Medical Services Administration
Fiscal Year 2014

Presentation to Senate Appropriations Subcommittee
on Community Health
February 21, 2013

James K. Haveman, MDCH Director
Steve Fitton, Senior Deputy, MSA Director
Tim Becker, Senior Deputy, Operations

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 – 10th 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)

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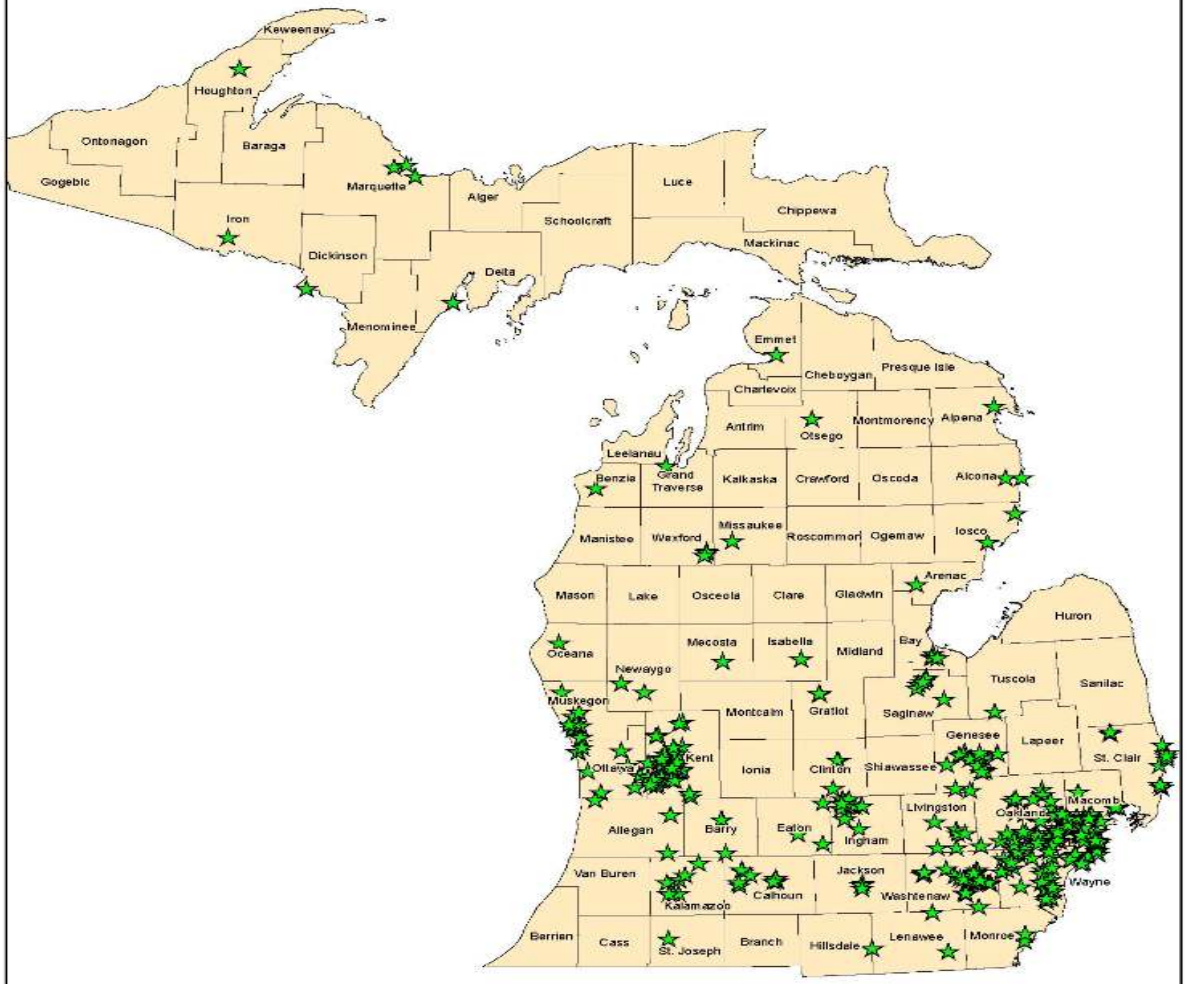
Michigan Primary Care Transformation Project

Participating Primary Care Practices



updated March 2012

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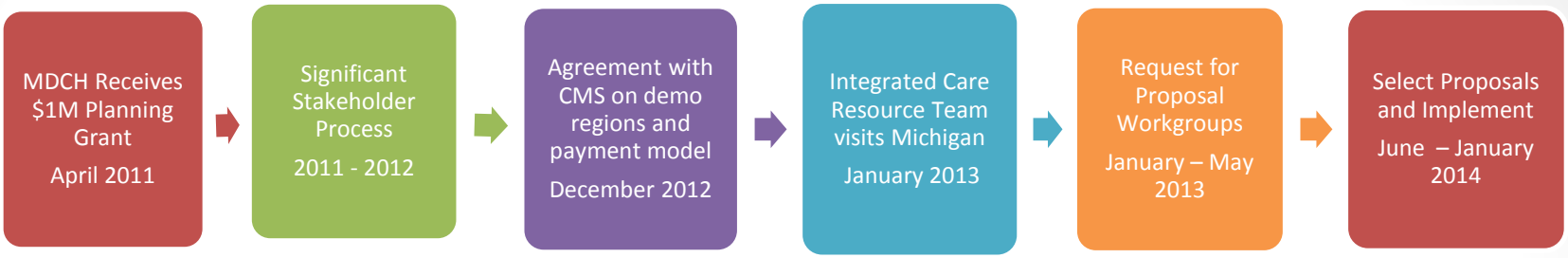
Dual Eligibles - Why

- 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

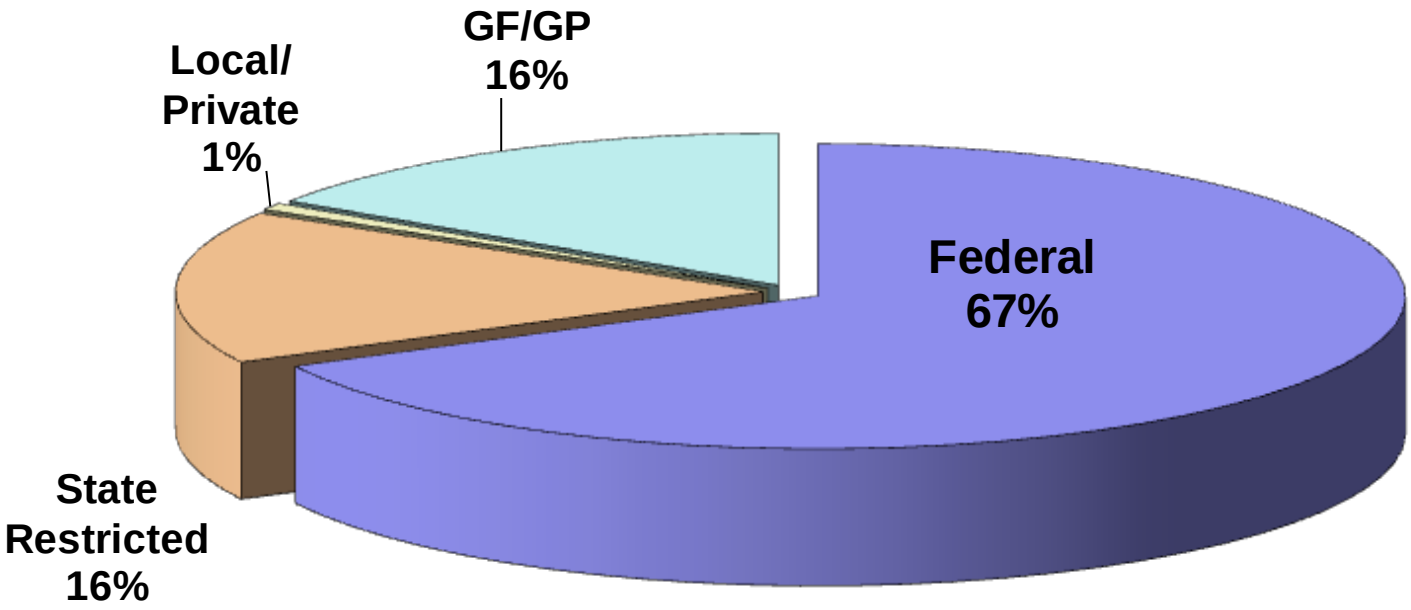


4 demonstration regions will include half of dual recipients (101,000)

- 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)



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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 (1)	($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)

