Arkansas Health Care Reform Task Force – TSG Update

November 22, 2016

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Agenda

- Follow-up Questions from October 22, 2016 Task Force Meeting
- Private Option Impact on Traditional Medicaid
- Pharmacy Savings Estimates Updated
- Model Jail Diversion Program
- Traditional Medicaid Five Year Net Savings Plan Update
- Remaining Recommendations/Final Report

Private Option Impact on Traditional Medicaid

- Recap of past analysis
- No recent update from DHS yet
- Apparent savings in traditional Medicaid due to the PO
- State general fund savings from optional Medicaid programs discontinued after the establishment of the private option:
  - ARHealthNetwork
  - Family Planning
  - Tuberculosis
  - Breast and Cervical

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Private Option Impact on Traditional Medicaid

- Cost Shifting from traditional Medicaid to the private option:
  - Medically needy
  - Aged blind disabled
  - SSI disability
  - Pregnant women
- Uncompensated Care
- Premium Tax
- State Tax collections on additional federal dollars

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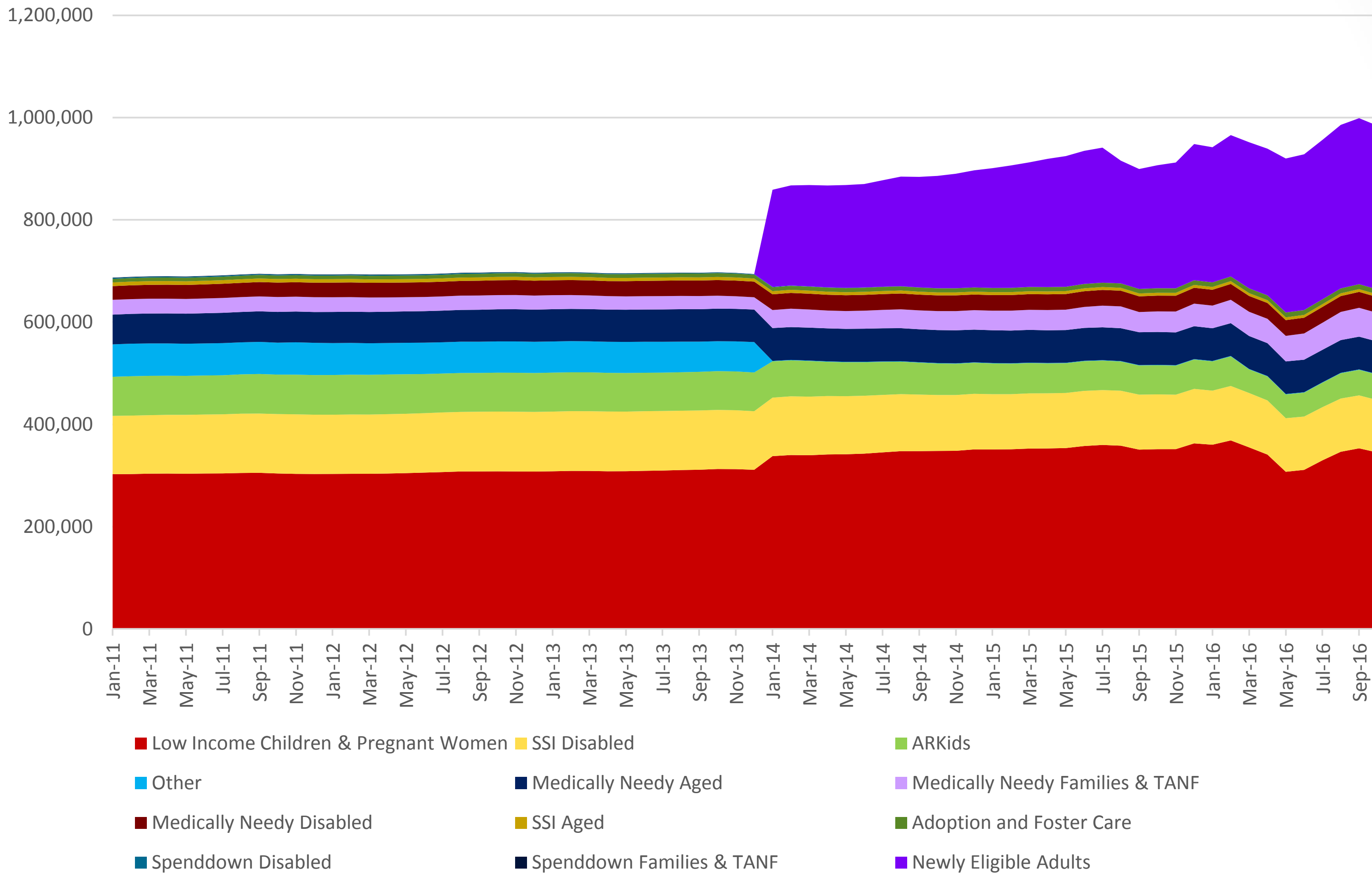
Private Option Impact on Traditional Medicaid *(January 2016 Forecast)*

