Approved:3-6-03
Date

MINUTES OF THE PRESIDENT'S TASK FORCE ON MEDICAID REFORM.

The meeting was called to order by Chairperson Senator Stan Clark at 3:30 p.m. on February 10, 2003 in Room 234-N of the Capitol.

All members were present except: Senator Feleciano, excused
Senator Barnett, excused

Committee staff present: Norman Furse, Revisor of Statutes
Emalene Correll, Legislative Research
Ann McMorris, Secretary

Conferees appearing before the committee:
Tape by Dr. Donald N. Muse, Muses and Associates, Washington, D.C.

Others attending: See attached list

Dr. Donald Muse, Muse and Associates, Washington, D. C., gave a presentation to the Senate Ways and Means Committee on January 28, 2003 regarding options or solutions regarding Medicaid that might be considered for the current fiscal crisis in Kansas. The Task Force members listed to the taped presentation and followed the dialogue on copies of the slides. (Attachment 1).

Dr. Muse mentioned that Medicaid is approximately 20 percent of an average state's budget, revenues are falling 3 to 5 percent and the Medicaid program is projected to grow 13 percent in the coming year (up from 5 percent through most of the 1990's).

In his presentation, Dr. Muse indicated that the solution is not clear and explained that he is trying to find solutions for the Medicaid program problems. Regarding Kansas, he mentioned that when his group has received tapes submitted from the Kansas Department of Social and Rehabilitation Services to the federal government, Centers for Medicare and Medicaid Services (CMS), that within about two weeks results are produced. He noted that where available, Kansas Fiscal Year 2000 data was shown in his presentation. Dr. Muse explained that the solutions he presents are solutions that are good for people and save money at the same time which he felt were the kinds of solutions that one would want to look at first.

Dr. Muse detailed information that Kansas and the United States have about the same number of elderly people on Medicaid that they did in 1990 and the increased income of the elderly at retirement time has kept some of them off of the Medicaid rolls. He indicated that those that do come on the Medicaid rolls are in poorer health than they have ever been and most need nursing home care. Dr. Muse noted since about 1995 the disabled group has really shown the largest growth on the Medicaid rolls, and since 1995, most states' Medicaid rolls have been driven by increases in expenditures for the disabled.

Dr. Muse discussed disease management and explained that diseases such as asthma, diabetes and congestive heart failure are amenable to disease management and the heart of disease management is keeping people out of hospitals and emergency rooms. He explained that there are 57 kinds of disease management and one type of disease management that they have evidence on is where a health care professional talks to a recipient. Dr. Muse explained that as he understands it, the State of Kansas has a clarification pending with CMS to put approximately 11,000 people on disease management and he strongly encouraged doing it because money can be saved.

According to Dr. Muse, many of the slides presented beginning on page 10 of his testimony are options that he developed after he visited Kansas. Dr. Muse emphasized using the data and using the records to save money and help people and he feels that there are opportunities out there.

Dr. Muse ran data regarding expenditures for persons in some states with nine or more prescriptions in 180 days and expenditures for persons with 20 or more prescriptions in 180 days (option developed after the Kansas data was run). He noted that regarding those with 20 or more prescriptions, they found that approximately 10 percent need that many prescriptions for HIV, AIDS, organ transplants, etc., and at the

other end, they found that approximately 10 percent are candidates for drug abuse. Dr. Muse explained that the 80 percent in the middle there were a large portion of doctor shoppers, for example, an elderly citizen on Medicaid that went to five separate cardiologists and carefully cashed prescriptions at five separate drug stores so as not to get "caught". Also, Dr. Muse noted that 34 providers accounted for 4,000 people getting 20 or more prescriptions. Dr. Muse presented suggestions for the doctor shopper to send letters to the providers asking them politely to examine their prescription drug dispensing. He noted that if they persist in doing it, under the Medicaid statute, you have the ability to "lock them in" where you can only go to one cardiologist and only cash your prescriptions at one pharmacy. Where there are physicians and providers who write a lot of prescriptions, generally the medical director of the program or contract employee visits the physician or the provider. Dr. Muse described a program in the state of Florida where an intensified prescription benefit management program was initiated and it was able to produce cost savings for each intervention, including a 44 percent reduction in the cost per user per month for therapeutic duplication-targeted recipients.

Dr. Muse mentioned that in Kansas the disabled purchase 54 percent of all the drugs that the Kansas program buys. In Kansas between 60 and 70 percent of the people on Medicaid program go on Medicaid for mental health reasons. Dr. Muse noted that in 1995 about 300 out of every 1,000 people in the Kansas program took drugs for mental illness and today, about 700 out of every 1,000 people in Kansas are taking drugs for mental illness. The increase in the Kansas program in the past five or six years is the number of the disabled and the increasing expenditures in a couple of areas. Dr. Muse cautioned that people in this category are not going to the hospital so he noted to be careful in what is done here or they will wind up back in the hospital.