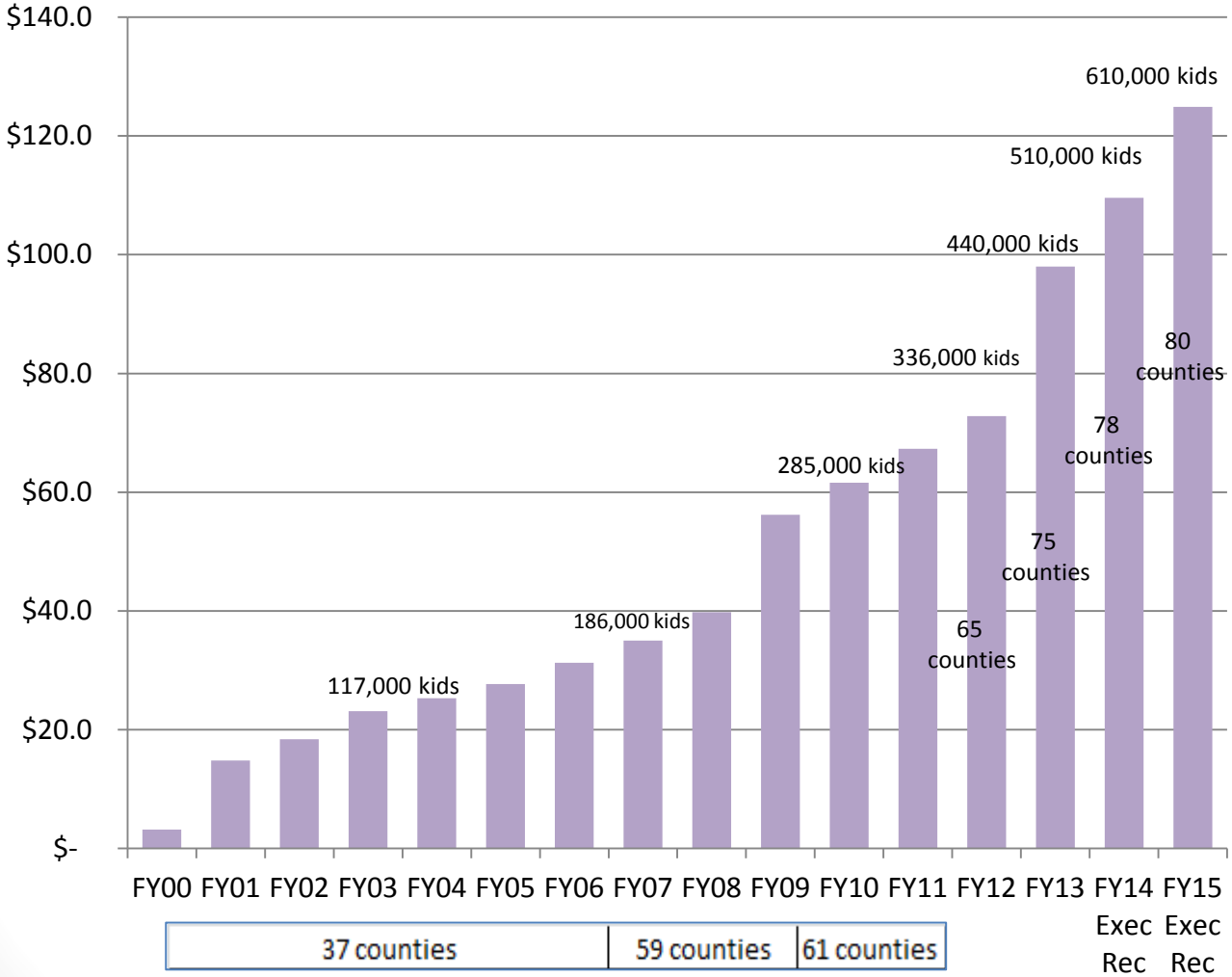
Description	FY 2014 Recommendation	
	GF/GP	Gross
Detroit Medical Center Harper Hutzel Special Payment	($6.7)	($20.0)
Expand Medicaid - Use Federal Funds to Offset GF/GP(1):	($181.7)	$1,359.0
Adults Benefit Waiver		
Non-Medicaid Mental Health Services		

(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

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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

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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

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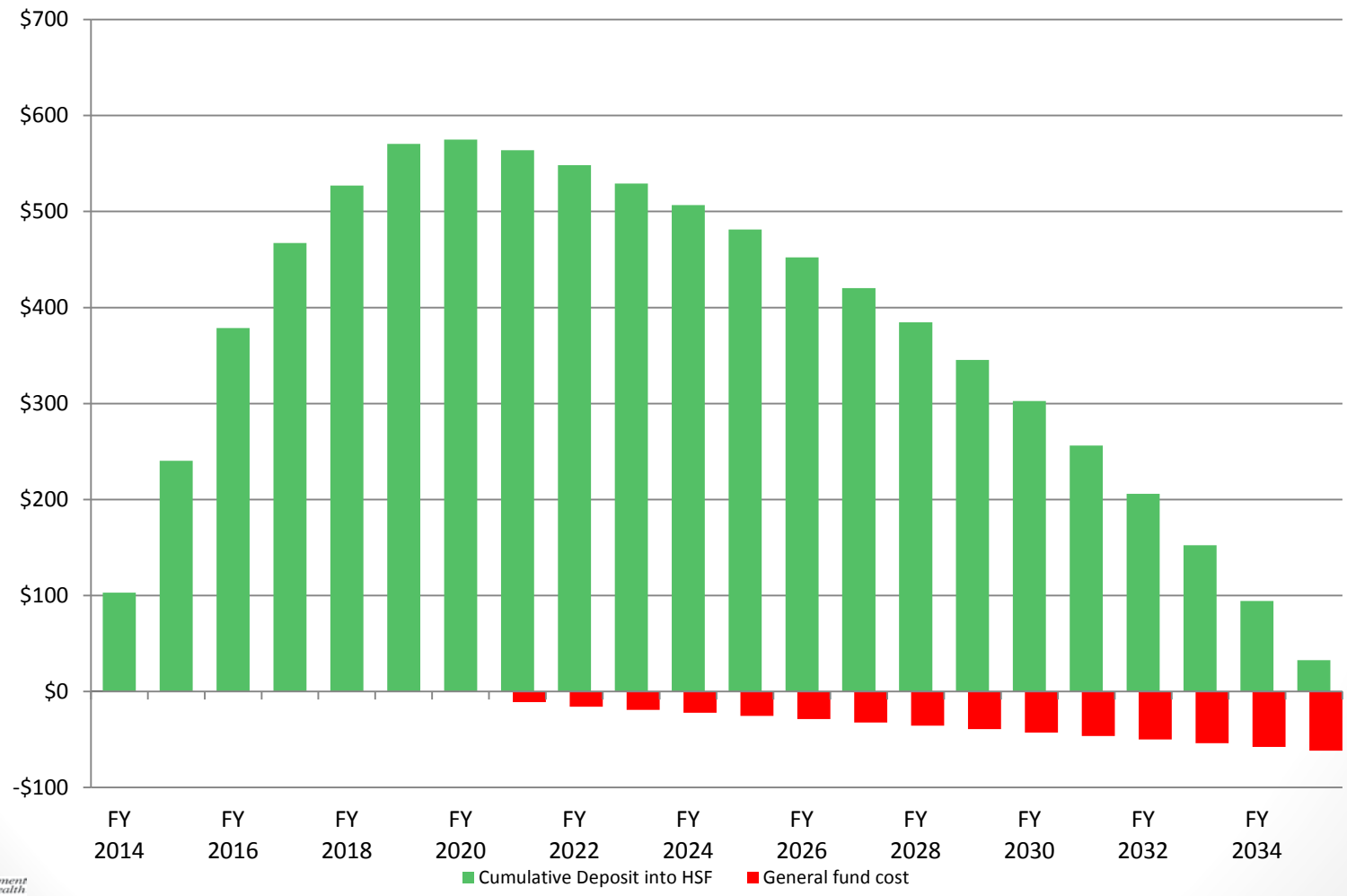
Medicaid Expansion

- 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

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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 (1)**
  - $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

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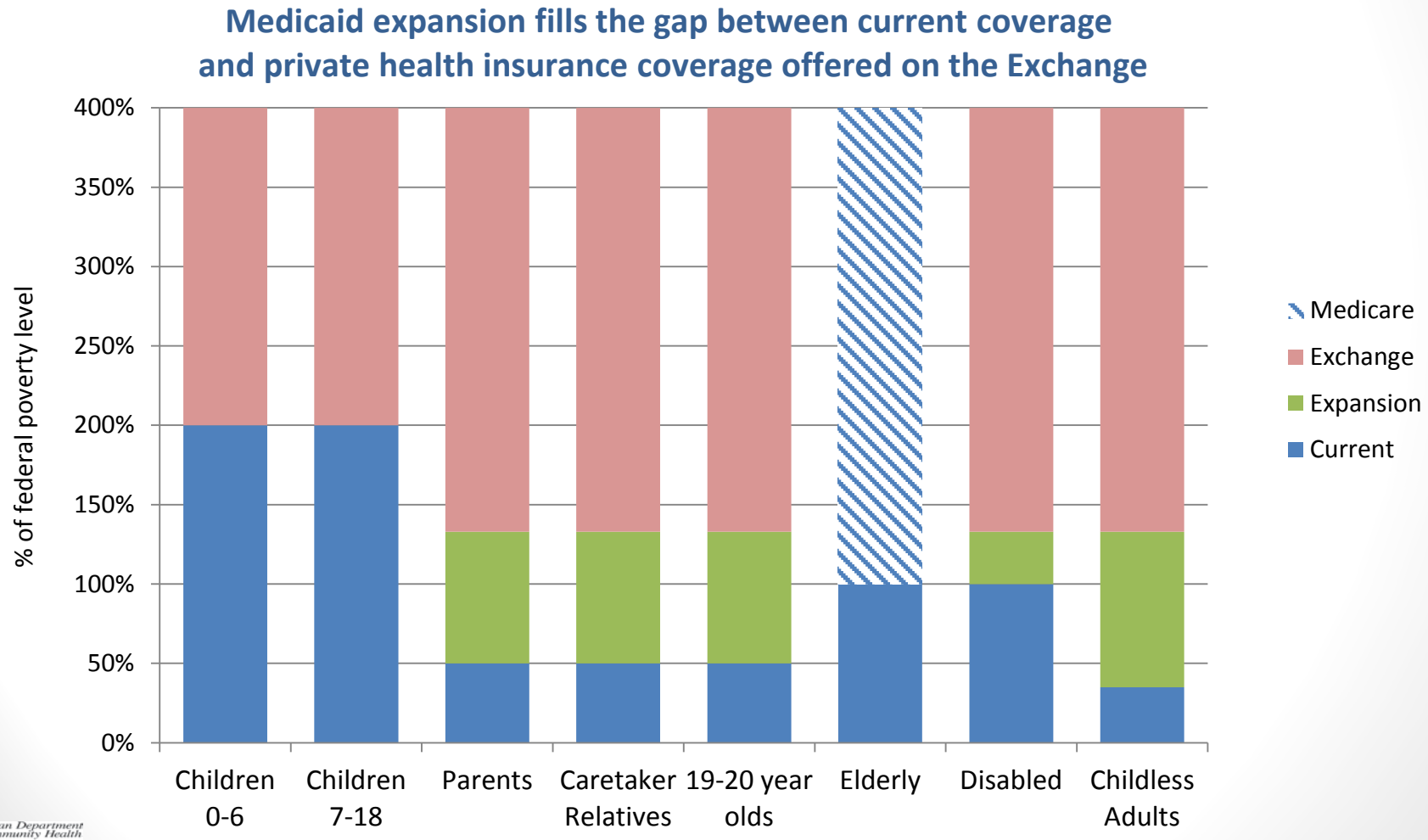
Expansion – Impact on Low Income Citizens

