HEALTH CARE POLICY & FINANCING

Colorado Department of

HEALTH CARE POLICY & FINANCING

JBC Hearing Presentation

January 4, 2012

Improving access to cost-effective, quality health care services for Coloradans.

TODAY

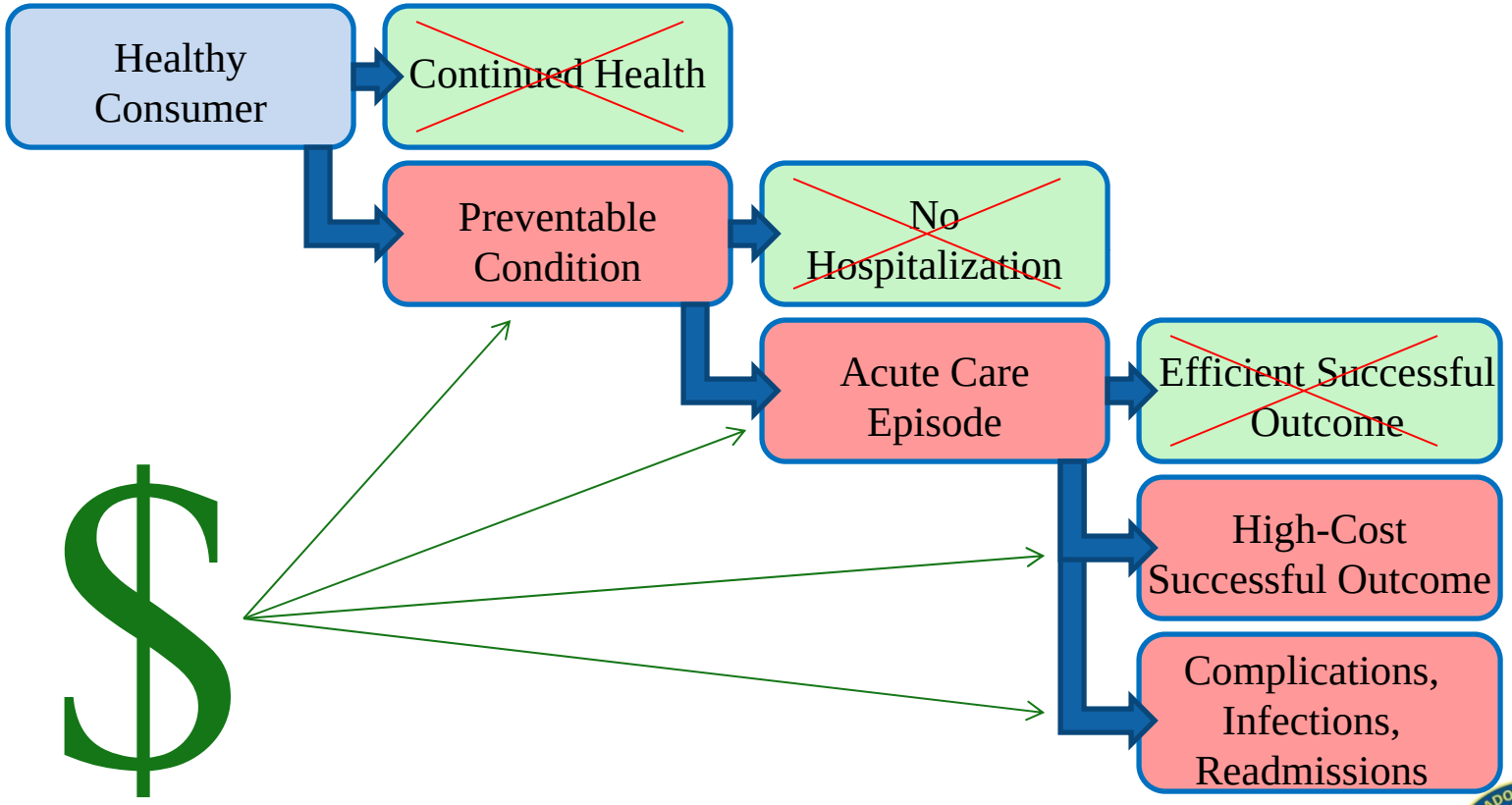
1. Overview of HCPF and current environment
2. Strategic plan and supporting initiatives
3. Budget history and forecast
4. Audit discussion
5. Waiver issue
6. Wrap up and questions

Additional information in your binders

Overview and Context

CURRENT PAYMENT SYSTEMS

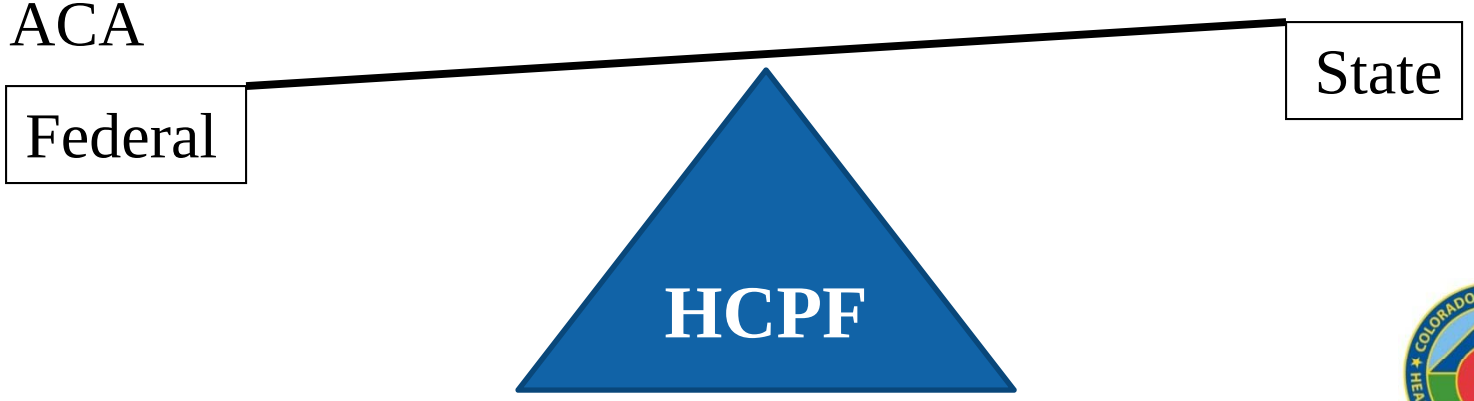
REWARD BAD OUTCOMES NOT BETTER HEALTH



FEDERAL/STATE PARTNERSHIP

Title XIX
Title XXI
DRA
ARRA
CHIPRA
ACA

SB 01S2-012
HB 05-1262
HB 06S-1023
SB 07-002
SB 08-099
HB 09-1293



ELIGIBILITY FOR MEDICAID AND CHP+

To qualify for…	Your annual income cannot exceed…
Medicaid: Children and Pregnant Women	$29,726 for a family of 4
Medicaid: Parents	$22,350 for a family of 4
Medicaid: Elderly and Disabled	$8,088 for an individual
Medicaid: Long Term Services & Supports	$24,264 for an individual
Medicaid: Adults without Dependent Children (10% FPL)	$1,089 for an individual
CHP+: Children and Pregnant Women	$55,875 for a family of 4

CURRENT CONTEXT

- Current caseload increasing
- Driven by a variety of external factors
  - Lingering effects of economic downturn
    - Increase in poverty
    - High unemployment
  - Population growth

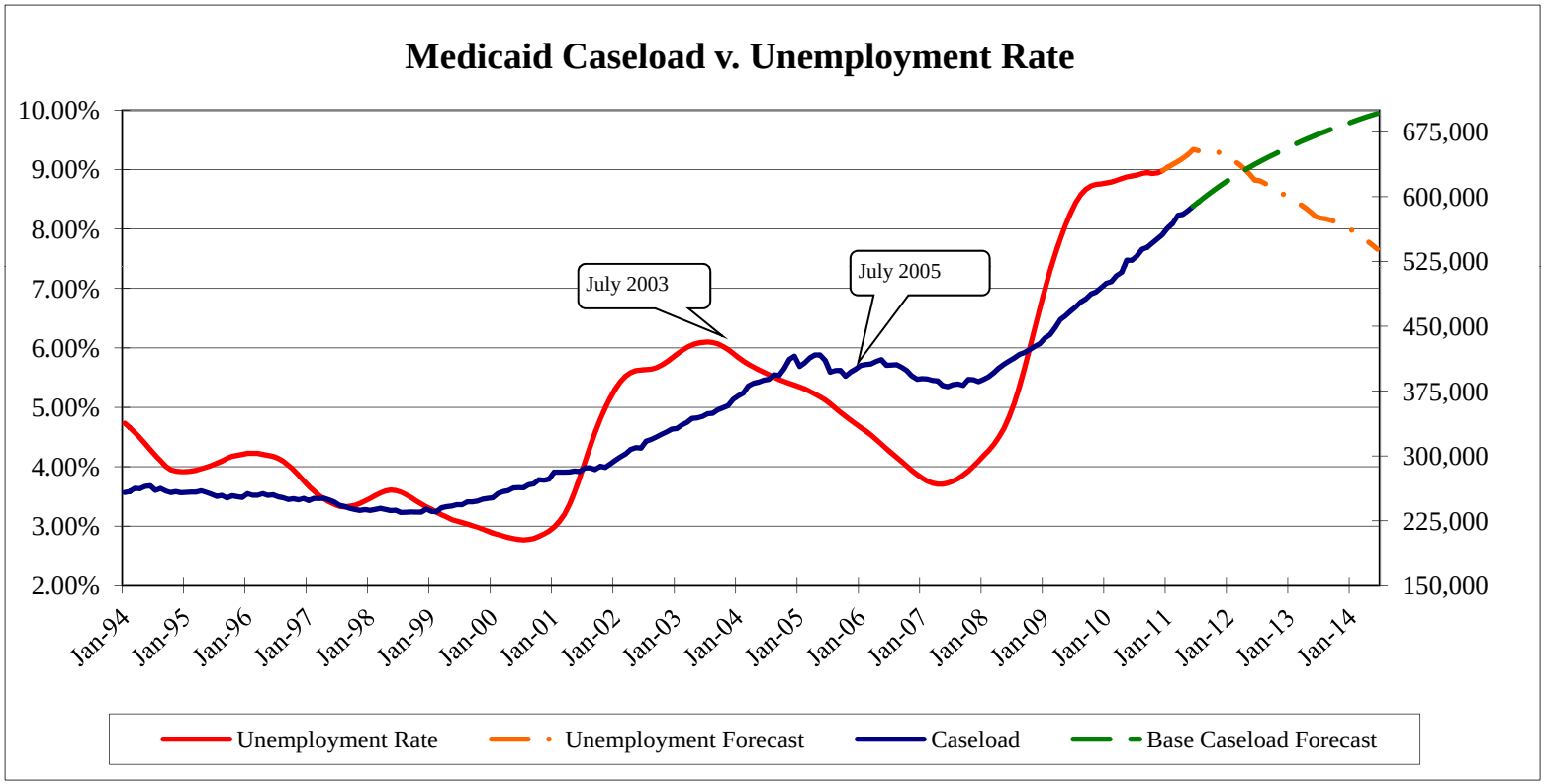
MEDICAID AND CHP+ CASELOAD

- As of November 2011:
  - 614,146 Medicaid clients (historical high)
    - 57.7% caseload growth since January 2007
  - 71,988 children and pregnant women in CHP+
    - 42.7% caseload growth since January 2007
  - Medicaid and CHP+ account for over 13% of CO population (~5.3M)

