



ForwardHealth Rate Reform Project

Department of Health Services
Division of Health Care Access
and Accountability

January 2010



Table of Contents

- Project Overview Slide 3
- Guiding Principles Slide 7
- Savings Targets Slide 9
- Implementation Update Slide 10
- Implement in SFY11 Slide 15
- Possible Rate Reform 2.0 Project Ideas Slide 18
- Discussion Slide 26



Project Overview

- Rate Reform 1.0
 - All-Provider Kick-Off Call (3/23)
 - Advisory Group Meetings (4/2-4/17)
 - Generated over 500 ideas
 - Package Development focused on ~70 ideas (4/20-7/11)
 - State Budget Impact, target grew to \$208 million GPR (\$625 million AF)
 - Implement Recommendations (began 7/1)
- Rate Reform 2.0
 - Identify \$100 million GPR in additional savings
 - Similar development timeframe to prior exercise
 - Some ideas can be considered for 2011-13 biennium
 - Begin implementation by July 2010




Why Reconvene Advisory Groups?

- Rate Reform 1.0 very successful
- On-track to save \$633 million AF as required by the 2009-11 state budget.
- However, Medicaid program grows during difficult economic times
 - Demand for Medicaid services exceeds current funding
- Unemployment rate increased from 8.2% to 8.7% in December
- Continually looking for more efficiencies and enhancements to the program



Rate Reform 2.0

- Implement the existing rate reform plan
- Continue to search for further savings opportunities in program
 - Focus on finding efficiencies
 - Prepare for reduced level of federal financial participation in Medicaid
 - Preserve
 - Eligibility (ARRA restrictions remain in effect)
 - Benefits
 - Access to care for vulnerable populations.
- Focus on areas where costs are growing faster than caseload 

How Other States Address MA Budget Pressure




- At least 25 states enacted or proposed cuts to Medicaid program provider rates, benefit packages, and/or recipient eligibility at the start of FY09
- At least 39 states are cutting provider rates and/or freezing reimbursement rates for FY10, including:

| | |
|-----------|---|
| CA | Proposed 7% across-the-board cuts to providers, eliminated some optional MA benefits |
| IL | ~\$600 million in cuts, approximately half from prescription drugs |
| IA | 10% across-the-board cuts, closed 1 of 4 state mental health facilities |
| MI | 8% across-the-board cuts |
| MN | Reduction in provider rates: 4.5% for HMOs, 1% for hospitals, 6.5% for physicians |
| WA | 4% reduction in hospital rates, 5% reduction in physician, dentist, MCO and nursing home rates, increased premiums and annual deductibles |



Rate Reform Guiding Principles

- Identify savings to reach targeted reduction levels
- Look for both short-term solutions and long-term systemic changes
- Ensure that no one provider group is singled out for rate reductions
- Ensure access to care for MA patients
- Align payments with value rather than volume
- Build on previous MA quality improvement efforts including the managed care P4P initiative
- Implement care management/coordination strategies
- Focus on intensity 



Intensity

- Areas in which spending growth cannot be explained by caseload alone
 - BC+
 - Drugs
 - Dental
 - Chiropractic
 - Will explore other populations, as well
- Discuss in further detail at follow-up meeting



Savings Target Version 2.0

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: Conference Committee

\$208 million GPR

\$633 million AF

Version 2.0 Additional Target:



\$100 million GPR

\$325 million AF

- LFB memo projects potential shortfall at ~\$125-\$150 million GPR (assuming no ARRA extension)
- 65% FMAP rate



Implementation Update 1.0

- DHS is meeting required biennial budget savings target of \$208 million GPR even with changes and updates:
 - Rate reform initiatives are modified as needed based on evolving conditions such as:
 - systems requirements
 - caseload changes
 - coordination of opportunities between initiatives
- 25 ideas have been implemented
- Savings of \$141.3 million so far



