

***New Mexico
Human Services Department
Medicaid Cost Containment Issues***

**Presentation to Interim
Legislative Health & Human Services Committee**

**Pamela S. Hyde, Secretary, HSD
September 16, 2009**



New Mexico Human Services Department

Highlights for Today's Discussion

1. Medicaid Projected Expenditures

- ◆ FY09, FY10, FY11 & FY 12

2. Cost Containment

- ◆ FY10 - Immediate Activities
- ◆ FY11 & Beyond - Restructuring

3. Implications

3. Summary Take Home Points



PROJECTED EXPENDITURES



New Mexico Human Services Department

Projections Assume (re Expenditures):

- 1. Current Provider Rates and Current Benefits/Programs**
- 2. Modest Cost Containment At This Point**
 - What program expenditures would look like *without* significant additional cost containment
- 3. Significant Enrollment & Utilization Increases for Kids, Disabled Individuals and Elders**
 - Economy
 - CoLTS Growth
- 4. Modest SCI Enrollment Increases, Maximizing Available Federal Funds**
- 5. FY11 Expenditures Includes FY10's Currently Expected Shortfall and Loss of Federal ARRA Funds**



Projections Assume (re Revenues):

- 1. ARRA Funding At Mid-Level (Tier 2) thru 12/31/10**
 - Possible additional \$10,000.0 if NM unemployment reaches 7.2% in September

- 2. Stable County Supported Medicaid Funds & Other State Agencies Are Able to Provide All Necessary Match for Their Programs**

- 3. Some, But Not All Possible CHIPRA Bonus Funding for Increased Enrollment of Kids**
 - \$1,700.0 included; possible additional \$2,300.0 not included for FY11

- 4. FY11 Revenues Do Not Include FY10's Non-Recurring Funding**
 - \$25,200.0 in Tobacco Settlement Funds
 - \$1,500.0 in GF for Behavioral Health Enhancements

- 5. Modest But Not All Possible Federal Disallowances**



New Mexico Human Services Department

Projected Expenditures FY09 & FY10

(As of 9-1-09, Using June 2009 Data – *in thousands*)

- ◆ FY09 – **Surplus** Will Be Moved to HB920 Fund for Other State GF Needs
 - Projected Surplus – \$120,000.0 – \$130,000.0 GF
 - GF replaced by ARRA stimulus funds through 12/31/10

- ◆ FY10 – Expected **Shortfall** Due to Increased Enrollment & Costs
 - Projected Shortfall – (\$53,000.0 to \$58,000.0) GF
 - \$35,000.0 to \$40,000.0 GF – projection compared to “op bud”
 - Additional \$17,705.0 GF as 3% reduction
 - Projected Expenditures – \$3,931,738.0 Total (\$628,969.0 GF)
 - Operating Budget – \$3,672,750.0 (includes Special Session Appropriation of \$1,500.0) Total (\$591,666.0 GF)
 - \$573,961 GF available after 3% reduction



New Mexico Human Services Department

Projected Expenditures FY11

(As of 9-1-09, Using June 2009 Data – *in thousands*)

◆ FY11 – Expected **Shortfall** Will Grow Exponentially Without Significant Cost Containment Efforts

- Projected Shortfall – \$297,525.0 GF
- Annualization of FY10's extraordinary enrollment growth
- Normal program growth if no cost containment
- Lost Non-Recurring Dollars (Tobacco Settlement & BH)
- Lost Federal ARRA Funds for 2nd Half of FY11
 - \$147,650.0 in lost federal dollars projected for FY11

◆ In FY12, another \$140,000.0 – \$160,000.0 GF Needed to Replace ARRA Funds + Additional GF Needed for Normal Growth

◆ Next Projections – Early Oct 2009 & Early Jan 2010



New Mexico Human Services Department

Therefore, HSD Is Assuming . . .

- ◆ **Significant Cost Containment Efforts Will Be Necessary Beginning This Fall (2009) for Current FY10**
 - Public Input Meetings Planned –
 - Sept 23 (Albuquerque - The Anderson-Abruzzo Albuquerque International Balloon Museum)
 - Sept 24 (Tribal Issues - Santa Fe - Garrey Carruthers State Library)
 - Sept 28 (Las Cruces - Farm and Ranch Heritage Museum Theater)
 - Sept 30 (Santa Fe - SPO Auditorium)
 - Medicaid Advisory Committee - October 19, Rm 309 Capitol
- ◆ **Significant Cost Containment *and* Restructuring of the Medicaid Program Will Likely Be Needed for FY11 and FY12, Planning Starting This Fall (2009)**
 - Public Input Meetings Being Planned - Nov and/or Dec 2009
 - Medicaid Advisory Committee - October 19 and January 2010



About Cost Containment



New Mexico Human Services Department

Possible Types of Cost Containment

NOW:

- ◆ Additional Administrative Changes
- ◆ Slowing Enrollment Growth
- ◆ Benefit Elimination & Reductions
- ◆ Provider Rate Reductions