Sources: December 15,2011 JBC Monthly Report

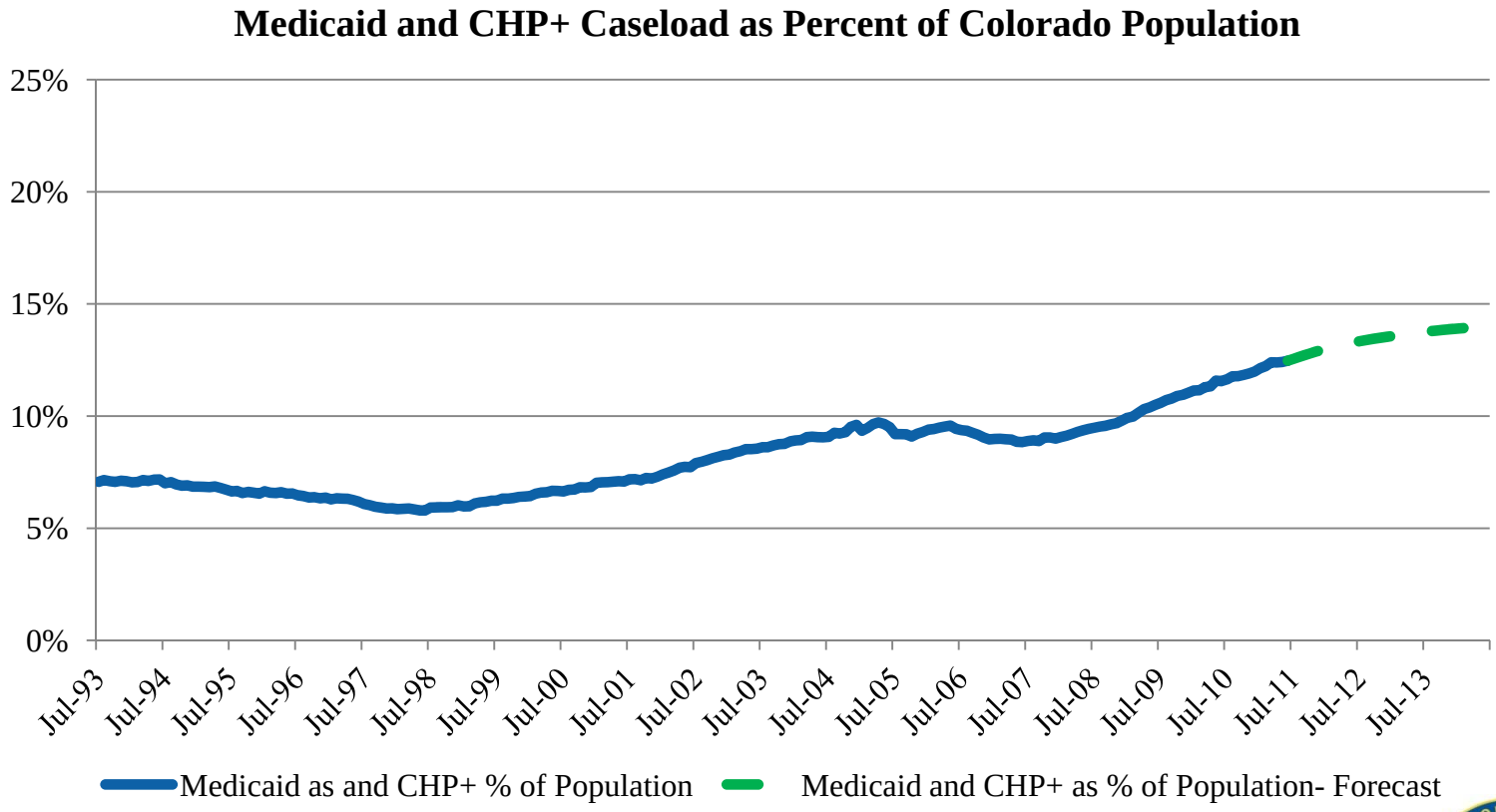
HEALTH CARE POLICY & FINANCING

MEDICAID CASELOAD



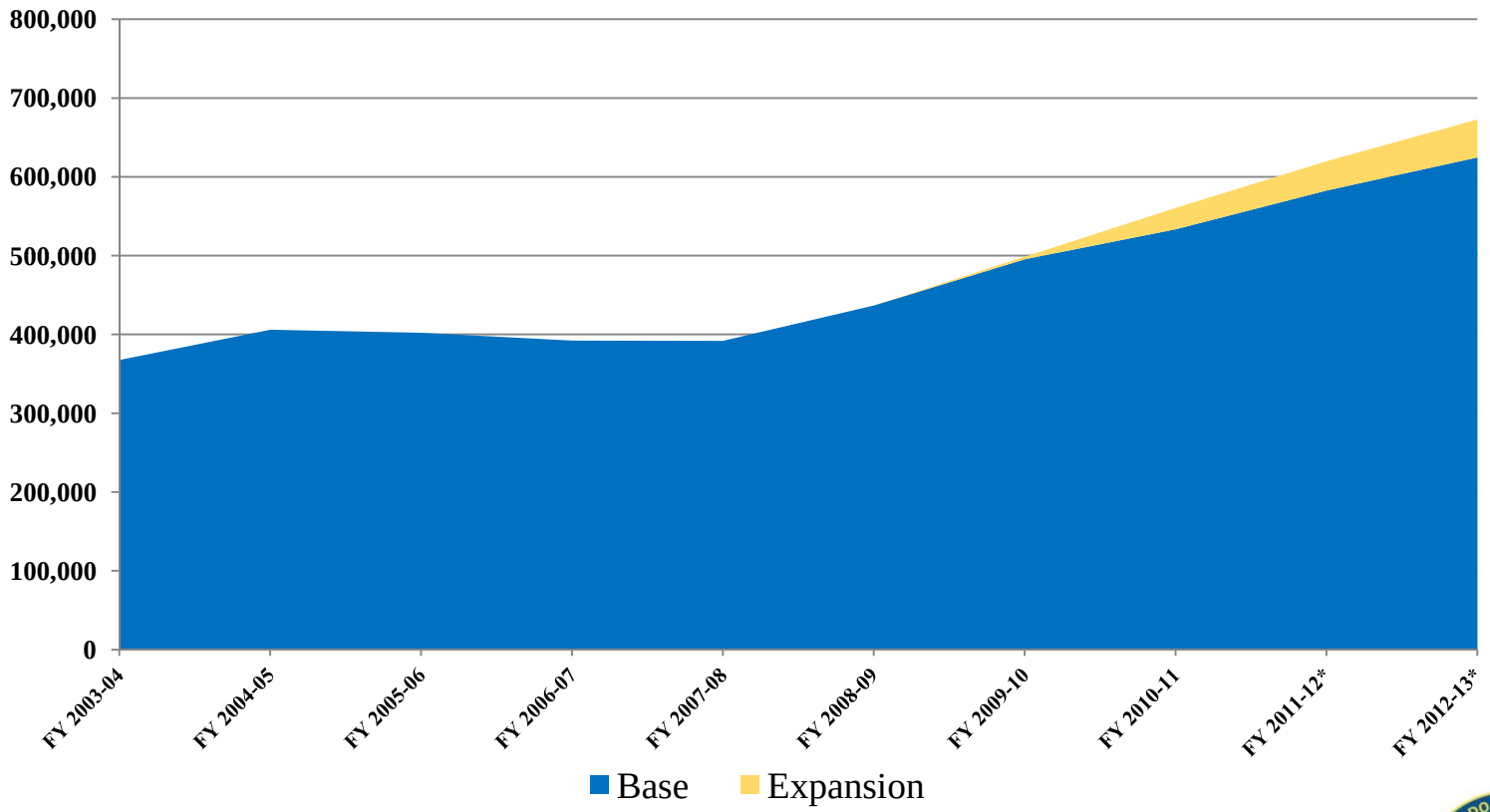
**Projections from the Department's November 1, 2011, Budget Request, R-1 "Request for Medical Services Premiums," Exhibit B; Unemployment rate projection from the Office of State Planning and Budgeting*

MEDICAID AND CHP+ CASELOAD



**Caseload projections from the Department's November 1, 2011, Budget Request; Population projections from the Department of Local Affairs , State Demography Office*

MEDICAID CASELOAD



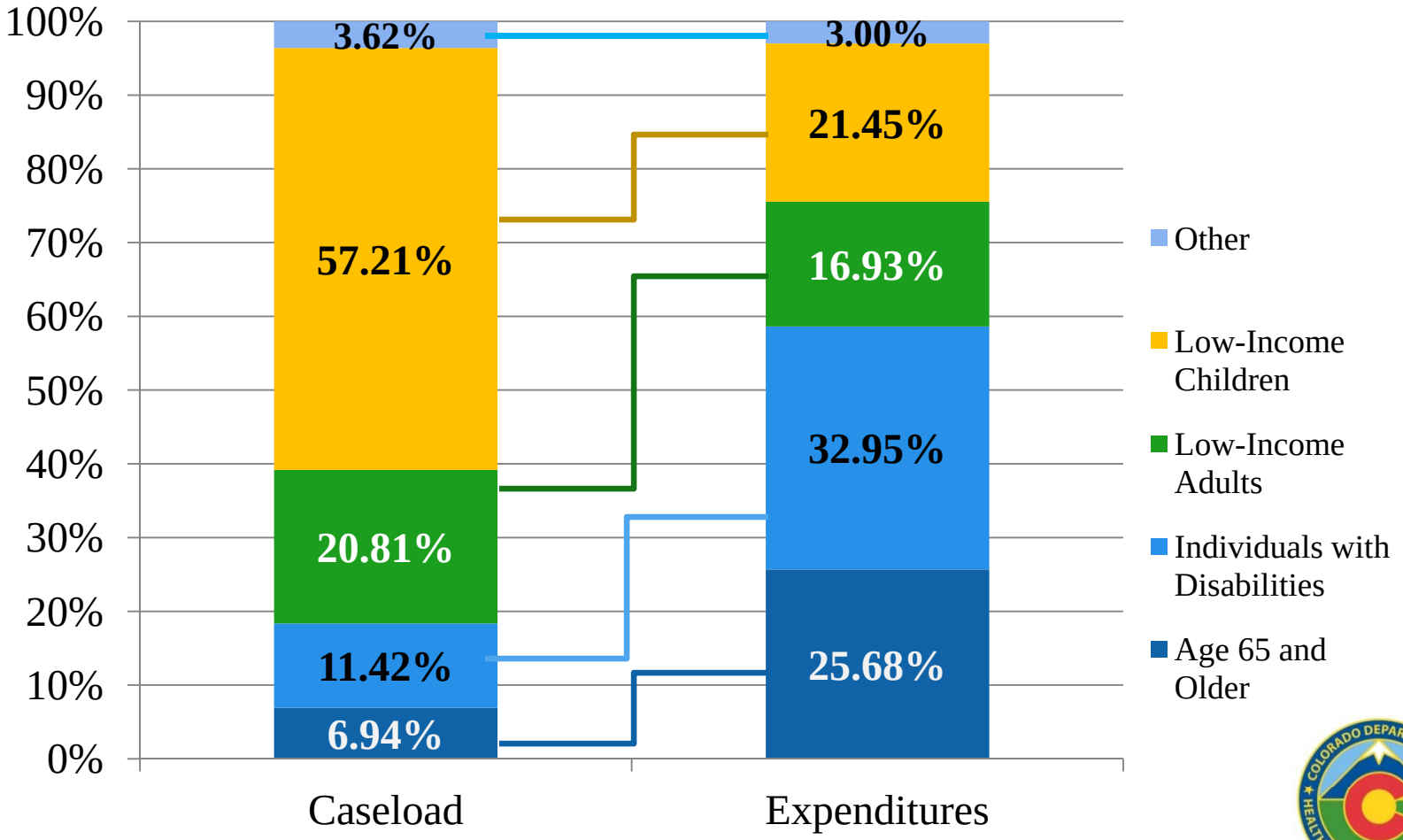
**Projections from the Department's November 1, 2011, Budget Request, R-1 "Request for Medical Services Premiums," Exhibit B. "Expansion" categories include Medicaid Parents to 100%, AwDC, and Disabled Buy-In*

CURRENT CONTEXT

- Costs driven by a variety of external factors
  - Aging demographic
  - Poorer health status of population we serve
  - Increasing health care costs nationally
- Caseload growth also impacts costs

HEALTH CARE POLICY & FINANCING

MEDICAID ENROLLEES AND EXPENDITURES, FY 2010-11



DEPARTMENT OPERATIONS

- Leanest state Medicaid program in the CMS region
- Administration costs under 3%
- Approximately $16 million appropriated for every FTE in the Department

Strategic Plan

STRATEGIC FOCUS: SMART GOVERNMENT ACT

STRATEGIC OBJECTIVES

1. Improve health outcomes
2. Improve long-term services and supports
3. Increase access to health care
4. Increase number of insured Coloradans
5. Contain health care costs

STRATEGIC OBJECTIVES

1. **Improve health outcomes**
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HEALTH OUTCOMES

Improve the health of each Medicaid patient

…and…

Improve the overall health of Colorado's Medicaid and CHP+ population

INITIATIVES AROUND HEALTH OUTCOMES

- Medical Homes
- Accountable Care Collaborative (ACC)
- Integrated Care for Dual Eligibles
- Healthy Living Initiatives
- Long-Term Care Redesign

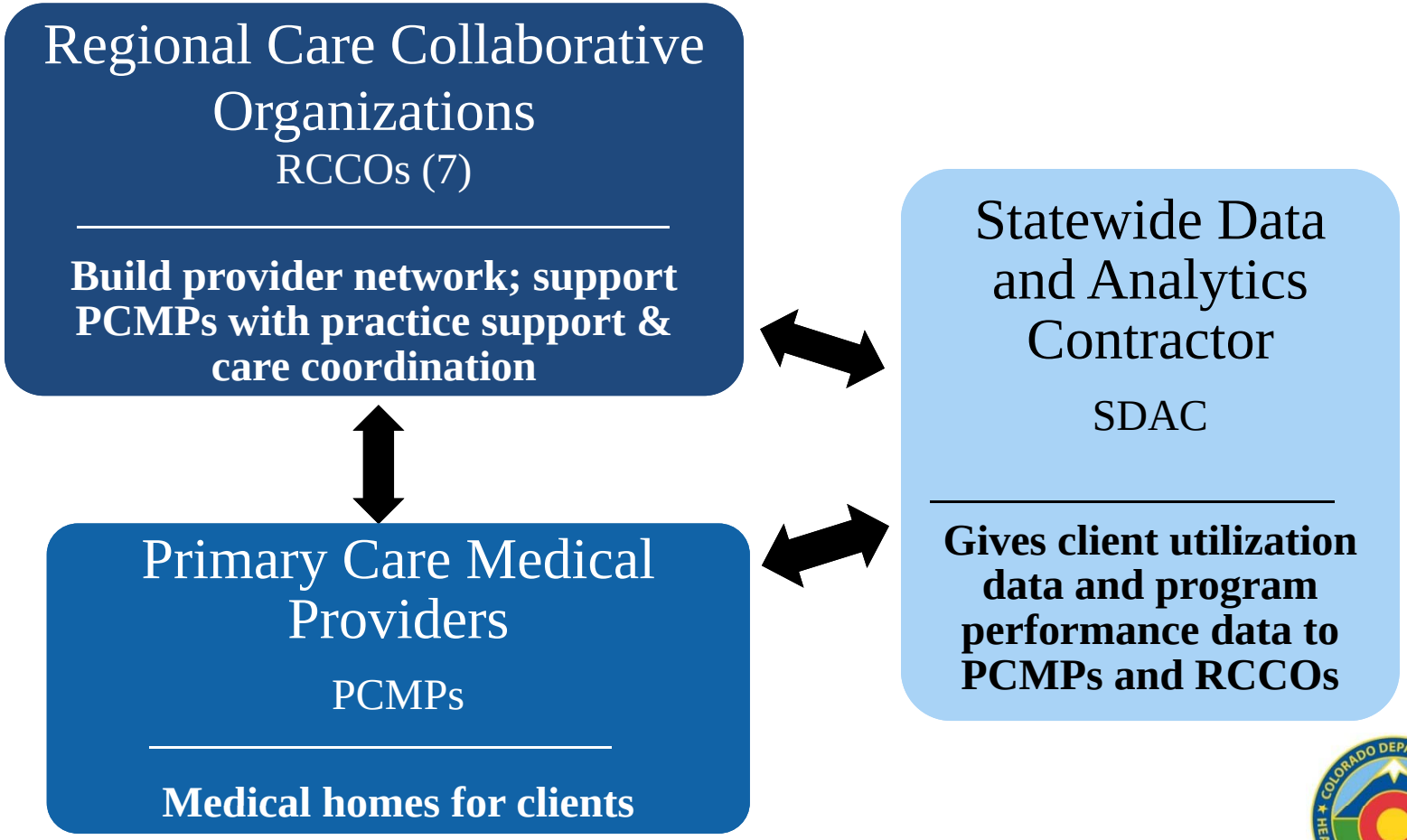
MEDICAL HOMES

- GOAL: Connect clients with a provider that will ensure access to and coordination of all medically related services
- Medical Home providers must have:
  - 24/7 coverage
  - Continuous quality improvement projects
  - Practice survey completed each year
  - Patient experience survey completed each year