- 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



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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

Kaiser Commission on Medicaid and the Uninsured, November 2012

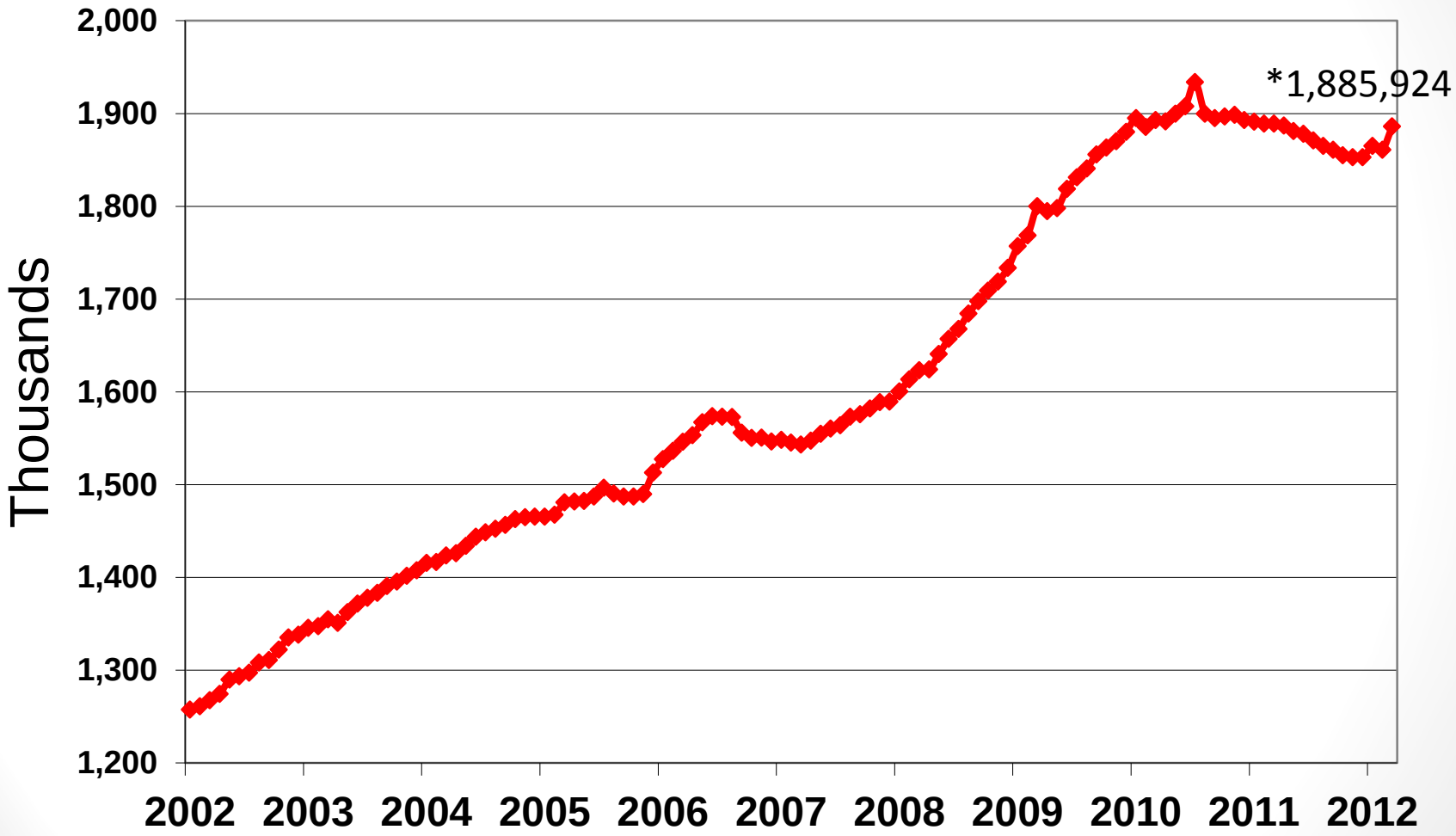
Medicaid Coverage Improves Health

- **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



*December 2012

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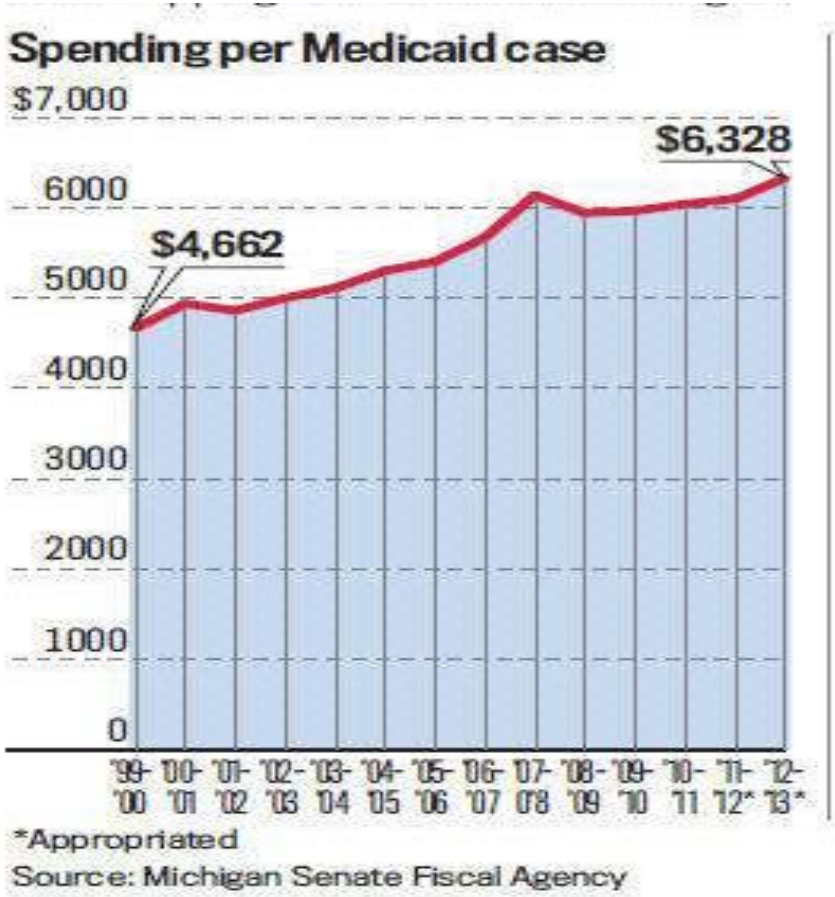
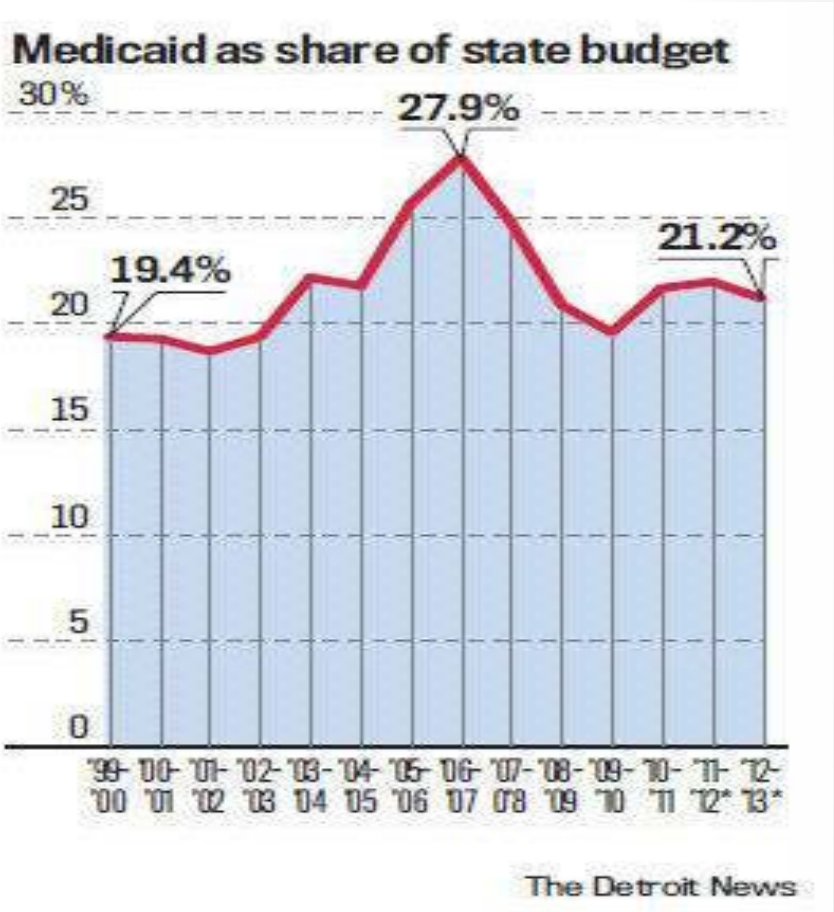
Medicaid Costs





