



## **Medical Services Administration Fiscal Year 2014**

Presentation to House Appropriations Subcommittee  
on Community Health  
February 20, 2013

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## Topics

- FY 13 Major Initiatives
- FY 14 Executive Budget Recommendation
- Medicaid Expansion – The Right Choice for Michigan
- Michigan Medicaid Works

# Michigan DCH Medicaid Service Statistics

- 1,868,732 Medicaid Total Eligibles (average FY '11 Medicaid eligibles)
- 1,134,589 children served by Medicaid
- 357,336 disabled adults served by Medicaid
- 13 Medicaid Health Plans
- 715,118 Medicaid School-Based direct service procedures
- 71,500,000 Medicaid transactions processed last year
- 53,292 Medicaid children under 1 received 257,159 well-child visits during FY 2011
- 406,563 Medicaid beneficiaries served by 18,320 Primary Care Providers in February 2013
- 17,090 Medicaid beneficiaries served by University of Michigan physicians in November 2012
- 442,637 children currently enrolled in Healthy Kids Dental
- 37,890 currently enrolled in MI Child
- 1,030,000 calls handled annually by Michigan Enrolls
- 14,000 CSHCS children moved to managed care
- 27,490 Medicaid nursing home residents
- 3,300 women using Maternal Outpatient Medical Services (MOMS) program each month

## *FY 2013 Major Initiatives*

- International Statistical Classification of Diseases and Related Health Problems – 10<sup>th</sup> Revision (ICD-10) Implementation
- Autism Coverage
- Children’s Special Health Care Services (CSHCS) into Medicaid Managed Care
- Michigan Primary Care Transformation (MiPCT) – Patient Centered Medical Home Demo
- Integrated Care for Dual Eligibles

## Autism Coverage

- **As of December 2012, 3,141 children were receiving limited treatment for Autism**
  - Implement for Medicaid
  - Implementation waiver submitted to CMS December 27, 2012
  - Targeted population age 18 months through 5 years
  - Autism Applied Behavioral Analysis (ABA) therapy will become an option for Medicaid and MIChild children in Michigan upon approval from the Federal Government
    - Expected to serve 604 children in FY 2013 and 1,235 children in FY 2014
    - Proposed effective date of April 1, 2013

# Children's Special Health Care Services (CSHCS)

- **Transition to Managed Care**
  - Implemented on October 1, 2012
  - 14,000 children transitioned
  - 12 participating health plans
    - Must meet core competencies
    - Contractually obligated to maintain continuity of care and network availability

## Michigan Primary Care Transformation Project (MiPCT)

### • The Vision for a Multi-Payer Model

- Use the Centers for Medicare & Medicaid Services (CMS) Multi-Payer Advanced Primary Care Practice demo as a catalyst to redesign Michigan primary care
- Multiple payers will fund a common clinical model
- Allows global primary care transformation efforts

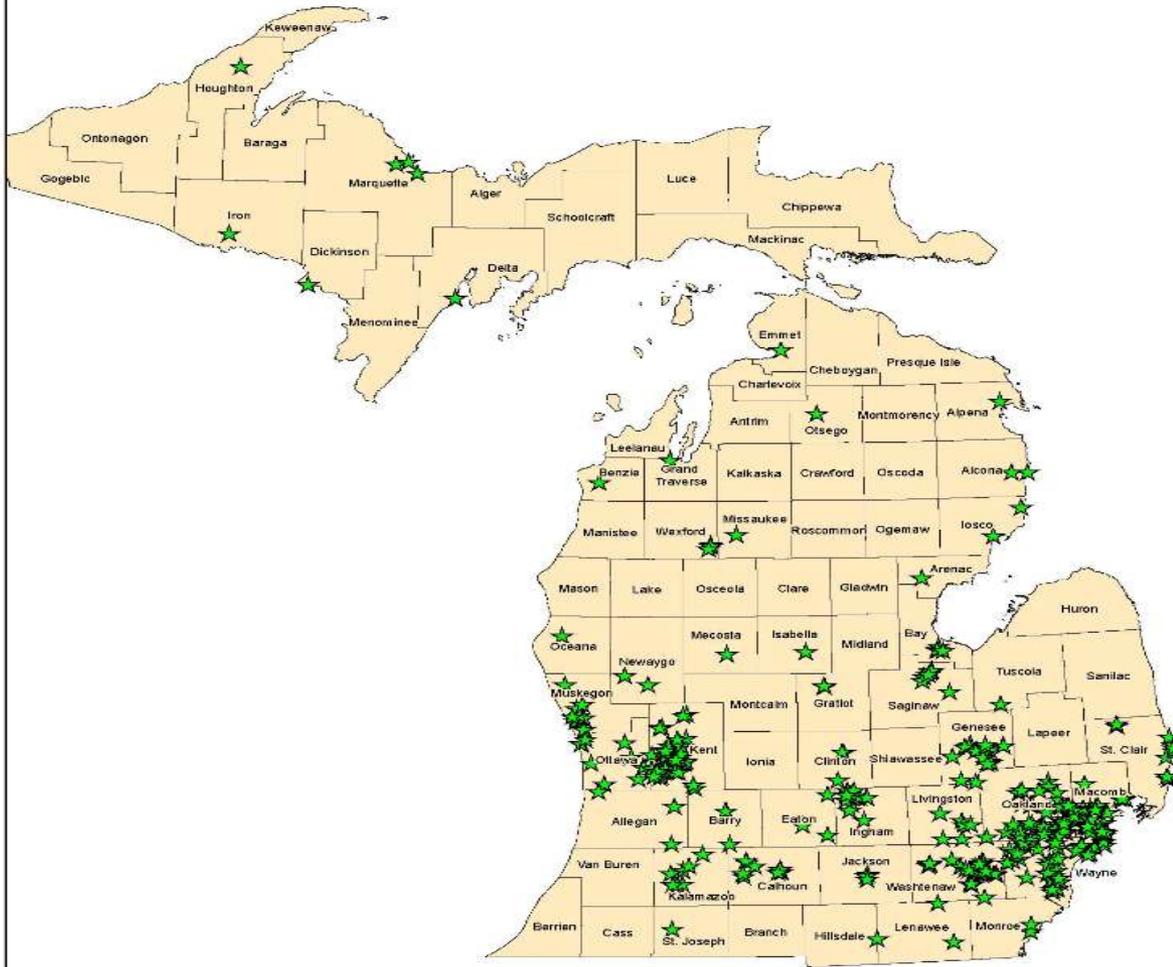
### • Create a Model that can be Broadly Disseminated

- Facilitate measurable improvements in population health for Michigan residents
- Contribute to national models for primary care redesign

### • Participating Provider and Payer Partners as of December 31, 2012

Practices	Physician Organization/Physician Hospital Organization	Physicians	Payers
389	36	1,772	4 (Medicaid Managed Care, Medicare Fee for Service, Blue Cross/Blue Shield Michigan , Blue Care Network)

# Michigan Primary Care Transformation Project Participating Primary Care Practices

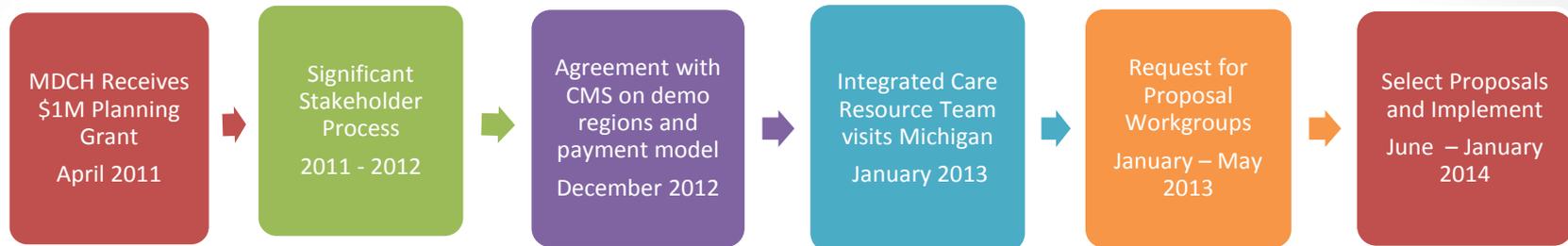


updated March 2012

## Dual Eligibles - Why

- Last large Medicaid population in unmanaged system of service
- Combined spending of Medicare and Medicaid is around \$8 billion for 200,000+ duals
- Medicare and Medicaid have incompatible program structures and rules
- Fragmented system leads to marginal service outcomes and high costs

## Dual Eligibles – Status



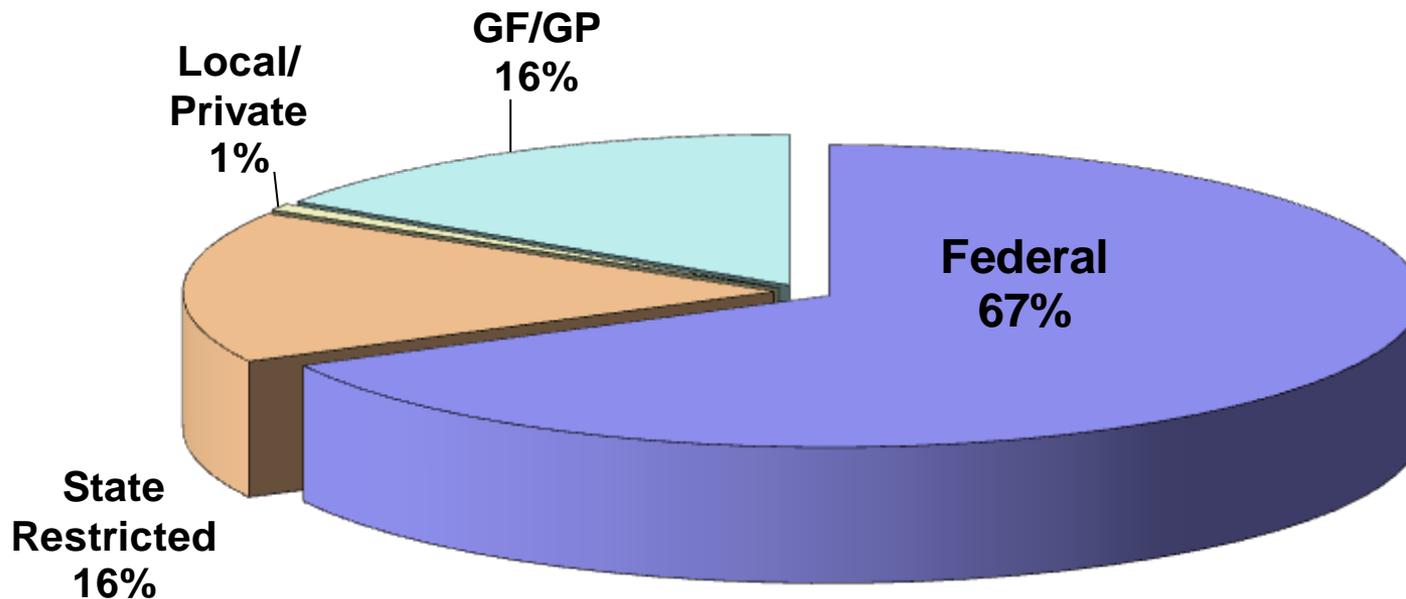
4 demonstration regions will include half of dual recipients (101,000)