ACCOUNTABLE CARE COLLABORATIVE

- GOAL: Improve clients' health and contain health care costs through a coordinated system of care
- Comprised of three components
  - RCCOs
  - PCMPs
  - SDAC

ACCOUNTABLE CARE COLLABORATIVE

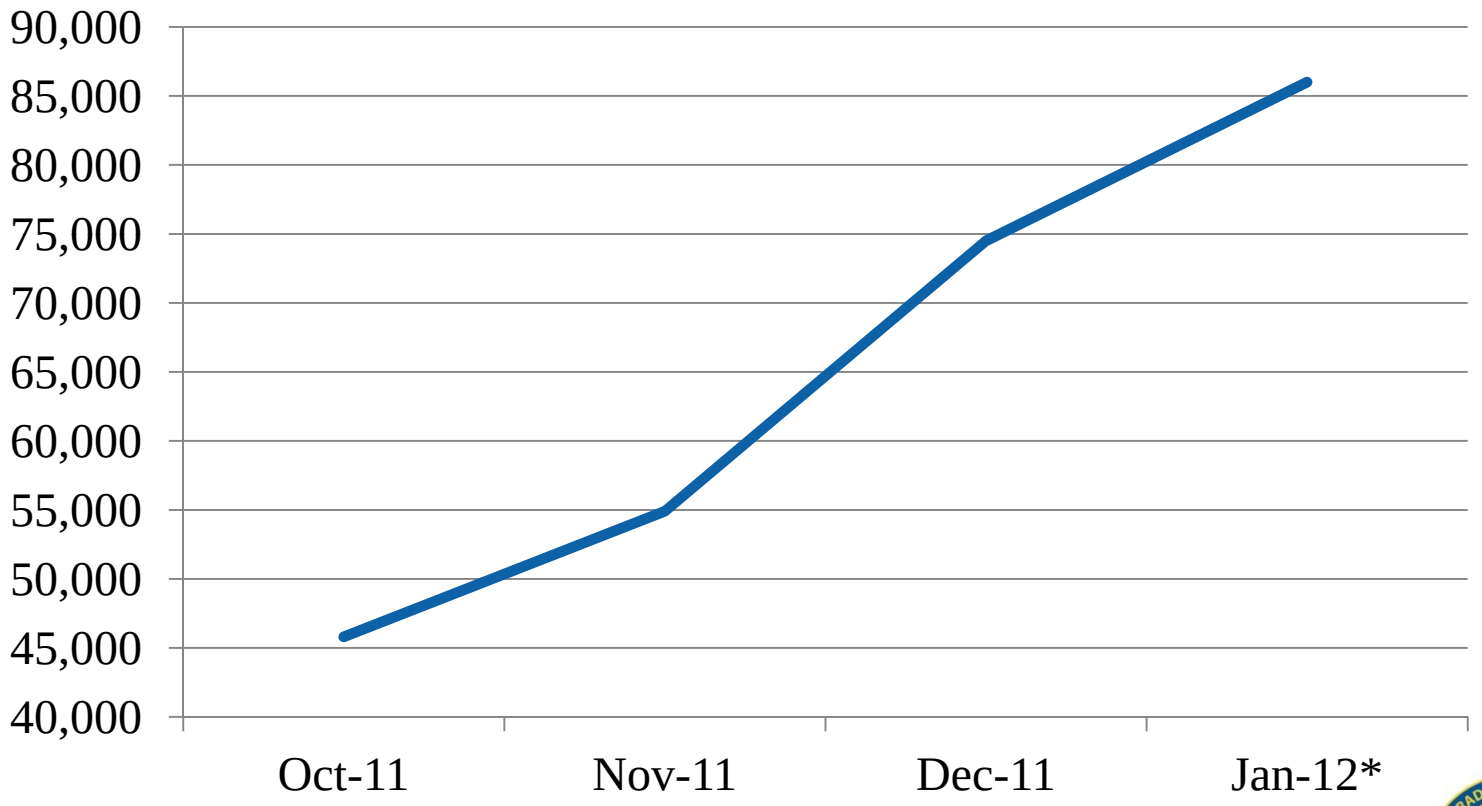


ACC PROGRAM PROGRESS

- Contracted with over 79 PCMPs, which is over 1,500 individual providers
- Developed client attribution and enrollment process
- Enrolled over 70,000 clients
- Expansion phase (statewide expansion and incentive payments) is scheduled to start at the beginning of fiscal year 2012-13

HEALTH CARE POLICY & FINANCING

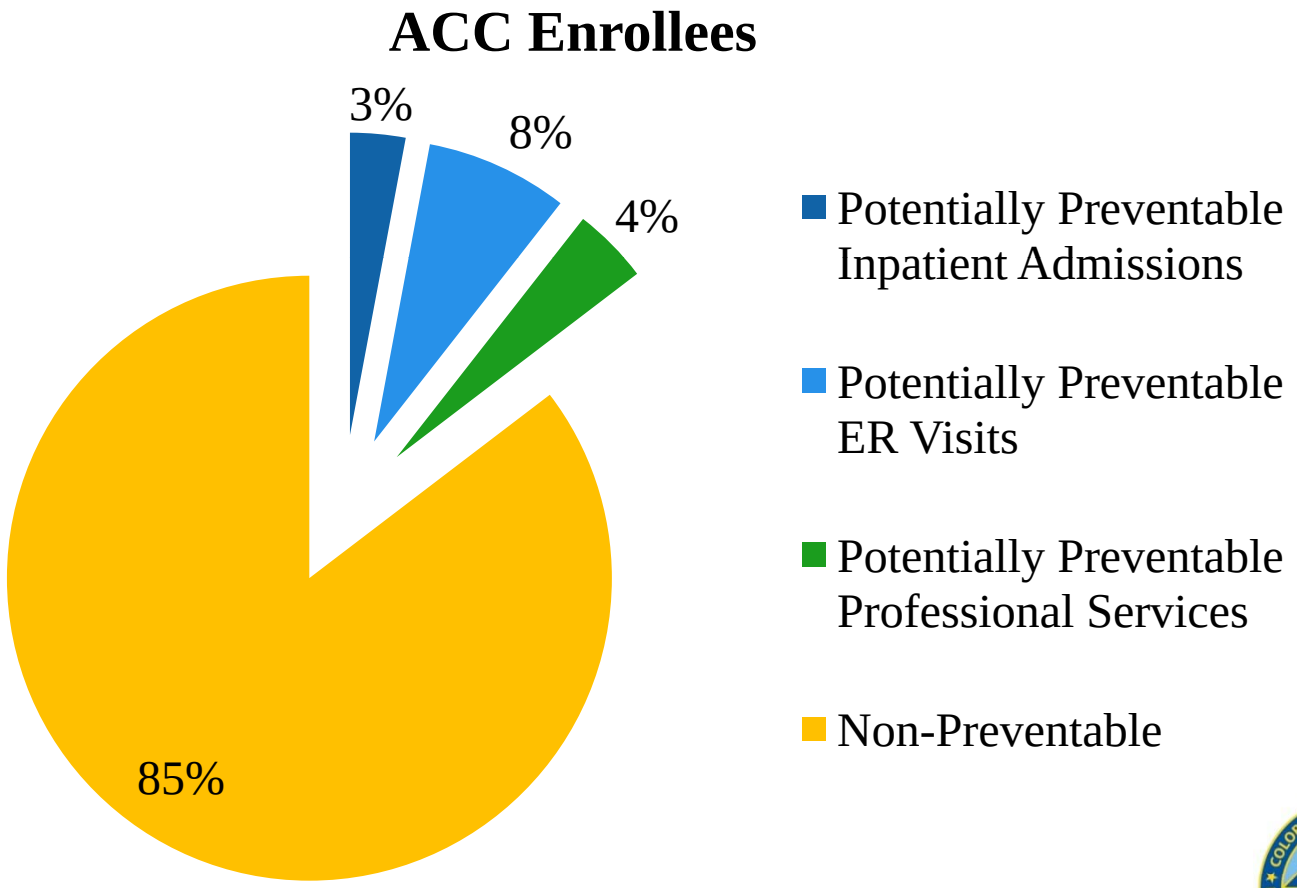
ACC ENROLLMENT



**Projected*

Improving access to cost-effective, quality health care services for Coloradans

ACC DATA ANALYTICS- OPPORTUNITIES



HEALTH CARE POLICY & FINANCING

ACC ONE MONTH PERFORMANCE

Enrolled Population Total Costs and Risk Scores		
Statistic/Period	**Baseline 6/30/2011** (1)	**Complete 7/31/2011** (2)
Total Costs (Per Member Per Month)	**$267.19**	**$267.50**
Aggregate Risk Score	**1.166**	**1.187**
Contracted Key Performance Indicators		
Readmission Rate	**10.5%**	**10.5%**
ER Visits (Per 1,000 Per Year)	**631**	**630**
Radiology (Per 1,000 Per Year)	**1,549**	**1,526**
Potentially Preventable Events (PPEs) – (Per 1,000 Per Year)		
Potentially Preventable Re-Admits (PPR)	**8.2**	**8.2**
Potentially Preventable ER Visits (PPV)	**541.7**	**537.3**
Potentially Preventable Services (PPS)	**2,965**	**2,959**

PRELIMINARY ANALYSIS. FOR DISCUSSION PURPOSES ONLY.

Notes: (1) 12 months ending 6/30 /2011 (claims data through 9/30/2011)
(2) 12 months ending 7/31 /2011 (claims data through 10/31/2011)

INTEGRATED CARE FOR DUAL ELIGIBLES

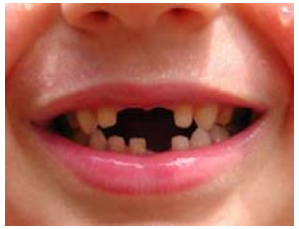
- GOALS:
  - More coordinated care
  - Better health outcomes
  - Cost savings
- Timeline:
  - 18-month contract from CMS Innovation Center to develop a proposal to integrate care for dual eligibles (Medicare/Medicaid clients)
  - Stakeholder meetings, policy and data analyses through May 2012
  - Anticipated implementation in 2013

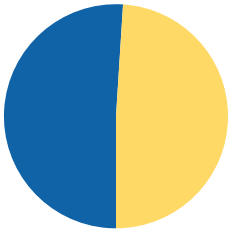
HEALTHY LIVING INITIATIVES

Goal: Improve health from infancy, childhood to aging while supporting Colorado's Winnable Battles

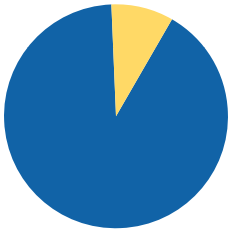
- Topics:
  - Oral Health: Dental services for children
  - Behavioral Health: Adolescent depression
  - Nutrition and Fitness: Obesity
  - Tobacco Cessation

HEALTHY LIVING INITIATIVES



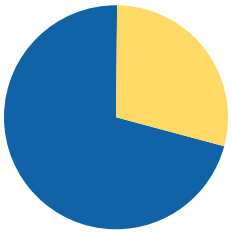


49% of Medicaid children received dental care compared to 58% on commercial insurance statewide



9% of Medicaid teens diagnosed with depression compared to 8.8% of teens statewide

30% of Medicaid children are overweight or obese compared to 15% statewide



29% of Medicaid adults report using tobacco compared to 11% statewide

HEALTHY LIVING: ORAL HEALTH

% Medicaid children who received preventive dental services

FY 2008-09

FY 2009-10

STRATEGIC OBJECTIVES

1. Improve health outcomes
2. **Improve long-term services and supports**
3. Increase access to health care
4. Increase number of insured Coloradans
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LONG-TERM SERVICES AND SUPPORTS: REDESIGN

- GOAL:
  - Redesign long term care payment structure, data systems, and delivery systems to transform long term care from institution-based to efficient, person-centered, community-based care
- Three components:
  - Colorado Choice Transitions (Money-Follows-the-Person Grant)
  - Proposed move of Development Disabilities and Aging programs to HCPF
  - HCBS Waiver Integration