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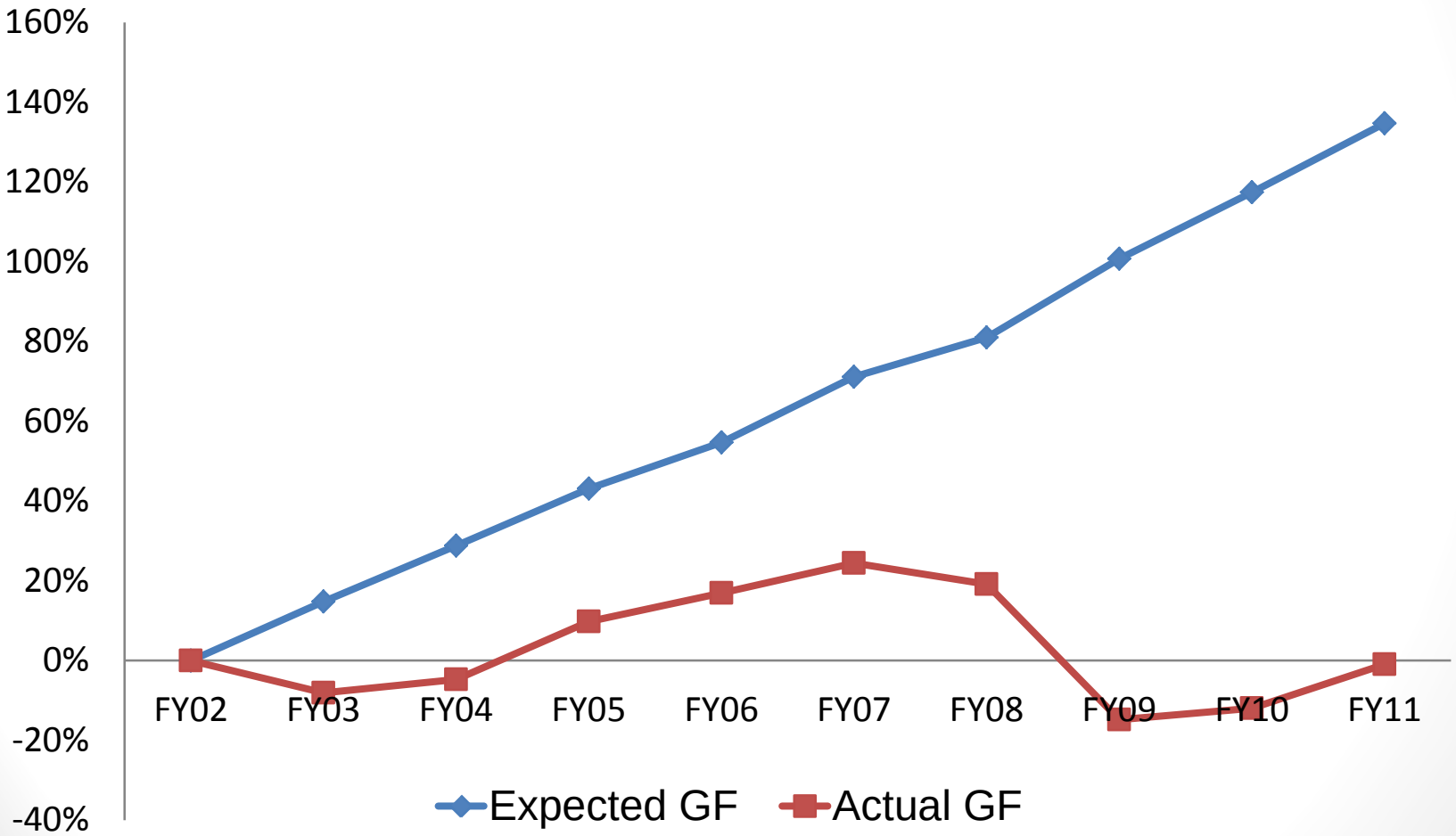
Michigan Medicaid General Fund Flat in the Face of Caseload and Health Inflation Increases



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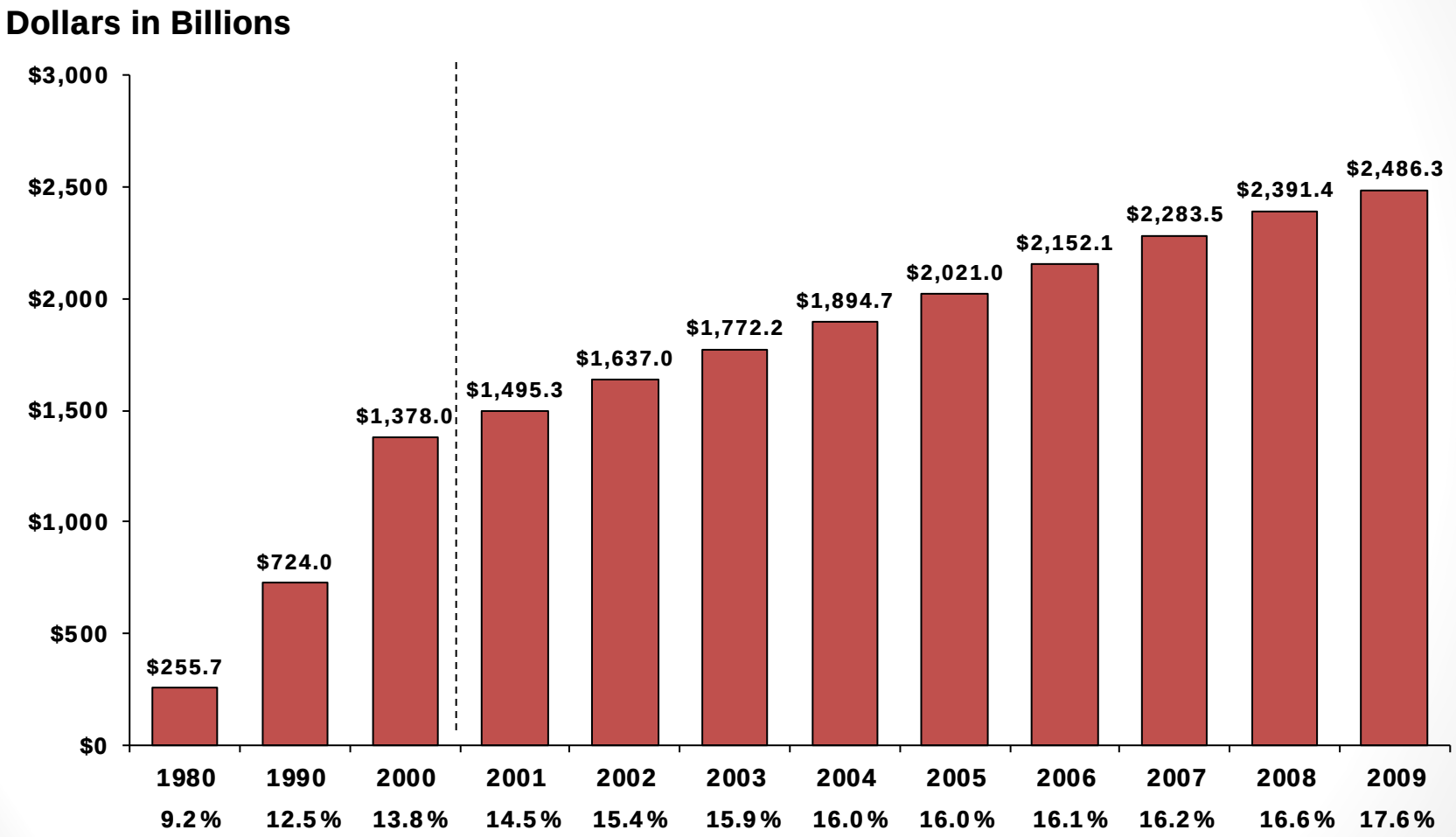
National Health Expenditures (NHE) have Increased as Their Share of Gross Domestic Product (GDP) from 9.2% in 1980 to 17.6% in 2009