LATER, But Planning Now:

- ◆ Fundamentally Restructuring Program for after ARRA Funds Go Away (FY11 & FY12)
- ◆ Possible Eligibility Changes
 - Not Allowed by ARRA through December 31, 2010



Cost Containment Already Underway

◆ Administrative

- Reduction in administrative allowances for MCOs to 14% in FY10; 13% in FY11 (no more than 5% of which can be profit)
- Increased sanctions for non-performance of MCOs
- Decrease in MCO rates (\$35,000.0 GF reduction for FY10)
- Increased disease management
- Increased use of value-added services for prevention & wellness
- Beginning implementation of clinical homes in Behavioral Health and medical homes in *Salud!* Managed Care and CoLTS
- Increased focus on individuals with multiple diagnoses

◆ Slowed Enrollment, Utilization and Benefit Growth

- Reduced outreach efforts
- Some changes in rates (e.g., hospital outpatient for radiology in process)
- Tighter utilization review criteria
- Tighter monitoring of polypharmacy
- Restructuring behavioral health benefits toward more effective and cost-efficient services



New Mexico Human Services Department

What Cost Containment Requires

- ◆ **Federal Approvals**
 - State Plan Amendments
 - Waiver Changes

- ◆ **State (HSD) Regulation Changes**

- ◆ **IT System Changes (MMIS & ISD2)**

- ◆ **These Mean:**
 - Staff efforts beyond current work load
 - Contract dollars
 - Time (which impacts cost savings)



FY10 - Cost Containment Options



New Mexico Human Services Department

FY10 Cost Containment Options

◆ Cost Containment Categories

(See Handout for Examples)

1. Administration
2. Enrollment
3. Provider Rates
4. Benefits
5. Eligibility (Off the Table Until Jan 2011)

◆ Program Area Effects

1. Administrative Activities/Capacities
2. General Health Care or “Across the Board”
3. Behavioral Health Specific
4. Long Term Services Specific

New Mexico Human Services Department



Administrative Possibilities

- ◆ **Modify Fee-for-Service Pharmacy Management**
- ◆ **Reduce Number of MCOs in *Salud!* & Combine with PAK, PAM, SCI and CoLTS**
- ◆ **Move Fee-for-Service Transportation Into An ASO**
- ◆ **Reduce Profit Caps for MCOs from 5% to 3-4%**
- ◆ **Increase Expectations of MCOs in Efficiencies & Fraud & Abuse Activities, esp. in Pharmacy, Claims, Readmissions, etc.**
- ◆ **Reduce Time Frame for Billing; Implement “Correct Coding” Initiative**
- ◆ **Increase use of Medical Homes and/or Accountable Care Organizations (ACOs)**



New Mexico Human Services Department

General Health Care & “Across the Board” Possibilities

- ◆ Eliminate Aggressive Outreach Activities to Slow Enrollment Growth
- ◆ Begin A Waiting List for SCI (Esp, Individual Adults Not Part of An Employer Group)
- ◆ Reduce All Provider Rates (1% = Approx \$5 - \$6,000 GF)
- ◆ Enroll Native Americans in Managed Care w/ Value Added Services
- ◆ Reduce Premium Assistance Programs (Start Waiting List, or Increase Premium Cost-Sharing)
- ◆ Reduce or Eliminate Many Non-Mandatory Services (e.g., Adult Dental and Vision, School-Based Services, Hearing Aids, Podiatry, Attendant Transportation, etc.)

See Handout for Other Examples



New Mexico Human Services Department

Behavioral Health Possibilities

- ◆ Reduce Residential Treatment Center Rates 10-15%
- ◆ Encourage Use of Community Based Services Thru Utilization Review
- ◆ Limit and/or Cap Counseling, Psychosocial Rehabilitation and Behavioral Management Services
- ◆ Limit Agencies That Can Bill Comprehensive Community Support Services (CCSS) to Core Service Agencies Sooner
- ◆ Do Not Implement One-Time Non-Recurring Behavioral Health Expansion from 2009 Session



Long Term Services Possibilities

- ◆ Targeted Provider Rate Reductions to Encourage Use of Community-Based Care Alternatives
- ◆ Cap Personal Care Option (PCO) Services
- ◆ Incentivize Use of Special Needs Plans (SNPs) Coordinating Medicaid and Medicare Benefits
- ◆ Limit Outreach for CoLTS to Those Dually Eligible
- ◆ Increase Level of Care Criteria for Nursing Facility (NF) Placement
- ◆ Cap Community Expenditure to the Amount a NF Would Cost
- ◆ Place *All* Long Term Care Services in Managed Care
- ◆ Eliminate NF Bed Holds Except for Medical Need
- ◆ Implement Telephone Monitoring of Home-Based Workers
- ◆ Limit or Eliminate Some Smaller Benefits (e.g., Home Environmental Modification, Installation Fee for Emergency Response Systems, etc.)