- Macomb County
- Southwest Michigan – 8 counties
- Upper Peninsula
- Wayne County

Medicaid pays Prepaid Inpatient Health Plans directly

Medicare disburses funds to Integrated Care Organizations

# FY 13 Medicaid Appropriation Revenue Sources by Percentage (86% of MDCH Budget)



# *Governor Snyder's FY 14 Recommendation*

# *FY 14 Executive Budget Recommendations*

- Program Investments
- Program Savings
- Key Budget Adjustments
- Major Initiatives

## FY 2014 Program Investments (in millions)

Description	FY 2014 Recommendation	
	GF/GP	Gross
Expand Healthy Kids Dental	\$3.9	\$11.6
Adopt Medicaid Expansion <sup>(1)</sup>	(\$181.7)	\$1,359.0
Federally mandated diagnostic code project (ICD-10)	\$2.3	\$18.3

(1) Excludes savings of \$24.2 in the budget for the Department of Corrections

## MDCH 2014 Savings Detail (in millions)

Description	FY 2014 Recommendation	
	GF/GP	Gross
Detroit Medical Center Harper Hutzel Special Payment	(\$6.7)	(\$20.0)
Expand Medicaid - Use Federal Funds to Offset GF/GP <sup>(1)</sup> : Adults Benefit Waiver Non-Medicaid Mental Health Services	(\$181.7)	\$1,359.0

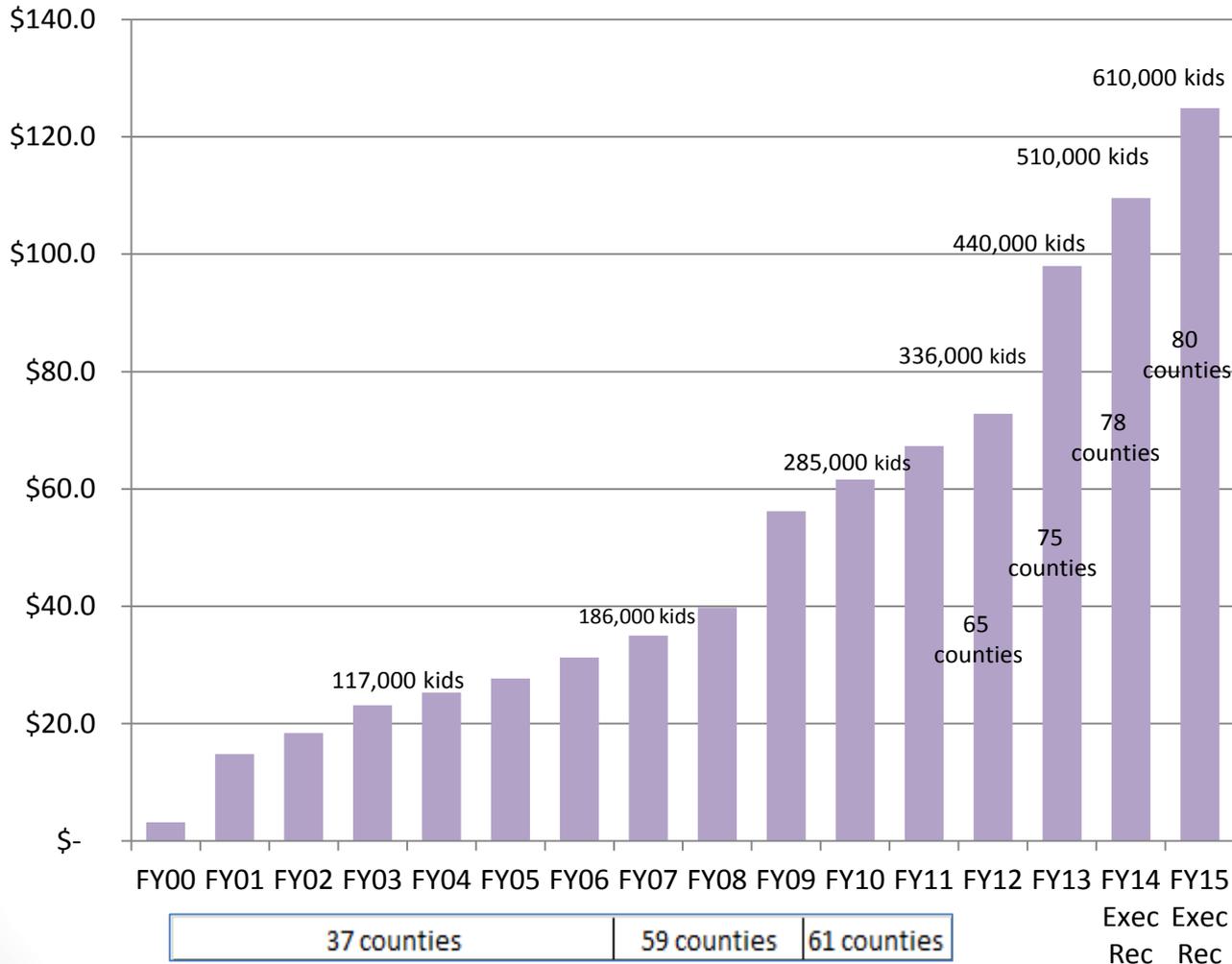
(1) Excludes savings of \$24.2 in the budget for the Department of Corrections

# Protect Michigan's Health Care Safety Net

## FY 2014 Key Budget Adjustments (in millions)

Description	FY 2014 Recommendation	
	GF/GP	Gross
Caseload Adjustment from FY13	(\$59.1)	(\$175.8)
Caseload and Utilization Adjustment for FY14	\$60.7	\$160.6
2.5% for Health Plan Actuarial Soundness	\$28.8	\$85.7
Federal Medical Assistance Percentage (FMAP) Decrease Requires GF investment	\$6.3	-
Annualization of Primary Care Rates to Medicare Levels	-	\$103.2
Annualization of Autism Funding	\$7.4	\$21.9
Caseload and Utilization Adjustment for Community Based Long Term Care	\$6.7	\$17.5

# Making Dental Health a Priority



\$11.6M to expand Healthy Kids Dental to reach 70,500 more children

- Additional 100,000 children in FY 2015

## Major Initiatives

- Community Health Automated Medicaid Processing System (CHAMPS) Expansion for Illinois Medicaid
- Medicaid Eligibility Change to Modified Adjusted Gross Income (MAGI)
- Hospital Reimbursement Redesign
- Medicaid Expansion

# Michigan-Illinois Alliance on Medicaid Management Information Systems

- Michigan: A national leader in Medicaid Management
  - Community Health Automated Medicaid Processing System (CHAMPS)
    - Certified in August 2011 with no defects
    - Recognized as state of the art in Medicaid management information systems
- Illinois: Seeking to replace their own Medicaid legacy system
  - Current system has been in place for 3 decades
- Opportunity for mutually beneficial state sharing option
  - Financial savings for Michigan through cost sharing of future upgrades
  - Cost savings in shared services
    - Data warehouse, operational support, provider support hotline
- Executive recommended appropriation boilerplate language
  - Department to report quarterly to Legislature on revenues received

## Modified Adjusted Gross Income (MAGI)

- New eligibility determination methodology for Medicaid
- Uses a single streamlined application
- Provides for no wrong door for application
  - Online
  - In person
  - Telephone
- Standardizes the calculation of income with consistent formula
  - Based on the tax filing unit
- Relies on electronic data matching to the greatest extent possible

# Hospital Reimbursement Redesign

- Achieving Fairness in Hospital Reimbursement
- Hospital Mission
  - Teaching
  - Critical Access
- Public Burden
  - High Medicaid and Uninsured Populations
- Case mix
- Value purchasing
  - High Quality, Low Cost Care
- Tentative Timeline



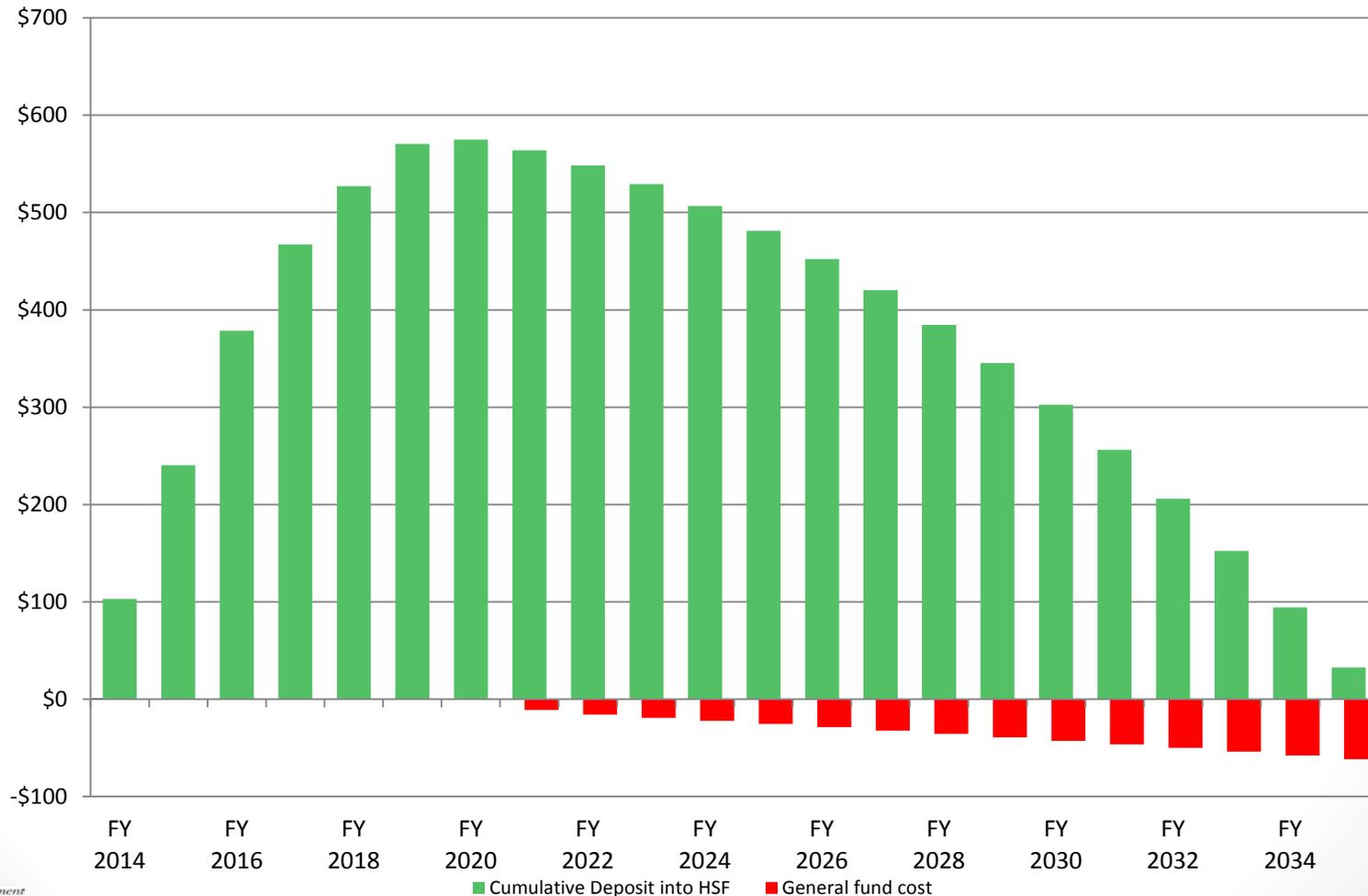
## Medicaid Expansion

- Positive Economic Impact in Michigan
- Positive Impact on Michigan's Health Care System
- Positive Impact on Michigan's Low Income Citizens