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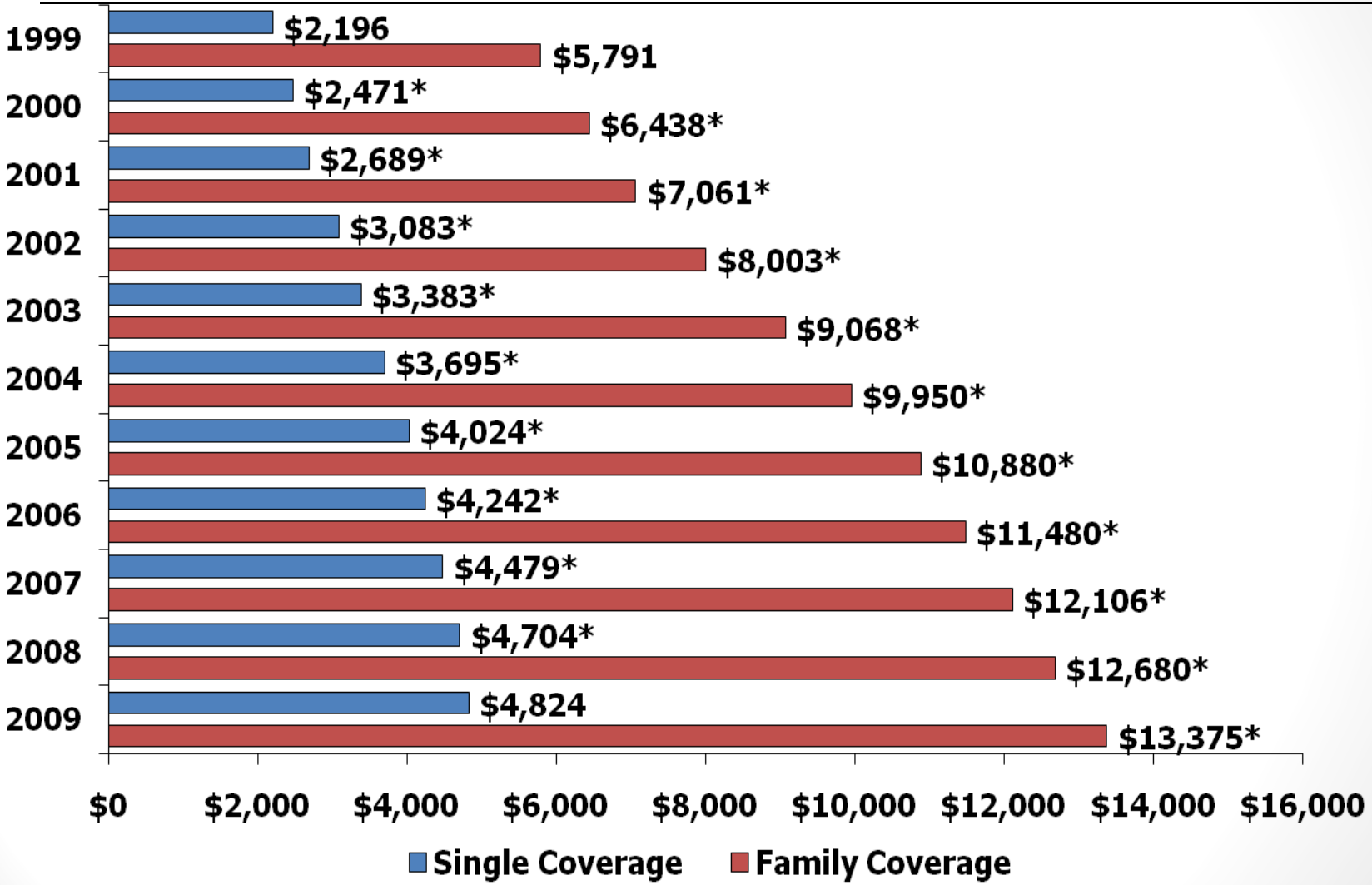
Average Annual Health Insurance Premiums have more than Doubled in a Decade



* Estimate is statistically different from estimate for the previous year shown (p<.05). Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.

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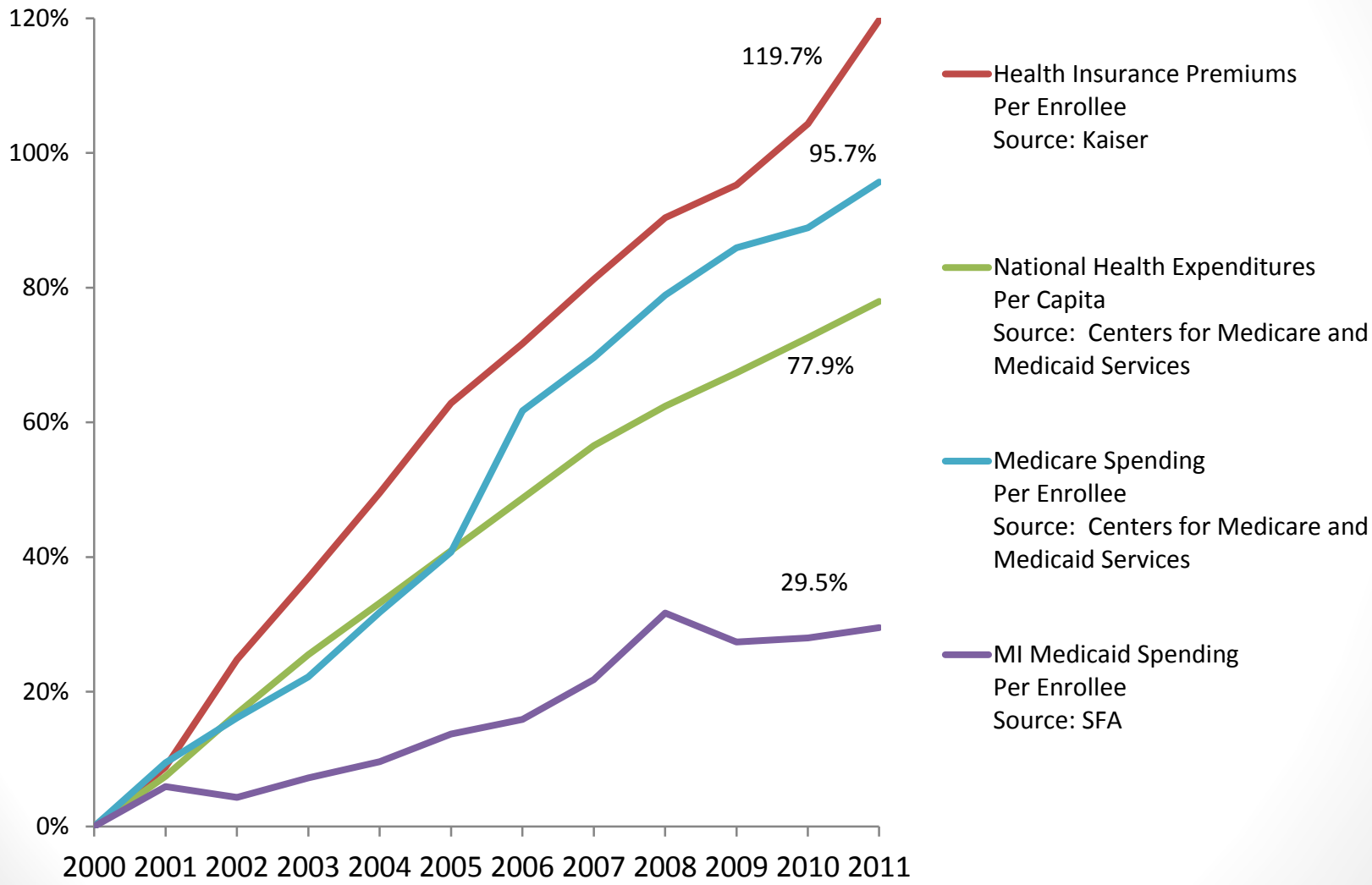
Historical Costs of Health Care 2000-2011



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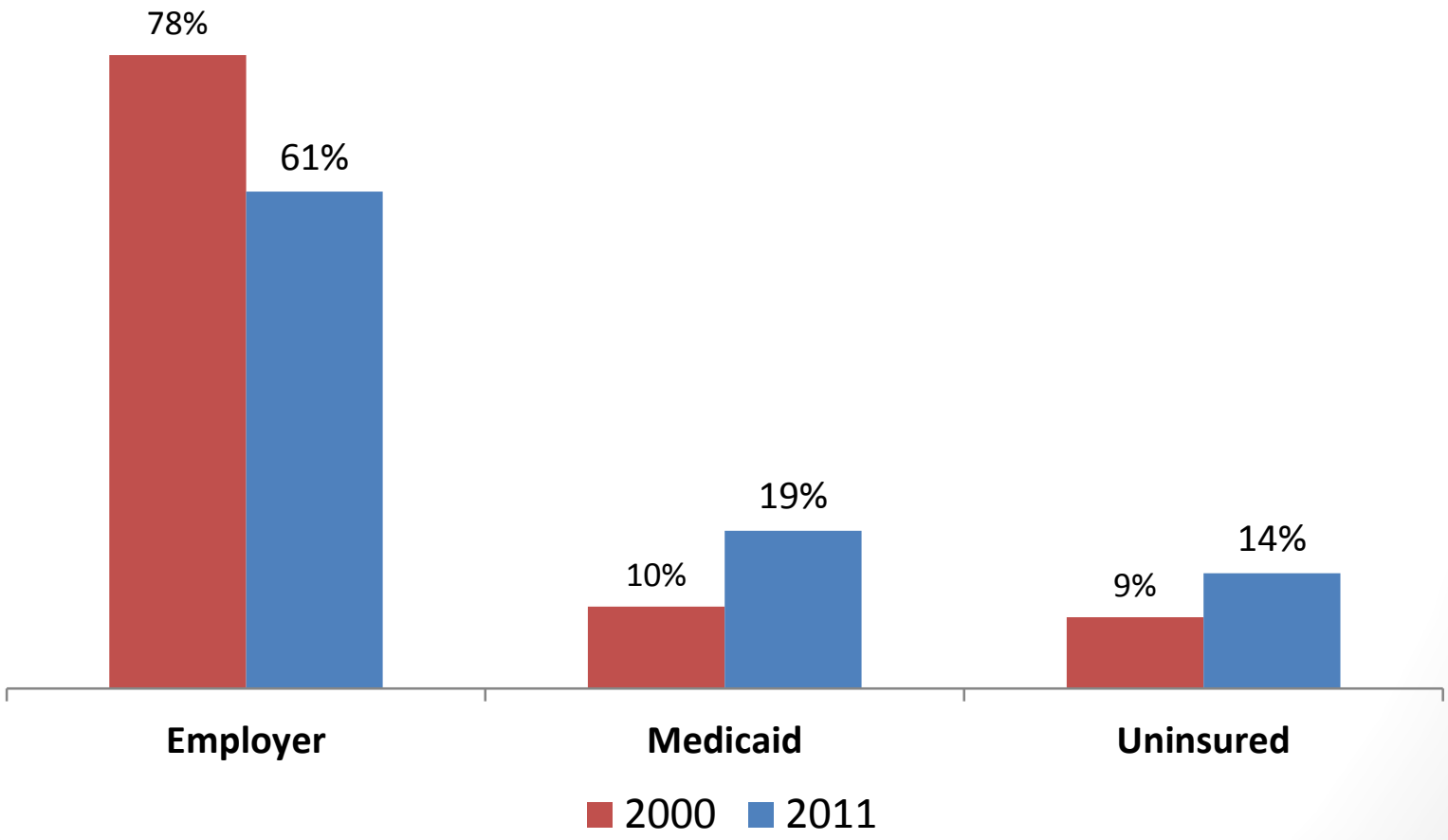
Health Insurance Coverage shifts from Employer sponsored coverage in 2000 to Medicaid and Uninsured in 2011