Projected Aggregate Private Option Impact (SFY 2017-2021)							
(all figures millions $ unless otherwise indicated)							
		2017	2018	2019	2020	2021	2017-2021
Private option expenditures (all funds)		1,721	1,820	1,924	2,035	2,152	9,652
Impact on State Funds							
Impact on state expenditures	**State match on Private Option**	43	100	125	173	215	656
	State fund savings from optional Medicaid waiver programs discontinued after the establishment of the PO	(21)	(22)	(23)	(25)	(26)	(117)
	State fund savings from cost-shifting from traditional Medicaid to PO	(91)	(96)	(101)	(106)	(111)	(504)
	Administrative costs	3	3	3	3	3	14
	Reductions in state fund outlays for uncompensated care	(37)	(39)	(41)	(43)	(45)	(203)
	Total impact on expenditures	**(104)**	**(54)**	**(37)**	**3**	**37**	**(154)**
Impact on state revenues	**Increase in premium tax revenue**	22	23	25	26	27	123
	Increase in collections from economically-sensitive taxes (4%)	67	69	72	74	77	360
	Total impact on revenues	**89**	**92**	**97**	**100**	**105**	**483**
Net impact on state funds		**193**	**146**	**133**	**97**	**68**	**637**

Medicaid Enrollment by Aid Category

2011-2016



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Change in Enrollment by Aid Category After Establishment of Private Option

Aid Category	Average 2011-2013	Average 2014-2016	% Change	Average Annual Cost (2016)
Low Income Children & Pregnant Women	306,580	347,165	13.2%	$3,130
SSI Disabled	115,955	108,344	-6.6%	$12,357
ARKids	76,426	58,281	-23.7%	$1,526
Other	61,503	754	-98.8%	$14,770
Medically Needy Aged	61,426	64,205	4.5%	$11,390
Medically Needy Families & TANF	27,644	41,997	51.9%	$2,991
Medically Needy Disabled	28,805	30,795	6.9%	$16,043
SSI Aged	6,644	5,700	-14.2%	$6,644
Adoption and Foster Care	7,091	8,550	20.6%	$9,929
Spenddown Disabled	1,596	205	-87.2%	$93,929
Spenddown Families & TANF	534	13	-97.7%	$76,550
Newly Eligible Adults	19	249,057		$5,811

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Pharmacy savings in Medicaid program

Total Annual Savings	Savings $ millions	Effective Date
PDL expansion	$10	Q4 2016
CAP expansion	$1	Q1 2017
Comprehensive antipsychotic mgmt in adults (Abilify generic)	$20.5	Ongoing
Antipsychotic review (7,8,&9year olds)	included	Q1 2017
Manual Review Antidepressants (<4year olds)	included	Q1 2017
Manual review long acting antipsycotics	included	Q2 2016
Antipsychcotic review (10,11,&12year olds)	included	Q4 2017
Hemophilia factor waste and clinical mgmt	$1	Q1 2017
Retail Pharmacy Reimbursement Reconfiguration	$20	Q4 2016
Total	$52.5	