Dr. Muse also discussed indicators of Nursing Homes with potential problems:

- high percentage of residents taking 20 or more prescriptions at the same time
- high percentage of residents taking one or more of 19 modified Beer's list medications (always, rarely)

Dr. Muse discussed key findings regarding potential ineffective dosage, potential discontinued usage, potential overlapping medication. He also discussed examples of compound code violations (unbundling). He noted that there are additional options for data available through requests by states.

Following the listening of the tape, Chairman Clark asked those present to help the task force by providing information on challenges they face and potential changes needed. Each presenter is asked to present specific issues and solutions. Since there are references to many acronyms which the task force members may not be familiar with, a glossary was asked for. The tenative date, time and issue schedule is:

Feb. 13 - 3:30 p.m. Pharmaceutical
Feb. 17 - 3:30 p.m. Long Term Care
Feb. 24 - 3:30 p.m. Providers
March 4 - 9:00 to 10:00 a.m. Medicaid 101
10:00 to Noon and 1:30 to 5:00 p.m. Results of Survey Medicaid Data

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 1

Conferee Recommendations to consider

1. Dr. Muse explained that as he understands it, the State of Kansas has a clarification pending with CMS to put approximately 11,000 people on disease management and he strongly encouraged doing it because money can be saved.

2. Under the Medicaid statute, you have the ability to "lock them in" where you can only go to one cardiologist and only cash your prescriptions at one pharmacy.

3. Where there are physicians and providers who write a lot of prescriptions, generally the medical director of the program or contract employee visits the physician or the provider.

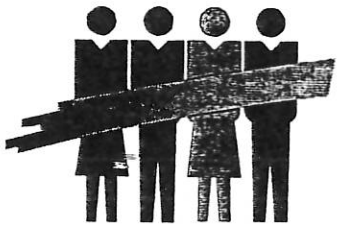
4. Dr. Muse described a program in the state of Florida where an intensified prescription benefit management program was initiated and it was able to produce cost savings for each intervention, including a 44 percent reduction in the cost per user per month for therapeutic duplication-targeted recipients.

President's Task Force on Medicaid Reform

3:30p. DATE: FEBRUARY 10, 2003

Name	Representing
Craig Kaberle	KAAAA
Nancy Pierce	Ks. Health Care Assn.
Sharon L. Johnson	HCP/MP
Bob Harder	UMC - KS
Michelle Peterson	Ks. Governmental Consulting
John Curran	Post-Audit
Sheli Sweeney	KDOA
Christy Lane	KDOA

Medicaid Data for State XYZ and the State of Kansas



January 2003

Muse & Associates
1775 I Street, NW, Suite 520
Washington, DC 20006
202-496-0200
www.muse-associates.com

The 20 - minus 3 - 13 Problem

- Medicaid is 20 percent of an average state's budget
- State revenues are projected to grow minus 3 percent this coming year
- The Medicaid program is projected to grow 13 percent this coming year (up from 5 percent through most of the 1990's)

President's Task Force on Medicaid Reform
February 10, 2003 #2
Attachment 1-1

Recent Unemployment Statistics

• January 1, 2001	4.2%
• June 30, 2001	4.6%
• January 31, 2002	5.6%
• June 30, 2002	5.9%
• September 30, 2002	5.6%
• December 31, 2002	6.0%

Increased Unemployment Leads to Increased Medicaid Enrollment

- According to analysis by the Urban Institute, an increase of ***1%*** in unemployment rate leads to an increase of ***$1.2 billion*** in state spending
- An increase of ***2%*** in unemployment rate leads to an increase of ***$2.3 billion*** in state spending

Medicaid's Problem Periods in the Past

- Early 80's - Bottom falls out of economy, unemployed swell roles
  - Solution: Throw people off roles and cut provider rates
- Early 90's - Waxman mandatory groups kick in
  - Solution: Put children and mothers in managed care
- Early 00's - Managed care cost increases, some states adding people, in general roles up, etc.
  - Solution: ??

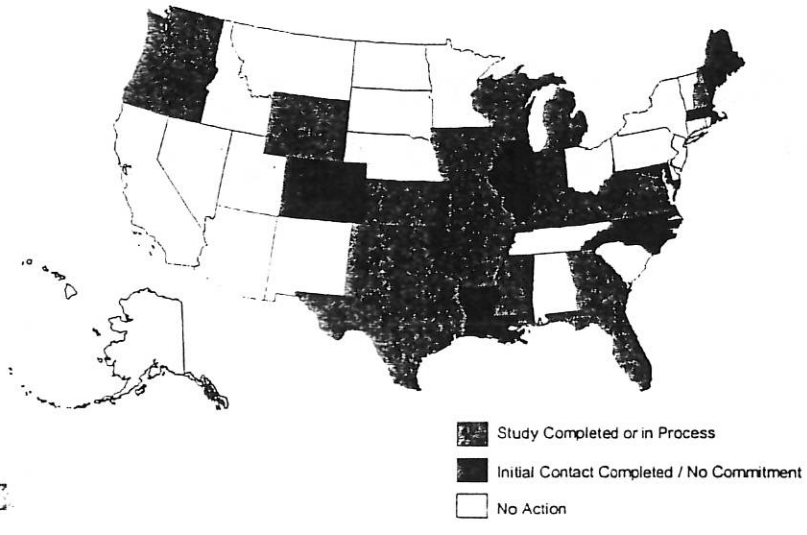
Finding Solutions to the Medicaid Program Problems