HEALTH CARE POLICY & FINANCING

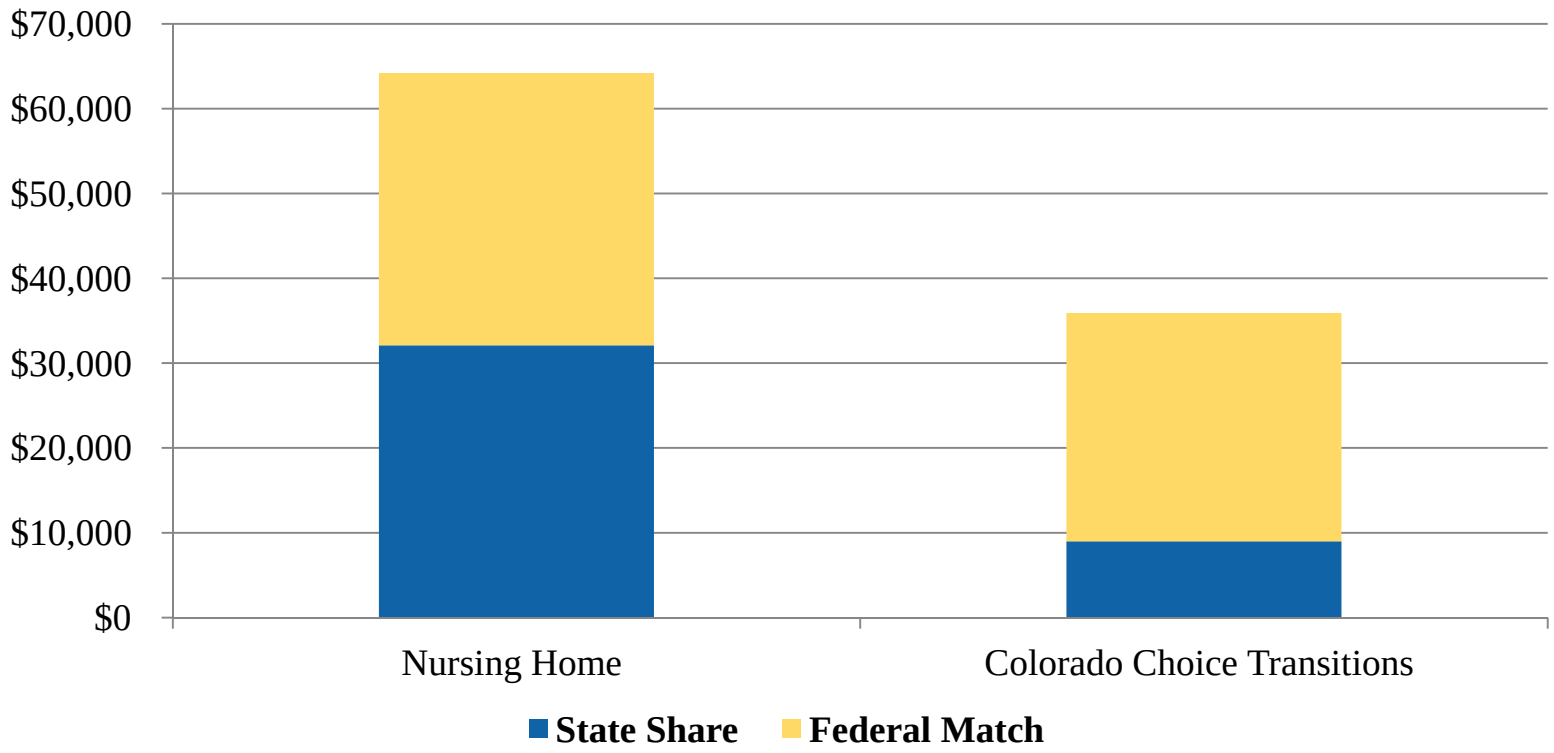
LONG-TERM SERVICES AND SUPPORTS ADVISORY COMMITTEE

- Department commitment to solicit diverse stakeholder input on the future of long-term services and supports
- Committee will recommend innovations leading to:
  - Improved cost efficiencies
  - Improved client outcomes
  - Improved client experience, such as access

COLORADO CHOICE TRANSITIONS (CCT)

- GOAL: Keep clients in the community using Home- and Community-Based Services
- $22M for five years from CMS (April 2011-March 2016)
- Enhanced federal match for supports and services (80% of budget)
- 100% Support for Project Administration (20% of budget)
- Program will launch July 2012

COST COMPARISON: NURSING HOME & COLORADO CHOICE TRANSITIONS



**Annual Average Cost for nursing home is based on FY 2010-11 average daily rate used by case managers to complete requests for HCBS services.*

**Annual Per Capita cost for the CCT program is based on the total grant amount for services divided by the anticipated number of clients. Does not include administrative costs.*

DEVELOPMENTAL DISABILITIES AND AGING

- Division of Developmental Disabilities, State Unit on Aging, and the Children's Habilitation Residential Program – currently at DHS
- Proposed move to HCPF to improve cost containment, program efficiencies, and client experience
- Will reduce system fragmentation and increase consistency

HOME- AND COMMUNITY-BASED SERVICES WAIVER INTEGRATION

- GOAL: Reduce fragmentation that clients experience in accessing services
- Integrate 11 HCBS waivers into fewer programs
- Ensure appropriate access
- Refine client eligibility determination and needs assessment

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ACCESS TO CARE

Eligibility + Enrollment

- Getting eligible people enrolled so they have access to care

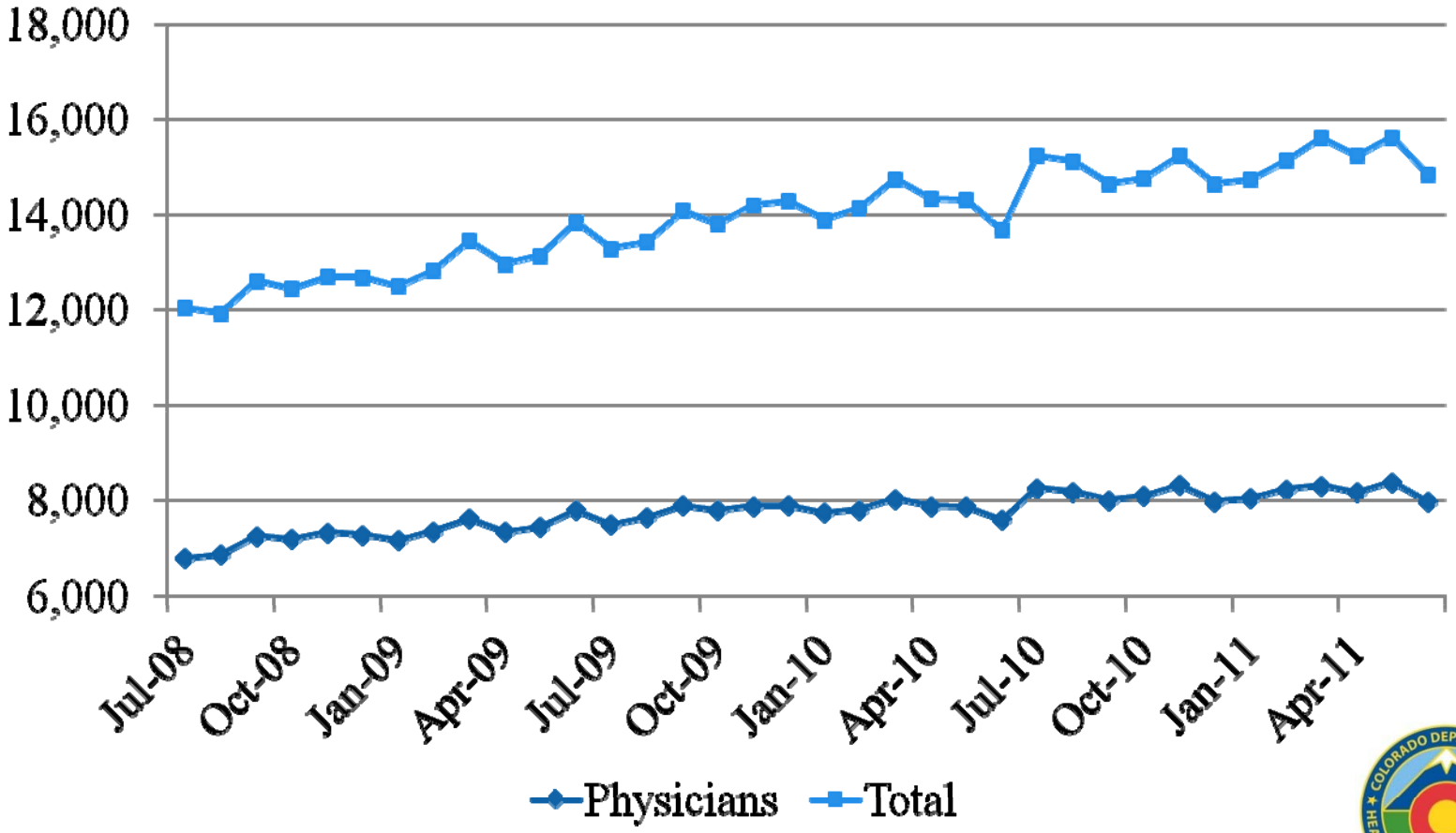
Provider participation

- Helping to ensure there is an adequate system of care

GETTING PEOPLE ENROLLED

- Information technology creates efficiencies:
  - Automatically verify work income, U.S. citizenship, and identity
- Efficiencies reduce or eliminate:
  - Administrative burden on clients and families
  - Administrative workload at eligibility sites
  - Inaccuracies in self-reported information

PROVIDER PARTICIPATION



STRATEGIC OBJECTIVES

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4. **Increase number of insured Coloradans**
5. Contain health care costs

INSURING COLORADANS

- The income levels for the Department's programs are set through federal and State law
- The Department measures how well it does by maximizing the number of eligible people that are enrolled
- In FY 2010-11:
  - 79% of eligible children enrolled in Medicaid or CHP+
  - 76% of eligible parents were enrolled in Medicaid

TOBACCO TAX EXPANSIONS

- Amendment 35, HB 05-1262
- Expanded Medicaid and CHP+:
  - Elimination of Medicaid Asset Test for families
  - Expansion for low-income Medicaid parents to 60% FPL
  - Expansion of CHP+ to 200% FPL
  - Expand enrollment in the Children's Home- and Community-Based Services and Children's Extensive Support Waivers
  - Expand Medicaid to certain legal permanent residents
  - Presumptive eligibility for pregnant women in Medicaid

COLORADO HEALTH CARE AFFORDABILITY ACT EXPANSIONS

- HB 09-1293
- Authorizes Medicaid and CHP+ Expansions:
  - Expansion for low-income Medicaid parents to 100% FPL
  - Expansion of CHP+ to 250% FPL
  - Expansion of Medicaid to Adults without Dependent Children (AwDC) to 100% FPL
  - Creating a Medicaid Buy-In Program for Individuals with Disabilities to 450% FPL
  - Implementing Continuous Eligibility for Medicaid children

STRATEGIC OBJECTIVES

1. Improve health outcomes
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5. **Contain health care costs**

CONTAIN HEALTH CARE COSTS

- Benefits Collaborative
- Utilization Management
- Pharmacy
- Cost Containment Workgroups
  - Reduce inappropriate ER visits
  - Reduce hospital readmissions
  - Reduce unintended pregnancy
- Payment Reform

BENEFITS COLLABORATIVE

- GOAL: Develop coverage policies for Medicaid services based on clinical evidence and cost-effectiveness, in a transparent and stakeholder-driven manner.
- Over 40 benefit policies have been reviewed by stakeholders.

BENEFITS COLLABORATIVE: OXYGEN POLICY

- Cost savings:
  - Certificate of medical necessity
  - Institute caps
  - Change in reimbursement methodology
  - Incorrect billing
- Return on investment

UTILIZATION MANAGEMENT

- GOAL: Modernize and streamline medical review processes to ensure appropriate utilization of services
- New contract awarded in August 2011
- Use data and utilization management strategies to ensure appropriate use of services

UTILIZATION MANAGEMENT OPPORTUNITIES

- High-risk, high-cost people on average had more hospitalizations, saw 4 more doctors, and had 30 more prescriptions than other people
- Solutions:
  - Work directly with hospital during the client's hospital stay
  - Inpatient hospital notification system

CLAIMS MANAGEMENT

- ACS is Fiscal Agent and maintains the MMIS
- Process claims (medical and pharmacy)
  - 97% electronic claim volume (one of the industry leaders)
  - Process approximately 4,500 paper claims per week
- Provider services call center
  - Receives over 12,000 calls per month
- Provider relations
  - Provider Enrollment Unit enrolls approximately 82 different provider types with an average of 100 applications per week
  - Conducts over 100 training sessions in Denver per year
- Post-payment activities

MMIS REPROCUREMENT

- Current MMIS is a mainframe design from 1970's
- New MMIS will be more modular, flexible
  - Decrease potential for errors
  - Additional analytics and detailed client reporting
- MMIS Reprocurement project has begun
  - FY 2011-12: Develop RFP
    - Department can learn from other states
  - FY 2013-14: Begin design of new MMIS
    - New MMIS design and development costs range from $50-$100 million spread over 3-years (90% federal match)
  - FY 2015-16: Begin implementation

UTILIZATION MANAGEMENT FOR PHARMACEUTICALS

- The Department has contracted with the University of Colorado Skaggs School of Pharmacy to review drug utilization
- The support will give the Department access to:
  - Clinical expertise from the School faculty
  - New analytic capabilities

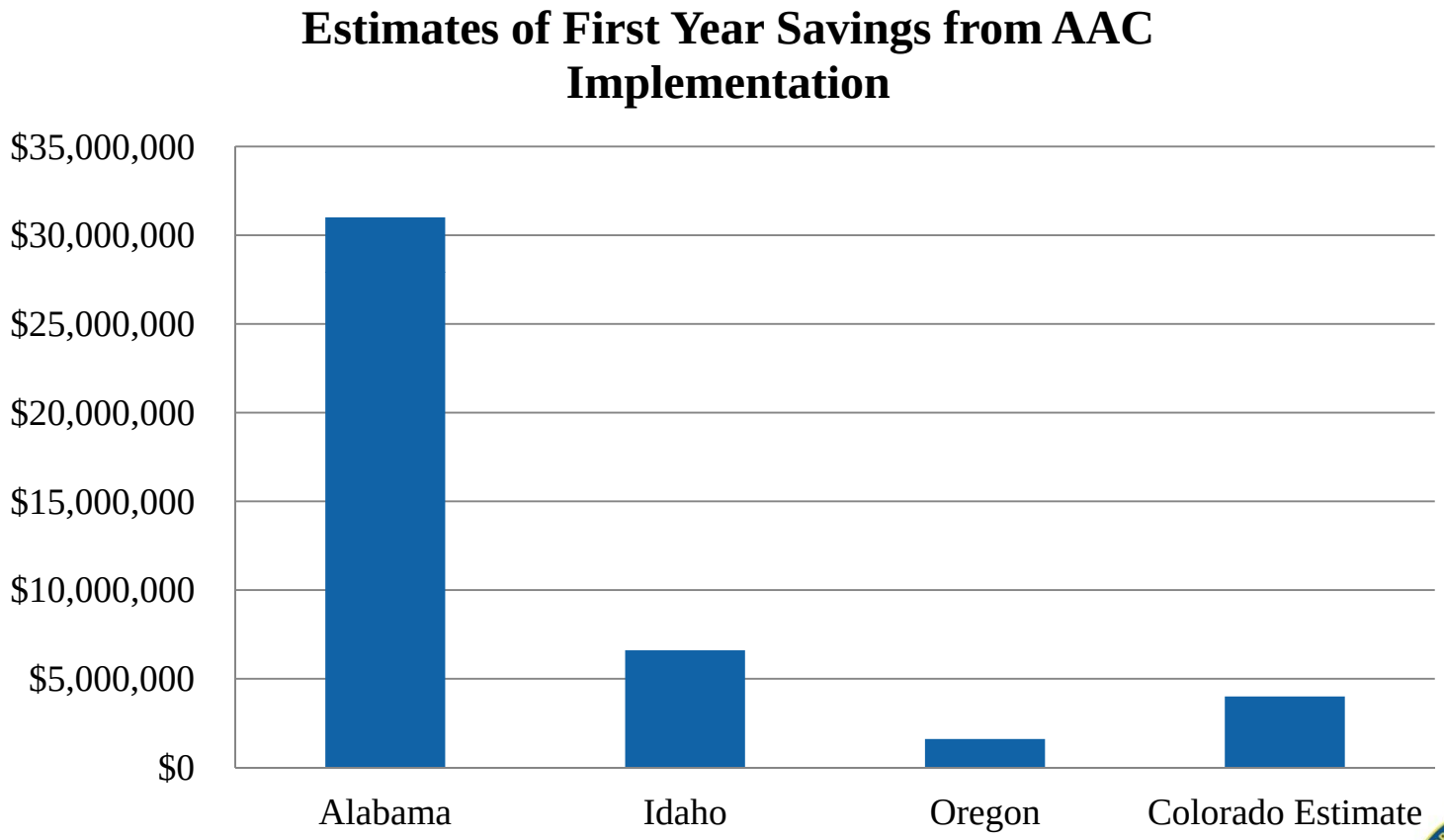
PHARMACY PAYMENT REFORM

- GOAL: Reimburse pharmacies fairly
- Average Wholesale Price (AWP) is inflated
- Moving to new pricing system based on Average Acquisition Cost (AAC)
  - Step 1: Budget neutral AWP = AAC + 51.1% (or AAC + 223% for rural pharmacies)
    - plus $4 dispensing
  - Step 2: Establish local AAC for drugs and cost of dispensing for Colorado Pharmacies

