



ForwardHealth Rate Reform Project

Department of Health Services
Division of Health Care Access
and Accountability

July 2009

1



Agenda

- Why We are Here
- Project Overview
- Context / Guiding Principles
- Savings Targets
- Package of Recommendations
- Complementary Efforts
- Ongoing Rate Reform
- Discussion

2

Why We are Here



- Downturn of the economy has created worst economic crisis in at least a generation
- Budget deficit is \$6.6 billion over the 2009-11 biennium
- Every segment within State government is facing reductions
- After School Aids, Medicaid is the second largest recipient of general purpose revenue
- Medicaid spending needs to be part of the solution to help balance the budget

3

Project Overview



- All-Provider Kick-Off Call (3/23)
- Round 1 Advisory Group Meetings (4/2-4/17)
 - Over 200 advisory group participants
 - Web survey to 30,000 portal users
 - Generated over 500 ideas
 - Highest volume of ideas for Pharmacy, LTC & PA-related changes
- Package Development (4/20-7/11)
 - Balanced approach across all providers
 - State Budget Impact Need: SFY10-11 savings; target has grown
- Round 2 Advisory Group Meetings (7/15-7/22)
- Implement Recommendations (begin 8/1)

4



Other States' MA Budget Cuts

- Most States are facing the prospect of MA program cutbacks and/or provider rate reductions
- At least 25 states have already enacted or proposed cuts to Medicaid programs. For example:
 - California: 7% cuts to service providers. Eliminate Healthy Families program, ending coverage to more than 920,000 children and teens
 - Michigan: 8% cuts to service providers
 - Minnesota: 6.5% cut for physician and professional services
 - Washington: Eliminate coverage for 40,000 low-income adults
- At least 21 states are cutting medical, rehabilitative, home care or other services needed by low-income people who are elderly or have disabilities. For example:
 - Illinois: Cut \$5 billion in state funding for community-provided programs and another \$4.2 billion in state-provided services
 - Nevada: Require waiting period to re-apply for benefits making it harder for families to receive benefits
 - Florida: Cut reimbursements to community-based services for the elderly, such as meals and homemaker services and reimbursement to hospitals

5



Other Medicaid GPR Savings Included in the Governor's SFY09-11 Budget

Governor's Budget Item	SFY 2010	SFY 2011
<i>Other Savings Items</i>		
Smoking Ban	\$150,900	\$298,600
Mental Health Institute County Payments	\$3,684,700	\$8,588,400
SeniorCare Reestimate	\$21,759,500	\$19,797,500
Eliminate SeniorCare Supplement	\$1,751,900	\$1,925,000
Transportation Broker	\$3,209,400	\$6,106,000
Total	\$30,556,400	\$36,715,500

• GPR offset for FMAP Stimulus:

MA:	SFY 2010	\$645,743,500	SFY 2011	\$337,009,700
SeniorCare:	SFY 2010	\$6,370,000	SFY 2011	\$3,460,000

6

What Wisconsin could do to meet the legislative mandate to reduce Medicaid spending by \$600 million AF



- Across-the-board rate cuts of approximately 5.5% over the biennium; 19% if applied only to non-institutional services
- Sweeping reductions in benefits and services. Samples of submitted ideas included:
 - Eliminating oral health coverage for BC+ Benchmark plan
 - Expanding use of provider assessments
 - Ending the expansion of Family Care
 - Eliminating SeniorCare
 - Dramatically increasing co-payments for expansion populations

7

The Wisconsin Approach



- Protect vulnerable populations: low-income children and their families and the elderly, blind and disabled
- Maintain current eligibility and coverage levels
- Continue program expansions to provide health care to the uninsured
- Avoid across-the-board cuts