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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
- 14,000 CSHCS children moved to managed care
- 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

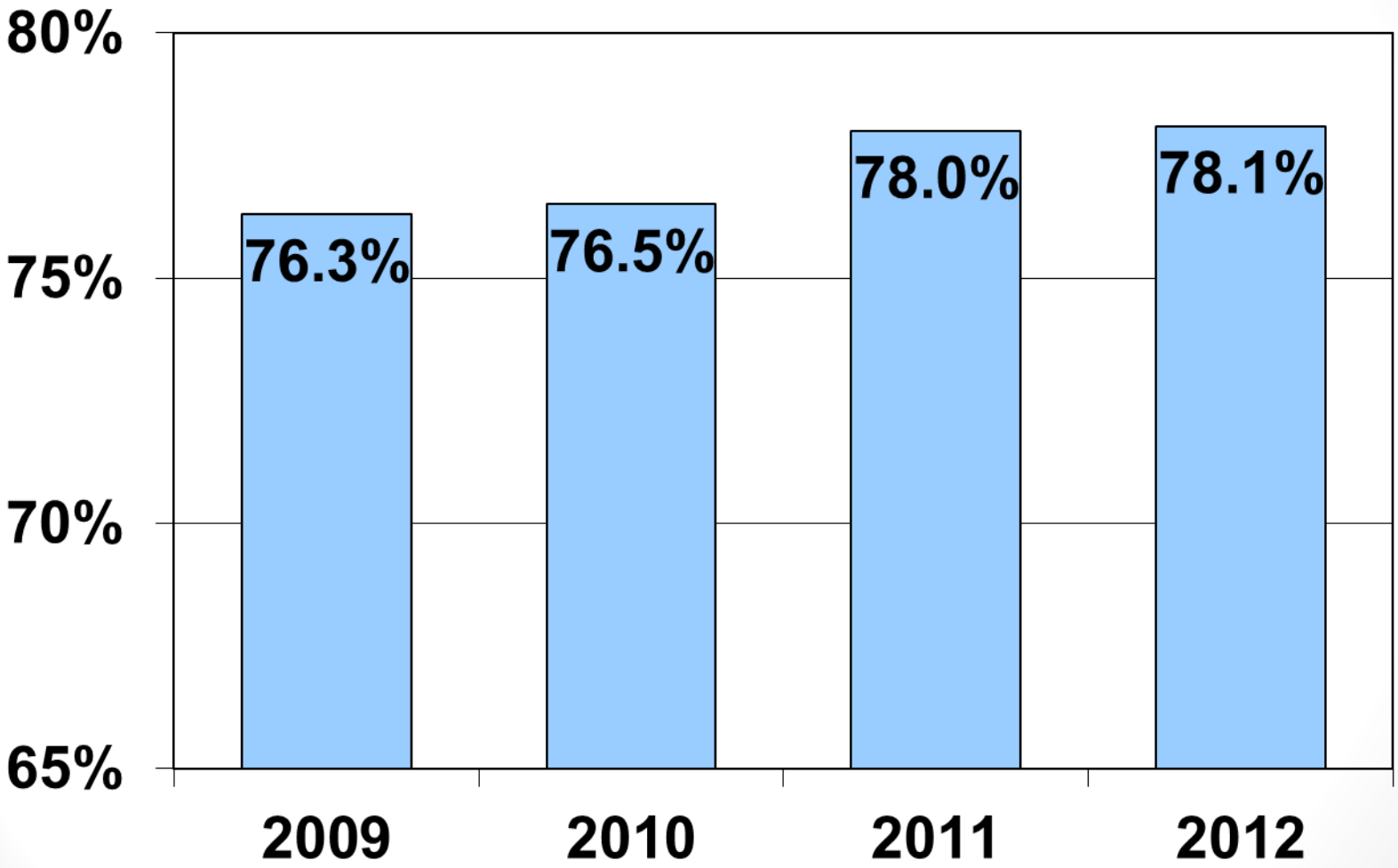
MHP performance requirements continued:

- 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
- 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



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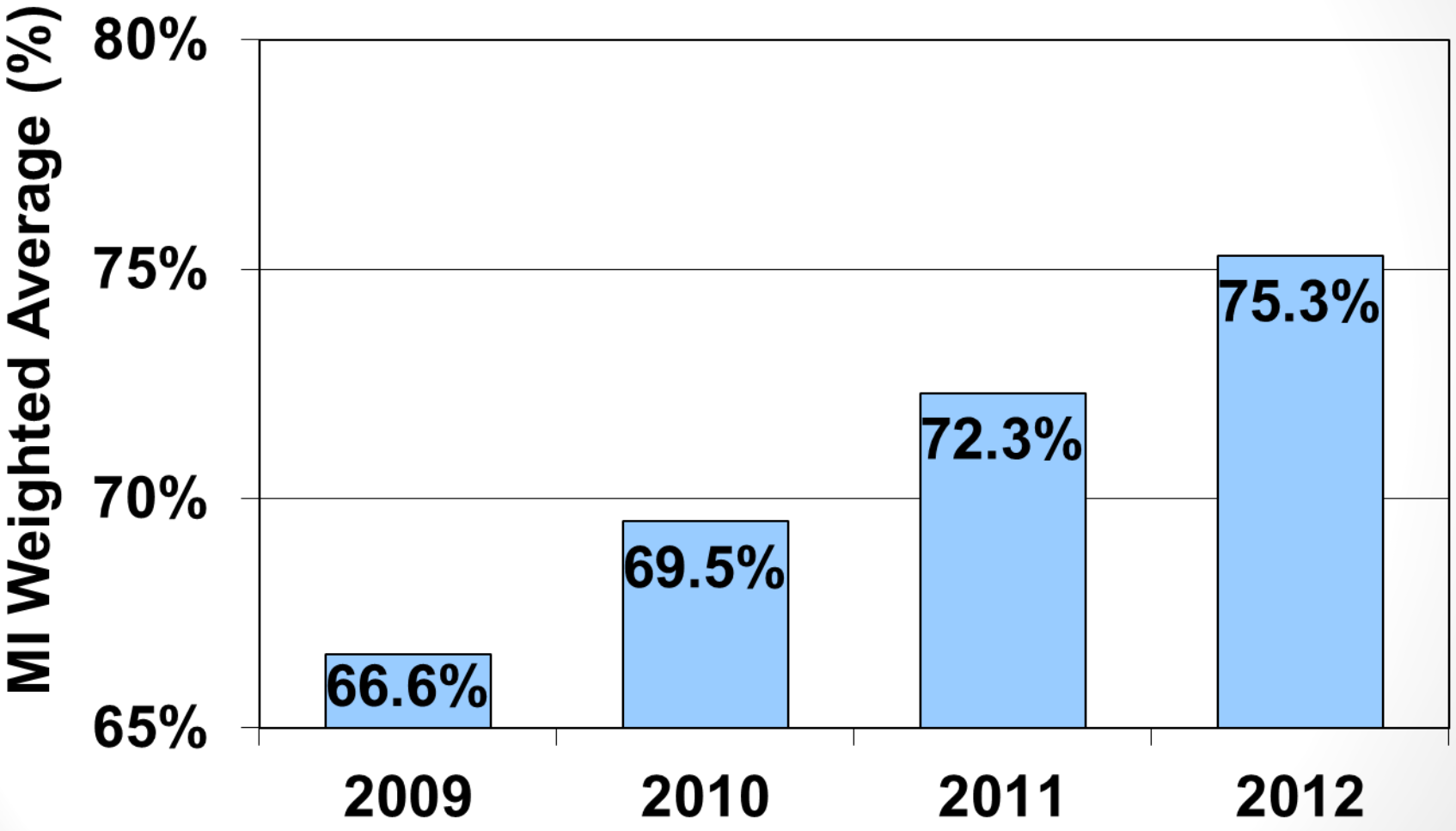
Michigan Medicaid Managed Care Well Child Visits - First 15 Months



