

# Review of Arkansas's Medicaid and Public-Welfare System

A summary of the report originally presented by

**THE ALEXANDER GROUP LLC**

## Context

- General Assembly hired the Alexander Group in 2013 to review the state's Medicaid and Welfare system and make recommendations.
- Report finalized in July 2013 and presented to Public Health Committee in November 2013.
- BLR was not involved in the research or development of the report and offers no view of its recommendations.
- Report covers Medicaid and Welfare programs, but today's summary will focus on Medicaid-related sections of the report.

## Overview of Medicaid

- Arkansas Medicaid is a \$4.6 billion program, administered primarily by DHS Division of Medical Services
- Pays for roughly two-thirds of births and 70% of nursing home care
- Hospitals, long-term care and services for individuals with developmental disabilities account for more than 60% of Arkansas Medicaid claims
- State funding generated from general revenue, license fees, drug rebates and Medicaid Trust Fund

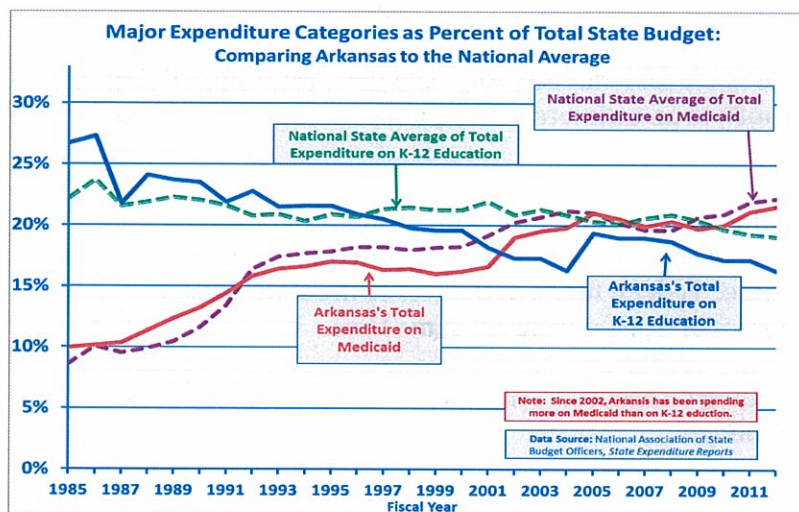


## Medicaid Costs

A summary of costs, growth, and spending projections for the Arkansas Medicaid program

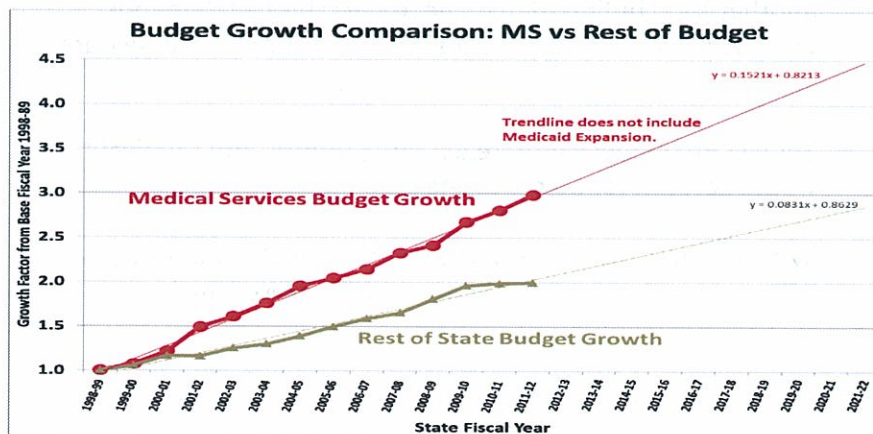


Medicaid represents more than 20% of the total state budget.



## Medicaid Growth Comparison

Growth rate for Medical Services has nearly doubled the growth rate of the rest of the state budget.



## Medicaid Growth Comparison

- State funds for Arkansas Medicaid grew from \$99 million in SFY 1985 to an estimated \$1.294 billion in SFY 2012, a 1,207% increase.
- Federal funds for Arkansas's Medicaid program grew from \$270 million in SFY1985 to an estimated \$3.161 billion, a 1,071% increase. Federal funds in the rest of the state budget increases of 435% during the same time.
- Spending on Medical Services accounts for 83% of DHS's total budget.

