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Governor

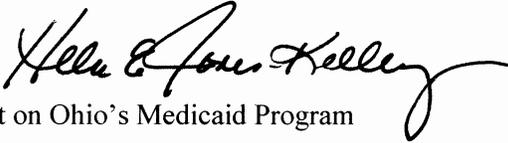


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MEMORANDUM

To: Ohio House Speaker Jon Husted
Ohio House Minority Leader, Representative Joyce Beatty
Ohio Senate President Bill Harris
Ohio Senate Minority Leader, Senator Teresa Fedor

From: Helen Jones-Kelley, J.D., Director 

Re: Quarterly Cost Management Report on Ohio's Medicaid Program

Date: November 9, 2007

CC: Members of the 127th Ohio General Assembly

Section 5111.09.1 of the Revised Code requires the Ohio Department of Job and Family Services to report quarterly on the establishment and implementation of programs designed to control the increase of the cost of the Medicaid program. For the State Fiscal Year (SFY) 2008 and SFY 2009 biennium, the Department has proposed the following cost-containment initiatives:

- Limit the intermediate care facility rate increases to two percent each year
Estimated Savings: SFY 2008: \$43.1 million, SFY 2009: \$57.1 million
- Discipline growth in managed care rates to reflect increased effectiveness and efficiency.
Estimated Savings: SFY 2008: \$104.0 million, SFY 2009: \$186.8 million
- Enhance current efforts to ensure the Medicaid program is the payer of last resort
Estimated Savings: SFY 2008: \$41.5 million, SFY 2009: \$83.0 million
- Implement a medical claims editing system to ungroup claims and identify questionable claims prior to payment
Estimated Savings: SFY 2008: \$9.3 million, SFY 2009: \$39.7 million
- Reduce the time required to enroll new Medicaid eligibles in a managed care plan
Estimated Savings: SFY 2008: \$2.6 million, SFY 2009: \$2.0 million
- Increase Medicare enrollment for Medicaid recipients who qualify for Medicare
Estimated Savings: SFY 2008: \$8.5 million, SFY 2009: \$37.5 million

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- Recalibrate inpatient hospital rates annually
Estimated Savings: FY 2008: \$3.7 million, FY 2009: \$11.4 million
- Increase medical support collections related to child support cases
Estimated Savings: FY 2008: \$12.5 million, FY 2009: \$37.5 million
- Implement a prospective drug-utilization-management program for anti-psychotic drugs.
Estimated Savings: FY 2009 \$20 million

Note the above estimated savings are all funds (i.e., include both state and federal funds). Attached is the first quarterly report for SFY 2008.

Background

The Ohio Department of Job and Family Services (ODJFS) projected the cost-management actions set forth in this report would save \$700.2 million all funds in ODJFS Medicaid total program spending in SFY 2008/2009 biennium.

Medicaid caseload and spending data

During the first quarter of SFY 2008, Ohio’s Medicaid caseload increased by 16,694, which brings the September caseload to 1,744,887 or 1.03 percent higher than projected. The number of low-income families and children rose from 1,290,431 to 1,305,253 (an increase of 14,822), which makes September caseload 1.2 percent higher than projected. The number of elderly and disabled Medicaid enrollees, whose service costs tend to be much higher than low income families and children, increased from 431,733 to 434,242 (an increase of 2,509), which makes September caseload 0.8 percent higher than projected. For SFY 2008 year-to-date, estimated Medicaid spending (payments offset by revenue) was approximately \$2.3 million (0.08%) below budgeted amounts, due primarily to lower than projected nursing facility, waiver, managed care, physician, and Medicaid “buy-in” payments. ODJFS’ Medicaid spending is an estimate which will be finalized once the Ohio Administrative Knowledge System (OAKS) can be verified.

July to September SFY 2008 (1st Quarter) Spending Analysis (below figures are estimates until verified through the Ohio Administrative Knowledge System (OAKS))