## Expansion – Economic Impact

- Saves State General Fund
- Lowers Uncompensated Care Costs
- Should Reduce Private Insurance Premiums
- Helps Michigan Compete with Other States
- Improves Health of Workforce
- Helps Business Avoid ACA Coverage Penalties
- Infusion of Federal Funds Boosts Economy
- More Opportunities for Savings

# Cumulative Deposits into the Health Savings Fund will Finance Medicaid Expansion for the Next 21 Years



\*in millions

# Medicaid Expansion, Uncompensated Care and Private Insurance Savings

	\$	% Total Premium
Family policy annual medical cost (premium or equivalent)*	\$13,275	
Implied annual cost of uncompensated care per privately insured family*	\$1,017	7.66%
40% decrease in annual cost of uncompensated care per privately insured family**	(\$407)	-3.06%

\*From Families USA 2009 report, "Hidden Health Tax: Americans Pay a Premium." The number is based on calculations by Milliman, Inc., analyzing 2008 federal Medical Expenditure Panel Survey (MEPS) data and data from other federal and private sources.

\*\*Assume Medicaid Expansion to 138% FPL will cover approximately 40% of uncompensated costs through extension of insurance coverage to the uninsured.

## Positive Economic Impact

- **Economic impact of \$2 billion per year in new federal funding** <sup>(1)</sup>
  - \$3 billion in increased economic activity for Michigan
  - 13,000 jobs in the near term and more than double that by 2020
  - \$100 million in increased tax revenue in Michigan

(1) House Fiscal Agency Analysis on Medicaid Expansion: July 17, 2012

## Expansion – Impact on Health System

- Improves Access to Primary Care and Medical Homes
- More Preventive Care and Less Emergency Department/Acute Episodes
- Stabilizes Financial Health of Hospitals in Light of Medicare and Disproportionate Share Hospital Cuts
- Funding Opportunity for Behavioral and Corrections Health Systems Improvements

# Opportunities in Behavioral Health and Corrections

## Mental Illness and Substance Abuse Impact Prisons

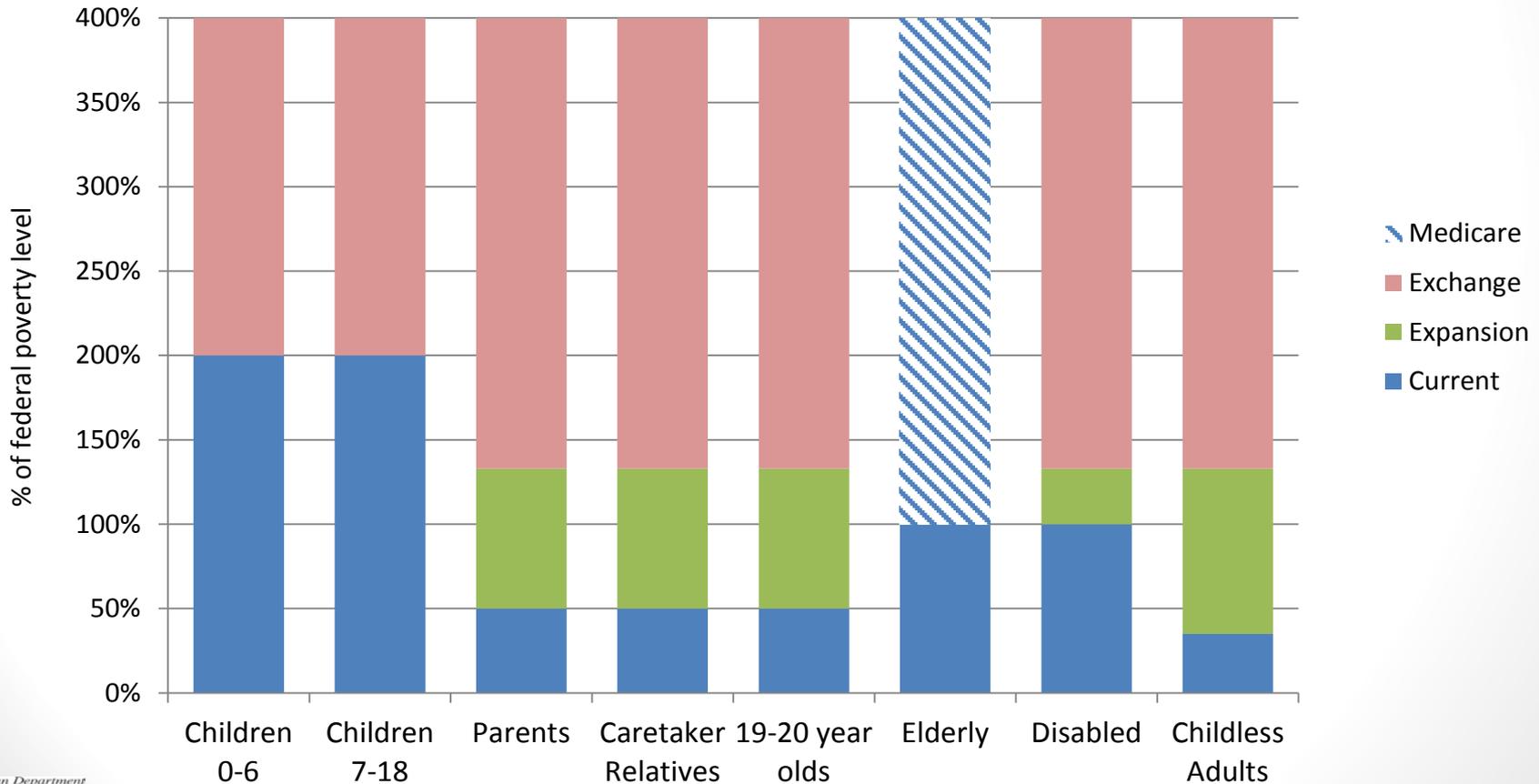
- **12% of new Medicaid eligibles will have a serious mental illness**
  - “disproportionately higher prevalence of serious mental illness, schizophrenia, ... contributes to their not being able to maintain a job and have a higher income” according to Avalere Health
- **Behavioral health services help reduce imprisonment**
  - Washington State chemical dependency program for unemployable adults reduced arrests by 18%
- **Behavioral health services help reduce recidivism**
  - 10% reduction in recidivism would save \$10M per year

## Expansion – Impact on Low Income Citizens

- Provides Health Insurance Coverage for Low Income Citizens
- Dramatic Reduction in Uninsured in Michigan
- Primary Care Is Available
- Medicaid Coverage Improves Health Status
- Reduces Bankruptcies Caused by Medical Costs
- Improves Employability

# Medicaid Expansion

Medicaid expansion fills the gap between current coverage and private health insurance coverage offered on the Exchange



# Michigan's Uninsured and Uncompensated Care

- In fiscal year 2011 Michigan community hospitals provided uncompensated direct patient care valued at \$882 million in charity care and bad debt\*
- Michigan uninsured burden increasing\*\*
  - In 2000: 82.6% of Michigan adults and 75.9% under age 18 were covered by employer-sponsored health insurance plans
  - In 2011: 70.1% of Michigan adults and 60.1% under age 18 were covered by employer-sponsored health insurance plans
  - 36.9% of employers with less than 50 workers offer a health plan

\*Michigan Health & Hospital: Michigan community hospitals fact sheet

\*\*Rick Haglund, Bridge Magazine: excerpted from Grand Rapids Press February 17, 2013

## *Medicaid Expansion Would Dramatically Reduce the Number of Uninsured*

- A recent national report concluded that a Medicaid expansion in Michigan would result in a 46% reduction in the uninsured\*
- If Michigan does not expand, it may have to eliminate coverage for 35,000 childless adults on January 1, 2014
- If Michigan does not expand, 252,000 individuals under 100% of the federal poverty level would be uninsured
  - By 2022 those left uncovered would grow to 360,000