PHARMACY PAYMENT REFORM BENEFITS

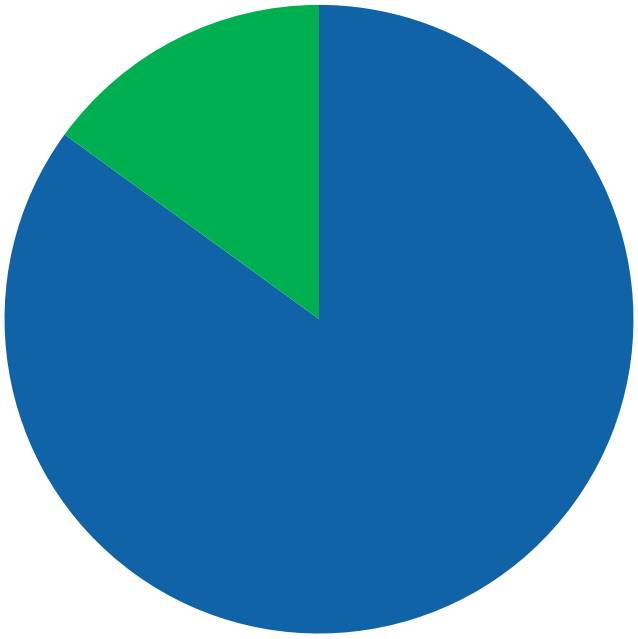
- Providers are protected from underpayment, because rates are created for Colorado from Colorado data
- Clients have access to pharmacy services
- Prudent purchasing of drug products, with potential savings of as much as $4 million

PHARMACY PAYMENT REFORM BENEFITS

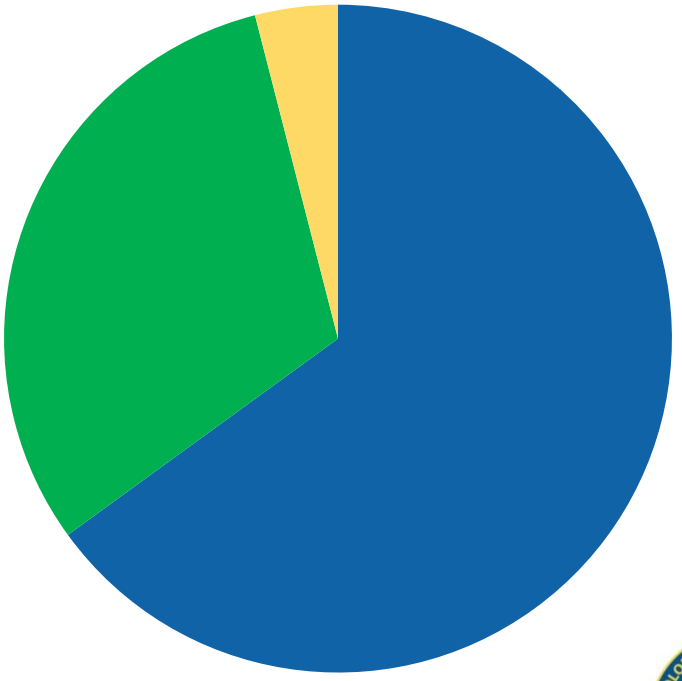


PHARMACY PAYMENT REFORM BENEFITS

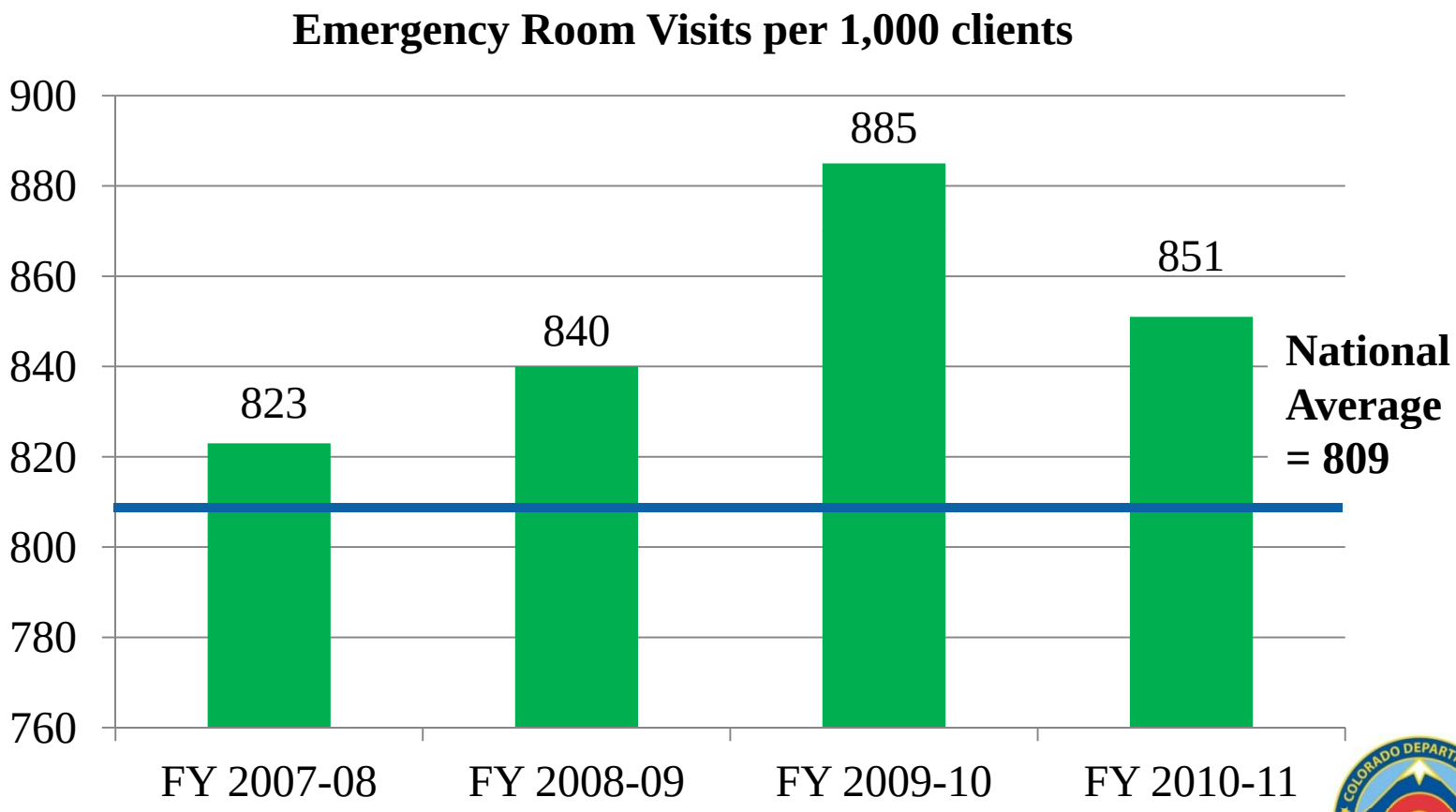
Reimbursement by Component (Pre AAC Implementation)



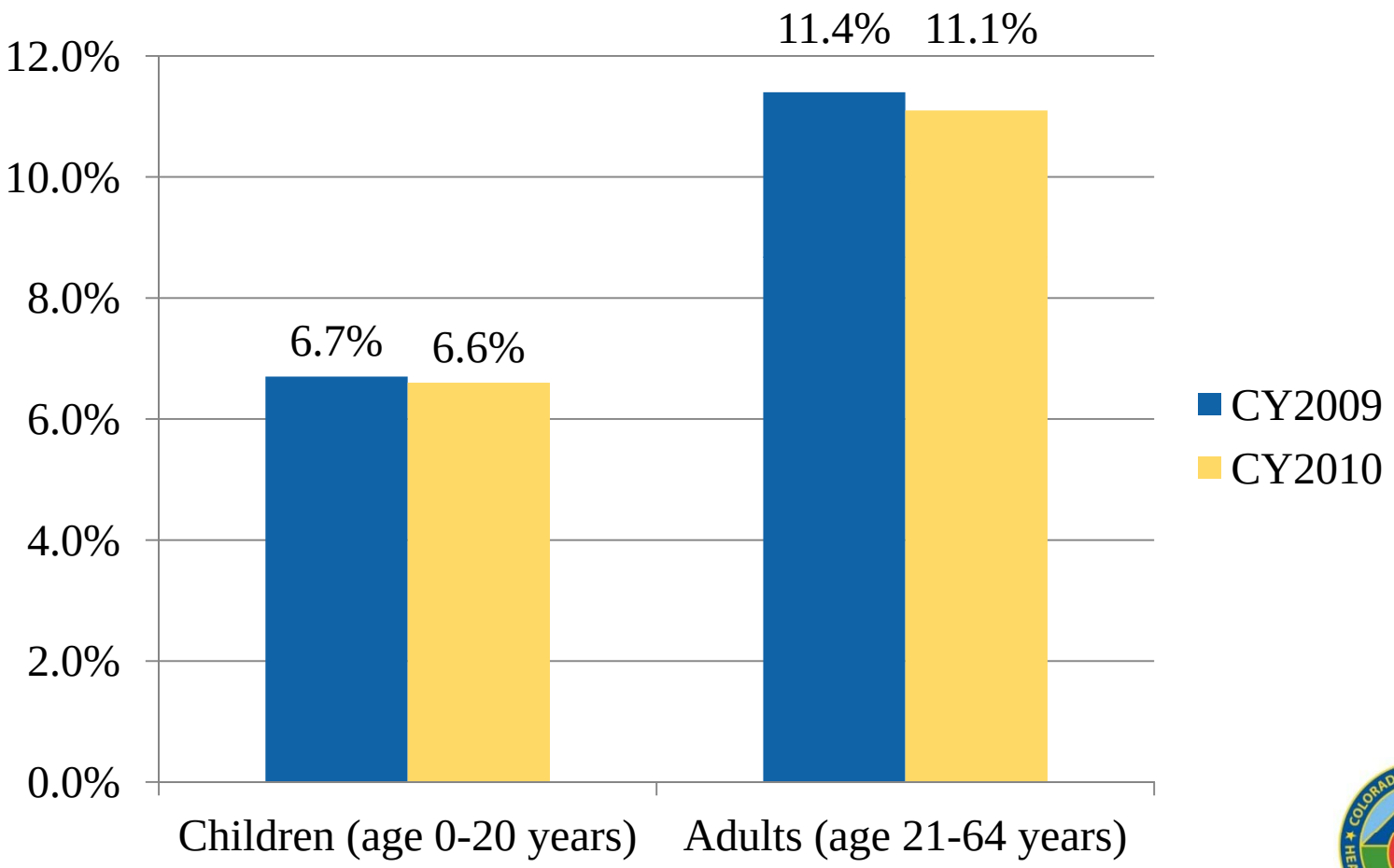
Reimbursement by Component (Post AAC Implementation)