*HEDIS - 6 or more visits

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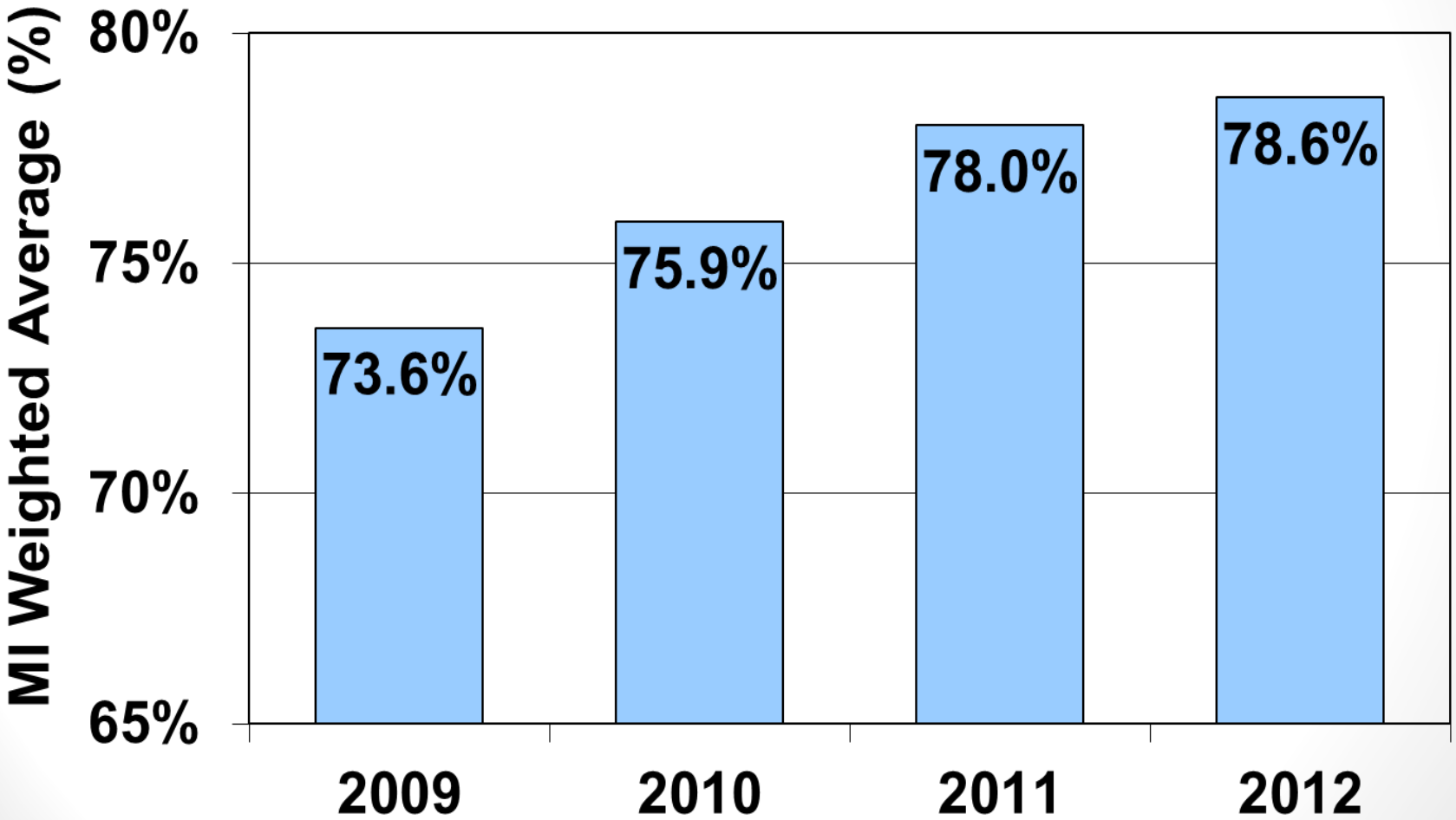
Michigan Medicaid Managed Care
Well Child Visits - 3 – 6 years



HEDIS

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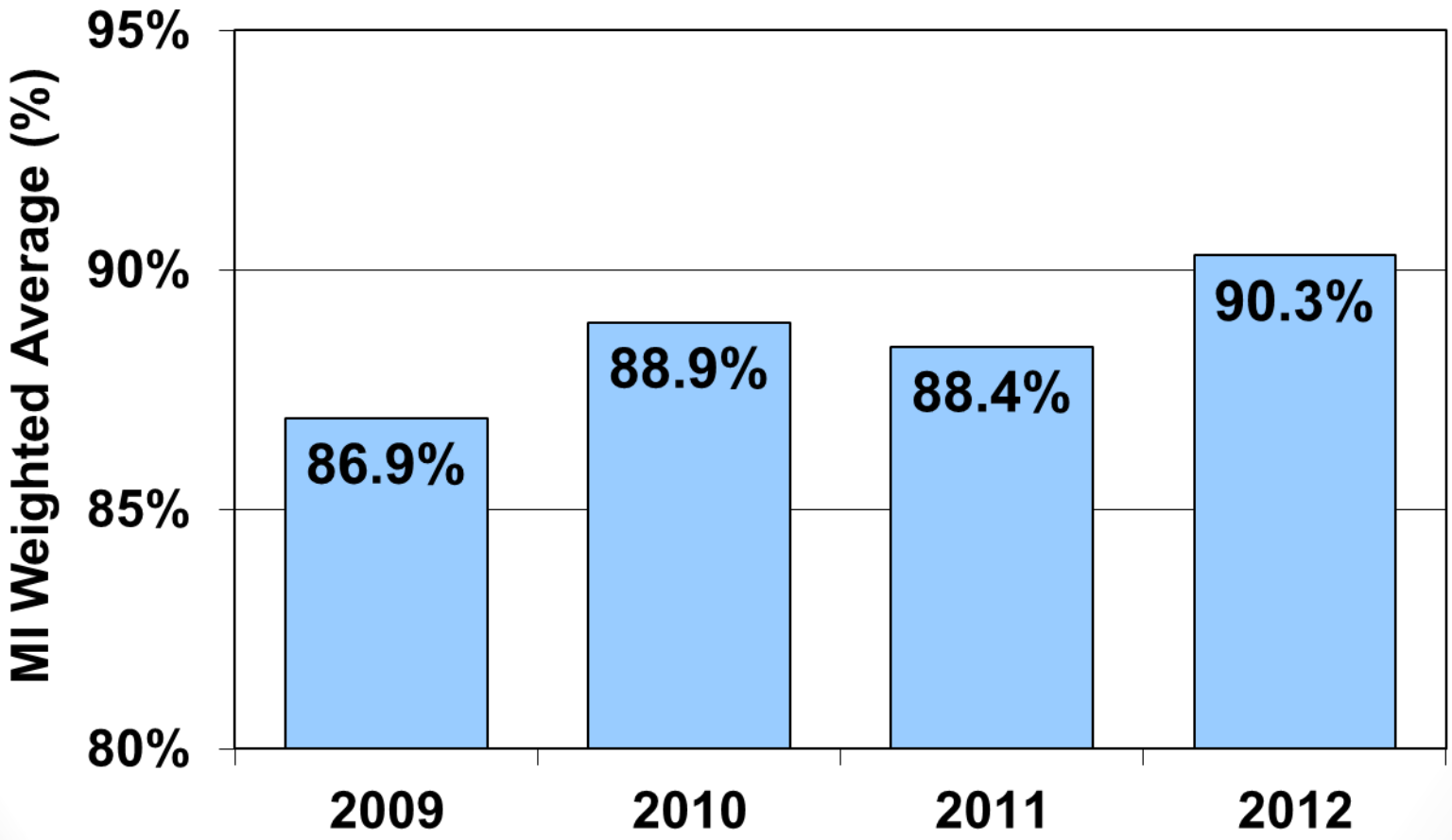
Michigan Medicaid Managed Care Prenatal Visits



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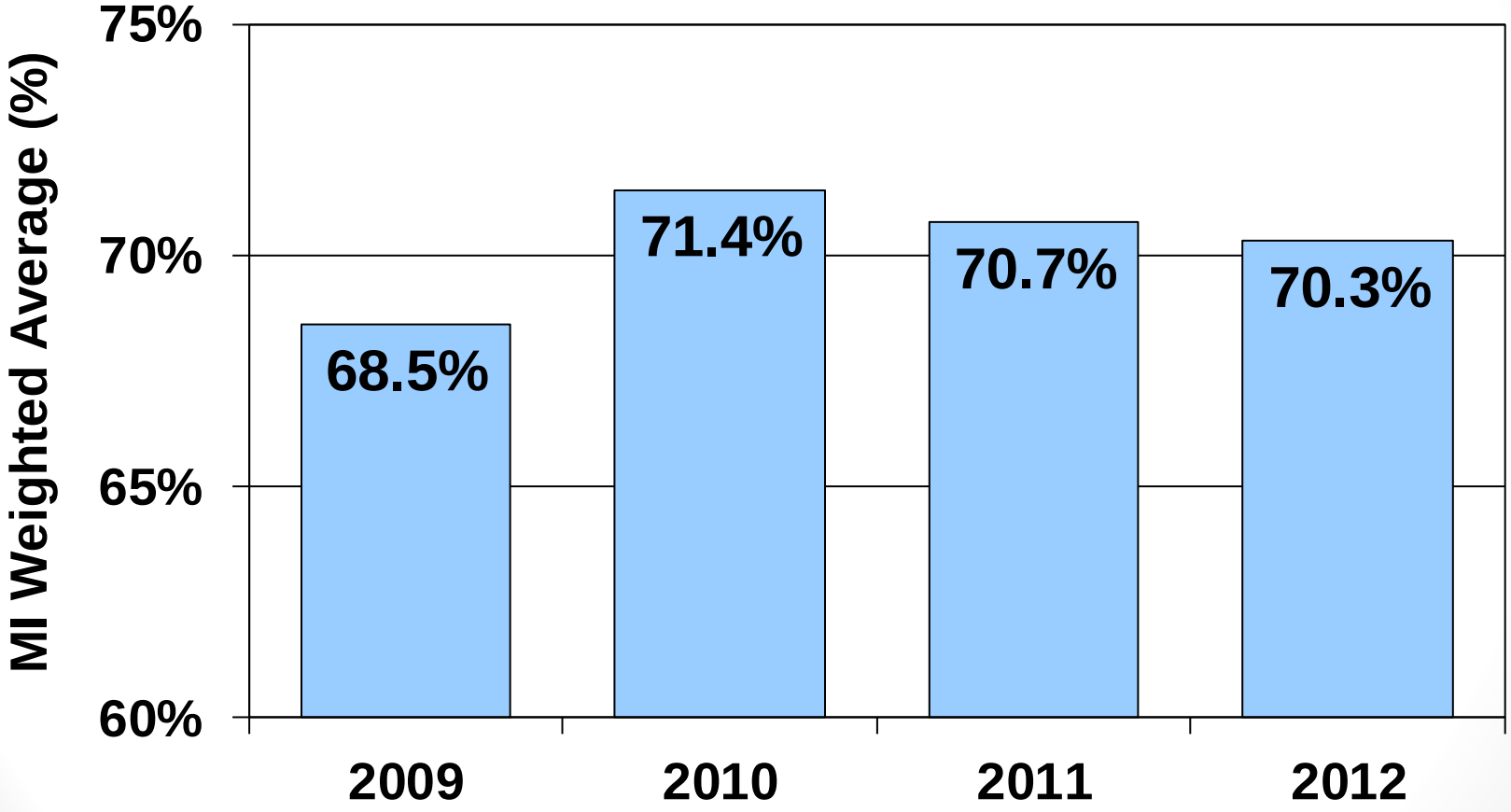
Michigan Medicaid Managed Care Postpartum Visits