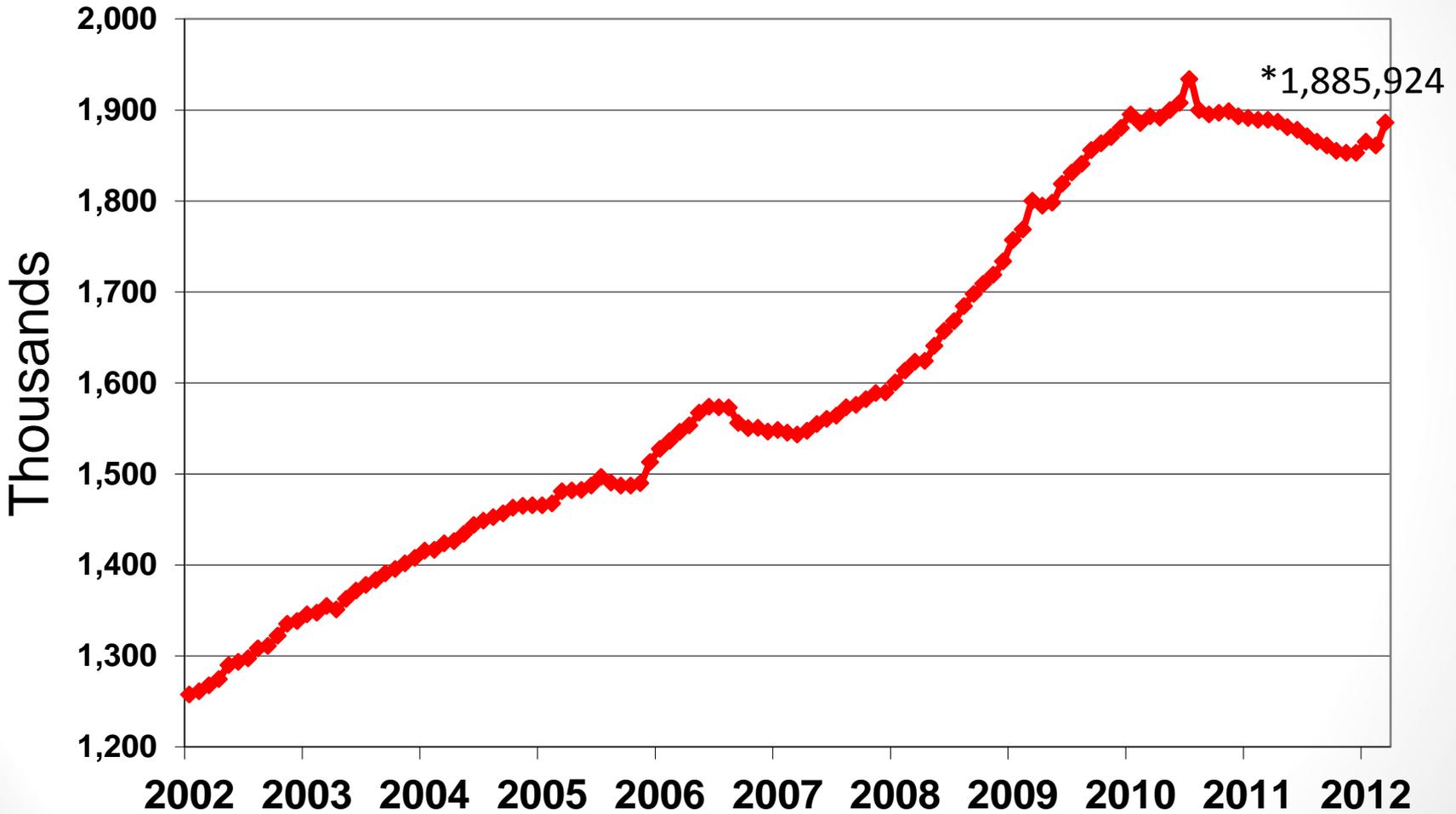
## Medicaid Coverage Improves Health

- **Oregon Health Insurance Study compared persons newly covered by Medicaid with uninsured**
  - 25% more likely to call their health good or excellent
  - 40% less likely to say health had worsened in past year
  - 70% more likely to have a clinic or doctor's office for care
  - 20% more likely to monitor their cholesterol
  - 25% less likely to have unpaid medical bills sent to collection
  - 40% less likely to borrow money or stop paying other bills to pay for medical bills

## Michigan Medicaid Works

- Michigan Medicaid is and has been very successful in controlling costs
  - Over 80% of services delivered through managed care
    - County Health Plans / Adult Benefit Waiver
    - Medicaid Health Plans
    - Prepaid Inpatient Hospital Plans (mental health)
- Low income citizens qualifying for Medicaid Expansion in Michigan will have access to primary care and other quality services
- Michigan Medicaid is effective through its many partnerships with public and private entities

