Bureau of Legislative Research

Arkansas Health Care Reform Task Force

TSG Update Report

July 11, 2016

Agenda

- Framework for TSG review of DHS Savings Plan for Task Force
- DHS DBHS Behavioral Health savings plan
- Budget neutrality projections for Arkansas Works
- National analysis of hospital uncompensated care
- Pharmacy savings update
- Opioid Update
- EEF Update
- Remaining Recommendations for Task Force Review and Decision

5 YR Medicaid Program Savings Matrix Framework

Category Savings Initiative item listed	Action Needed (e.g., policy, rate, or rule change, admin action)	Implementation Timeline	Estimated 5 YR cost savings (beginning January 2017)	Comment
Behavioral Health Transformation				
1. Behavioral Health Transformation: Comprehensive revision of benefit to an Adult and Children/Youth evidence based/best practice benefit. (TSG recommendation). ***Overlaps with all other BH recommendations. Global savings estimate used to ensure double counting is avoided relative to other savings initiatives.**	*Changes to: stakeholder process, policy, rules, and rates* *Approval from: Arkansas legislature and CMS*	*•September 2016 – Release RFPs for Independent Assessment Entity, Care Coordination Entity, and Provider Certification/ Education entity* *•September 2016 – Submit changes to CMS as well as begin the State promulgation procedures (including public comment period)* *•December 2016 – Complete promulgation process of rule changes.* *•July 2017 – Begin implementation of new behavioral health program* *•January 1, 2018 – Complete implementation of new program*	$50 to $70 Million	*Require independent assessment for highest needs benefit eligibility (rehabilitative level services and intensive level services) and treatment planning, implement measurable outcomes, implement care coordination for clients eligible for highest needs benefit eligibility, require independent assessment for eligibility to RTCs and inpatient psychiatric services (excluding crisis situations).*

5 YR Medicaid Program Savings Matrix Framework (cont.)

- Behavioral Health
- Developmental Disabilities
- Long Term Care
- Patient Centered Medical Home
  - High Utilizers
- Contracts
- Organization
- Pharmacy
- Dental Managed Care
- Program Integrity

- Offset by:
  - Additional Medicaid costs
  - Internal administration and organizational costs
  - IT
  - RFPs
    - Independent Assessment
    - Care Coordination
    - Prior Authorization
    - Other
- "Net/Net" Five Year Savings Estimate for DHS Medicaid Program Transformation

Behavioral Health Savings Plan: BH will Implement a 7-Pronged Savings Program

- Services tailored to specific populations with multiple levels of service by population
- Individual assessments
- Individual plans of care at levels of care tied to acuity and severity
- Care coordination, including in patient and wrap around services

- Implement evidence based practices and metric based outcome measures
- Reduce administrative burden upon providers
- Refine school services
- Reduce group and day therapy
- Redeploy paraprofessionals
- Put everyone in 1 of 3 Tiers of service

Details on DHS Behavioral Health Savings Plan

- **Independent Assessment**
  - Assignment to level of care indicated by severity of condition and life circumstances
  - Matching services and cost to person's needs in right setting
  - Reassessment and change of condition monitoring
- **Eliminate Intervention services by Mental Health Paraprofessionals (H2015)**
  - Based on tiers of services, DBHS intends to eliminate paraprofessional services for the highest levels of need and replace it with evidence based Certified Peer Support model

Details on DHS Behavioral Health Savings Plan (cont.)

- **Reduce Day Rehabilitation (H2017) and Group Therapy (H90853) Utilization**
  - The current RSPMI benefit allows this service to be delivered to any Medicaid enrolled person regardless of level of severity. The plan is to virtually eliminate these services and replace them with evidence based services, including enhanced home and community based services (Tiers II and III). Day Rehabilitation and Group Therapy will not be available for Tier I/Counseling level clients. This will be replaced by individual treatment billed at $27.30 per 15- minute unit with a maximum of 4 units per day, 48 units per year.
- **Replace required annual Psychiatric Diagnostic Assessments**
  - Eliminate requirement for a Psychiatric Diagnostic Assessment for all BH clients receiving only Tier 1 Services/Counseling Level.

