

Schedule 13

Funding Request for the 2014-15 Budget Cycle

Department: Health Care Policy and Financing

Request Title: Funding for Utilization Review Services

Priority Number: R-13

Dept. Approval by: Josh Block *[Signature]* 11/1/13
Date

OSPB Approval by: *[Signature]* 10/29/13
Date

- | |
|--|
| <input checked="" type="checkbox"/> Decision Item FY 2014-15 |
| <input type="checkbox"/> Base Reduction Item FY 2014-15 |
| <input type="checkbox"/> Supplemental FY 2013-14 |
| <input type="checkbox"/> Budget Amendment FY 2014-15 |

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
	Fund	Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	9,382,809	-	10,053,110	1,691,977	1,691,977
	FTE	-	-	-	-	-
	GF	2,279,886	-	2,298,646	838,378	838,378
	GFE	-	-	-	-	-
	CF	305,844	-	461,089	-	-
	RF	-	-	-	-	-
	FF	6,797,079	-	7,293,375	853,599	853,599
(1) Executive Director's Office, Utilization and Quality Review Contracts, Professional Services Contracts	Total	9,382,809	-	10,053,110	1,691,977	1,691,977
	FTE	-	-	-	-	-
	GF	2,279,886	-	2,298,646	838,378	838,378
	GFE	-	-	-	-	-
	CF	305,844	-	461,089	-	-
	RF	-	-	-	-	-
	FF	6,797,079	-	7,293,375	853,599	853,599

Letternote Text Revision Required? Yes: No: **If yes, describe the Letternote Text Revision:**

Cash or Federal Fund Name and COFRS Fund Number: Federal funds: Title XIX

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: **Not Required:**

Schedule 13s from Affected Departments: N/A

Other Information: N/A



COLORADO

Department of Health Care Policy
and Financing

Priority: R-13
Funding for Utilization Review Services
FY 2014-15 Change Request

Cost and FTE

- The Department requests \$1,691,977 total funds, including \$838,378 General Fund and \$853,599 federal funds to the Department's Utilization and Quality Review Contracts Long Bill group.

Link to Operations

- The Department conducts utilization review of Medicaid services, including review of clients who receive long-term services and supports (LTSS) and review of prescription drug therapy. These services are delivered by contracted vendors.

Problem or Opportunity

- The Department's budget for utilization review for LTSS remains unchanged since 2002, despite increases both in caseload and scope of work.
- The increase in clients and requirements causes delays in service delivery. As prospective clients wait, their medical conditions may worsen and require a greater amount of care and be more expensive to treat.
- The Department's current budget for drug utilization review does not allow for analysis of complex prescription drug cases. Clients may be receiving unnecessary or duplicative drug regimens that could be modified to reduce the cost and improve the health of the client.

Consequences of Problem

- Clients who require long-term services and supports or necessary drug reviews are subject to longer processing periods, potentially necessitating more costly health care services.
- If cases are not processed within an appropriate period of time, the Department could face federal fines or litigation filed on behalf of clients for services not received in a timely manner.
- Without additional funding for LTSS utilization reviews, the Department does not believe it would be able to procure another vendor after the current contract expires on June 30, 2014.

Proposed Solution

- The Department requests \$1,313,360 total funds for LTSS utilization review and \$378,617 total funds for drug utilization review. These would be ongoing increases to the funding for these contracts.
- This request would allow for more resources to process LTSS applications and reviews, resulting in faster decisions, elimination of the current backlog, and clients receiving services before their condition worsens and becomes more costly.
- This request would also allow for thorough analysis of complex prescription drug cases to be performed, ensuring clients are not receiving unnecessary or duplicative drug treatment while ensuring all costs are appropriate and necessary.



COLORADO

Department of Health Care Policy and Financing

FY 2014-15 Funding Request | November 1, 2013

John W. Hickenlooper
Governor

Susan E. Birch
Executive Director

Department Priority: R-13
Request Detail: Funding for Utilization Review Services

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
Funding for Utilization Review Services	\$1,691,977	\$838,378

Problem or Opportunity:

The Department is requesting funding to reinforce and further develop utilization review processes within long-term care and prescription drug services.