8



Guiding Principles

- Identify savings to reach targeted reduction levels
- Look for both short-term solutions and long-term systemic changes
 - Short term changes - Implement quickly without overly disrupting members, providers and IT systems
- Ensure that no one provider group is singled out for rate reductions
 - All provider groups must be part of the solution
- Ensure access to care for MA patients
- Align payments with value rather than volume
 - Increase payments for successful outcomes
 - Reduce payments for errors, poor outcomes, unnecessary complications, and less cost-effective procedures
- Build on previous MA quality improvement efforts including the managed care P4P initiative
- Implement care management/coordination strategies

9

Idea Analysis & Development



- Ideas analyzed and prioritized based on:
 - Short & long term impact
 - Current spend & potential savings
 - Benefit considerations
 - Policy impacts
 - Regulatory parameters
 - Contract changes
- Reviewed and triaged each idea internally
- Developed list of short-term savings ideas for 2009-11 biennium

Template completed for each idea

Title of Proposal		
Brief Description		
Submitted by: _____		
Recommended? (Rate Reform Advisory Group) _____		
1. Savings		
a. What is the current spend in this area? (AF)	Required	Expiration/Ceases
b. What are the potential savings associated with this proposal? (AF)	Short term (Annual)	\$
	Long term (Annualized)	\$
c. What is the estimated (GPI) savings? (Please consider federal match rate variation)	Required	\$
d. How could these savings be achieved?		
2. ADHA & Other Federal Considerations		
a. Would members lose eligibility?	Required	Expiration/Ceases
b. Would this idea eliminate a federal requirement?		
3. Benefits		
a. Which benefits would be affected?	Required	Expiration/Ceases
4. Outcomes		
a. Is this proposal outcome-based?	Required	Expiration/Ceases
b. How would this proposal be measured?		
c. Does this proposal impact care management?		

10

Savings Target



- Original Target (March 2009): Governor's SFY 10-11 Budget
 - \$140 million GPR \$415 million AF

-
- Revised Target (May 2009): Joint Finance Committee
 - \$191 million GPR \$581 million AF

-
- Final Target (June 2009): Conference Committee
 - \$205 million GPR \$625 million AF

Separate Savings Items:

- Hospital assessment
 - \$300 million GPR (over three fiscal years)
- Increase in hospital assessment
 - \$93 million GPR (over three fiscal years)
- New ambulatory surgical center assessment
 - \$21 million GPR (2009-11 biennium)
- Increase in nursing home assessment
 - \$23 million GPR (2009-11 biennium)

11

Savings Estimates for SFY10-11



- Estimates take into account implementation dates

	SFY10 Savings (\$ millions)	SFY11 Savings (\$ millions)	Biennium Savings (\$ millions)
Total AF	125.5	438.2	563.7
Total GPR Only	37.1	166.6	203.7
Savings Target GPR	86.2	118.7	204.9

- Savings estimates do not include separate assessment savings items

12

Managed Care (BC+ and SSI) Recommendations



	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Reduce HMO Administrative Rate for BC+ to 14%	11.3	AF	14.4	25.7
Reduce HMO Administrative Rate for SSI to 10%	1.4	AF	2.8	4.2
Self Fund P4P	0.0	AF	4.5	4.5
Penalties for Failure to Promote Healthy Birth Outcomes	0.0	AF	3.3	3.3
Implement Full Rate Region Realignment	0.9	AF	0.9	1.8
Do Not Distribute Budgeted Rate Increases	4.2	AF	14.3	18.5
Eliminate Expansion Incentives	0.6	AF	2.2	2.8
Accelerate January 2011 Payments	0.0	GPR	9.8	9.8
Eliminate Managed Care for Dual Eligibles	2.5	AF	5.0	7.5
Reschedule 1 Month of Capitation Payments	0.0	AF	94.1	94.1
Managed Care RFP for 6 counties: Washington, Ozaukee, Waukesha, Milwaukee, Racine & Kenosha	0.0	AF	39.5	39.5
Total AF	20.9		190.8	211.7
Total GPR	6.2		72.2	78.3