Details on DHS Behavioral Health Savings Plan (cont.)

- **Reduce dependence on Residential Treatment**
  - Reduce lengths of stay and admissions to Residential Treatment Services. This will be achieved by utilizing care coordination to manage transition of clients and to coordinate enhanced home and community based services for families and youth.
- **Eliminate Master Treatment Plan and Review for Clients Receiving Counseling Level (Tier I) services only**
  - This will reduce the administrative burden on providers who are currently required to complete a Master Treatment Plan for all RSPMI clients every 90 days
- **Integrate and Expand Substance Abuse Services**
- **Improve the Crisis Intervention System**

The Agency Expects to Save $60-70MM from these Changes

Change Description	CY 2014 Cost	Estimated Savings
Eliminate intervention by Mental Health Paraprofessionals (H2015). Replace with evidence-based interactions for clients in Tiers II and III only	$88 MM	$25-45 MM
Dramatically reduce Day Rehab (H2017) and Group Therapy (H90853). These are not effective tools of rehab and should be replaced with fewer, more effective Individual therapy treatments	$71 MM	$20-30 MM
Replace required annual Psychiatric diagnostic assessment with independent assessment—except where clinically necessary based on referral. Except for Tier II	$7 MM	$4-5 MM
Reduce dependence on Residential Treatment	$150 MM	$10-15 MM
Replace Master Treatment Plans for all but Tier II	$10 MM	$4-6 MM
Increase substance abuse		($10-15 MM)
Increase crisis intervention		($5-10 MM)
Total savings estimate	$460 MM	$50-70 MM

Cautionary Note:

- Proposed Savings “preliminary estimates” that will be further reviewed by TSG and DHS before Task Force final report
- Potential downstream costs that show up in other portions of the DHS budget, as well additional costs associated with administration/IT and RFP for Independent Assessments, care coordination and enhanced prior authorization process not part of this estimate
- This will all be reported on the “net/net” final 5 year-overall Traditional Medicaid Program savings matrix that TSG presents to the Task Force in the next few months
- First year financial results of the transformed system will establish the benchmark budget for year two, emphasizing the need for financial modeling of the proposed first year budget

Budget Neutrality Projections for AR Works

1115 Waivers in Arkansas

- Like the Private Option, Arkansas Works is being implemented through a federal 1115 waiver.
- An 1115 waiver application must be released for public comment, revised based on those comments, as appropriate, and submitted to CMS for consideration.

Release Dates for Arkansas Works 1115 Waiver Application Versions	
Version	Date Released
Initial Arkansas Works 1115 Waiver Application Released for Public comment	May 19, 2016
Arkansas Works 1115 Waiver Application Submitted to CMS	June 30, 2016

Budget Neutrality Projections for AR Works

Budget Neutrality

- An 1115 waiver application must demonstrate that the alternative service delivery mechanism is budget neutral

Estimated Costs for Arkansas Works 1115 Waiver Application Versions	
Version	Estimated Five-Year, All-Funds Cost, with the Waiver
Initial Arkansas Works 1115 Waiver Application Released for Public comment	$9.04 billion
Arkansas Works 1115 Waiver Application Submitted to CMS	$9.35 billion

Budget Neutrality Projections for AR Works

Cost Drivers

- The primary reason for the change in estimate is the anticipated higher cost of drugs over the next few years.