Category	Projected Expenditures	Actual Expenditures	Variance %
Nursing Facilities	\$ 673,051,922	\$ 647,859,782	-3.74%
ICF/MR	\$ 133,259,976	\$ 131,969,399	-0.97%
Inpatient Hospital	\$ 200,466,040	\$ 244,529,004	21.98%
Outpatient Hospital	\$ 77,582,841	\$ 97,287,134	25.40%
Physician	\$ 76,378,393	\$ 74,375,456	-2.62%
Drug	\$ 112,350,973	\$ 115,960,371	3.21%
ODJFS Waivers	\$ 81,776,793	\$ 77,645,461	-5.05%
Managed Care (CFC)	\$ 683,297,851	\$ 676,972,443	-0.93%
Managed Care (ABD)	\$ 374,929,472	\$ 333,965,985	-10.93%
Buy-In	\$ 75,817,497	\$ 73,975,460	-2.43%
Other	\$ 204,065,946	\$ 214,955,594	5.34%
Medicare Part D	\$ 61,208,366	\$ 61,812,904	0.99%
Disability Assist.-Medical	\$ 4,194,413	\$ 4,555,210	8.60%
SFY 2007 Vs. Projection	\$ 2,758,380,483	\$ 2,756,045,739	-0.08%

As mentioned above, overall Medicaid expenditures are within eight hundredths of one per cent of ODJFS' projection. Inpatient and outpatient hospital, and prescription drug expenditures are higher than expected, however. One reason for these higher than projected expenditures is a one-time issue with the National Provider Identifier (NPI). The NPI issue caused ODJFS to reject claims toward the end of SFY 2007 and then approve them at the beginning of SFY 2008, thereby moving those costs into the current biennium. Another reason is a higher than projected fee-for-service (FFS) community Aged, Blind, and Disabled (ABD) enrollment. ODJFS is investigating the reason behind the increased enrollment. The managed care under spending is due largely to lower than projected managed-care-ABD enrollment. Overall, expenditures are tracking ODJFS' projections.

Cost management initiative updates

Limit the ICF/MR rate increases to two percent each year

Status: Completed

ODJFS has completed the intermediate care facility for the mentally retarded (ICF/MR) rate setting. The aggregate rate increase came out to approximately two and one-tenth percent.

Discipline growth in managed care rates to reflect increased effectiveness and efficiency

Status: In progress

Managed care continues to promote the medical home concept with emphasis on preventive care and health education. Care management activities results in the most appropriate use of services in most cost-effective settings. ODJFS presented the actuarially-developed rates to the managed care plans on October 11, 2007. The plans had until October 19th to comment on the methodology used, including the savings assumptions.

The administrative component for the Covered Families and Children (CFC) was reduced about one percent of the total CFC administrative component. The administrative component for the ABD premium payment was reduced from twelve percent to ten and one-half percent. The State actuary, Milliman, developed the administrative cost allowance following a review of health plan cost information contained in cost reports as well as information from other representative Medicaid managed care organizations. In addition, ODJFS identified certain administrative efficiencies to reduce the overall administrative burden on contracted managed care plans. The reductions are attributed to: (a) economies of scale with respect to the current population; (b) a larger base claim cost associated with the population; and (c) the maturing of the program.

The new rates will be effective January 1, 2008. ODJFS estimates the all-funds savings SFY 2008 will be \$99.2 million. Since the rates will not take effect until January, ODJFS will not have any cost containment progress figures to report until then.

For third-party liability, enhance current efforts to ensure the Medicaid program is the payer of last resort

Status: In progress and Request for Letterhead bids are due on November 14, 2007

Over the same period in SFY 2006, cost avoidance has increased in SFY 2007 by more than \$41 million (\$29.6 million in Medicare and \$11.5 million in commercial insurance). This translates into approximately \$20 million in Medicaid all funds program savings. The savings translate to roughly \$8 million in state matching share savings.

The increase in Medicare cost avoidance is due to ODJFS increased effectiveness data matching on a monthly basis with data provided by the Centers for Medicare and Medicaid Services (CMS). ODJFS is able to identify recipients with Medicare coverage and enter that information into its Medicaid Management Information System (MMIS) to cost avoid claims providers should have submitted to Medicare first. The \$11.5 million increase in commercial insurance is due to the automation of insurance information in the ODJFS MMIS claims system that county caseworkers use. By reducing the number of ODJFS paper forms and increasing electronic submissions, ODJFS has been able to update its MMIS system more quickly. In addition, insurance carriers have begun to share eligibility files with ODJFS. By matching the insurance carrier eligibility files to our Medicaid member files, ODJFS is able to uncover unknown insurance coverage.

Implement a medical claims editing system to ungroup claims and identify questionable claims prior to payment

Status: In progress

The ODJFS Executive Steering Committee decided that ODJFS will submit an Implementation Advanced Planning Document (IAPD) to CMS for funding and project approval to implement a Clinical Claims Editor within the scope of the Medicaid Information Technology System (MITS) project. ODJFS will base its decision about when to implement the editor on further analysis relating to early deployment of MITS and cost-benefits associated with implementation of clinical claims editing.