13

Goals of Managed Care RFP



- Measurably improve healthcare outcomes for BadgerCare Plus members in the following areas:
 - Childhood Immunizations
 - Blood Lead Screening for one and two year olds
 - Tobacco Cessation
 - Asthma Management
 - Diabetes Management
 - Healthy Birth Outcomes
- Improve care coordination, especially for high cost individuals with chronic illness
- Reduce inappropriate uses of services such as unnecessary ER visits for ambulatory care sensitive conditions
- Lower overall healthcare costs
- Simplify and strengthen healthcare marketplace

14

Goals of Managed Care RFP (cont'd)



- Focus on Milwaukee and Southeast Wisconsin
- End all existing BadgerCare Plus contracts with HMOs in Milwaukee, Washington, Ozaukee, Waukesha, Racine and Kenosha counties and issue an HMO RFP to serve this population. Through the RFP:
 - Realize cost savings through reduced administrative rate
 - Establish strong incentives to improve performance in targeted quality areas
 - RFP will apply to BC+ Standard and Benchmark plans
- BadgerCare Plus Core Plan and SSI-Medicaid members will be linked and will receive services from current SSI-Medicaid HMOs
- Implement RFP on July 1, 2010

15

Hospital Recommendations



	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Create an ER Triage Fee	0.0	AF	3.0	3.0
Discontinue Payments for Same-condition, Hospital re-admissions Within 30 Days	0.0	AF	2.0	2.0
Critical Access Hospitals Payment Reform	6.0	AF	12.0	18.0
Reduce Reimbursement for Hospitalizations for Ambulatory Care Sensitive Conditions	0.0	AF	2.0	2.0
Pay for No More Than One 24-hr Period for ER Visit, Regardless of Arrival Time	0.0	AF	2.0	2.0
Implement a Hospital Never Events Policy	0.0	AF	0.1	0.1
Implement a Hospital Present on Admissions (POA) Policy	0.0	AF	0.1	0.1
Total AF	6.0		21.2	27.2
Total GPR	1.8		7.3	9.1

16

Physician/Clinic/Imaging/Acute Care Provider Recommendations



	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Incorporate Decision Support Software for Imaging Orders	0.0	AF	3.2	3.2
Reduce Reimbursement for C-sections Unless Medically Necessary	1.7	AF	2.3	4.0
Evidence-based Health Care Initiative	14.0	AF	14.0	28.0
Medicare/Medicaid Analysis	5.5	AF	11.0	16.5
Disease Management for High Cost Members with Chronic Conditions, including Reduced ER Use	0.0	AF	4.0	4.0
Reimburse Physicians Based on WHIO Scores	0.0	AF	0.0	0.0
Create a Physician ER Triage Fee	0.0	AF	1.0	1.0
Implement a Physician Never Events Policy	0.0	AF	0.1	0.1
Total AF	21.2		35.6	56.8
Total GPR	6.3		12.3	18.5

17

Evidence Based Health Care Initiative



- Initiative supports Rate Reform project guiding principles to implement systemic changes that aligns payments with value rather than volume
- Establishing workgroup to include CACHET members and WI Medical Society to assist with review and prioritization of procedures
- Co-Chaired by Dr. Jonathan Jaffery, Chief Medical Officer and Jason Helgerson, State Medicaid Director
- Timeline;
 - September 2009 – Begin workgroups
 - January 2010 – Implementation Target

18



Mental Health Recommendations

	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Include Medicare Part D in IMD Rate-setting Process	0.0	AF	0.2	0.2
Expand SBIRT Statewide for AODA Screening & Treatment	-0.9	AF	2.3	1.4
Peer/Advocates Supports (Community Recovery Services - 1915i waiver)	0.0	AF	0.0	0.0
Total AF	-0.9		2.5	1.6
Total GPR	-0.3		0.9	0.6



Pharmacy Recommendations

Top 10 Drugs by Spend (SFY09)