Annual Growth Rates for Arkansas Works 1115 Waiver Application Versions					
	Year-to-Year				
Version	16->17	17->18	18->19	19->20	20->21
Initial Arkansas Works 1115 Waiver Application Released for Public comment	4.7%	4.7%	4.7%	4.7%	4.7%
Arkansas Works 1115 Waiver Application Submitted to CMS	6.5%	6.0%	5.5%	5.0%	4.7%

Budget Neutrality Projections for AR Works

Relationship to Carrier Rate Increase Requests

- Some of the same underlying factors drove both carrier rate increases and increased projections for AR Works
  - Growth in drug spending higher than had been the case in the prior few years

Note: DHS using projections from Optumas

- Rate increases by health insurance carriers were also driven by other factors
  - Changes to the federal risk mitigation framework
  - Market dynamics in the private health insurance market

Budget Neutrality Projections for AR Works

Change in State Match

- The projected 5-year state match for Arkansas Works has increased by about $25 million general fund over the 5 years of the waiver (calendar years 2017-2021).

		2017	2018	2019	2020	2021	Total
	Member Months	2,953,513	3,027,351	3,103,034	3,180,610	3,260,126	
	State Match Rate	5%	6%	7%	10%	10%	
	PMPM	$528.97	$553.85	$579.90	$607.17	$635.72	
May Waiver Application Draft	Total	$1,562,319,772	$1,676,698,351	$1,799,449,417	$1,931,170,974	$2,072,527,301	
	State Match	$78,115,989	$100,601,901	$125,961,459	$193,117,097	$207,252,730.07	$705,049,176
	PMPM	$538.08	$570.38	$601.77	$631.88	$661.59	
	Total	$1,589,226,275	$1,726,740,463	$1,867,312,770	$2,009,763,847	$2,156,866,760	
June Waiver Application	State Match	$79,461,314	$103,604,428	$130,711,894	$200,976,385	$215,686,676.03	$730,440,696
						Change in State Match	$25,391,520

National Analysis of Hospital Uncompensated Care

Recap

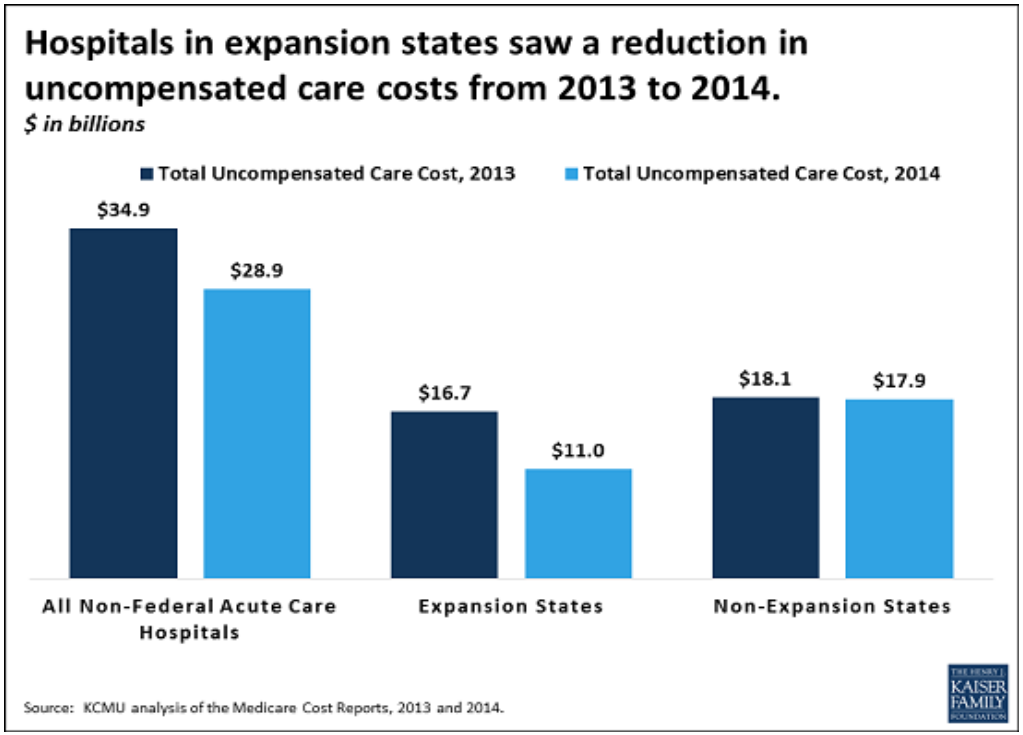
- Net uncompensated care losses by Arkansas hospitals in 2013 were about $270 million, while in 2014 (the first year of the PO), they were about $116 million

Previously Reported Hospital Uncompensated Care Costs in Arkansas		
Year	2013	2014
Hospital Net Uncompensated Care Costs in Arkansas	$270 million	$116 million

National Analysis of Hospital Uncompensated Care

National Analysis

- The Kaiser Family Foundation has issued a report on hospital uncompensated care across the country that is consistent with the numbers reported by AHA.