## Medicaid Spending Projections

- By 2022, Alexander Group estimates that Arkansas will need another \$15.9 billion in revenue to meet budget demands, even without Medicaid expansion under the Affordable Care Act.
- Total state budget would reach \$36.4 billion, and Medicaid would account for 26.9% of the budget.
- With Medicaid expansion, the state's budget could be \$38.4 billion, but Medicaid would account for 31% of the budget.



## Major Policy Reform Recommendations

A summary of recommendations, cost-saving initiatives, other improvements  
for Arkansas Medicaid and related programs

### Medicaid Global Waiver



- Arkansas currently operates under a number of Medicaid waivers and state plan amendments that do not comport across all programs.
- Recommendation: Pursue a global and comprehensive redesign by utilizing one waiver for entire Medicaid program.
- Examples:
  - Rhode Island: CMS allows state program flexibility in exchange for a five-year spending cap.
  - Indiana: Healthy Indiana Plan that paired catastrophic insurance with a health-savings account for people up to 200% of the federal poverty level.

## Budget Process and Cost-Saving Program Recommendations

- Develop performance measures for budgeting programmatic and management processes.
- Ensure databases can link to allow queries across programs.
- Review all state contracts.
- Require executive agencies to propose cost-savings initiatives with each budget submission.
- Consider convening a semi-annual caseload, utilization, and expenditure estimating conference.

## Cost-Saving Initiatives Summary

- The Alexander Group made a total of 32 recommendations for Medicaid and Welfare programs.
- Report suggests that recommendations could save between \$545.3 million and \$765.7 million.

Savings for All Initiatives		
	Low Estimate	High Estimate
State Funds	(\$112,035,000)	(\$161,247,000)
Federal Funds	(\$433,290,000)	(\$604,429,000)
Total Funds	(\$545,325,000)	(\$765,676,000)



## Cost-Saving Initiatives Summary, Cont'd.

The following table lists Arkansas Medicaid-related initiatives with some of the highest estimated savings.

Arkansas Medicaid Related Cost-Savings Estimates		
Program	Low	High
Private Market Health Care Transition	\$15,000,000	\$20,000,000
Annual and Semi-Annual Case Reviews	\$15,000,000	\$24,000,000
Home and Community Based Services Promotion	\$12,000,000	\$15,000,000
Behavioral Health System Payment Reform	\$4,800,000	\$7,500,000

## Private Health Care Market Transition

- Compare monthly cost of health care coverage:
  - \$419/month for newly insured under ACA
  - \$152/private sector plan with \$1,000 deductible
- Recommendation: Offer flexibility for consumers to enroll in free-market health-care plans.
- Fund \$1,000 deductible through health savings account.
- Potential state savings: \$15 million to \$20 million.

## Annual & Semi-Annual Case Reviews

- 20-25% of overdue Medicaid case reviews result in discontinuance of cases, resulting in \$50-\$80 million in excess expenditures.
- Recommendation: Establish methodology for completing reviews.
- Potential state savings: \$15 million to \$24 million.

## Promote Home & Community-Based Services (HBCS)

- Arkansas spent \$29,713 per person for long-term care and \$9,798 per person for home- and community-based services (HBCS) in 2010.
- Recommendation: Relocate more of the nursing home facility population into HBCS.
  - Determine conditions under which nursing home residents agree to relocate and identify barriers.
  - Create tailored development plans to move individuals to community settings.
- Potential state savings: \$12 million to \$15 million.



## Behavioral Health System Payment Reform

- Mental health component of Medicaid cost \$460.3 million in FY2012, 2/3rds of which is spent on fragmented, uncoordinated rehabilitative outpatient services.
- Recommendation: Designate one agency responsible for enhanced coordination of behavioral health care.
- Recommendation: Convert fee-for-service payments to bundled or per-person amounts for habilitation services.
- Potential state saving: \$4.8 to \$7.5 million.