# Michigan Medicaid Caseload



# Medicaid Costs

**Spending per Medicaid case**



\*Appropriated

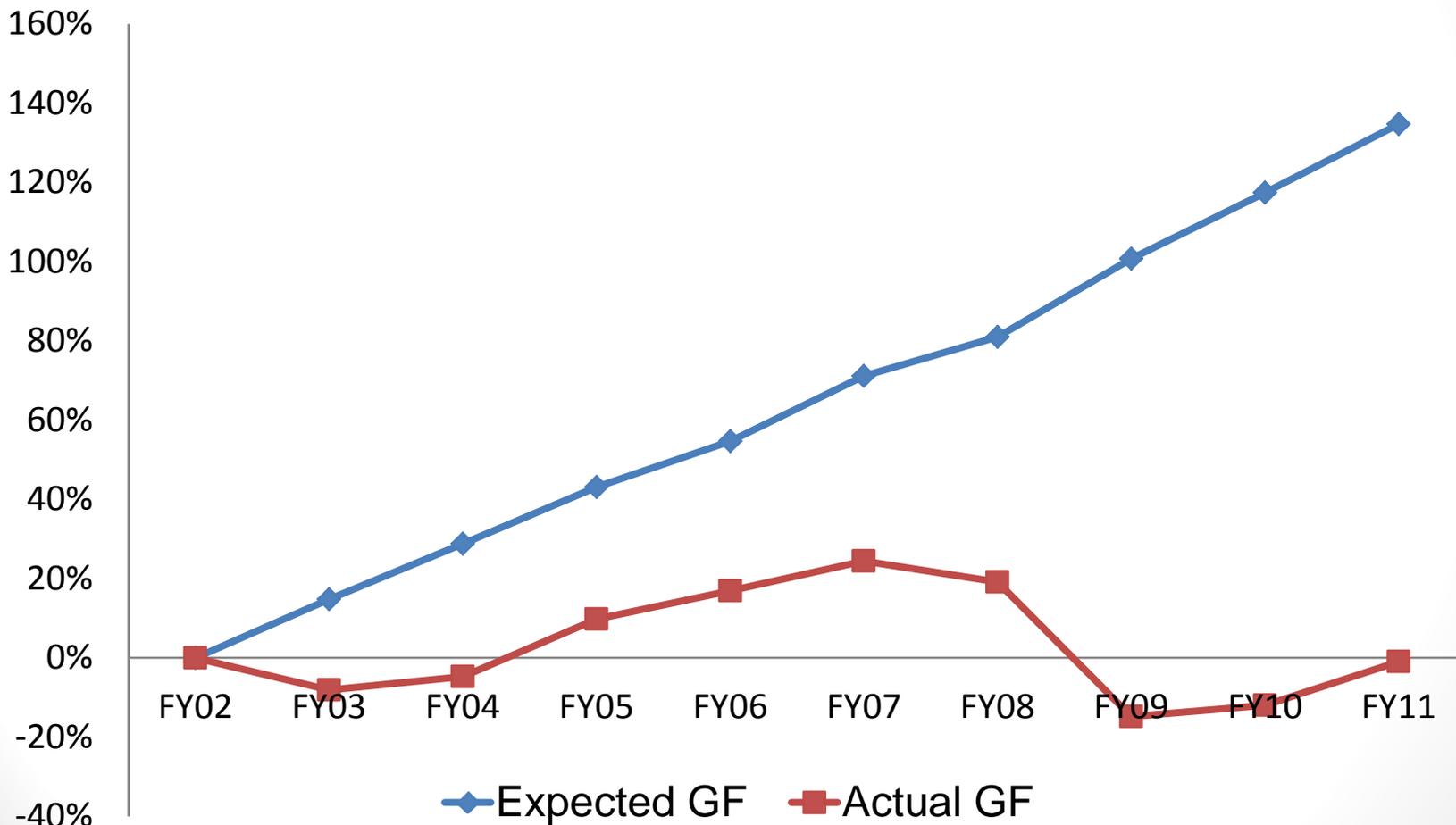
Source: Michigan Senate Fiscal Agency

**Medicaid as share of state budget**



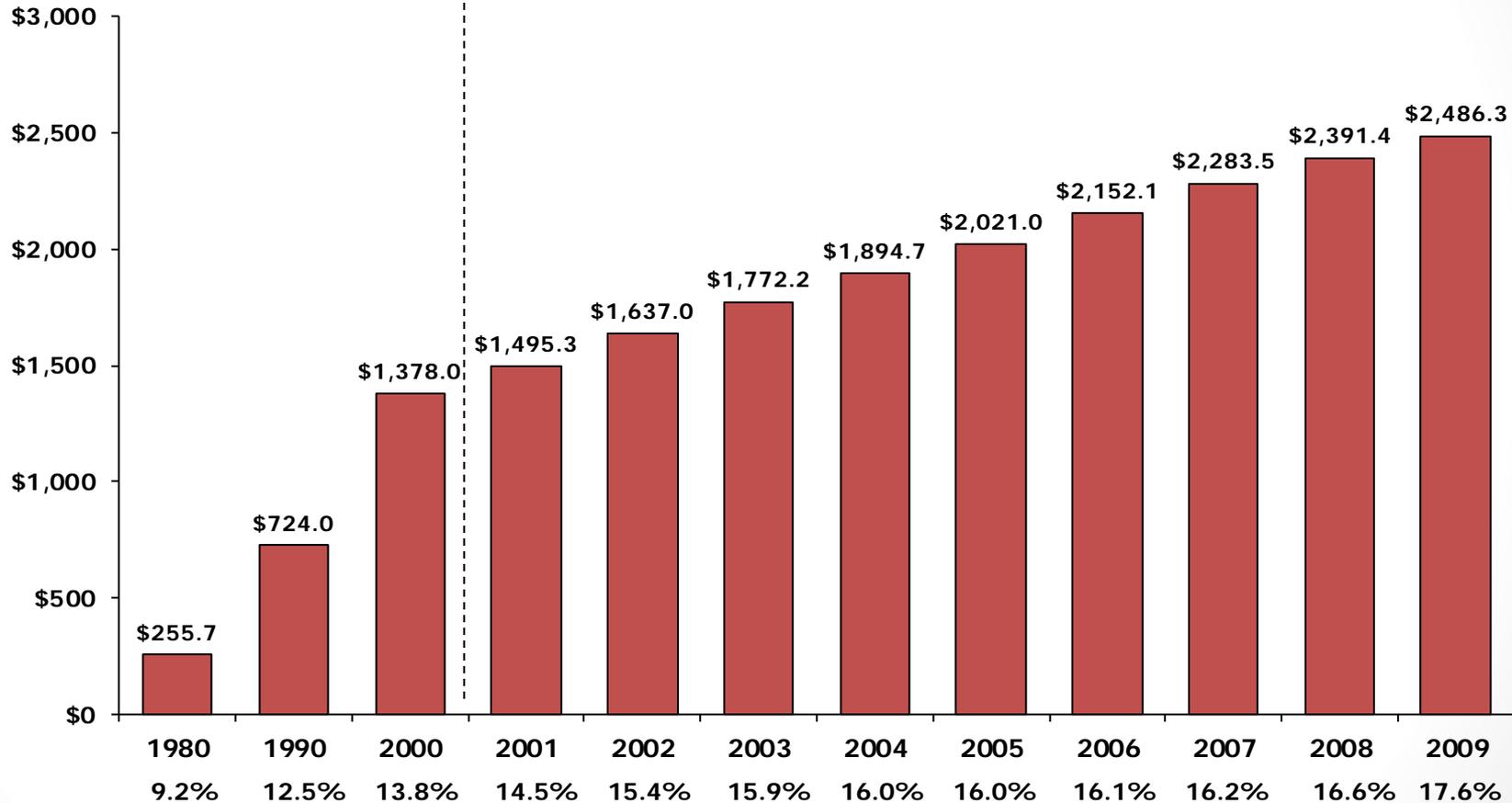
The Detroit News

# Michigan Medicaid General Fund Flat in the Face of Caseload and Health Inflation Increases

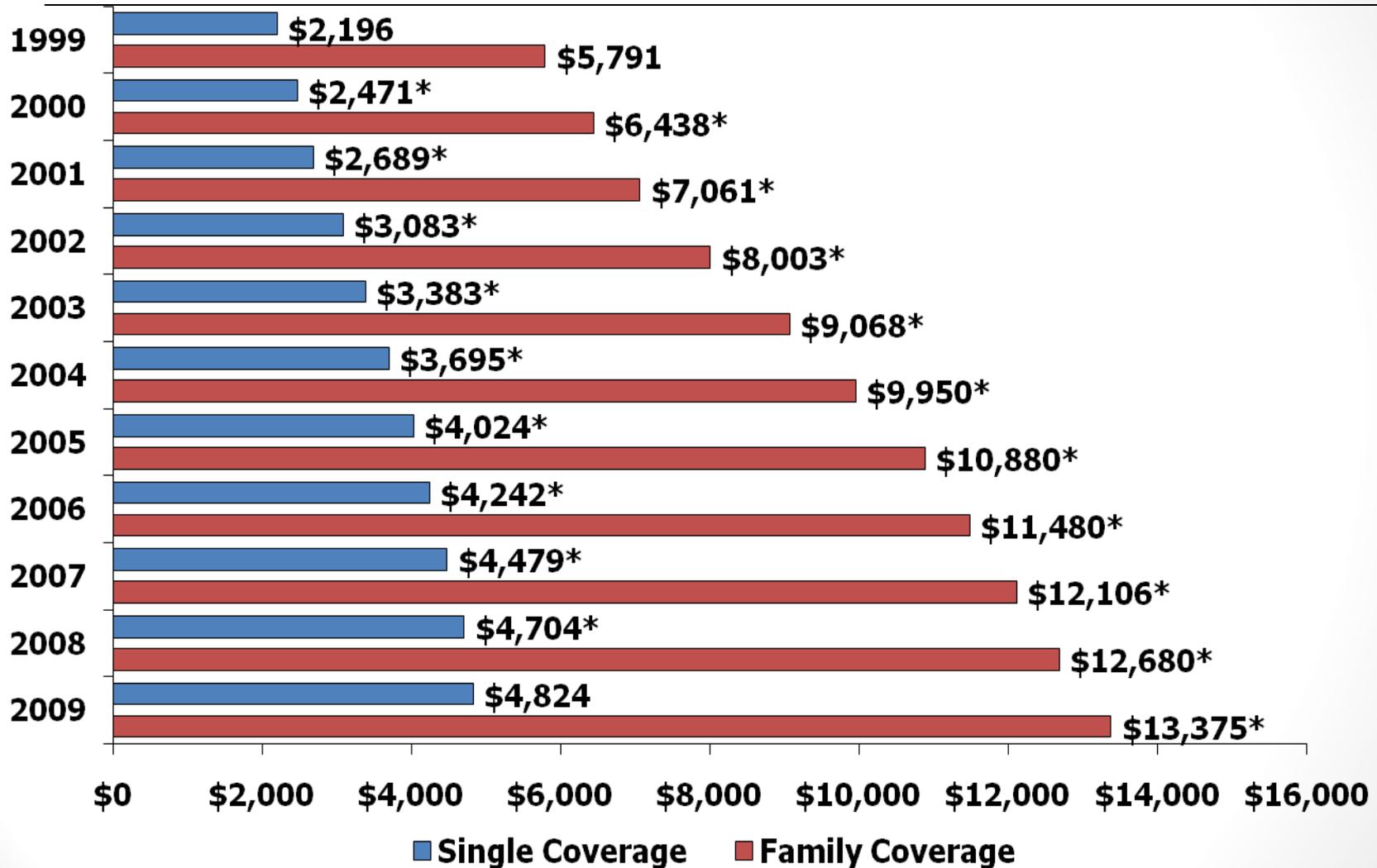


# National Health Expenditures (NHE) have Increased as Their Share of Gross Domestic Product (GDP) from 9.2% in 1980 to 17.6% in 2009

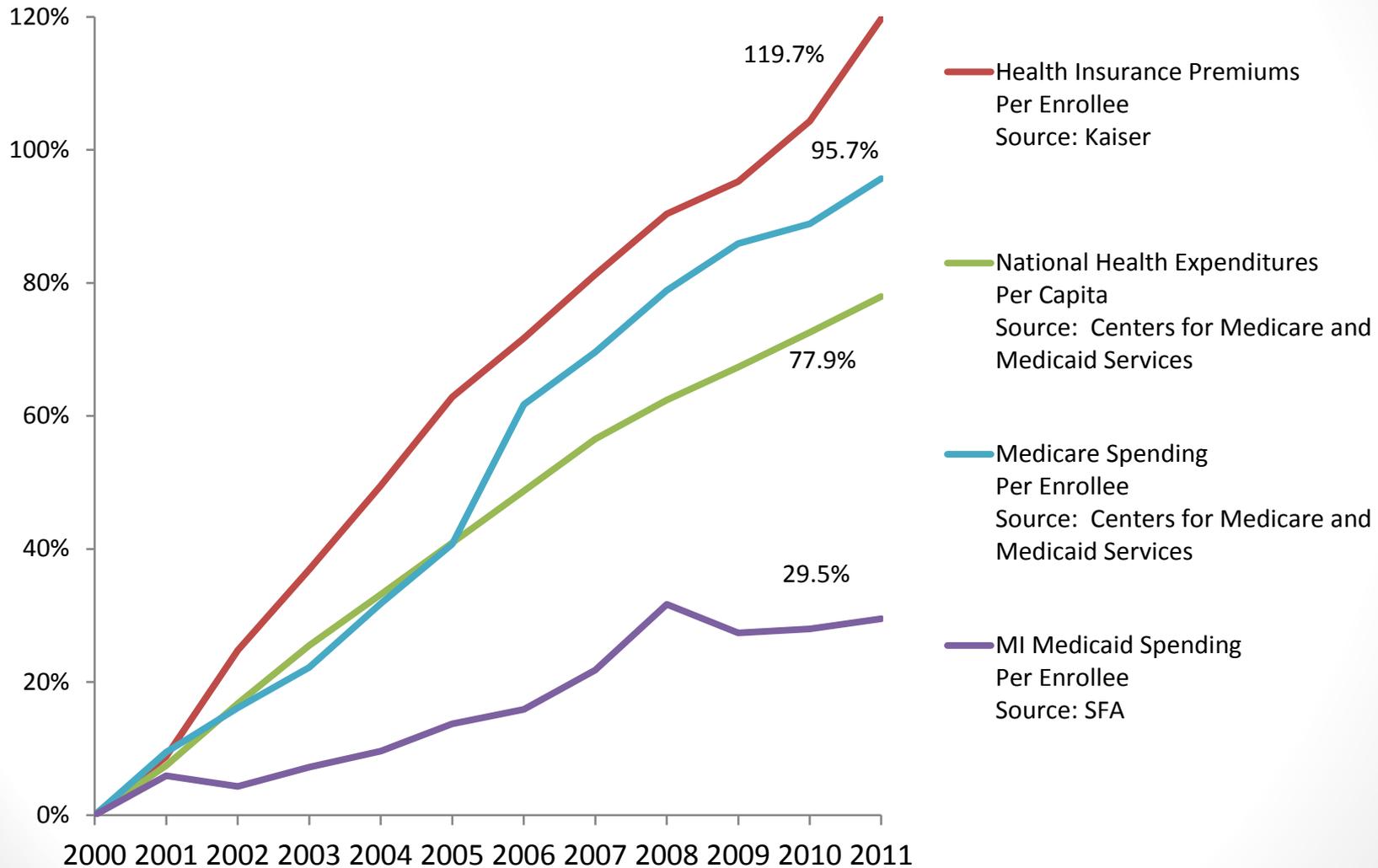
Dollars in Billions



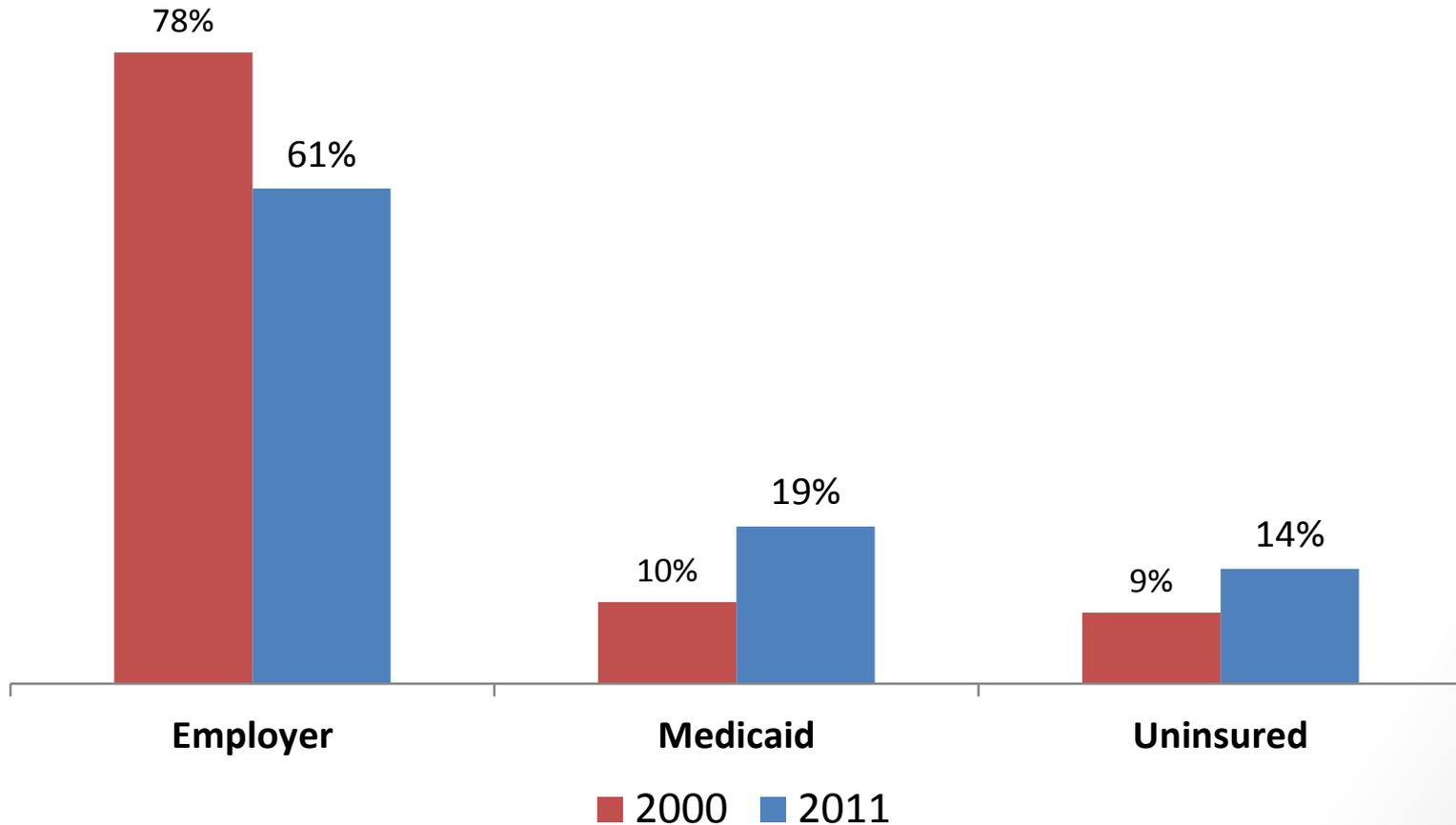
# Average Annual Health Insurance Premiums have more than Doubled in a Decade