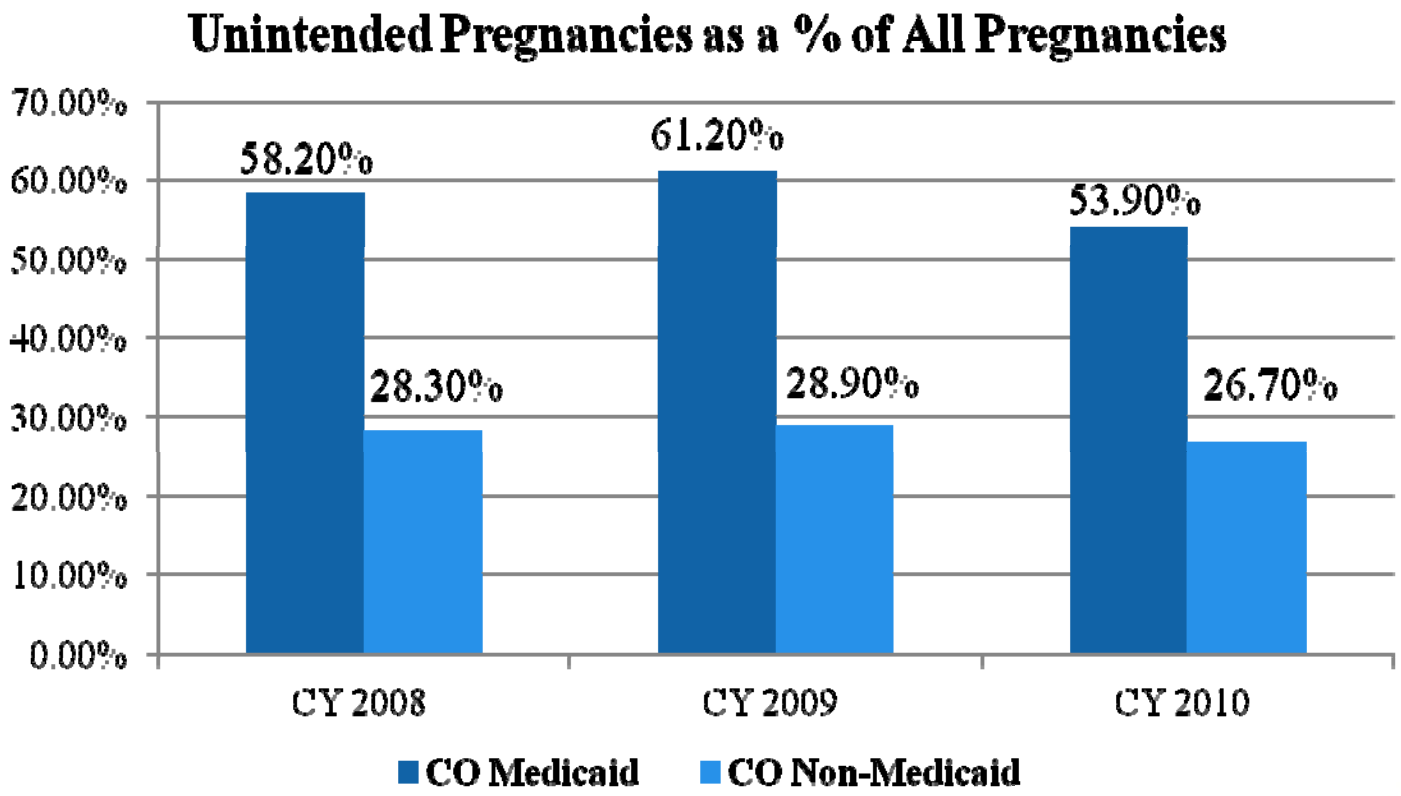
REDUCE INAPPROPRIATE ER UTILIZATION



REDUCE HOSPITAL READMISSIONS



REDUCE UNINTENDED PREGNANCIES



Sources: Pregnancy Risk Assessment Monitoring System (PRAMS), Colorado vital statistics, and Colorado Medicaid claims data.

MEDICAID EFFICIENCIES (R-6)

- Saves $29.7M through preventing unnecessary services and overpayments
  - $8.9M on better management of prescription drugs
  - $4.3M from ensuring appropriate use of home health services
  - $11.1M in targeted reimbursement reductions for providers
  - $5.4M on various initiatives involving more appropriate service delivery and better utilization management

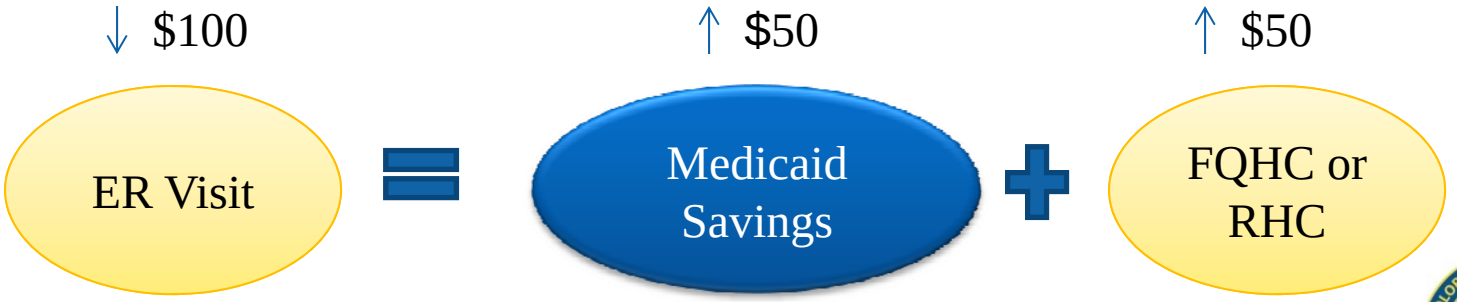
PAYMENT REFORM

- GOAL: Revise the methods used to reimburse providers to move to paying for value instead of volume
- Changing payment so that it rewards good outcomes instead of volume of services

SHARED SAVINGS

- "Shared Savings" payments are made when providers render services in a way that reduce costs to the state without their patients forgoing necessary care

Example: ER Visit



FY 2012-13 BUDGET
R-5: PAYMENT REFORM

- The request includes:
  - Savings of $1.8M in FY 2012-13 and $4.1M in FY 2013-14 from implementing shared savings.
- Research topics include:
  - Bundled Payments
  - Outcome-driven long-term care payments
  - New research projects are already funded

ADDITIONAL COST CONTAINMENT

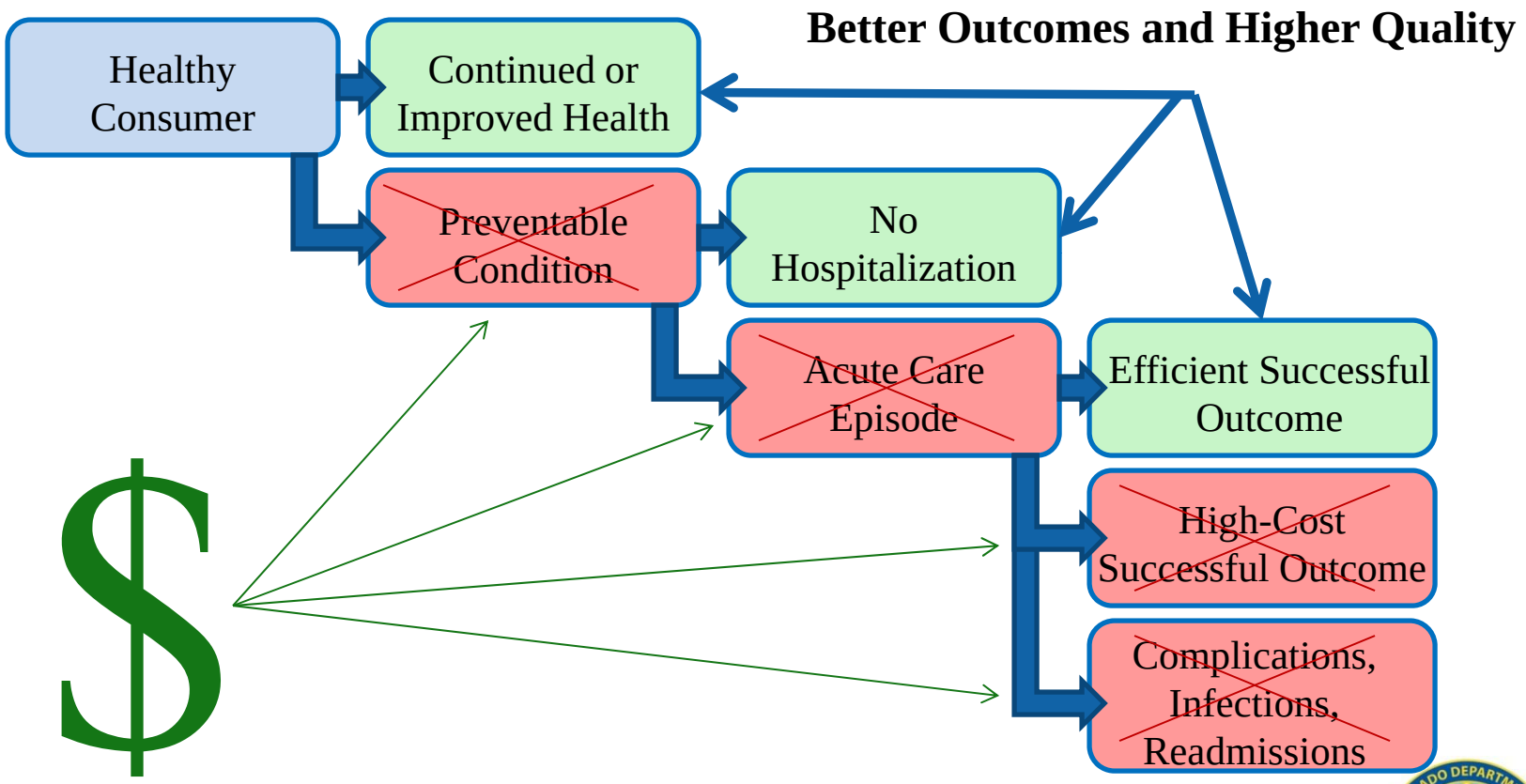
- R-7: Increases co-payments and enrollment fees
  - Higher-income clients will be required to pay more
  - Medicaid co-payments will increase to federal max
  - Non-emergency ER use will include higher co-pay
  - CHP+ annual enrollment fees will be tripled
    - $3.4M in savings in FY 2012-13
    - $6.0M in savings in FY 2013-14
- Combating fraud, waste, and abuse

HOW DEPARTMENT PROGRAMS SUPPORT STRATEGIC GOALS

	Improve Health Outcomes	Improve Long-Term Supports & Services	Increase Access to Health Care	Increase # of Insured	Contain Health Care Costs
ACC and Medical Homes	X		X		X
Integrated Care For Dual Eligibles Contract	X	X	X		X
Healthy Living Initiatives	X				X
Colorado Choice Transitions	X	X			X
HCBS Waiver Integration	X	X	X		X
Eligibility System Efficiencies			X	X	
Increase Enrollment of Eligible Individuals	X	X	X	X	X
Benefits Collaborative	X				X
Utilization Management	X		X		X
Pharmacy Payment Reform	X				X
Reduce Inappropriate ER Utilization	X		X		X
Reduce Hospital Readmissions	X				X
Reduce Unintended Pregnancies	X		X		X
Payment Reform	X				X

