ILLINOIS MEDICAID PROGRAM: EFFICIENCIES AND REFORMS

Presentation to Senate Special Committee on Medicaid Reform

Monday, November 29, 2010

Overview

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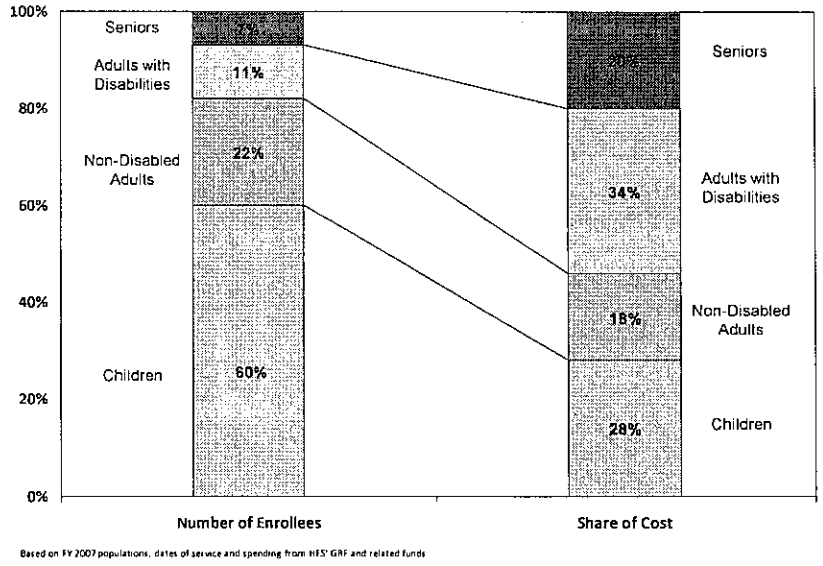
- Department of Healthcare and Family Services (HFS) is Medicaid Single State Agency - held accountable by federal CMS for all Medicaid spending in Illinois
- Almost 2.8 million clients in HFS medical programs (Medicaid, SCHIP, and small state-funded groups) – not including Medicaid-eligible persons primarily served by other state agencies, schools and local governments
- HFS processes claims for all Medicaid spending – nearly $1 of every $5 of Medicaid-matchable spending comes from budgets of other agencies

Medical Enrollees and Expenditures by Enrollee Type as Share of Total



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Based on FY 2007 populations, dates of service and spending from HES' GRF and related funds

Maximizing Federal Funding

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- Enhanced federal match (FMAP) under ARRA:
  - 61.88% from 10/1/08-12/31/10
  - 59.05% from 1/1/11-3/31/11
  - 57.16% from 4/1/11-6/30/11
  - Reduced rate leaves shortfall of $200m+ in FY2011 budget
  - Need to pay outstanding bills to get benefit of enhanced FMAP
- Used retroactive claiming for FamilyCare for additional federal funds: $462M in FY10, $82M in FY11
- Cross-Agency Medicaid Commission set up by state law to develop new options by 12/31/11

Planning for the Affordable Care Act (ACA)

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- Effective January 1, 2014, those without health insurance will have new options:
  - If income less than 133% of Federal Poverty Level (currently $14,000 for single, $29,300 for a family of four), eligible for free care under Medicaid – 700,000 more Medicaid enrollees in Illinois expected
  - If income 133% to 400% Federal Poverty Level (currently $88,200), may purchase private insurance and receive a subsidy, with amount based on income
- Governor's Health Care Reform Implementation Council – including 8 state agencies – holding public hearings statewide; will issue recommendations by Jan. 2011

Health Insurance Exchange

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- States have option of creating own Health Insurance Exchange or using a federally developed Exchange
- Exchange will allow individuals and small businesses to compare health plan options, determine eligibility for tax credits, and purchase and enroll in public or private health insurance
- Illinois awarded $1 million federal grant to assist in planning; more funding available for implementation
- "Key Issues for Comment" paper posted on website to gather opinions on various aspects of Exchange
- Legislation required in spring, 2011