# Historical Costs of Health Care 2000-2011



# Health Insurance Coverage shifts from Employer sponsored coverage in 2000 to Medicaid and Uninsured in 2011



## Michigan Medicaid Works Access/Quality

- Michigan Medicaid provides access by requiring assignment of each HMO enrollee to a primary care physician
- Michigan Medicaid has adopted the highest standard of measurement and transparency on access and quality
- Michigan Medicaid achieves access and quality by linking with public and private partners

## Michigan Medicaid Works Access/Quality

- 13 Medicaid Health Plans (MHP)
- 715,118 Medicaid School-Based direct service procedures
- 53,292 Medicaid children under 1 received 257,159 well-child visits during FY 2011
- 406,563 Medicaid beneficiaries served by 18,320 Primary Care Providers in January 2013
- 17,090 Medicaid beneficiaries served by University of Michigan physicians in November 2012
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- 27,490 Medicaid beneficiaries receiving nursing home services
- 3,300 women using Maternal Outpatient Medical Services (MOMS) program each month

# Michigan Medicaid Works - Health Plans

- 13 accredited health plans covering medically necessary services
  - Blue Cross Complete of Michigan
  - CoventryCares of Michigan, Inc.
  - HealthPlus Partners
  - McLaren Health Plan
  - Meridian Health Plan of Michigan
  - Midwest Health Plan
  - Molina Healthcare of Michigan
  - Physicians Health Plan – Family Care
  - Priority Health Government Programs
  - Pro Care Health Plan
  - Total Health Care
  - UnitedHealthcare Community Plan
  - Upper Peninsula Health Plan

# Michigan Medicaid Works Access/Quality

**Michigan Medicaid has adopted the highest standard of accountability and transparency. HMO performance requirements include:**

- Accreditation by an external entity
- An annual audited Healthcare Effectiveness Data and Information Set (HEDIS) report
- All required HEDIS measures must be deemed reportable (free of material bias)
- An annual adult Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey report (measures experience of health care)

# Michigan Medicaid Works Access/Quality

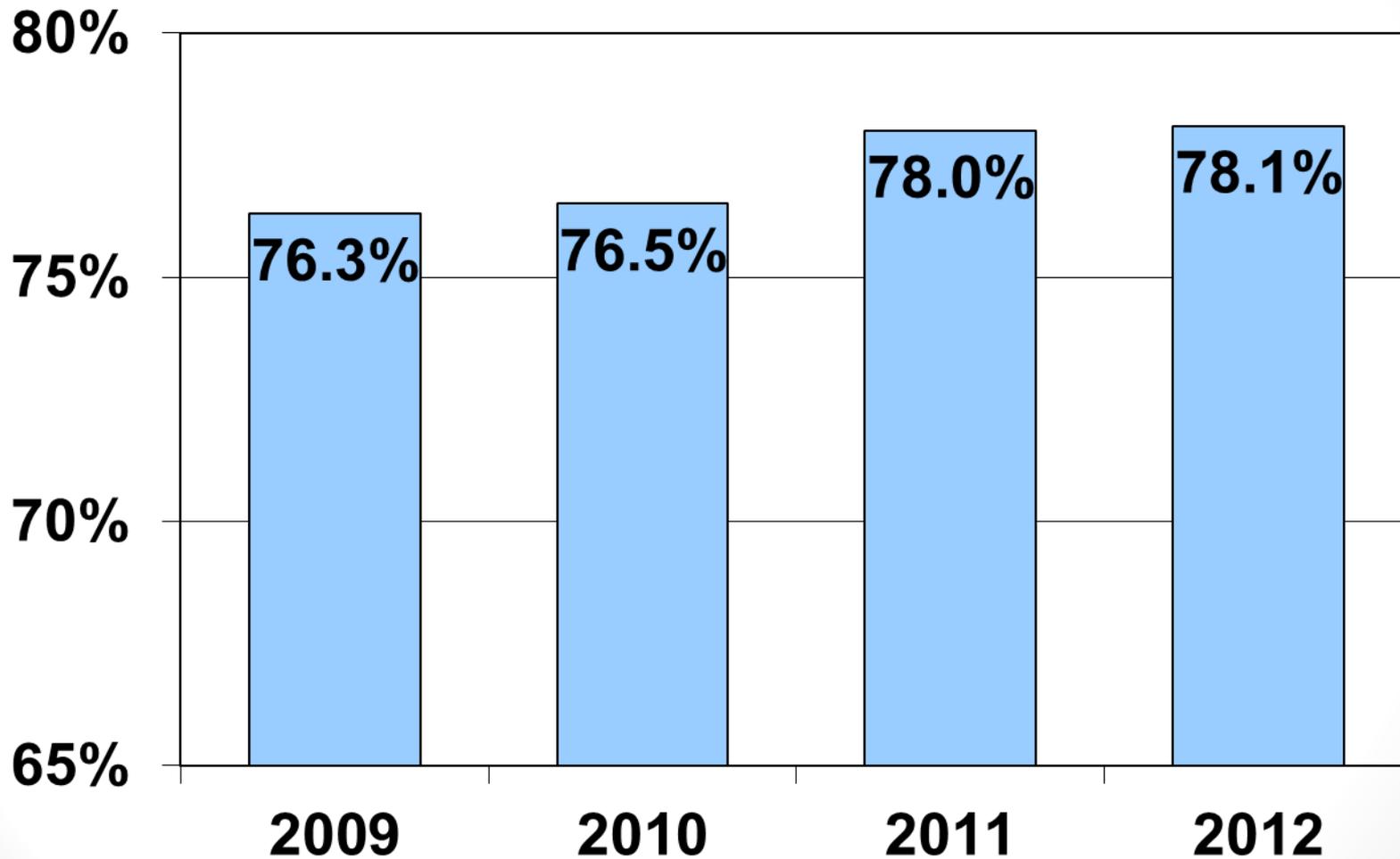
## **MHP performance requirements continued:**

- Public reporting required by Appropriation Section 1662
  - [http://www.michigan.gov/documents/mdch/16623\\_within\\_30\\_days\\_receipt\\_of\\_final\\_report\\_from\\_contractors\\_404895\\_7.pdf](http://www.michigan.gov/documents/mdch/16623_within_30_days_receipt_of_final_report_from_contractors_404895_7.pdf)
- Consumer guide to assist beneficiaries in their in plan selection
- Medicaid Health Plan Contractor performance bonus based on plan scores relative to national Medicaid benchmarks
- Auto assignment preference based on performance

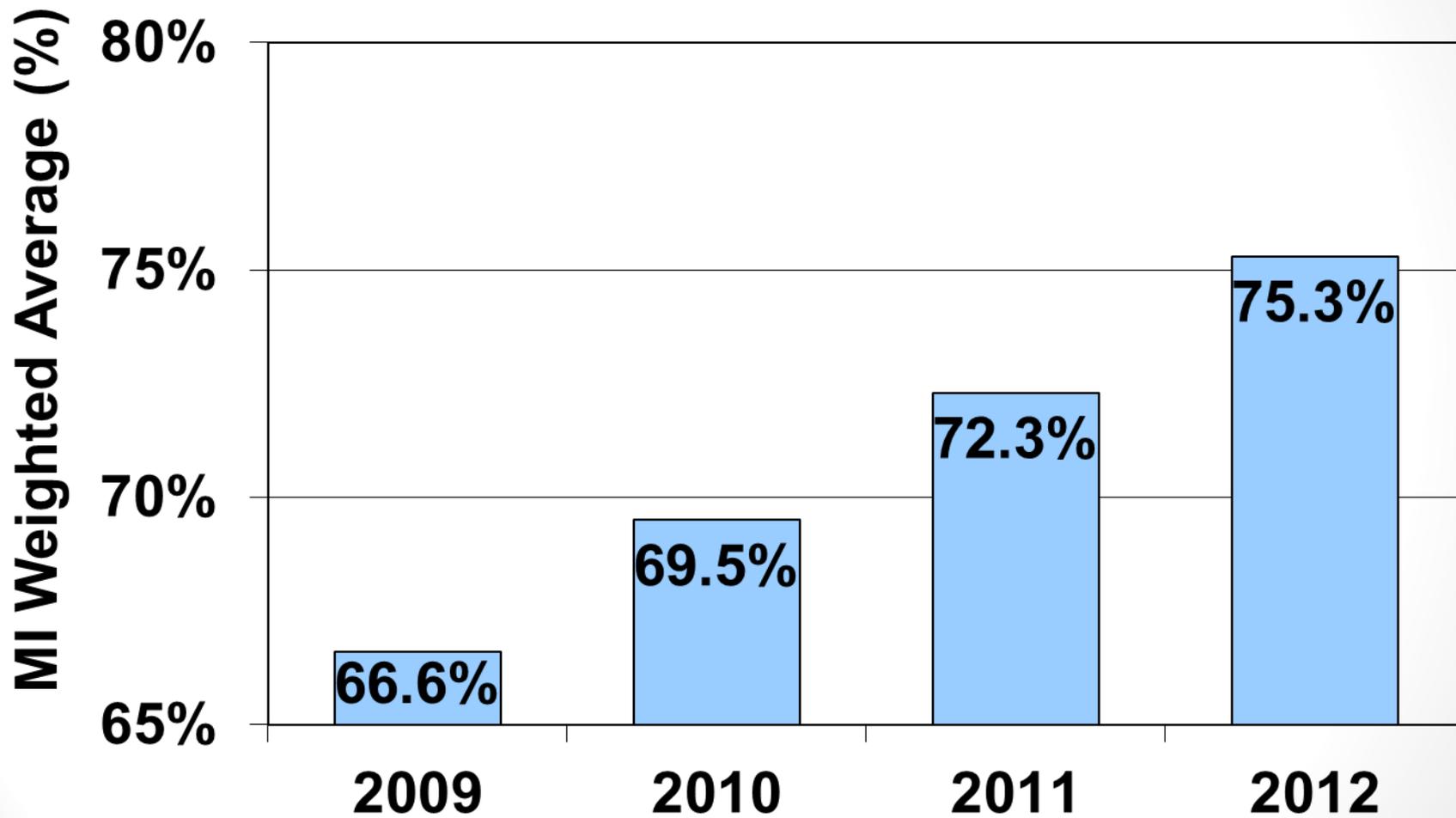
## Michigan Medicaid Health Plans Excel

- National Committee for Quality Assurance (NCQA) ranks 8 of Michigan's Medicaid Health Plans in the top 30 Medicaid Health Plans nationwide. (2012)
  - Blue Cross Complete; Priority Health; Midwest Health; UnitedHealthcare Great Lakes; HealthPlus; Total Health; Upper Peninsula Health; and McLaren
- 10 MHPs in the top 40 nationwide
  - Molina and Coventry Cares in next 10
- Demonstrates commitment to provide high quality health care to our most vulnerable citizens