Bexar County, Texas Jail Diversion Project

- Community Partnership (2002) of Law Enforcement, Criminal Justice, Mental Health/Substance Abuse Services, Local Hospitals and other community services
- Critical Components of Jail Diversion
  - Community buy-in and support
  - Targets mentally ill/substance abuse involved with low-level crimes
  - Crisis Intervention Training for Law Enforcement
  - Arrest avoidance, Pre-Booking and Post-Booking alternatives
  - Mental Health/Substance Abuse 24 hour Crisis Center with 23 hour observation hold capacity and related services
  - Communications and Data Accumulation/Management
  - Achieved significant Criminal Justice System savings
- Outcomes:
  - Program reporting total savings of $10 million annually (population of Bexar County is approximately 1.714 million/Ctr has 18,000 annual total admissions)
  - 2008 Independent Study found $3200 per person in lower costs for pre-booking diversion 6 months after fact

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Current Savings Model

Program Savings Descriptions

	Savings Strategy	Savings Timing	Admin Considerations and Costs
DD	$18M per year in therapy caps; $17M/yr from independent assessment and tiers for waiver services	therapy caps begin July 1, 2017 (savings over 5 years); independent assessment and tiers start July 1, 2019	Independent Assessment
BH	Updated outpatient policy, reduction in inpatient from independent assessment	Begins July 1, 2017; savings over 5 years	$108M investment over 5 years for independent assessment and care coordination
Dental	$5M per year in savings from capitated managed care	Begins July 1, 2017	
Elder	Industry MOU to save $250M over 5 years	Begins July 1, 2016; savings evenly spread across 5 years; assume $50M/yr savings continues into SFY2022	Independent Assessment - Part of MOU/savings are net of additional costs
Low-cost	No program changes		
Pharmacy	$250M in savings	Begins July 1, 2016; savings evenly spread across 5 years	

Current Model

Savings Estimates

Savings by year and program	SFY17	SFY18	SFY19	SFY20	SFY21	SFY22	SFY17-21	SFY18-22
DD Savings - Therapy Caps	$0	$18	$18	$18	$18	$18	$72	$90
DD Savings - Independent Assessment and Tiers/Waiver Changes	$0	$0	$0	$17	$17	$17	$34	$51
DD Cost - Independent Assessment	$0	$0	$0	$2	$2	$2	$4	$6
Net DD Savings	$0	$18	$18	$33	$33	$33	$102	$135
BH Savings - Updated Outpatient Benefits Policy	$15	$16	$33	$33	$33	$33	$130	$148
BH Savings - Inpatient	$0	$15	$25	$35	$50	$50	$125	$175
BH Cost - Independent Assessment	$0	$1	$2	$2	$2	$2	$7	$9
BH Cost - Care Coordination	$0	$15	$21	$21	$21	$21	$78	$99
Net BH Savings	$15	$15	$35	$45	$60	$60	$170	$215
Dental Savings - Capitated Managed Care	$0	$5	$5	$5	$5	$5	$20	$25
Dental Premium Tax	$0	$3	$3	$4	$4	$4	$14	$18
Net Dental All-Funds Impact	$0	$8	$8	$9	$9	$9	$34	$43
Elder Savings	$15	$50	$50	$50	$50	$50	$215	$250
Low-Cost Populations	$0	$0	$0	$0	$0	$0	$0	$0
Pharmacy	$50	$50	$50	$50	$50	$50	$250	$250
Net Fiscal Impact	**$80**	**$141**	**$161**	**$187**	**$202**	**$202**	**$771**	**$893**

Provider-Led CCO Model

Program Savings Descriptions

	Savings Strategy	Savings Timing	Admin Considerations and Costs
Current strategy	All savings from current strategy as above	As above	As above
DD Provider-led CCO model	Care coordination for DD halo (additional medical) services	5% savings off of halo spend starting year 4	Savings net of admin costs (admin under APCCO/RCCO payment)
BH Provider-led CCO model	Care coordination for BH halo (additional medical) services	5% savings off of halo spend starting year 4	Savings net of admin costs (admin under APCCO/RCCO payment)