Long-Term Care Utilization Review

Utilization review of LTSS is done by two types of vendors: 1) a Quality Improvement Organization (QIO) that performs a number of clinical reviews on LTSS clients, including on Pre-Admission Screening and Resident Review (PASSR – types I and II), prior authorization review (PAR), Children’s Extensive Support (CES) reviews, and technologically dependent and medically complex (TDMC) reviews, and 2) single entry points (SEPs), which are comprised of 20 counties and three private entities, that perform non-clinical assessments and identify local resources to match services to a client’s needs.

Since 2002, the Department’s appropriation for utilization review for LTSS has remained unchanged, despite increases in caseload and scope of work. Between 2002 and 2013, Medicaid caseload grew 131%, while federal audits conducted over this same period led to several additional requirements vendors must perform throughout the review process. The increase in clients and review requirements demands more resources to complete reviews. As a result, vendors are forced to pull resources from other efforts to ensure utilization reviews are completed within 60 days, as per federal requirements. Consequently, some private vendors and counties have threatened to back out of the contract and cease providing utilization review services.

In 2009, the Department learned that, because SEPs do not qualify as a QIO, reviews conducted by SEPs are not eligible for an enhanced 75% federal match, as had been previously assumed. This reduced the total funds appropriation for SEPs from \$1,049,948 to \$524,974 – or by one half.

In 2013, the legislature provided funding to eliminate the existing waitlist for the CES program. As a result, the Department anticipates CES caseload will grow from 373 to 925 – or 148%.

The Department has recently learned it is out of compliance with federal requirements relating to PASRR I reviews, which are less complex than PASRR II. Currently, of the approximately 18,000 clients requiring PASRR I reviews, approximately 50% are automatically approved. When a client is automatically approved, an actual review is not performed. Federal requirements now demand that PASRR I clients be reviewed annually, prohibiting any further automatic approvals. The Department expects that this federal requirement will double the current PASRR I review annual caseload, as some clients require more than one review per year. Should the Department deviate from this requirement, the federal government could impose fines.

The Department is currently pursuing approval from the Centers for Medicare and Medicaid Services (CMS) to receive an enhanced 75% federal match on TDMC reviews, which currently receive the standard 50% match. If approved, as the Department anticipates, the enhanced match may be retroactively applicable for two years.

The Department determined it must increase the contract amounts for long-term care utilization review to ensure clients continue to receive appropriate services for quality of life in accordance with federal regulations.

Drug Utilization Review

The Department's drug utilization review line is composed of four parts: 1) the Drug Utilization Review (DUR) vendor, 2) an electronic reference used for the reviews, 3) the Pharmacist Incentive Program, and 4) the Drug Effectiveness Review Project (DERP). Currently, due to funding limitations, drug utilization reviews are performed by Department staff, while the DUR vendor analyzes the data and offers a clinical interpretation. This arrangement provides severe limitations to the types of cases that can be reviewed.

The Department has one pharmacy staff who conducts retrospective reviews of prescription drug utilization, whereas the DUR vendor includes two pharmacists and one analyst who receive the reviews from the Department, analyze the reviews, provide a clinical interpretation, and create a presentation consisting of narrative, evidence, and recommendations that is presented quarterly to the DUR Board. The DUR vendor does four, in-depth, drug-class reports per year and frequently identifies areas for clinical efficiencies and cost savings.

Currently, case review is inconsistent in some areas and non-existent in others. Cases involving drugs prescribed to treat multiple sclerosis, chronic pain, or psychiatric disorders are reviewed by Department Pharmacy staff. Many of these cases are complex and would benefit from additional review by experts in the respective fields. Cases involving drugs prescribed to treat cancer are not currently reviewed. The DUR vendor has access to specialists and could provide additional review of these drugs. The level of expertise required to perform these reviews cannot be afforded by the current appropriation for drug utilization review. In addition, the Department would like to have experts available for Medicaid providers to use to consult about complex clients. The Department does not have that expertise in-house and the DUR vendor can provide experts for the peer-to-peer consultations. Without these services, clients with these diagnoses may receive unnecessary or duplicative drug treatment, due to a lack of analysis of their

prescription regimens by clinical experts. Reviewing these cases could reduce cost and improve the health of the client.