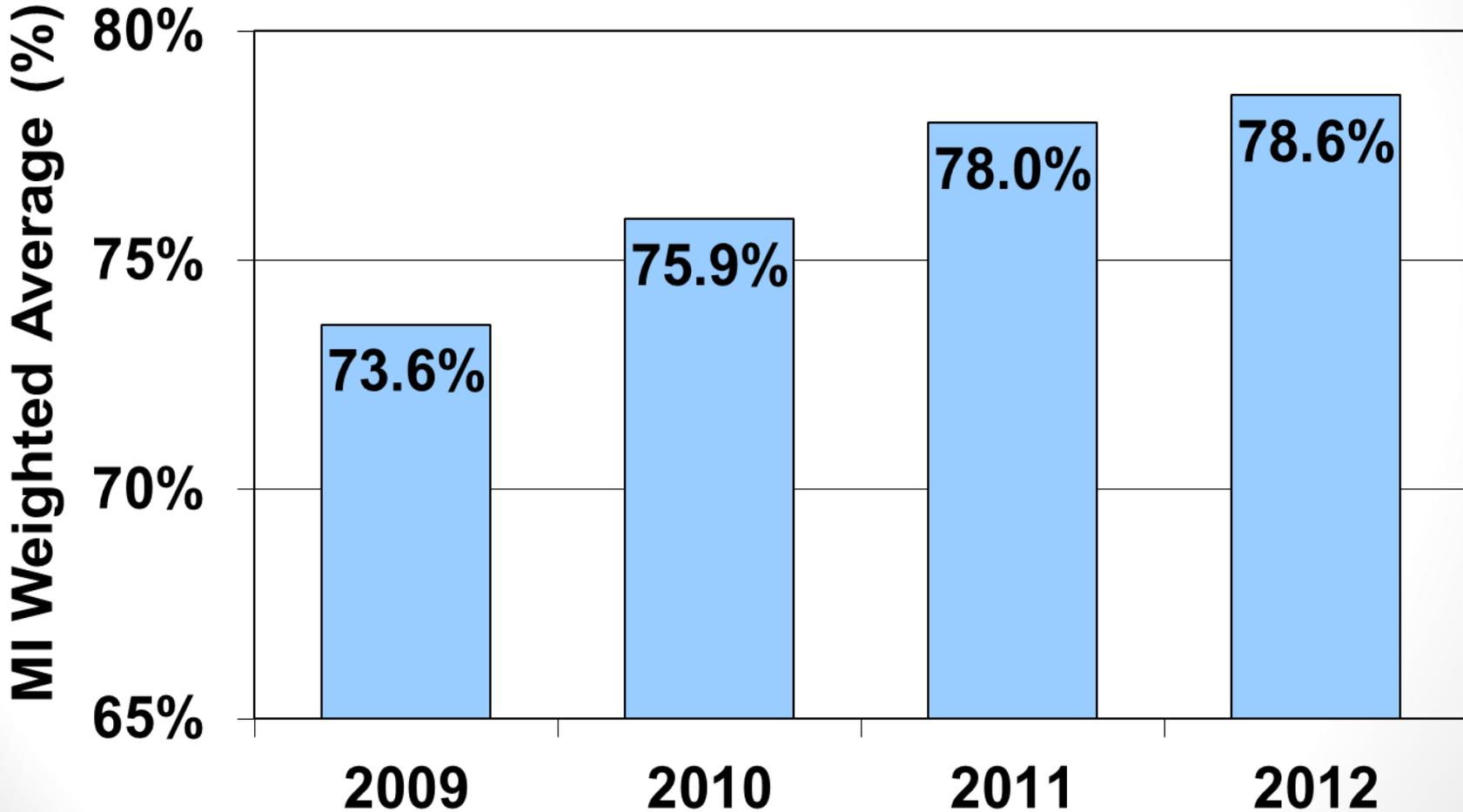
# Michigan Medicaid Managed Care Blood Lead Testing - 3 year olds