Summary of Updates & Changes

| Rate Reform Item Description: | Change | Biennial AF Savings (Costs) |
|--|---------------|------------------------------------|
| Physician ER Triage Fee | Eliminated | \$0.9 m |
| Evidence Based Health Care Initiative | Eliminated | \$28.0 m |
| Incorporation of Texas Medication Algorithm Project (TMAP) and Children's Medication Algorithm Project (CMAP) Treatment Algorithms | Eliminated | \$2.7 m |
| Repackaging Allowance for Dispensing Fees | Eliminated | \$0.8 m |
| Dispensing Fee Changes for Generics & Brand Name Drugs | Eliminated | (\$0.9) m |
| Use LPN rate for PDN when appropriate | Eliminated | \$2.7 m |
| Restructure Rates for PDN Based on # of Hours Worked | Eliminated | \$0.8 m |
| Restructure PC Payments to an Acuity Based Cap Payment | Eliminated | \$1.8 m |
| Reimburse for Recording Body Mass Index (V85 Code) | Added | (\$2.0) m |
| Conduct More Thorough Reviews of the Preferred Drug List | Added | \$10.0 m |
| Savings Due to Reduced AWP's Reported to First Databank | Added | \$42.0 m |
| Use Paperless Media to Produce and Disseminate Payments to Providers | Added | \$0.6 m |
| Impose Quantity Limits (audits) for Specific Drug Classes and Tablet Splitting | Combined | \$0.0 m |



Implemented

| | |
|--|-----------|
| Recover Overpayments to Providers Following Implementation of interChange (MA Administration) | 7/1/2009 |
| Designate Oxycodone ER to a "Non-Preferred Drug" to Encourage Use of less Expensive Oxycontin | |
| Reduce Reimbursement for Nursing Home "Bed Hold" Days from 59% to 25% of Average Direct Care Rates | 8/1/2009 |
| Revise Downward Inflation Adjustment for Property Costs | |
| Increase Threshold for Eligibility for Enhanced Intensity Payments, from 65% to 70% of Medicare and MA Residents | |
| Eliminate Reimbursement for Veterans at King Whose Costs are Supported Entirely with USDVA Federal Funds | |
| Eliminate Increased Reimbursement for Property Portion of NH Rate if Property Costs are Below Target Amounts | |
| Expand Pharmacy "Lock in" Program (Limits Certain Recipients to Using a Single Pharmacy) | 9/1/2009 |
| Savings Due to Reduced AWP's Reported to First Databank | 9/26/2009 |
| Pay No More than Medicare Rates for all Noninstitutional Services | 10/1/2009 |
| Require Providers, Rather than Pharmacies, to Obtain Prior Authorization (PA) for Certain Types of Drugs | 11/1/2009 |
| Update Acuity (RUGS) Status for Residents on a Quarterly Basis, Rather than on an Annual Basis | |
| Use Paperless Media to Produce and Disseminate Payments to Providers | 11/2/2009 |



Implemented (cont'd)

| | |
|---|-----------|
| Discontinue Payments for Care Coordination Provided by Registered Nurses in Independent Practice | 12/1/2009 |
| Contract with State of Michigan for Bulk Purchase of Incontinence and Ostomy Supplies | |
| Reduce HMO Administrative Reimbursement by 2% | 1/1/2010 |
| Reduce HMO Administrative Reimbursement for SSI Populations from 11.3% to 10% | |
| Discontinue Payments Intended to Offset HMO Losses due to Phase-In of Regional Rate Adjustments | |
| Reduce Capitation Rates for Dual Eligibles | |
| Reduce Rates for Critical Access Hospitals to Pay Approximately 90% of These Hospitals' Costs | |
| Pay for No More than One 24-Hour Period for ER Visit | |
| Reimburse C-Sections at Same Rate As Vaginal Deliveries, Unless C-Section is Medically Necessary | |
| Reimburse for Recording Body Mass Index | |
| Authorize MA Billing for Mental Health Treatment Services Provided by Peer Counselors | |
| Accelerate SBIRT Screenings to Increase Estimated Savings in the 2009-11 Biennium | |
| Accelerate NH Relocations to Family Care Counties by Providing Funding to ADRCs and MCOs for Pre-enrollment Costs | |
| Deny Pharmacy Claims for Claims Submitted Prior to the Recommended Refill Date, Unless PA Approved (Early Refill) | 1/6/2010 |
| Provide 100-Day Supplies of Specified Maintenance Drugs | 1/20/2010 |