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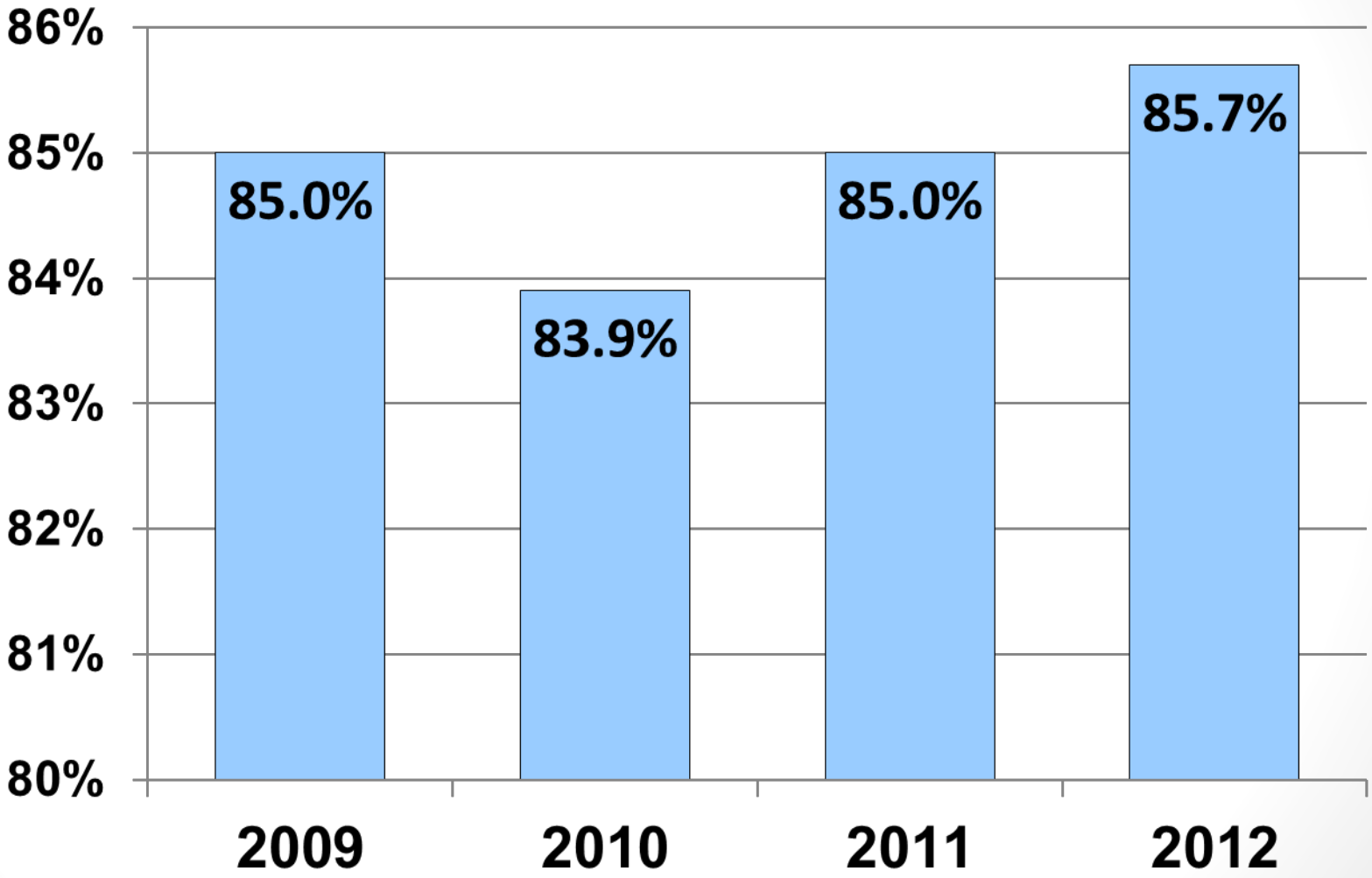
Michigan Medicaid Managed Care Diabetes Testing



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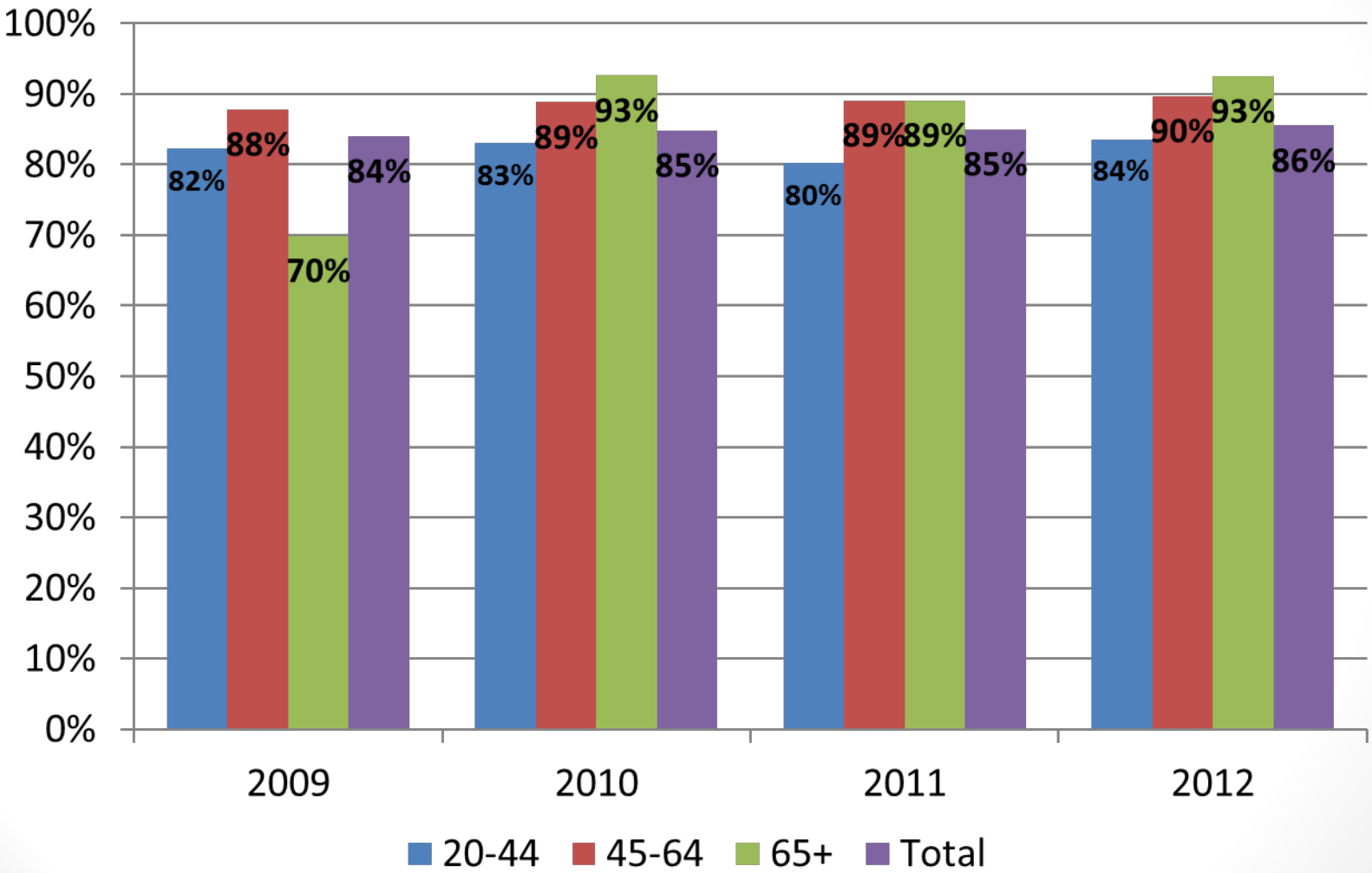
Michigan Medicaid Managed Care
Percentage of Adults with Preventive/Ambulatory Visit



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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

Medicaid Expansion: www.expandmedicaid.com