# Michigan Medicaid Managed Care Well Child Visits - First 15 Months

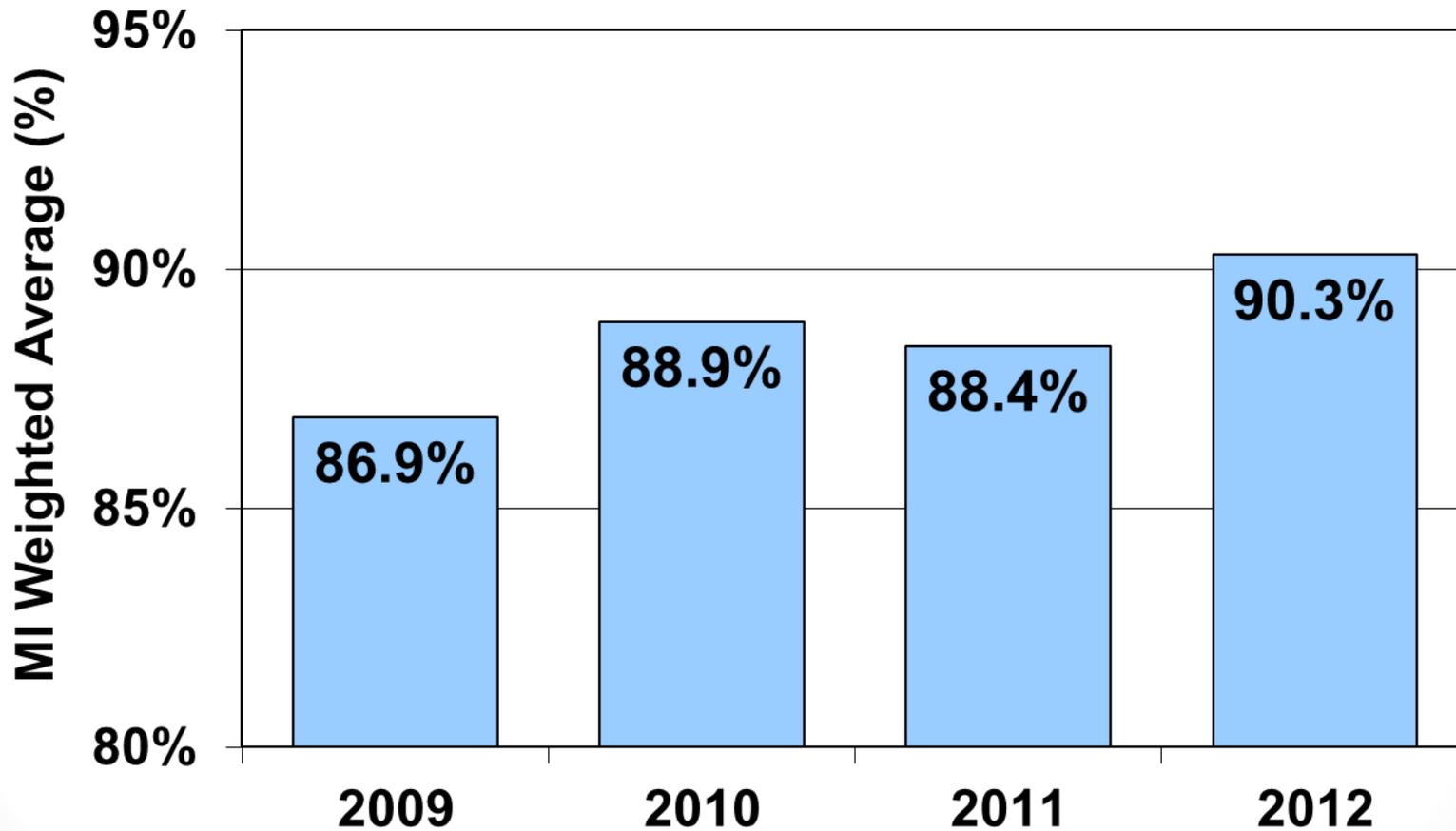


# Michigan Medicaid Managed Care Well Child Visits - 3 – 6 years

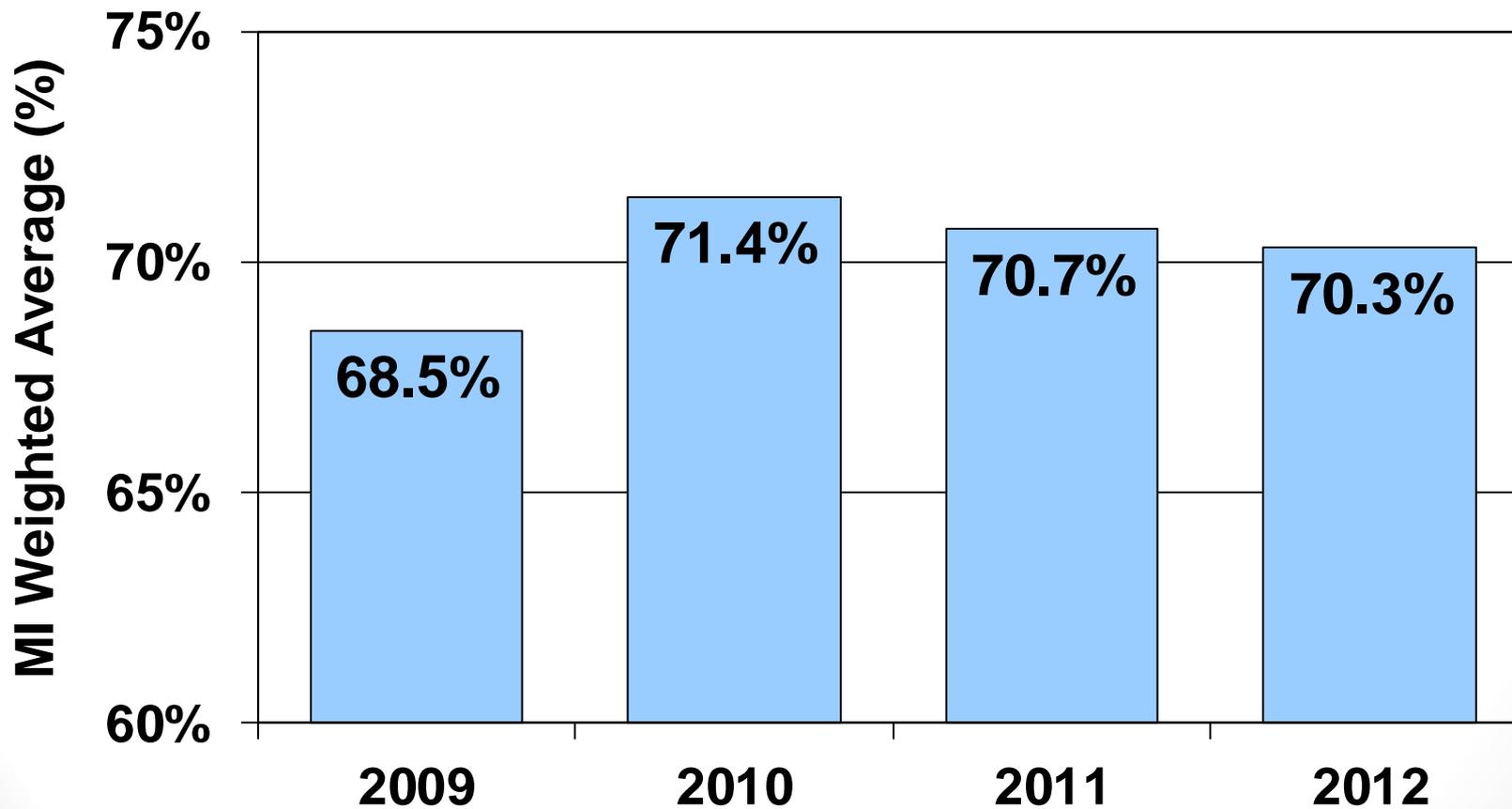


HEDIS

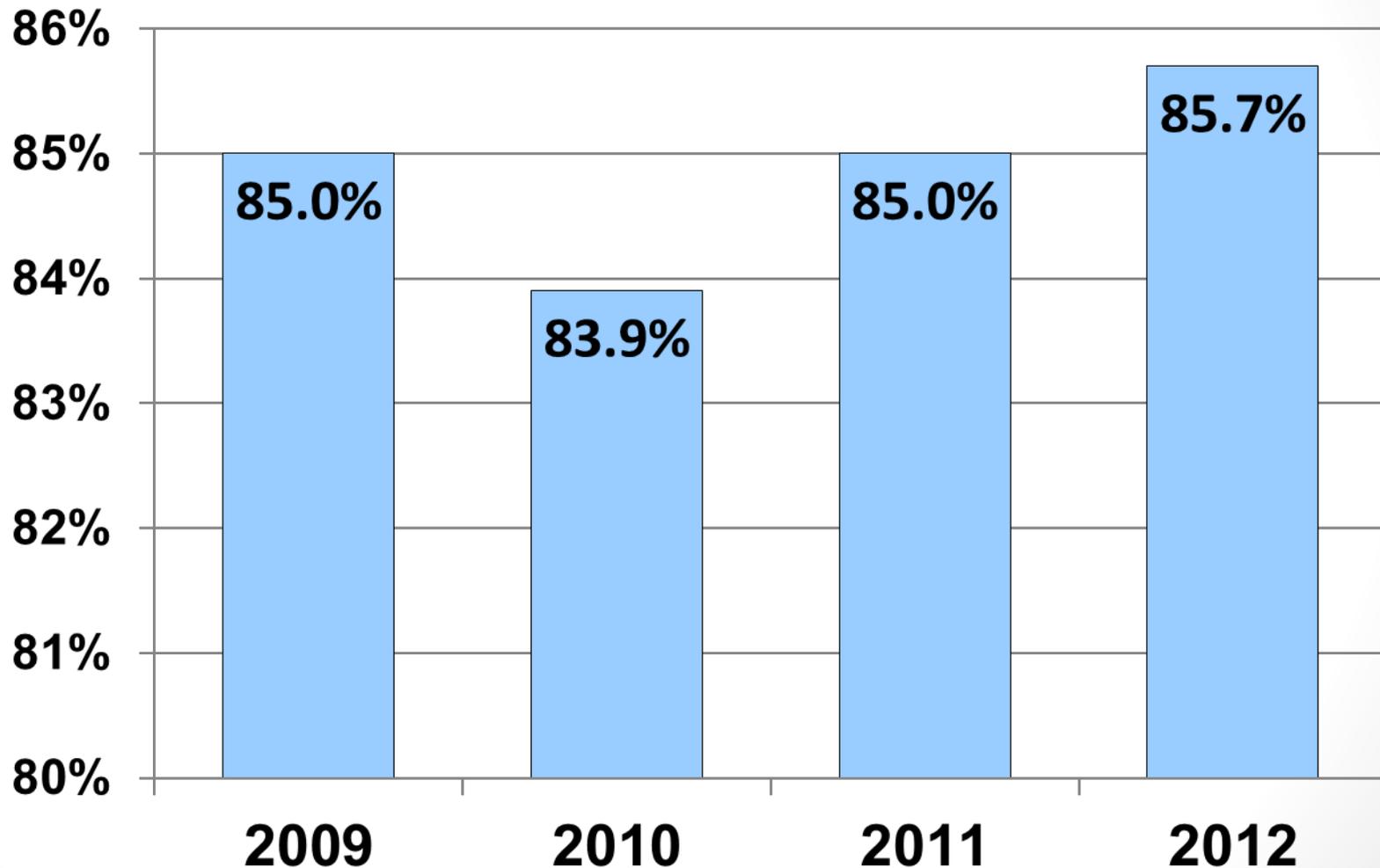
# Michigan Medicaid Managed Care Prenatal Visits



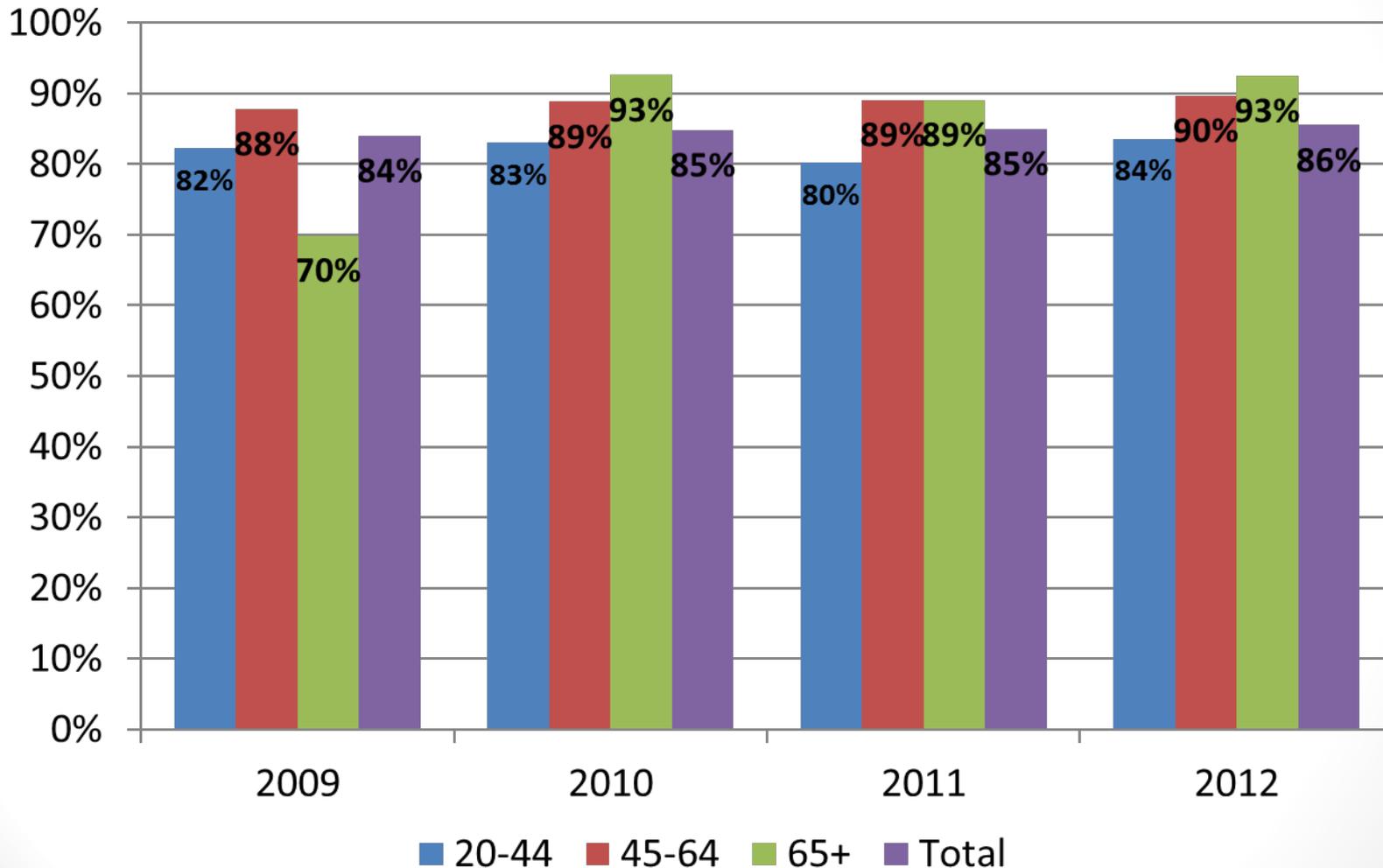
# Michigan Medicaid Managed Care Postpartum Visits



# Michigan Medicaid Managed Care Diabetes Testing



# Michigan Medicaid Managed Care Percentage of Adults with Preventive/Ambulatory Visit



# Michigan Medicaid Continuously Audited

- **Numerous Audit Agencies**
  - OIG: Office of the Inspector General - federal agency
  - OAG: Office of the Auditor General - state agency
  - OIAS: Office of Internal Audit Services - state agency
  - CMS: Centers for Medicaid/Medicare Services - federal agency
  - GAO: Government Accountability Office - federal agency
- **One dozen simultaneous audits on average**
- **Internal Control Improvements Noted in Recent Audits**
  - 2009 Single Audit = 35 Findings, 10 Material
  - 2011 Single Audit = 12 Findings, 1 Material
- **CHAMPS System Paying Dividends in Performance Audits**
  - No material findings in 4 audits post-CHAMPS implementation

## *Michigan Medicaid is Effective-Partnerships*

- Hospitals, Physicians, Pharmacies, Long Term Care (LTC) Community Providers, Nursing Homes, Dentists, Many Other Professional Practitioners, Durable Medical Equipment (DME) and Suppliers, and...
- HMOs – both for-profit and non-profit
- Federally Qualified Health Centers (FQHC), Rural Health Clinics (RHC) and Look-a-Likes
- Community Mental Health Agencies
- Local Health Departments
- University Medical Schools
- Various Community and Advocacy Organizations
- Private sector contractors – Maximus, CNSI, and Optum among others

## Michigan Medicaid Works

- Michigan Medicaid is cost effective
- Michigan Medicaid is efficient
- Michigan Medicaid provides access to services
- Michigan Medicaid provides quality services
- Michigan Medicaid is highly ranked nationally in numerous areas
- Michigan Medicaid is providing value day after day and year after year

## **MDCH Contact Info and Useful Links**

Phone: (517) 373-3740

Website: <http://www.michigan.gov/mdch>

Facebook: <http://www.facebook.com/michigandch>

Twitter: @MIHealth, <https://twitter.com/mihealth>

### **Useful Links:**

Executive Budget: <http://www.michigan.gov/mibudget2014>

MI Healthier Tomorrow: [www.michigan.gov/mihealthiertomorrow](http://www.michigan.gov/mihealthiertomorrow)

Medicaid Expansion: [www.expandmedicaid.com](http://www.expandmedicaid.com)