As its next implementation steps, ODJFS will prepare and submit the IAPD to CMS, and also ask Electronic Data Systems (EDS) to provide a quote to implement EDS' Clinical Claims Editor solution without integrating it into the current Medicaid Management Information System. In addition, ODJFS will complete a more detailed cost-benefit analysis of benefits related to implementation of a Clinical Claims Editor.

Reduce the time required to get new Medicaid eligibles enrolled in a managed care plan

Status: In progress

Expediting managed care enrollment will reduce from ninety to forty-five days the average time it takes to enroll a fee-for-service consumer on a managed care plan. This project has been split into two phases to ensure the most appropriate implementation for our consumers. The split allows ODJFS to realize some savings upfront while completing design of the project.

The goal for Phase I, which has a target completion date of January 1, 2008, is to reduce from ninety to between sixty and seventy-five days the average time it takes to enroll a consumer on a managed care plan. ODJFS will achieve the reduction by changing the timing of certain required notices. The goal for Phase II, which has a target completion date of July 1, 2008, is to further reduce the average consumer enrollment time from between sixty and seventy-five days to the forty-five day goal. ODJFS will achieve this further reduction by generating the enrollment notice at the time of application instead of after ODJFS authorizes the Medicaid case. This initiative is expected to save \$600 thousand during SFY 2008.

Increase Medicare enrollment for Medicaid recipients who qualify for Medicare

Status: In progress

ODJFS is awaiting a response for Social Security Office on whether county caseworkers can submit Medicare enrollment applications on behalf of Medicaid recipients. Ohio Health Plans staff has a list of the consumers to target but needs to work with the Ohio Department of Insurance to gain access to volunteers that can help with the targeting process. ODJFS will begin discussions with the Ohio Senior Health Insurance Information Program (OSHIIP) to determine if it is able to assist with the enrollment process for these individuals. ODJFS will need to sign an agreement with OSHIIP about sharing of Medicaid eligibility information.

Annual inpatient hospital rate recalibration

Status: In progress

ODJFS is on track with the recalibration project and the rules are in the clearance/filing process. ODJFS plans to have the rules in effect January 1, 2008.

Increase medical support collections due to medical support collections related to child support cases

Status: In progress

The proposed ODJFS forms are complete. The Office of Child Support's (OCS) Policy Unit is now meeting every third week with Child Support Enforcement administrators and attorneys to review the final version of the proposed rules before the rules and forms go through the ODJFS clearance process. OCS senior management is reviewing the business function requirements document. Implementation will be delayed due to a delay in the release of the federal regulations. These regulations are slated for a February, 2008 release.

Implementation of a prospective drug utilization management program for anti-psychotic drugs.

Status: In progress

Anti-psychotic medications are sometimes used inappropriately (can be under or over utilized) resulting in increased cost due to avoidable hospitalizations or complications and to increased drug cost. Prospective drug utilization management programs such as prior authorization, is one care management tool used to ensure that drugs are prescribed and used according to appropriate clinical guidelines.

ODJFS will publish in November a new policy that would allow managed care plans to propose prospective drug-utilization-management programs for anti-psychotic drugs effective January 2008. Managed care plans are required to cover the requested drug for any member who is stabilized on a specific antipsychotic medication. This will ensure that stabilized members are not asked to try a new medication that may not work for them, reducing the possibility of a relapse.

Currently, the Medicaid FFS program has a drug-utilization-management program for two anti-psychotic drugs: 1) brand name Clozaril will be covered if the generic is not acceptable to the physician and the prescription indicates "Brand Medically Necessary (BMN)"; 2) Invega is covered with prior authorization based on a clinical review of information submitted by the patient's physician.