The Department's current DUR contract appropriation is \$166,000 total funds. At this level, the funding does not allow for analysis of complex prescription drug cases, as the amount is less than the cost of employing a single physician full time.

Proposed Solution:

The Department requests \$1,691,977 total funds, including \$838,378 General Fund and \$853,599 federal funds, to increase funding for its Long-Term Care Utilization Review program and Drug Utilization Review program.

Of the total requested amount, the Department requests \$1,313,360 total funds, including \$649,069 General Fund and \$664,291 federal funds for its Long-Term Care Utilization Review program. This request does not require any additional FTE. The Department's calculations are shown in Table 2 in the appendix. The requested funds will enable the Department to increase the QIO and SEP contracts for LTSS utilization review so that the contracts are able to fund the amount of work they demand and retain the contracting vendors to ensure federally required reviews are performed. SEPs that have had to pull resources away from local resource development, which is a primary function they serve, will be able to resume this activity which will benefit clients who rely on these services. For example, Friends of Man, a volunteer-based charity in Littleton, is a local resource that a SEP might work with to help a client acquire items such as a portable wheelchair ramp or hearing aids using donation funding.

If this request is not approved, the Department risks losing its vendors for utilization review of clients who receive LTSS. Further, the Department believes it would be unable to procure another vendor at the current appropriation. These reviews are federally required to be performed; if the Department is unable to do so, the Department is subject to being fined by the federal government. Further, if these reviews are not performed, these clients may not receive appropriate or necessary services and may require more costly emergency services.

The Department requests \$378,617 total funds, including \$189,309 General Fund and \$189,308 federal funds to increase funding for its Drug Utilization Review program. The requested funds would allow the DUR vendor, currently the University of Colorado, to hire personnel with the required expertise, ideally two physicians, to perform review of complex prescription drug cases – such as cancer, multiple sclerosis, chronic pain, and psychiatric disorders – in a way that the Department is currently unable to review these cases. These funds will also increase the base price of the contract to allow the vendor to assume a role in reviewing the cases the Department currently reviews, which will allow Department pharmacy staff to concentrate on other important issues, such as working with the RCCOs and pharmacy community on the development of a more robust Medication Therapy Management (MTM) program within the Accountable Care Collaborative (ACC) and adding additional drug classes for reports.

If this request is not approved, complex prescription drug reviews will continue to be reviewed by Department staff or not at all. The Department believes there are many potential efficiencies that can be

achieved with the data yielded from review of complex drug cases. Additionally, Department pharmacy staff will continue to be heavily devoted to review of these drug cases and will not be able to pursue development of other pharmacy-related projects, such as a potential MTM program within the ACC.

Anticipated Outcomes:

If approved, this request would allow for more resources to process LTSS utilization reviews, resulting in more timely decisions, elimination of the current CES backlog, and clients receiving services before their condition potentially worsens and becomes more costly. Further, this request would allow the Department to retain its vendors and allow counties to focus more on local resource development. This request also allows analysis of complex prescription drug cases, ensuring necessary, cost-effective, and non-duplicative drug treatment. The Department believes review of complex drug cases may produce savings by reducing unnecessary costs for treatment. The Department would account for any savings achieved through the regular budget process.

This request would also help the Department achieve four of the stated goals on the Department's Five-Year Strategy Map. This request would allow the Department to improve health outcomes by ensuring LTSS clients receive regular reviews so that they can get the appropriate level of care they require. Clients taking complex prescription drug regimens will have their cases reviewed to make certain they are on the most appropriate drug plan. This request would also allow the Department to increase access to health care by having LTSS clients reviewed regularly to ensure they are receiving a level of care commensurate with their condition. Additionally, this request would allow the Department to contain health care costs by making sure LTSS and prescription drug clients are not receiving unnecessary or duplicative care and, instead, are receiving necessary care to mitigate further complications. Finally, this request would allow the Department to improve the long-term care service delivery system by funding the Long-Term Care Utilization Review contracts at a level that is consistent with the amount of work the contractors are required to perform.