After 2014, Medicaid Expected To Be 24% of Market

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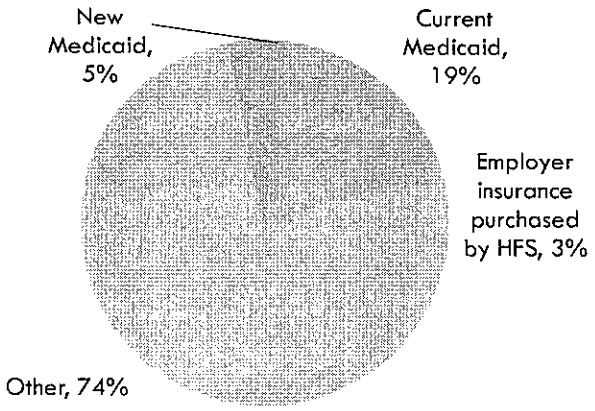
Medicaid's market position will be sufficient to demand quality healthcare



What's Needed for Medicaid?

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- New focus on keeping people healthy – more than just processing claims and paying for procedures
- Seamless system for enrollments and annual redeterminations of eligibility
- Providers willing to accept Medicaid in sufficient numbers
- Delivery systems capable of providing efficient, high quality care
- Structure and incentives to contain costs by requiring health outcomes
- Continuity of care as people move between Medicaid and private coverage under the Exchange

Medicaid Efficiencies Underway

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- Replacing monthly cards with new plastic medical card
- Assigning all children and their families to medical homes
- Expanding care management – voluntary managed care options expanded, Integrated Care Program launched
- Paying for performance – bonus payments through IL Health Connect
- Organizing Illinois Health Information Exchange Authority, created by state law, through Governor's Office of Health Technology
- Making Medicaid data more transparent – enrollment data, by county, now on website
- Rebalancing the long-term care system – settling 3 federal lawsuits, implementing new nursing home safety law with new staffing standards

Nine Long-Term Strategies to Reform Medicaid

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1. Integrate seamless eligibility/verification/enrollment process for new and existing Medicaid clients into Health Insurance Exchange
2. Expand and enhance the medical home network
3. Test new service delivery models, including integrated care, accountable care organizations
4. Test new payment systems to incentivize quality outcomes, including bundled payments, pay-for-performance, capitated rates
5. Partner with other payers to coordinate provider incentives and assure continuity of care

Continued ....

Long-Term Strategies to Reform Medicaid, cont.

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6. Strengthen home- and community-based service infrastructure to reduce reliance on institutional care
7. Expand use of electronic medical records and information exchanges to coordinate care and measure outcomes
8. Expand supply of primary care physicians, specialists, other health care providers serving Medicaid clients
9. Expand prevention and wellness strategies, based on evidence and best practices

Shorter-Term Proposed Medicaid Efficiencies and Reforms

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- Tighten verification of eligibility for Medicaid
  - verify one month income and Illinois residency
  - require annual redetermination of eligibility
  - need authority to increase use of automation and data matches
- Implement immediate rate adjustments to hospital outlier payments and drug dispensing fees
- Initiate process of broader rate and payment reform
  - new requirements for quality care and health outcomes
  - expanded pay for performance bonuses
  - nursing home and hospital rate reforms to be launched in 2011
- Transition people from nursing homes under "Money Follows the Person" program and lawsuit settlements

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Shorter-Term Proposed Medicaid Efficiencies and Reforms, cont.

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- Combat waste, fraud and abuse
  - expanded Recipient Restriction Program
  - expanded controls on over-utilization by clients
  - new civil enforcement tools to recoup improper payments from clients
  - payment recapture audits through third party contract
- Maximize Medicare enrollment for persons on Medicaid ("dual eligibles")
- Expand care coordination models
- Promote deployment of electronic health records to maximize "meaningful use" bonuses
- Implement outcome-based budgeting with measurable results