Rules originally filed during quarter

Date originally filed	Rule number	Rule title
7/3/2007	5101:3-09-04	PHARMACY SERVICES; DRUG UTILIZATION REVIEW
7/11/2007	5101:1-23-80	EMPLOYMENT RETENTION INCENTIVE (ERI) PROGRAM.
7/16/2007	5101:3-01-061	HOME AND COMMUNITY BASED SERVICE WAIVERS: PASSPORT
7/16/2007	5101:3-01-064	HOME AND COMMUNITY BASED SERVICE WAIVERS: CHOICES
7/16/2007	5101:3-32-03	ELIGIBILITY FOR ENROLLMENT FOR CHOICES
7/16/2007	5101:3-40-01	MEDICAID HOME AND COMMUNITY-BASED SERVICES PROGRAM - INDIVIDUAL OPTIONS WAIVER
7/16/2007	5101:3-41-15	HOME AND COMMUNITY BASED WAIVER SERVICES- REIMBURSEMENT FOR ADULT DAY SUPPORT, VOCATIONAL HABILITATION, SUPPORTED EMPLOYMENT- ENCLAVE, SUPPORTED EMPLOYMENT-COMMUNITY, SUPPORTED EMPLOYMENT ADAPTED EQUIPMENT AND NON-MEDICAL TRANSPORTATION TO ACCESS ONE OR M
7/17/2007	5101:3-09-12	OHIO DEPARTMENT OF JOB AND FAMILY SERVICES APPROVED DRUG LIST.
8/15/2007	5101:3-02-04	COVERAGE OF HOSPITAL PROVIDED PHARMACEUTICAL, DENTAL, VISION CARE, MEDICAL SUPPLY AND EQUIPMENT, AND AMBULANCE OR AMBULETTE SERVICES
8/31/2007	5101:3-03-164	COVERAGE OF BED-HOLD DAYS FOR MEDICALLY NECESSARY AND OTHER LIMITED ABSENCES FROM NFS.
8/31/2007	5101:3-03-168	COVERAGE OF BED-HOLD DAYS FOR MEDICAL NECESSITY AND OTHER LIMITED ABSENCES FROM IVFS-MR.
8/31/2007	5101:3-03-59	COVERAGE OF BED-HOLD DAYS FOR MEDICALLY NECESSARY AND OTHER LIMITED ABSENCES IN NURSING FACILITIES (NFS)
8/31/2007	5101:3-03-92	COVERAGE OF BED-HOLD DAYS FOR MEDICALLY NECESSARY AND OTHER LIMITED ABSENCES IN INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED (ICFS-MR)
9/25/2007	5101:3-04-081	PAYMENT FOR PRENATAL VISITS.
9/26/2007	5101:3-02-072	CLASSIFICATION OF HOSPITALS
9/26/2007	5101:3-02-078	REDETERMINAITON OF PROSPECTIVE PAYMENT RATES

State Plan Amendments (SPAs)

Approved:

Long-term Care Insurance Partnership Program/Estate Recovery: ODJFS has received verbal approval from CMS for the SPA to implement the Long-term Care Insurance Partnership Program/Estate Recovery. ODJFS should receive official written notice soon.

In the works:

SPAs prepared for nursing facility and intermediate care facility for the mentally retarded (ICF/MR) rate changes: During the quarter, ODJFS staff prepared SPAs for 2008 Medicaid payments to nursing facilities (NF) and ICFs/MR. ODJFS submitted the NF SPA September 24, 2007, and submitted the ICF/MR SPA October 2, 2007.

SPA Submitted to CMS on Therapies: ODJFS submitted for CMS review a SPA expanding the therapies option to include coverage criteria for occupational therapy, speech-language pathology and audiology, in addition to physical therapy. This will meet the requirement for occupational therapist included in HB 119. The SPA clarifies these therapies are reimbursable for rehabilitative and developmental purposes, but not for maintenance therapy.

Supplemental inpatient payments to children's hospitals: ODJFS submitted the supplemental inpatient payments to children's hospitals SPA September 7, 2007.

Federal poverty level for children to 300 percent: ODJFS submitted the SPA to increase to 300 percent the federal poverty level for children September 27, 2007. The necessary rules to implement the expansion are out of clearance but yet to be final filed. Information technology work is also moving ahead.

Coverage expansion for pregnant women: ODJFS submitted the coverage expansion for pregnant women SPA September 27, 2007. The necessary rules to implement the expansion are out of clearance but yet to be final filed. Information technology work is also moving ahead.

Former Foster Care Kids 18-20 years: ODJFS sent the SPA to CMS October 19, 2007. The necessary rules to implement the expansion are out of clearance but yet to be final filed.

Medicaid Buy-In for Workers with Disabilities (MBI-WD): ODJFS sent the SPA to CMS October 19, 2007. The necessary rules to implement the expansion are out of clearance but yet to be final filed. Meetings continue with internal and external stakeholders to ensure an appropriate and effective program.