Assumptions and Calculations:

The Department requests \$1,313,360 total funds for Long-Term Care Utilization Review and \$378,617 total funds for Drug Utilization Review (see Table 1 in the appendix), which are housed in the Department's Utilization and Quality Review Contracts line item. These would be ongoing increases to the funding for these contracts.

Long-Term Care Utilization Review

To calculate the additional funding need for review of LTSS clients, the Department analyzed data provided by its QIO vendor relating to the current contract. By analyzing actual caseload and required hours per review of each review type in FY 2012-13, the Department estimated the cost of the contract to be \$1,220,826 total funds, which is an increase of \$620,826 total funds over the current contract. This data is summarized in Table 3 of the appendix. A similar actuals-based table is provided for the SEPs, who should earn a flat rate for reviews conducted (see Table 4). The Department acknowledges an increase from \$524,974 to \$1,837,500 is significant; however Table 5 illustrates a comparison between SEP functions in utilization review and Medical Services Premiums. Since FY 2002-03, the SEP portion of the

utilization review appropriation has been reduced by one half, whereas the SEP portion of Medical Services Premiums has increased by almost 85%.

Long-term care (or LTSS) utilization review is divided between a QIO contractor and 23 separate SEPs at the county level. Table 2 in the appendix details the estimated contract costs for both the QIO and the SEPs, the current allocations within the Department's appropriation for each, an uncommitted amount that exists in the line, and the FY 2014-15 additional funding need to increase the contracts to the requested level. PASSR reviews performed by the QIO qualify for an enhanced match of 75%, and the Department believes that TDMC reviews will be approved for a 75% match. The Department is currently pursuing approval from CMS to apply an enhanced federal match for TDMC reviews and is assuming such approval will be granted in its calculations for this request.

Drug Utilization Review

To calculate the additional funding need for the Department's DUR vendor contract, the Department analyzed similar contracts by other states. The least expensive contract was held by Arkansas for approximately \$430,000, while the most expensive was held by Washington for approximately \$700,000. Through this analysis, the Department determined the DUR base contract amount should first be increased by \$34,000 total funds to \$200,000 to allow the vendor to assume a role in reviewing the cases the Department's Pharmacy staff currently reviews, which will allow Department staff to concentrate on other pharmacy projects (see Table 7, Row B). To expand the scope of prescription drug review to include complex prescription drug cases – such as those for cancer, multiple sclerosis, chronic pain, and psychiatric disorders – the Department also requests \$344,617 total funds to allow the vendor to employ two physicians to conduct these reviews, as well as oversee and help manage all drug review cases conducted by the vendor and the Department. Combined, the base increase and cost of two physicians are estimated to increase the cost of the contract by \$378,617 total funds, including \$189,309 General Fund and \$189,308 federal funds, to \$544,617 total funds (see Table 7, Row D).

R-13 Funding for Utilization Review Services
Appendix A: Calculations and Assumptions

Table 1: Summary					
Row	Item	Total Funds	General Fund	Federal Funds	Notes
A	Long-Term Care Utilization Review	\$1,313,360	\$649,069	\$664,291	Table 2 Row H
B	Drug Utilization Review	\$378,617	\$189,309	\$189,308	Table 6 Row C
C	FY 2014-15 Additional Funding Request	\$1,691,977	\$838,378	\$853,599	Row A + Row B

