed care experts invited to share their state's Medicaid Managed Care experiences.

- Legislators will receive invitations with logistics
- Timeframe: Early November
- Place: Capitol
- Discussion: Will hear from two states with decades of Medicaid managed care experience and provide for question and answers.

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Medical Public Forum

Collaborating with Hospitals, Physicians and Safety-Net Providers to host a full-day forum to discuss how these health care providers want to see Medicaid implement managed care.

- Legislators and the public will receive invitations with logistics
- Timeframe: Second week in December
- Place: Boise
- Panel discussions by hospital representatives, physician and medical practices, and Federally Qualified Health Centers

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HB 260 REPORT – Managed Care

Report will be delivered according to legislative requirements and will include:

- Actuarial analysis results,
- Summary of 2012 activities regarding development, and
- Recommendations.

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Questions?

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Thank you!

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	MEDICAID REDUCTIONS	PROJECTED GENERAL FUND SAVINGS	STATUS AS OF 8/1/2011
1	Managed Care with focus on high cost populations	Long term policy no savings expected in 2012	Amended existing actuarial contract to obtain comprehensive analysis on Medicaid populations (by children and adult and by county); report expected by end of October. Stakeholder meetings have been initiated to gain public input on how Medicaid Managed Care should be designed in Idaho. We have arranged for Oregon and Utah to make presentations to our legislators with their "lessons learned and best practices".
2	Develop managed care contract to pay for behavioral health services	Long term policy no savings expected in 2012	Developed and posted a Request for Information; received 6 responses from BH Managed Care Entities that are currently under review; we held a public forum at the end of August to obtain public input about desired RFP requirements; a project team is being formed to develop the RFP and manage the federal policy change requests.
3	Create criteria and process for approving new Certified Family Homes as well as recertifying current CFHs and develop applicant and licensing fee to cover costs (also in Medicaid appropriations bill that includes new application fee and monthly certification fees)	Expected to cover the operating expenses of the CFH State Management. Current appropriation shows receipts covering personnel and operating costs of this program.	Public hearings held; rules initiated; CFH providers notified through Information Release; first invoices mailed in July; total collected to date is $176,240; 134 out of 2,100 CFHs have not paid at the end of September
4	Develop an effective management tool for PSR services	Long term policy - no savings expected in 2012	Enhancing current quality assurance review process to focus reviews on outliers; Care managedment staff are using LOCUS/CALOCUS as a tool to assess appropriate use of PSR; expect utilization management to be part a key element of MH managed care in 2012
5	No increases in rates and remove mandatory rate increases	$4,700,000	Implemented July 1, rules initiated; requests to CMS initiated; providers notified in June
6	Move non-primary care Medicaid rates to 90% of the most	$1,500,000	Implemented July 1, legal notice done, providers notified, request to CMS initiated
7	Discharge target individuals from institutional settings	$1,300,000	"Idaho Home Choice" was implemented on October 1, 2011 and the first individual to be transitioned will occur in October. Projection of 35 individuals discharged from institutional settings into the communities for 2012 on target.
8	Align Medicaid coverage policy with Medicare as listed in the bill for Physical, Occupational and Speech Therapies	$200,000	Phasing in beginning July 1, rules initiated; providers notified; CMS approval under development; change in therapy services to be implemented 1/1/12.
9	Add to Hospital Assessment (non-state government owned)	$3,500,000	Implemented July 1; rules initiated; providers notified; request to CMS initiated;
10	Add to Nursing Home Assessment (non-state government	$3,500,000	Implemented July 1; rules initiated; providers notified; request to CMS initiated; same risk as noted above with respect to UPL
11	New Intermediate Care Facility Assessment	$500,000	Implemented July 1; rules initiated; providers notified; request to CMS initiated
12	Adult Dental Coverage reductions	$1,700,000	Implemented July 1; rules initiated; providers notified; request to CMS initiated
13	Reduce Chiropractic coverage	$200,000	Implemented July 1; rules initiated; providers notified; request to CMS initiated
14	Continue all HB 701 reductions	$6,940,000	Extended all benefit reductions; rules initiated; CMS already approved
15	Create a blended rate for developmental therapy	$1,100,000	Implemented July 1; providers notified of procedural process; request to CMS initiated
16	Reduce outpatient physical, occupational and speech	$300,000	Implement in January 2012 due to Molina system updates that are preferable to do first; request to CMS initiated
17	Remove audiology for adults	$70,000	Implemented July 1; rules uninitiated; providers and participants notified; request to CMS initiated
18	Savings from 8 additional Medicaid integrity staff by	$1,100,000	5 positions filled; 3 positions in hiring process (distributed across Northern, Eastern and SW ID)
19	Reduce PSR coverage for adults to 4 hours	$2,270,000	Implemented July 1; rules initiated; providers and participants notified; request to CMS initiated
20	Implement claims edits to avoid paying duplicative claims	$50,000	System changes all implemented; savings from new edits running higher than projected
21	Respond to request for adult DD budget modifications only when health & safety issues are identified; move adults	$2,000,000	Implemented rules changes effective July 1; improved management of individualized adult DD budgets is projected to exceed savings projections; initiative is managed in phases as the budget tool is improved for accuracy.
22	Limit podiatry and vision coverage for adults based on chronic care criteria	$800,000	Implemented July 1; rules initiated; participants and providers notified; request to CMS initiated
23	Pharmacy savings package move to new reimbursement methodology including tiered dispensing fees	$2,000,000	Implemented new pricing methodology for pharmacy with a tiered dispensing fee on September 28, 2011. Dispensing fees increased while reimbursement for drugs has decreased with the overall costs to the state reduced; expecting to exceed budget savings projections
24	Implement co-pays	$750,000	Planned implementation in November for chiropractic, podiatry and optometry with therapies, outpatient hospital and physician co-pays implemented in January; savings projected to be less than targeted
	Total Projected Savings	**$34,480,000**	

MEDICAID MANAGED CARE DEVELOPMENT

HB 260 signed into law directing Medicaid to begin managed care development	April 2011
Request for Information posted for Medicaid Mental Health benefits	May 2011
Medicaid Mental Health Managed Care Public Forum (web site launched) www.MedicaidMHManagedCare.dhw.idaho.gov	August 30th 2011
Health Plan discussion regarding new financing models for the duals	September 26th 2011
• Letter of Intent to apply for TA Due to CMS	Oct 1st 2011
Medical Home Collaborative project staff hired	October 2011 - target
Long-term Care Managed Care Public Forum www.MedicaidLTCManagedCare.dhw.idaho.gov	October 26th 2011
Legislator Discussion with other State Medicaid Managed Care programs	November 2011
• The "good, bad, and ugly" about their MCO experiences	
Medicaid Managed Care Forum: Hospitals, Physicians, Safety-net Providers	December 2011
Actuarial Report Due to DFM and LSO	December 1st 2011
Medicaid Managed Care Plan due to Legislature	January 2012
MH Managed Care Contract awarded	February 2012
Medicaid Managed Care Budget Request	February 2012
Pediatric Medical Home pilot initiated under CHIPRA grant	April 2012
Managed Care Consultant RFP initiated	July 2012
Managed Care staffing hired	August 2012
Begin Plan Design work	October 2012
Managed Care program implemented for the Duals	December 2012