FUTURE PAYMENT SYSTEMS

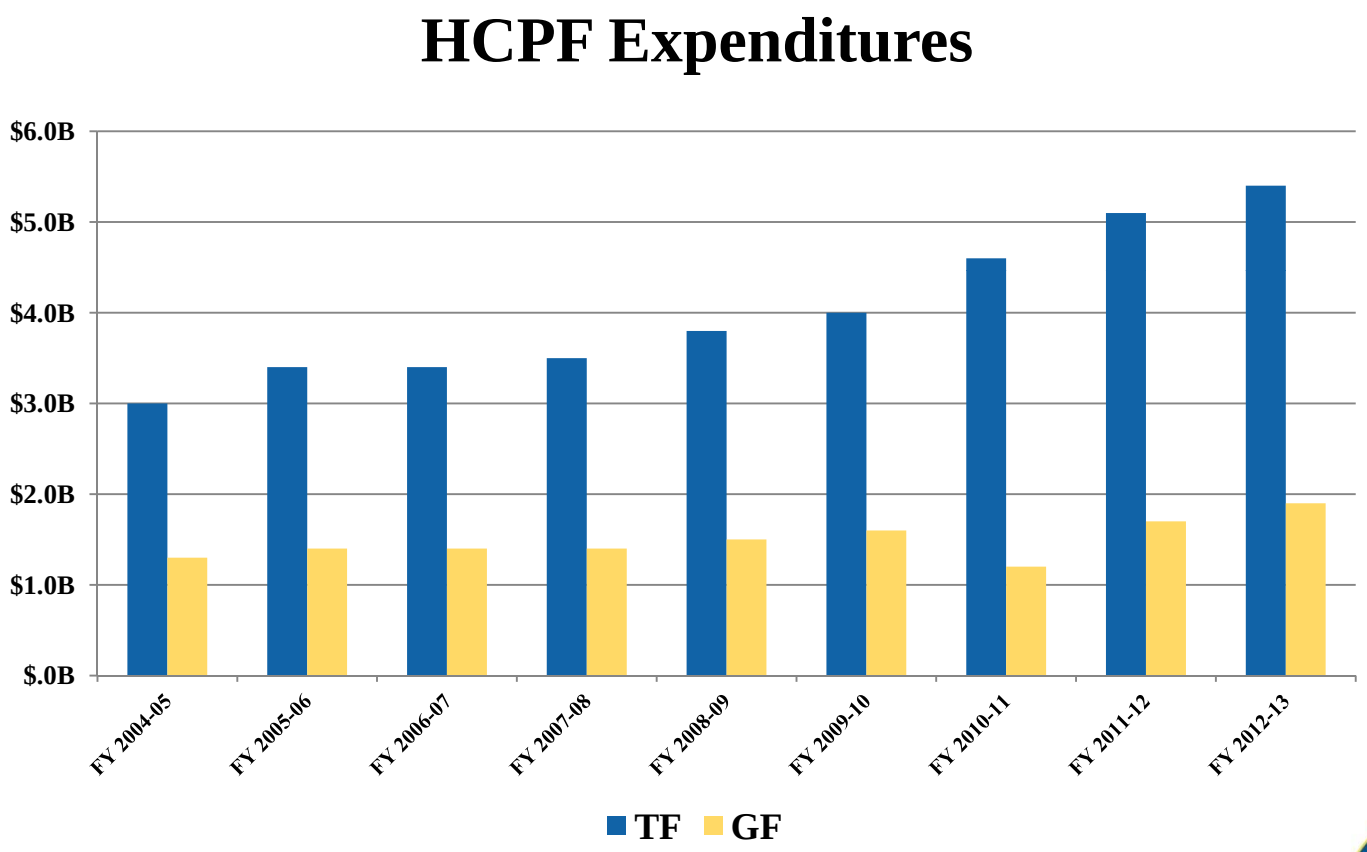
REWARD BETTER OUTCOMES AND HIGHER QUALITY



Budget

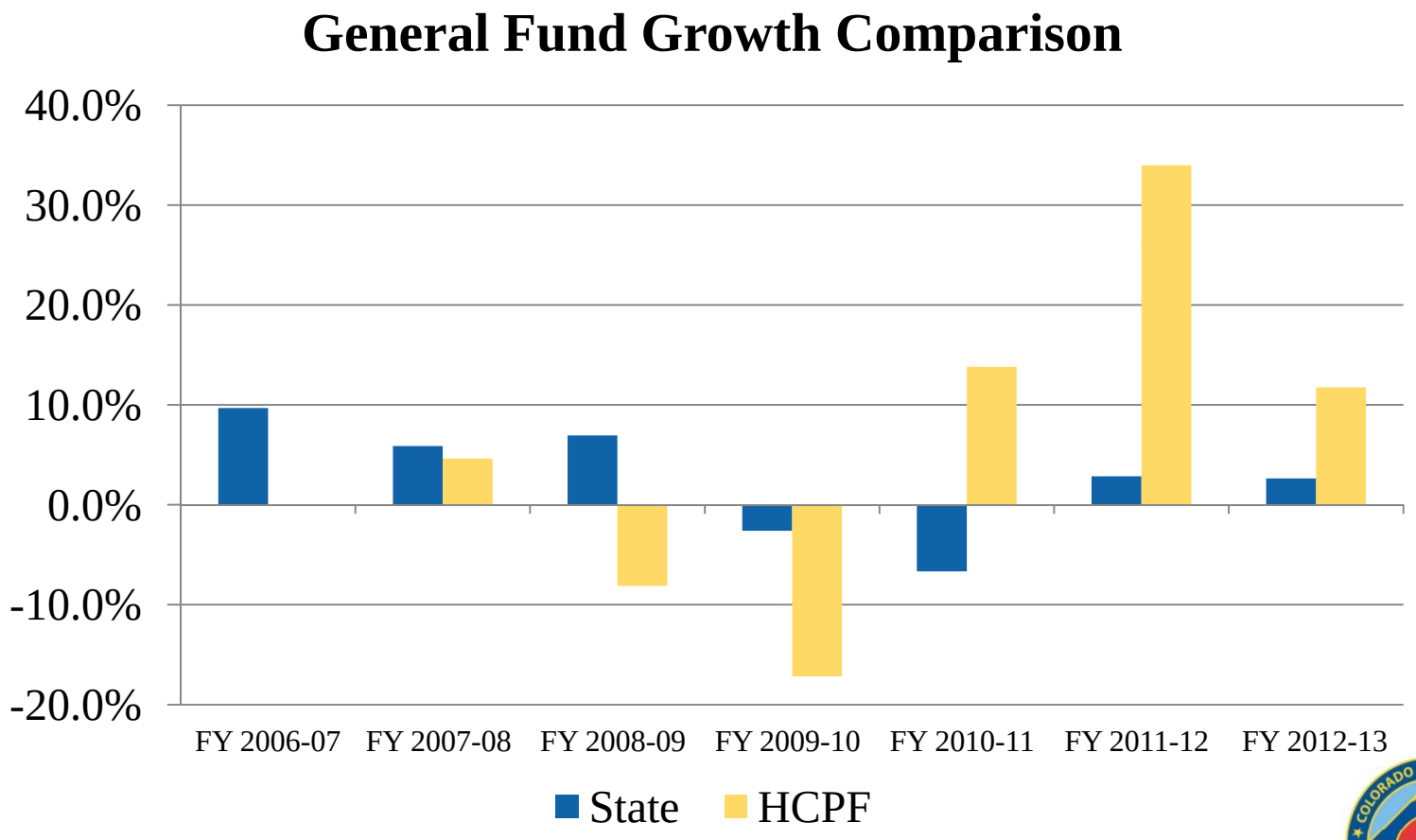
BUDGET HISTORY

BUDGET HISTORY



Sources: FY 2004-05 to FY 2011-12 JBC Budget in Briefs, FY 2012-13 November 1, 2011 Budget Request

BUDGET HISTORY

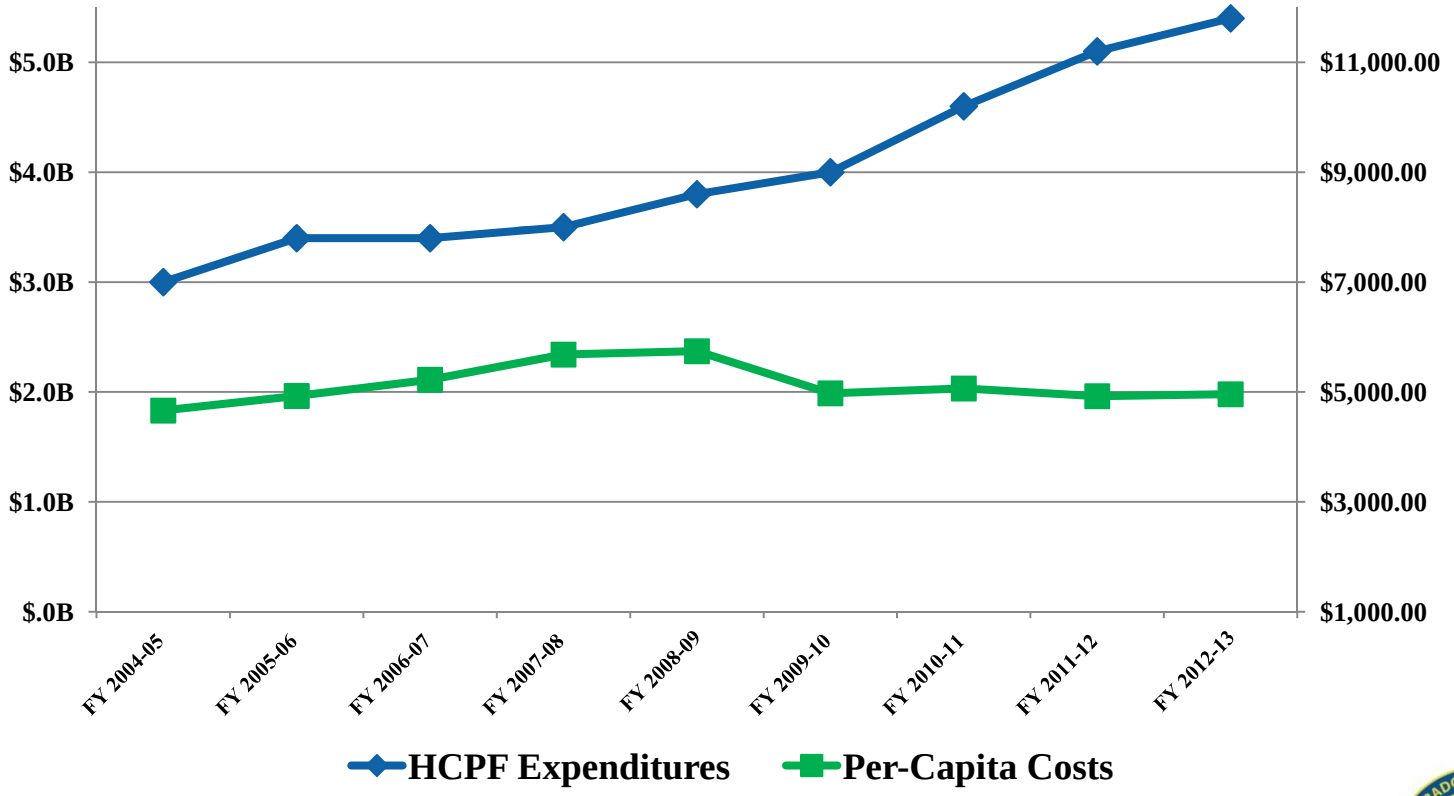


PER CAPITA

	Medicaid Caseload	Medicaid Caseload Growth	Per-Capita Costs*	Per-Capita Cost Growth
FY 2004-05	406,024	-	$4,662.42	-
FY 2005-06	402,218	-0.9%	$4,928.66	5.7%
FY 2006-07	392,228	-2.5%	$5,222.57	6.0%
FY 2007-08	391,962	-0.1%	$5,681.77	8.8%
FY 2008-09	436,812	11.4%	$5,742.83	1.1%
FY 2009-10	498,797	14.2%	$5,116.67	-10.9%
FY 2010-11	560,722	12.4%	$4,938.80	-3.5%
FY 2011-12	619,985	10.6%	$4,923.92	-0.3%
FY 2012-13	672,968	8.5%	$4,959.38	0.7%

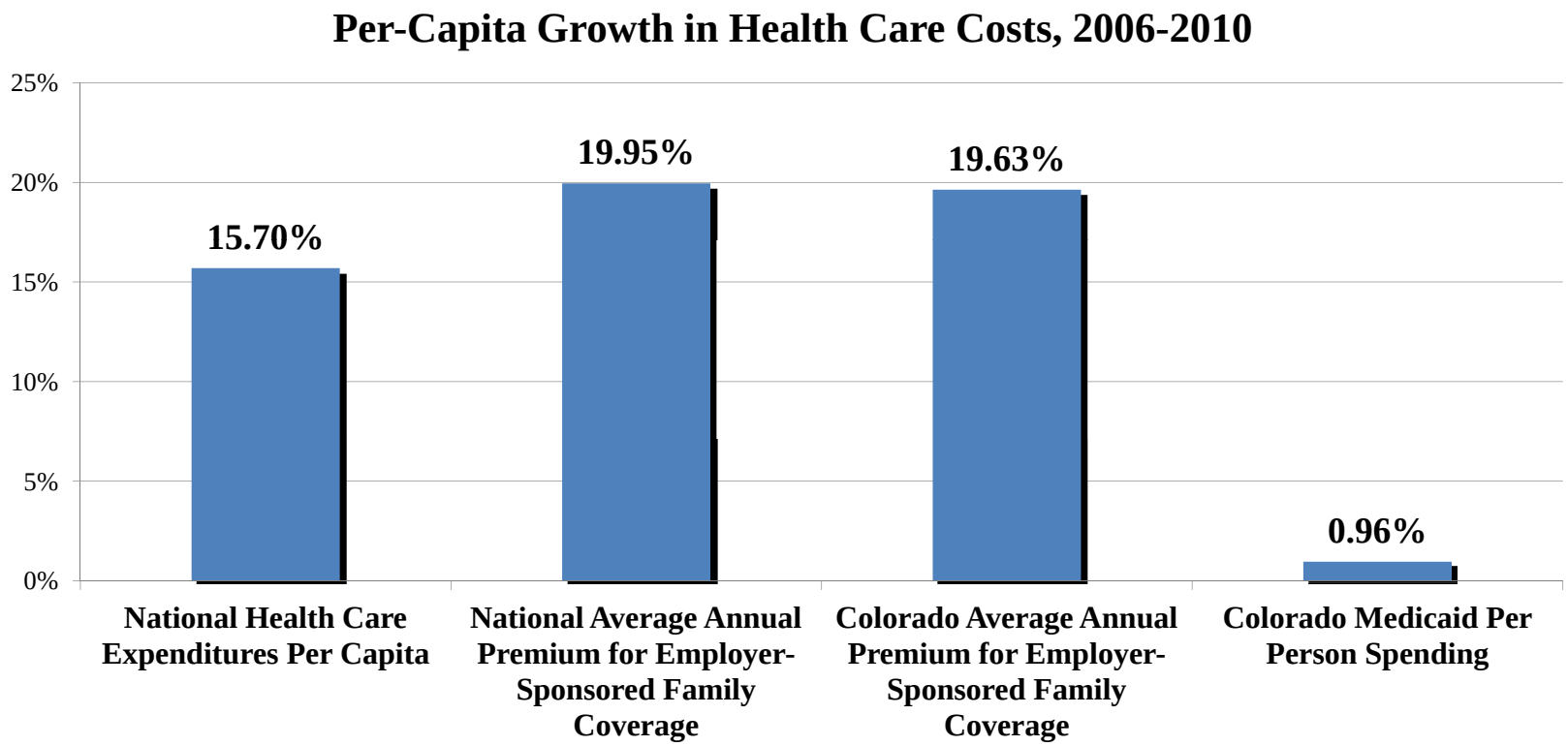
**Per-capita costs are calculated using caseload and Medicaid expenditures, not total Department expenditures. Source: November 1, 2011 FY 2012-13 R-1 "Request for Medical Services Premiums," Exhibit C. Adjusted for FY 2009-10 MMIS payment delay.*

MEDICAID PER CAPITA



Sources: FY 2004-05 to FY 2011-12 JBC Budget in Briefs, FY 2012-13 November 1, 2011 Budget Request

PER CAPITA COSTS

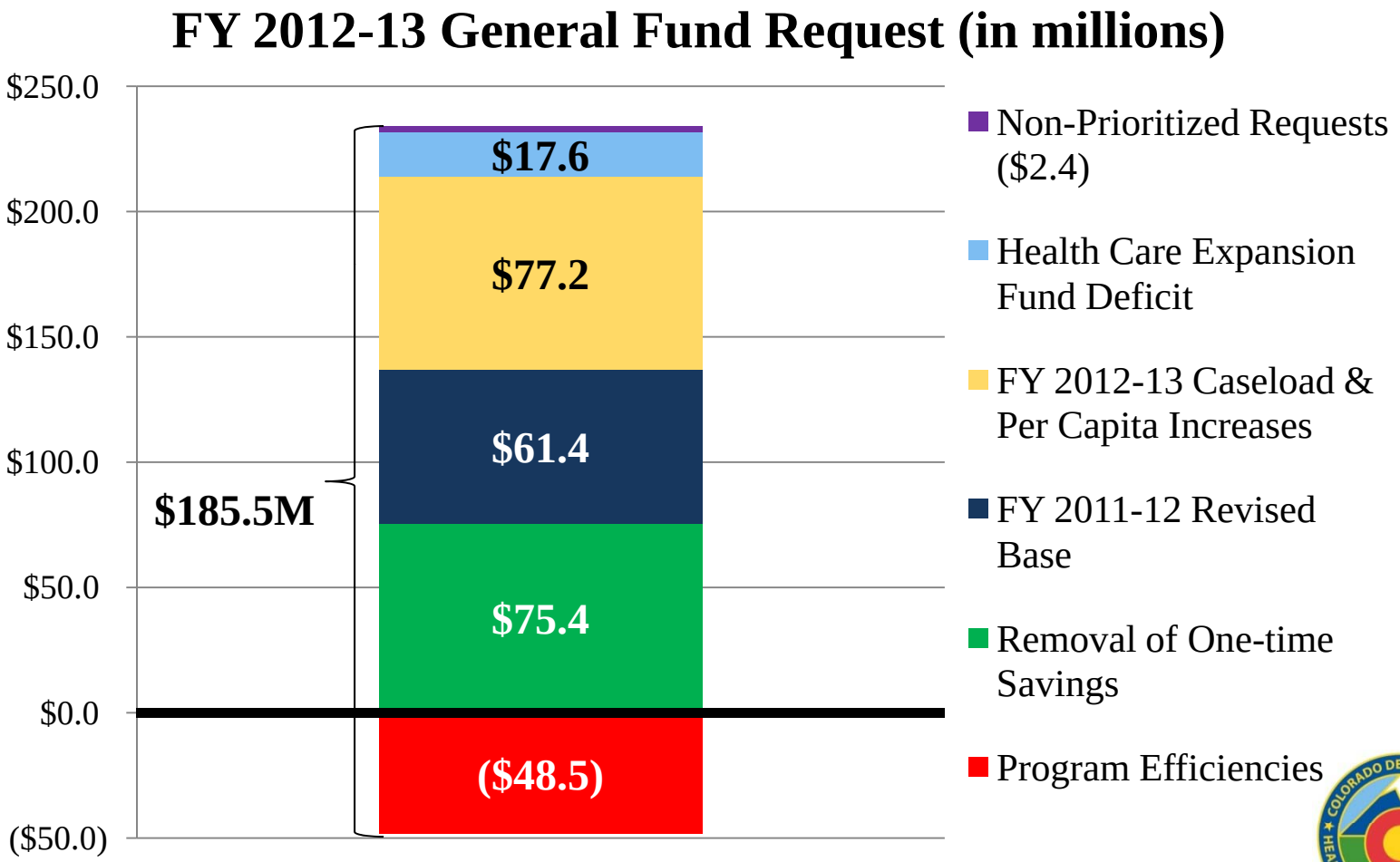


Sources: National Health Expenditure Projections 2010-2020; Kaiser Family Foundation Employer Health Benefits Survey 2011; Medical Expenditure Panel Survey; HCPF Annual Reports