Implement in SFY10 (schedule subject to change)



| | |
|--|----------|
| Divestment Options | 2/1/2010 |
| Reduce NH Payments for Hospitalizations Resulting from Pressure Ulcers, Injury/Hip Fractures, and Urinary Tract Infections | 3/1/2010 |
| Improve Coordination of Benefits | |
| Eliminate MA Reimbursement for "Never Events," such as Wrong Sites for Surgeries (POA) | |
| Impose Quantity Limits for Specific Classes of Drugs (Includes Tablet-Splitting) | 4/1/2010 |
| Apply Quantity Limits, Prior Authorization, Diagnosis Restrictions to Provider-Administered Drugs | |
| Use Paperless Media to Produce and Disseminate Payments to Providers | |
| Implement the Provider Synergies Diabetic Supply Program to Place Meters & Strips on Preferred Drug List | |
| Institute Member-Based Prior Authorization for PDN | 5/1/2010 |
| Additional Auditors | |



Implement in SFY11 (schedule subject to change)

| | |
|---|----------|
| Adopt Outpatient Prospective Payment System Based on Ambulatory Payment Classifications | 7/1/2010 |
| Require Hospitals to Submit Plan of Care for Readmissions | |
| Require Providers to Use Decision Support Software to Assess Appropriateness of Imaging Tests | |
| Implement a Physician Never Events Policy | |
| Reduce IMD Hospital Payments to Reflect that Some Drugs Used by IMDs are Billable to Medicare | |
| Wisconsin Pharmacy Quality Collaborative Program | |
| Expand Narcotic Utilization Controls | |
| Modify MAC Pricing (Used for Multiple Source Drugs) | |
| Expand ClaimCheck Use/Correct Coding Initiative | |
| Expanded Casualty Collections | |
| Revenue Maximization (MA Administration) | 8/1/2010 |
| Adjust Reimbursement to HMOs to Reward Good Birth Outcomes, Penalize Poor Outcomes | |
| Issue RFP to Provide Managed Care in Six Counties in Southeastern Wisconsin | |
| Member Responsibility | |
| Issue RFP to Contract with an Entity to Improve Clinical Care Management to Reduce Hospitalizations | |



Implement in SFY11 (cont'd)

(schedule subject to change)

| | |
|---|-----------|
| Accelerate January, 2011 Managed Care Payments | 12/1/2010 |
| Accelerate January, 2011 Payments for NH Supplements | |
| Accelerate January 2011 Capitation Payments for MCOs | |
| Hold Capitation Payments at Risk for Pay For Performance Incentives -- Eliminate Funding for Incentives | 1/1/2011 |
| Freeze Capitation Payments in CY 2010 and 2011 at CY 2009 Rates | |
| Eliminate Payments Initially Provided to Encourage HMO Expansion in Select Counties | |
| Use Specialty Pharmacies to Dispense Certain Types of High-Cost and Specialty Drugs | |
| Conduct More Thorough Reviews of the Preferred Drug List | 4/1/2011 |
| Reschedule 1 Month of Capitation Payments (HMO) | 5/1/2011 |
| Reschedule 1 Month of Family Care MCO and WPP Capitation Payments | |
| Reschedule June, 2011 Claims Payments (MA Administration) | 6/1/2011 |
| Identify New Generic Drugs, Apply State Maximum Allowable Cost (MAC) Pricing | 7/1/2011 |
| Reimburse Physicians Based on Quality Measures, as Indicated in WHIO Data | |



Parameters for Rate Reform 2.0

- Quickly identify ideas that can be implemented during Fiscal Year 2011
 - Consider systems limitations
 - Can consider ideas that require legislative changes
- Identify ideas to be implemented in 2011-13 biennium and beyond



Potential Ideas

- Will conduct web survey to 30,000 portal users to solicit ideas
- Can revisit suggested Round 1.0 ideas that were not pursued
- Ongoing process with additional meetings throughout the year
- The Department has not endorsed, ranked, or investigated ideas for feasibility



Rate Reform Project 2.0

Ideas for Consideration

- Evidence-Based Health Care Initiative
- Improve consistent communications to raise awareness of advance directives
- Assess penalty for using paper claims payment method
- Divestment enforcement initiative
- Long term care insurance promotion
- Member fraud prevention initiative
- Eliminate reimbursement of consultation codes
- Reduce FFS reimbursement of C-sections to equal vaginal birth reimbursement
- Delete dental benefit from Benchmark Plan
- Change SeniorCare deductible to co-pay

The Department has not endorsed, ranked, or investigated these ideas for feasibility

Rate Reform Project 2.0

Ideas for Consideration (cont'd)