Rank	Drug (HIC4) Description	% Total
1	QUETIAPINE (Seroquel)	4.2%
2	AMPHETAMINE (Adderall)	3.9%
3	ARIPIRAZOLE (Abilify)	3.8%
4	FLUTICASONE (Flonase)	3.4%
5	LAMOTRIGINE (Lamictal)	2.8%
6	OLANZAPINE (Zyprexa)	2.6%
7	ESOMEPRAZOLE (Nexium)	2.5%
8	RISPERIDONE (Risperdal)	2.4%
9	PALIVIZUMAB (Synagis)	1.9%
10	VENLAFAXINE (Efexor)	1.9%

21

Top 10 Drugs by Volume (SFY09)



Rank	Drug (HIC4) Description	% Total
1	HYDROCODONE (Vicodin)	3.9%
2	AMOXICILLIN (Amoxil)	3.1%
3	ALBUTEROL (Proventil HFA)	2.8%
4	OXYCODONE (OxyContin)	2.2%
5	LORAZEPAM (Ativan)	1.8%
6	AMPHETAMINE (Adderall)	1.7%
7	AZITHROMYCIN (Zithromax)	1.7%
8	CLONAZEPAM (Klonopin)	1.7%
9	FLUTICASONE (Flonase)	1.7%
10	ALPRAZOLAM (Xanax)	1.6%

22



Pharmacy Recommendations

	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Drug Policy Override and Authorization Center	0.3	AF	0.5	0.8
Impose Quantity Limits (audits) for Specific Drug Classes	2.0	AF	3.9	5.9
Place Diabetic Supplies on PDL	0.6	AF	1.2	1.8
Move Oxycodone ER to Non-preferred Status	0.4	AF	0.9	1.3
WPOC Program	-0.1	AF	-0.1	-0.2
Expand Early Refill Controls	0.6	AF	1.3	1.9
Expand Narcotic Utilization Controls	0.7	AF	1.4	2.1
Incorporate Texas Medication Algorithm Project (TMAP) & Children's Medication Algorithm Project (CMAP) Treatment Algorithms	0.9	AF	1.8	2.7
Improve Management of Provider-administered Drugs	0.3	AF	0.7	1.0

23



Pharmacy Recommendations (cont'd)

	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Eliminate Repackaging Allowance	0.3	AF	0.5	0.8
Provide 100-day Supplies of Certain Maintenance Drugs	1.9	AF	3.8	5.7
Tablet Splitting	0.3	AF	0.6	0.9
Improve Coordination of Benefits (COB)	0.0	AF	0.0	0.0
Expand Pharmacy Lock-in	0.1	AF	0.3	0.4
Specialty Pharmacies	1.2	AF	2.3	3.5
Transition to Generics	21.0	AF	42.0	63.0
Alternative MAC Pricing (3-year phase-in)	15.0	AF	30.0	45.0
Reduce Brand Dispensing Fees by \$0.50	0.7	AF	1.4	2.1
Increase Generic Dispensing Fees by \$0.25	-1.0	AF	-2.0	-3.0
Total AF	45.3		90.5	135.8
Total GPR	13.4		31.2	44.6

24

Drug Authorization & Policy Override (DAPO) Center



- Creates a new PA and override process where the prescriber (instead of the pharmacy) obtains PA for certain drugs
- DAPO Center will obtain clinical information to determine if a drug is medically necessary based on established PA criteria
- Certain policies may only be overridden by having the prescriber or pharmacy contact the DAPO center

25

Drug Authorization & Policy Override Center (cont'd)



- The DAPO will initially focus on 3 drugs:
 - Synagis: Used to treat RSV in pre-term infants. PA for this drug will be required for all children and will be based on the new guidelines from the American Academy of Pediatrics
 - Anti-obesity medications: Establishes new PA criteria requiring reporting of member height and weight for accurate BMI calculation
 - Lovaza: Used to treat members with extremely high triglyceride levels. New PA requires prescribers to provide all information from a lipid panel, including HDL, LDL and triglyceride levels

26

Impose Quantity Limits (audits) for Specific Drug Classes



- Prescriptions that exceed established quantity limits will require PA before the prescription is filled
- Drugs being considered for quantity limits include:
 - Sedative hypnotics
 - Narcotic analgesics
 - Stimulants and related agents