New Mexico Human Services Department

FY11 and Beyond - Restructuring Medicaid



New Mexico Human Services Department

Fundamental Restructuring – Two Options

1. Eliminate Whole Programs That Have High Costs

- For example – SCI, Personal Care, Medications, Behavioral Health, OT/PT/ST,

2. Eliminate All But Mandatory Services for Mandatory Populations, Then Allow Add-Ons

- FY11 Cost = ~ \$550,000.0 GF (60+% of ~ \$890,000.0 Projected GF Expenditures or Need, if No Cost Containment)
 - Current FY10 GF Appropriation = ~ \$592,000.0
- Maximize Revenue from Patient Cost-Sharing
- Allow Purchase of Additional Benefits at Varying Cost
- Restructure Certain Current Waivers into Single Waiver with Tighter Benefit Offerings

New Mexico Human Services Department



Possible Restructuring That Might Increase Opportunities for Coverage

1. **Medicaid Services Plan (MSP)**
 - Mandated services for mandated populations w/in Medicaid
2. **State Coverage Plan (SCP)**
 - SCI-Like services for Medicaid-eligible optional populations
 - Various premiums and co-pays, depending on income
3. **Optional Benefits**
 - Examples: vision, dental, transportation assistance, additional behavioral health or OT/PT/ST, lower co-pays, etc.
 - Allow Medicaid-eligible populations to buy into these benefits
4. **Buy-In for Non-Eligible Populations and/or Groups (e.g., Small Businesses)**
 - Any available product purchasable at state's cost; or subsidized by income, at Legislature's discretion
 - Offered through an Exchange or as a coverage option thru HSD
5. **Restructure Some Existing Waivers Into One**
New Mexico Human Services Department



IMPLICATIONS



New Mexico Human Services Department

Implications – 1

- ◆ **HSD Must Begin Cost Containment This Fall for FY10 and Planning for FY11 & FY 12**
- ◆ **Federal Health Reform Proposals May Require Maintenance Of Effort, Thereby Restricting Changes States Can Make In Eligibility**
- ◆ **Other State & Local Agencies Will Be Impacted by Cost Containment Activities (GF + Federal Dollars Not Matched)**
 - Most local public schools; many county & city facilities/clinics
 - UNM
 - DOH Facilities & Programs
 - CYFD Facilities & Programs
 - ALTSD Programs
 - IHS & Tribal Facilities & Programs
- ◆ **Waiver Waiting Lists Are Likely to Grow Even More Rapidly and/or Persons w/ Disabilities Will See Significantly Less Services in the Community Unless Per Person Costs Can Be Reduced**



Implications – 2

- ◆ **All Hospitals Will Be Affected**

- ◆ **Almost All Community-Based Providers Will Be Affected**
 - Medical Providers & Clinics
 - Behavioral Health Practitioners & Agencies
 - Long Term Services Providers
 - Home Health Providers

- ◆ **Every \$1.00 of GF *Not Spent* Means Approximately \$5.00 in Lost Economic Activity for the State, Therefore:**
 - Lost jobs
 - Lost personal income taxes
 - Lost state and local Gross Receipts Taxes (GRT)
 - Lost GF revenue statewide
 - Lost premium taxes (paid in large part by federal dollars)



Implications – 3

- ◆ **Not Covering Some Kids and Adults Could Result In:**
 - Lost federal bonus funds (ARRA)
 - Lost federal funds in future years (CHIPRA Allocation) and/or
 - Increased health care costs as adults

- ◆ **Uninsured Numbers Will Likely Increase, Therefore:**
 - Health care and health insurance costs for those covered by commercial and employer-based insurance will likely increase (including state & school employees, retirees, etc.)
 - All hospitals, IHS facilities and free clinics such as FQHCs & public health offices will likely see increased pressure & less revenue



Summary Take Home Points . . .

1. **HSD Has Already Done Significant Cost Containment**
 - Without changing enrollment, benefits, provider rates or programs

2. **Options Are More Limited Now - Because:**
 - ARRA limits eligibility reduction options until 01/01/11; federal health reform may further restrict options
 - Economy is causing enrollment growth even without outreach
 - Changes have been made that make enrollment growth more likely and retention of enrollees easier - these cannot be undone

3. **Any Cost Containment Will Have Impacts on *All* New Mexicans, But May Offer Additional Opportunities for Coverage**
 - All current enrollees; all eligible persons; & all persons covered by commercial insurance
 - All state & local providers; all schools; all communities
 - Significant loss of federal dollars into New Mexico; therefore significant impact on NM economy & jobs; state & local tax revenues; NM health care industry, & NM uninsured rates & commercial insurance rates
 - Will likely re significant reduction in access to health care services & providers
 - However, may be able to provide more options for affordable coverage

4. **HSD Has to Start Now to Have Any Impact on FY10 & FY11**



New Mexico Human Services Department