Table 2: Long-Term Care Utilization Review					
Row	Item	Total Funds	General Fund	Federal Funds	Notes
A	Estimated Cost of QIO Contract	\$1,220,826	\$367,561	\$853,265	Table 3, Row F
B	Estimated Cost of SEP Contracts	\$1,837,500	\$918,750	\$918,750	Table 4, Row A
C	Combined Estimated Cost of LTCUR	\$3,058,326	\$1,286,311	\$1,772,015	Row A + Row B
D	Current Appropriation for QIO	\$600,000	\$180,031	\$419,969	
E	Current Appropriation for SEPs	\$524,974	\$262,487	\$262,487	
F	Current Uncommitted Appropriation	\$619,992	\$194,724	\$425,268	
G	Combined Current Appropriation for LTCUR	\$1,744,966	\$637,242	\$1,107,724	Row D + Row E + Row F
H	FY 2014-15 Additional Funding Request	\$1,313,360	\$649,069	\$664,291	Row C - Row G

R-13 Funding for Utilization Review Services
Appendix A: Calculations and Assumptions

Table 3: FY 2012-13 QIO Activity (and estimated costs)									
Row	Review Type	Reviews	Hours	Hours per Review	Hourly Cost	Total Funds	General Fund	Federal Funds	Notes
A	Pre-Admission Screening and Resident Review (PASRR) I	24,264	9,477	0.39	\$67.80	\$642,583	\$160,646	\$481,937	75% FFP
B	PASRR II	1,217	3,700	3.04	\$62.87	\$232,633	\$58,158	\$174,475	75% FFP
C	Prior Authoirzation Review (PAR)	8,681	2,283	0.26	\$54.00	\$123,276	\$61,638	\$61,638	50% FFP
D	Children's Extensive Support (CES)	655	1,457	2.22	\$86.58	\$126,142	\$63,071	\$63,071	50% FFP
E	Technologically Dependent and Medically Complex (TDMC)	56	910	16.25	\$105.71	\$96,192	\$24,048	\$72,144	75% FFP
F	Total	34,873	17,827	N/A	N/A	\$1,220,826	\$367,561	\$853,265	Sum Rows A through E

Table 4: FY 2012-13 SEP Activity (and estimated costs)					
Row	Reviews	Cost per Review	Total Funds	General Fund	Federal Funds
A	24,500	\$75.00	\$1,837,500	\$918,750	\$918,750

R-13 Funding for Utilization Review Services
Appendix A: Calculations and Assumptions

Table 5: SEP Funding 10-Year Perspective					
Row	Item	Total Funds	General Fund	Federal Funds	Notes
	SEP Utilization Review (LTC Utilization Review)				
A	FY 2002-03 Budget	\$1,049,948	\$262,487	\$787,461	
B	FY 2012-13 Budget	\$524,974	\$262,487	\$262,487	
C	Percent Growth	-50.00%	0.00%	-66.67%	(Row B ÷ Row A) - 1
	SEP Service Delivery (Medical Services Premiums)				
D	FY 2002-03 Budget	\$14,628,776	\$7,314,388	\$7,314,388	
E	FY 2012-13 Budget	\$26,976,561	\$13,488,280	\$13,488,280	
F	Percent Growth	84.41%	84.41%	84.41%	(Row E ÷ Row D) - 1

Table 6: Drug Utilization Review - University of Colorado Contract					
Row	Item	Total Funds	General Fund	Federal Funds	Notes
A	FY 2013-14 Contract Budget	\$166,000	\$83,000	\$83,000	
B	Estimated Cost of New Contract	\$544,617	\$272,309	\$272,308	Table 7 Row D
C	FY 2014-15 Additional Funding Request	\$378,617	\$189,309	\$189,308	Row B - Row A

Table 7: Estimated Cost of New University of Colorado Contract					
Row	Item	Total Funds	General Fund	Federal Funds	Notes
A	Current Contract Amount	\$166,000	\$83,000	\$83,000	
B	Contract Base Increase	\$34,000	\$17,000	\$17,000	Expand scope of work and reporting requirements
C	Add Personnel (Two (2) Physicians)	\$344,617	\$172,309	\$172,308	Physician I range minimum as of July 2013 plus benefits
D	Total	\$544,617	\$272,309	\$272,308	Sum of Rows A through C