27

Expand Early Refill Controls



- Currently, a prospective Drug Utilization Review (DUR) alert is set when a member attempts to fill a prescription early (when less than 75% of the medication should have been used)
- Under the new policy, a hard edit will stop the claim at the point of sale (e.g. antihistamines or NSAIDs)
- If a pharmacy determines an early refill is medically necessary they will contact the Drug POA Center for authorization
- Alternatively, the member will be advised to return at the time the prescription can be refilled

28

Provide 100-day Supply (DS) of Certain Maintenance Drugs



- DHS will require that certain medications be dispensed in a 100 DS
- For any drug dispensed at 100 DS, the member will pay a single co-pay and DHS will pay one dispensing fee
- 100 DS drugs typically consist of lower-cost, generic, maintenance medications, including lovastatin, metformin, and warfarin
- Members must complete a 90-day stabilization period on a drug before the 100 DS dispensing is required.
- Requests for a 1 month supply will deny the claim at the point of sale. Pharmacies will be unable to override the alert without contacting the Drug POA Center to obtain authorization to dispense less than 100 DS

29

Tablet Splitting



- Allows providers to split a single higher-strength tablet of a brand name drug to create two half tablets of equal dosage
- Pharmacy must contact prescriber to authorize a new prescription to dispense half tablets
- Examples of commonly-split drugs include Lipitor and Atacand

30

Alternative MAC Pricing (3-yr phase-in)



- Over the next three fiscal years, the Department will phase in changes to the State Maximum Allowable Cost (MAC) pricing system.
 - The first phase will be used to improve the management of the State MAC pricing methodology. A documented methodology with defined sources will be used to calculate the new MAC prices. The new process will also include a dedicated phone line to assist pharmacies with questions dealing directly with MAC pricing
 - The second phase will be applying a MAC rate to Specialty Pharmacy Drugs including, but not limited to, hemophilia factor products, drugs used to treat rheumatoid arthritis, oncology medications, hepatitis-c medications, and drugs used to treat multiple sclerosis

Long Term Care Recommendations



	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Reduce Reimbursement for Bed Hold Days	0.7	AF	0.8	1.5
Eliminate Enhanced Nursing Home Property Reimbursement	2.1	AF	2.3	4.4
Revise Downward Inflation Adjustment for Property Costs	0.4	AF	0.4	0.8
Raise Eligibility Threshold for Enhanced Intensity Payment	0.6	AF	0.7	1.3
Update Acuity (RUGS) Status for Residents on a Quarterly Basis	2.8	AF	12.5	15.3
Eliminate Reimbursement for Veterans at King's Veteran's Home who are 100% VA-funded	2.0	AF	1.0	3.0
Restructure MA Personal Care Reimbursement to an Acuity-based "Capitation" Payment	0.0	AF	1.8	1.8
Create an Incentive for Nursing Homes to Avoid Preventable Adverse Health Conditions (e.g. Pressure Ulcers)	1.0	AF	1.5	2.5
Accelerate January 2011 Payments for NH Supplements	0.0	GPR	1.9	1.9
Accelerate January 2011 Capitation Payments for MCOs	0.0	GPR	12.1	12.1

Long Term Care Recommendations (cont'd)



	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Discontinue Payments for Care Coordination	0.3	AF	0.3	0.6
Restructure Rates for PDN Based on Number of Hours Worked	0.4	AF	0.4	0.8
Institute Member-based PA for Personal Care, PDN, and Home Health Services	0.0	AF	0.7	0.7
Use LPN Rate for PDN Reimbursement When Appropriate	0.9	AF	1.8	2.7
Accelerate NH Relocations to Family Care Counties	0.4	AF	1.7	2.1
Contract for FFS DME/DMS Purchasing with State of Michigan (Incontinence)	1.5	AF	1.5	3.0
Divestment Options	0.0	AF	0.0	0.0
Reschedule 1 Month Family Care MCO & WPP Capitation Payments	0.0	AF	19.4	19.4
Total AF	13.1		60.8	73.9
Total GPR	3.9		30.1	34.0