Provider-Led CCO Model

Savings Estimates

Savings by year and program	SFY17	SFY18	SFY19	SFY20	SFY21	SFY22	SFY17-21	SFY18-22
All cost savings from current model	$80	$141	$161	$187	$202	$202	$771	$893
DD Provider-Led CCO Model Savings	$0	$0	$0	$0	$12	$13	$12	$25
DD Provider-Led CCO Model Premium Tax	$0	$0	$0	$0	$26	$27	$26	$52
Net additional DD all funds impact	$0	$0	$0	$0	$38	$40	$38	$77
BH Provider-Led CCO Model Savings	$0	$0	$0	$0	$28	$29	$28	$57
BH Provider-Led CCO Model Premium Tax	$0	$0	$0	$0	$30	$31	$30	$61
Net additional BH all funds impact	$0	$0	$0	$0	$58	$61	$58	$118
Net Fiscal Impact	**$80**	**$141**	**$161**	**$187**	**$297**	**$302**	**$867**	**$1,089**

Capitated Managed Care Model

Program Savings Descriptions

	Savings Strategy	Savings Timing	Admin Considerations and Costs
Current strategy	All savings from current strategy as above	As above	As above
DD Capitated Managed Care	Care coordination for DD halo (additional medical) services	8.07% savings off of halo spend starting year 3	Savings net of admin costs (admin under MCO payment)
BH Capitated Managed Care	Care coordination for BH halo (additional medical) services	8.07% savings off of halo spend starting year 3	Savings net of admin costs (admin under MCO payment)

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Capitated Managed Care Model

Savings Estimates

Savings by year and program	SFY17	SFY18	SFY19	SFY20	SFY21	SFY22	SFY17-21	SFY18-22
All cost savings from current model	$80	$141	$161	$187	$202	$202	$771	$893
DD Capitated Managed Care Savings	$0	$0	$0	$19	$20	$21	$39	$59
DD Capitated Managed Care Premium Tax	$0	$0	$0	$24	$26	$27	$50	$77
Net DD additional all funds impact	$0	$0	$0	$43	$45	$48	$88	$136
BH Capitated Managed Care Savings	$0	$0	$0	$3	$45	$47	$48	$96
BH Capitated Managed Care Premium Tax	$0	$0	$0	$28	$30	$31	$58	$89
Net additional BH all funds impact	$0	$0	$0	$32	$75	$78	$107	$185
Net Fiscal Impact	**$80**	**$141**	**$161**	**$262**	**$322**	**$328**	**$966**	**$1,214**

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Medicaid Program Change

Approaches

- Two different approaches to implementing transformative Medicaid program change:
  - Slow, organic growth – can begin quickly, but broad penetration takes time
  - Rapid transition – requires significant planning before beginning, but broad penetration possible quickly once implementation occurs

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Medicaid Program Change

Example – Slow, organic growth

- Colorado Accountable Care Collaborative
  - Planning began in 2008
  - Implementation started in 2011 with one practice and 500 enrollees
  - Approximately 75% of Medicaid enrollees participating by 2016
  - 3 years planning, 5 years implementation to achieve 75% penetration

Medicaid Program Change

Example – Rapid transition

- Texas STAR Kids (capitated managed care for children with disabilities)
  - Texas released Star Kids RFP July 18, 2014
  - Proposals due Oct 31, 2014
  - Contracts take effect Sept 1, 2015
  - Operations originally scheduled to begin Sept 1, 2016
  - Start pushed to Nov 1, 2016
  - 28 months from RFP release to implementation
  - Additional time prior to RFP release for model development, CMS approval, and RFP development

Medicaid Program Change

Observations

- Difficult to determine which of these approaches would better represent APCCO/RCCO model given lack of details.
- Either way, fiscal impact over 5 years impacted – either slow growth of enrolled population, or long lag before implementation.
- These cost savings models assume something more like the rapid transition, with full impact occurring at a point in time, but only after a period of development and implementation.
- The dollar amount of savings would be similar from a slow-growth approach with an earlier start date.

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