- Add smoking cessation treatment/drug for Benchmark and Core plan members
- Require PA for atypical antipsychotic drugs when prescribed by primary care provider
- Require PA for growth hormone
- Apply a hard cap prescription limit for Benchmark and Core plans
- Evaluate, update and address the assessment of needs for Personal Care, Private Duty Nursing and Home Health Services
- Implement a hard cap or acuity level limit on FFS Personal Care, Private Duty Nursing and Home Health Services

The Department has not endorsed, ranked, or investigated these ideas for feasibility



Rate Reform Project 2.0

Ideas for Consideration (cont'd)

- Reform reimbursement rate for personal care travel time
- Pay Medicaid rates at a level no greater than the Medicare rates for radiology services
- Enroll eligible members into Medicare Part B
- Adopt Medicare price differentials for facility fees
- Recovery for PACE, brokerage accounts, trust assets, special/supplemental needs trusts, certain non-probate transfers
- Provide notice of transfer or encumbrance on property
- Void unrecorded transfer for a MA receipt
- Recover all services for a person on MA after age 55
- Restructure definition of “estate”

The Department has not endorsed, ranked, or investigated these ideas for feasibility



Rate Reform Project 2.0

Ideas for Consideration (cont'd)

- Limit the amount retained by “pooled” supplemental needs trusts
- Adjust rates for high-MA-utilization providers
- One-time 2009 DSH claim
- Expand HMO RFP process to Fox River Valley-Green Bay (Region 2)
- Implement targeted co-pay increases
- Reverse 1% provider rate increase implemented in 2007-09 biennium
- Implement FQHC prospective payment system
- Implement additional provider assessments

The Department has not endorsed, ranked, or investigated these ideas for feasibility

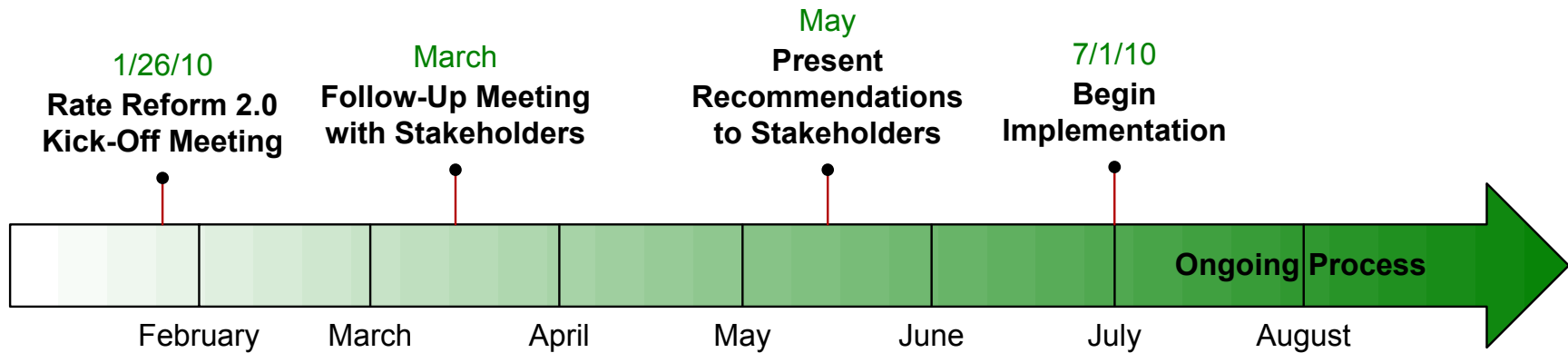
CMS-Approved Provider Assessments



- Inpatient Hospital
- Outpatient Hospital
- Ambulatory Surgical Center
- Nursing Facility
- Intermediate Care Facility
- Physician
- Home Health Care
- HMO
- Outpatient Prescription Drugs
- Dental
- Podiatric
- Chiropractic
- Optometric/Optician
- Psychological
- Therapist
- Nursing
- Laboratory and X-ray
- Emergency Ambulance



Timeline





Summary

- On track to realize \$208 million GPR from Rate Reform 1.0
- Identify \$100 million GPR in additional savings
- New focus on intensity
- Implementation beginning July 2010
- Survey for Rate Reform Part 2 will be available for idea submission on 1/26/2010
 - Submit suggestions electronically at:
<http://dhs.wisconsin.gov/medicaid/ratereform/index.htm>



Discussion