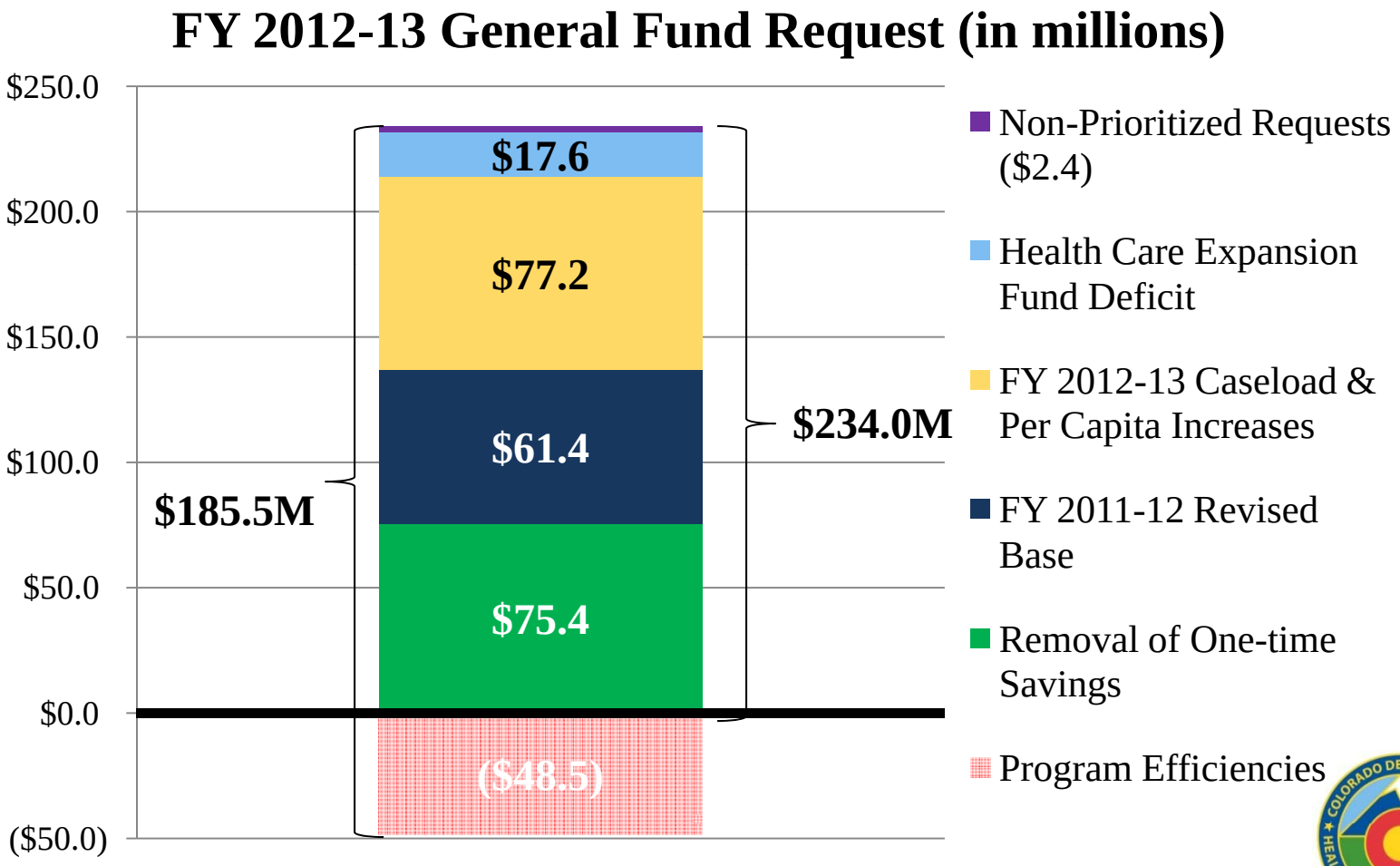
HEALTH CARE POLICY & FINANCING

FY 2012-13
BUDGET PROJECTIONS

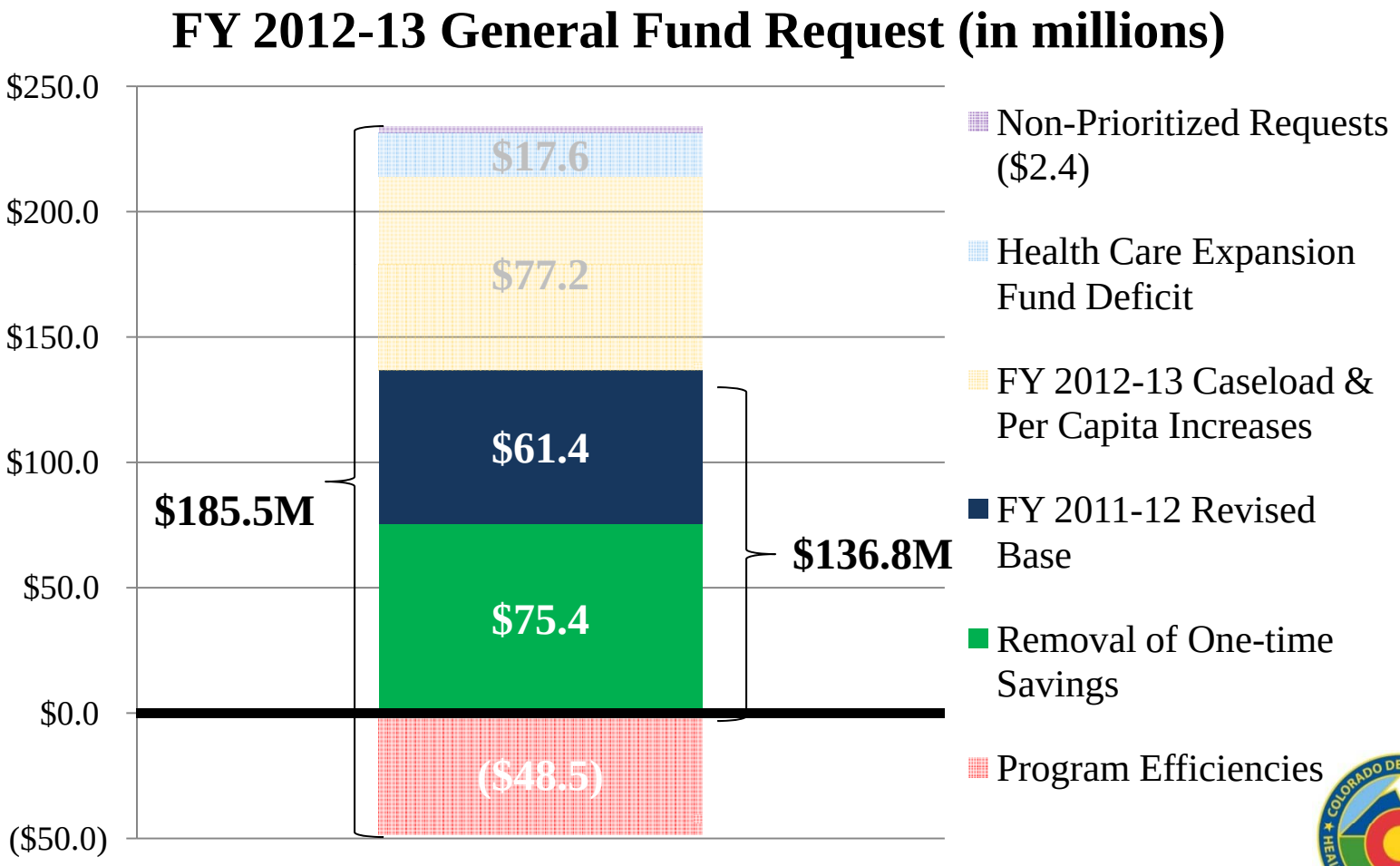
FY 2012-13 BUDGET REQUEST



FY 2012-13 BUDGET REQUEST

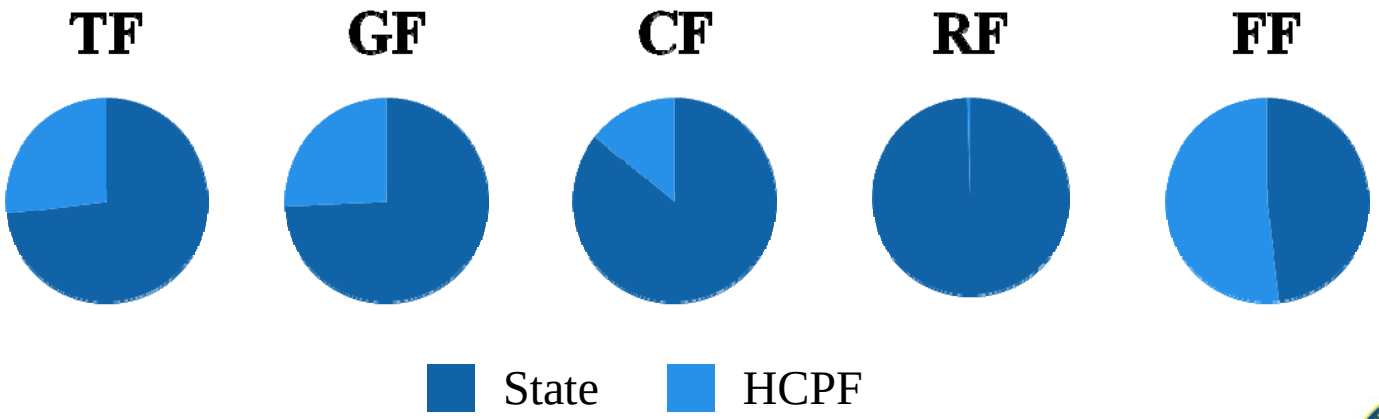


FY 2012-13 BUDGET REQUEST



FY 2012-13 BUDGET

	TF	GF	CF	RF	FF
State	$20.1B	$7.4B	$6.0B	$1.5B	$5.2B
HCPF	$5.4B	$1.9B	$865M	$7.4M	$2.7B
% of State	26.9%	25.7%	14.4%	0.5%	51.9%



Source: Office of State Planning and Budgeting

FY 2012-13 HCPF BUDGET

FY 2012-13 Department administration budget

- Department budget request *without* DHS programs:
  - $5.0B total funds, $1.6B General Fund
    - Total Department administration:
      - $158.2M total funds, $43.9M General Fund (2.68%)
        - Total Department payroll:
          - $25.3M total funds, $9.3M General Fund (0.57%)
- Public versus Private comparison
  - Congressional Budget Office estimates private health insurance plans carry administrative costs between 7% and 30%

Audit

DEPARTMENT AND AUDIT ACTIVITY

- The Department takes every audit recommendation seriously
- Multiple audits are conducted by the OSA, CMS and OIG – 18 times in 2010
- Maintains own audit tracking database since 2006
- Over 20 FTE throughout Department dedicated to audits

REPORT ON AUDIT RECOMMENDATIONS

- 75% of those reported by OSA have been implemented
- 13 open recommendations
  - Several of the recommendations are duplicative findings
  - Multiple subparts in each recommendation are counted
- 5 specific open recommendations

RECOMMENDATIONS IN PROGRESS

- Improve controls over verifying licenses and documentation of providers
  - Two duplicative findings 2009 and 2010, with a total of six subparts
  - Expected Implementation: March 2016
  - Changes in federal regulations and requires extensive system changes
- Improve internal user controls to MMIS
  - Four subparts in finding
  - Expected Implementation: June 2012

RECOMMENDATIONS IN PROGRESS

- Recover payments from laboratory providers with mismatched certifications
  - Expected implementation to issue recovery letters: March 2012
- Improve consistency of functional assessment for client in Long Term Care
  - Expected implementation for increased training: June 2012
- Increase CHP+ Reporting
  - Eligibility system reports under design

HOW COLORADO COMPARES NATIONALLY

- OSA's eligibility audit findings
- Federal Payment Error Rate Measurement program

PERM Error Rate		
	National	Colorado
Eligibility	6.1%	1.0%
Overall Error Rate	8.1%	6.9%

AUDIT STRATEGY

- The Department takes every audit recommendation seriously
- Requires a reallocation of resources
- Consideration of system costs
  - Current system or next MMIS

Waivers

WAIVERS

- Specific circumstances in which the federal government may "waive" certain provisions of the federal Medicaid and CHIP laws if it is the direction the federal government wants a state to go
- Waivers include a budget-neutrality requirement
- The Department is continually looking at ways to improve the delivery system and services for clients

Wrap Up

Questions?