National Analysis of Hospital Uncompensated Care

State and National Comparison

- Comparing reductions in hospital uncompensated care costs between Arkansas and all Medicaid expansion states shows a similar trend

Comparison between Hospital Net Uncompensated Care Costs in Arkansas and the United States			
Year	2013	2014	% change
Hospital Net Uncompensated Care Costs in Arkansas	$270 million	$116 million	-57%
Hospital Net Uncompensated Care Costs in All States with Medicaid Expansions	$16.7 billion	$11 billion	-34%
Hospital Net Uncompensated Care Costs in All States without Medicaid Expansions	$18.1 billion	$17.9 billion	-1%

Pharmacy Savings in Medicaid Program

Total Annual Savings	Savings $ millions	Effective Date
PDL expansion	$10	Q4 2016
CAP expansion	$1	Q4 2016
Comprehensive antipsychotic mgmt in adults (Abilify generic)	$19.5	2016
Antipsychotic review (7,8,&9year olds)	$1	Q4 2016
Hemophilia factor waste and clinical mgmt	$1	Q1 2017
Retail Pharmacy Reimbursement Reconfiguration	$20	Q4 2016
Total	$52.5	

Opioids in Arkansas

- **Recommendations**
  - Require prescription drug monitoring program (PDMP) review while prescribing and dispensing controlled substances
  - Legislative encouragement for e-prescribing of controlled substances with milestones for prescribers set through process of stakeholder involvement with appropriate trigger if milestones not met
  - Expand successful drug take-back programs

Recommendation One

- **Require PDMP review while prescribing and dispensing controlled substances**
  - 29/49 states currently require review
  - Indian Health service requires review
  - Kentucky results implemented 2012
    - Hydrocodone (Vicodin) 13% decrease
    - Oxycodone (Percocet) 12% decrease
    - Oxymorphone (Opana) 36% decrease
    - Tramadol (Ultram) 12% decrease
    - Overdose hospitalizations 26% decrease
    - Opioid Rx deaths 25% decrease
  - Decreases were immediate and durable

Recommendation Two

- **Require steps here**
- **e-prescribing of controlled substances (EPCS)**
  - Legislative encouragement with milestones and appropriate trigger for mandatory e-prescribing if milestones not met
  - Communicate the change in the interim
  - Allow waivers if state adopts mandatory e-prescribing
- Current landscape
  - Missouri and Montana do not allow EPCS
  - 3 states require EPCS (NY, MN, ME)
  - Most pharmacies can accept e-prescriptions
  - Over 75% of traditional drugs e-prescribed
  - Most prescribers are e-enabled
    - Only 7% e-prescribe controlled substances
- Decrease prescription forgery, fraud, waste and abuse

Recommendation Three

- Expand successful drug take-back programs
  - Continue to add sites
  - Year-round availability of sites

These recommendations work in concert to decrease unnecessary controlled substances from Arkansans' medicine cabinets

TSG Monitoring of the EE Project

- TSG continues to monitor the progress of EEF Project #6 – Competitive Procurement System Integrator Services. Current update:
  - Project is on schedule with both the IE-IBM Solution and Information Support Services RFP
  - Some adjustment of the schedule is expected in order to stage the release of both RFPs
  - RFPs must be reviewed by DHS and DIS as well as State Procurement. Once these reviews have been completed, RFPs will go to CMS for review and approval. **Target date for CMS submission: Early August**