33

MA Administration Recommendations



	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Reschedule June 2011 Claims Payments	0.0	AF	20.0	20.0
Revenue Maximization	5.0	AF	10.0	15.0
Member Responsibility	0.0	AF	0.0	0.0
Payment Adjustments	15.0	AF	0.0	15.0
Total AF	20.0		30.0	50.0
Total GPR	5.9		10.3	16.2

34

Program Integrity Recommendations



Program Integrity	SFY10 AF Savings (\$ millions)		SFY11 AF Savings (\$ millions)	Biennium Savings (\$ millions)
Expand ClaimCheck Use / Correct Coding Initiative	0.0	AF	0.5	0.5
Additional Auditors	0.0	AF	5.0	5.0
Expanded Casualty Collections	0.0	AF	1.3	1.3
Total AF	0.0		6.8	6.8
Total GPR	0.0		2.3	2.3

35

Complementary Efforts



- Rollout of Paperless Medicaid
 - Prior Authorization Re-design
 - Electronic Funds Transfer
 - Nursing Home Liability Report
 - Electronic Claims Submission
 - Remittance Advice
- Electronic Health Records
- Express Enrollment

36



Paperless Medicaid

- **Prior Authorization Re-Design**
 - Identifying and assessing various opportunities to remove, replace, or enhance PA automation within non-drug prior authorization process types. Areas of consideration include the removal of prior authorization for specific procedure codes, establishing centers of excellence, removal of attachments, automating approvals, etc.
- **Electronic Funds Transfer (EFT)**
 - Transition from paper checks to provider payments through EFT
 - 4/09 – Nursing Home Pilot
 - 6/09 – Nursing Home & HMOs
 - Phased enrollment for each provider type is targeted in phases through calendar year 2009 pending successful pilot completion

37



Paperless Medicaid (cont'd)

- **Nursing Home Liability Report**
 - Reduce duplication of information received by Nursing Home's on multiple reports
- **Electronic Claims Submission**
 - Provide ForwardHealth Portal submission of dental, pharmacy, and compound pharmacy claims
 - Review attachment requirements and automate as appropriate
 - Allow the adjustments of claims and add functionality to copy claims via the ForwardHealth Portal
- **Remittance Advice (RA)**
 - Streamline production and dissemination of remittance through paperless media
 - Enhance RA report through existing technology solutions to meet Provider needs

38



Electronic Health Records

- ARRA Medicaid incentive payments for meaningful use of EHR
 - \$21.6 billion total federal Medicaid outlay (2010-19)
 - Up to \$63,750 per eligible professional
 - Acute care, children's and critical access hospitals eligible for incentive payments determined by statutory formula
- State-level health information exchange planning and design project
 - Design of a public-private state-level governance organization and a state-wide technical architecture to effectively and securely exchange electronic health information between providers
 - Address privacy and security issues with the electronic exchange of health information

39



Express Enrollment

- Under BadgerCare Plus, medical providers and community organizations can become certified to help with express enrollment of pregnant women and children using a special application on access.wi.gov
 - Certified partners and providers can conduct express enrollment for children under age 1 with family income below 250%, children under 19 with family incomes below 150% of the federal poverty level (FPL) and for pregnant women with income at or below 300% of the FPL
 - Temporary enrollment will be from the date of determination through the last day of the following month

40



Ongoing Rate Reform

- Continued internal analysis of rate reform ideas
 - Long-term Medicaid rate reform
 - Continued focus on positive outcomes
 - Cost effective service delivery
 - Clinically effective treatment methods
 - Pricing rationalization & incentives
 - Payment reform such as bundling rates
 - Additional short-term savings
- Reconvene ad hoc Advisory Groups in November 2009, if needed
- Closely monitor national health care reform efforts and determine impact on Medicaid and overall health care delivery and cost in Wisconsin

41



Discussion