What We Do

- Receive tapes submitted to the Centers for Medicare and Medicaid Services (CMS), deliver results and detailed backup in person in two weeks
- Goal is to identify what is driving the cost of the Medicaid program, and therefore, where are the greatest potential savings
- Outline the potential use of disease management and other policy options to improve patients' health outcomes and save money

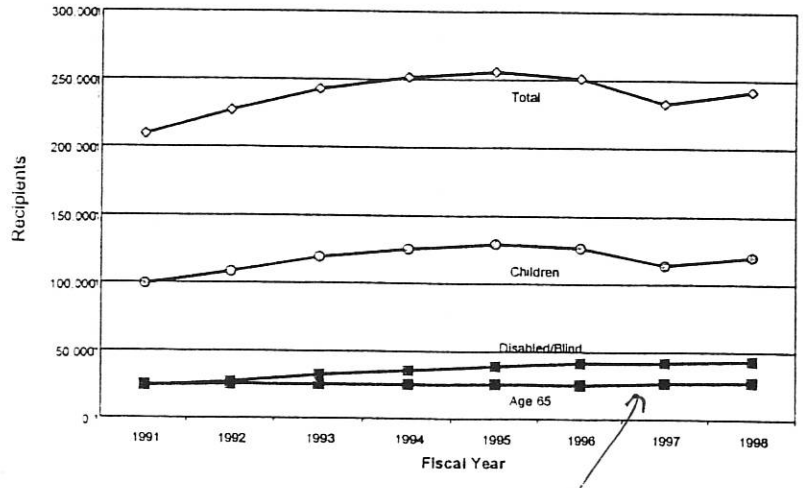
State Medicaid Studies

November 1, 2000 through January 1, 2003



Where available, Kansas Fiscal Year 2000 Data is Shown

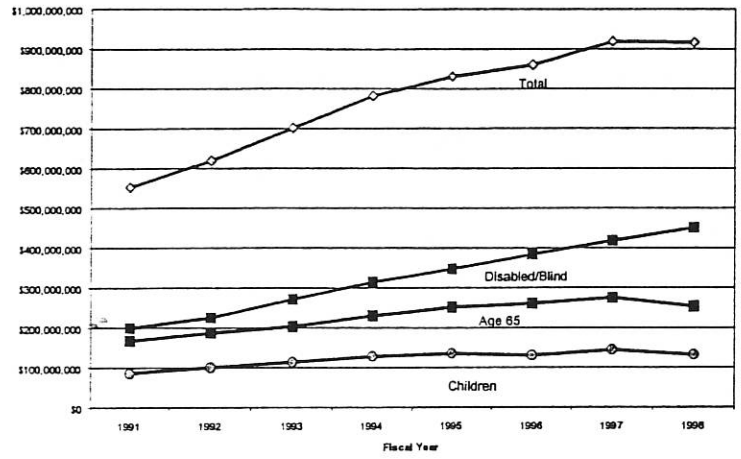
Kansas Medicaid Recipients by Eligibility Status by Year



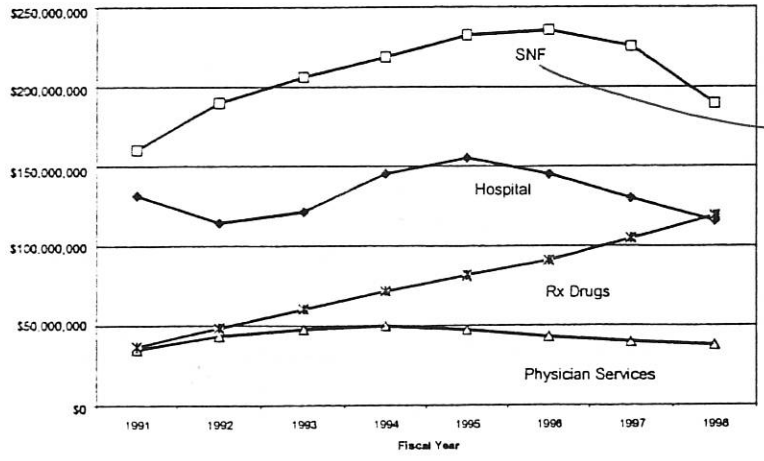
People

Elderly have more retirement assets

Kansas Medicaid Medical Vendor Payment by Eligibility Status by Year



Kansas Medicaid Medical Vendor Payments by Type of Service by Year



Kansas Payments for Capitated Versus Fee for Service Plans

(in millions of dollars)

	Payments	Kansas	National Average
Capitated (PCCMs)	$ 42	3%	23%
Fee for Service	$1,185	97%	77%
Total	$1,227	100%	100%

Managed Care

Kansas - Number of Patients in Capitated Versus Fee for Service Plans

	Patients	Kansas	National Average
Capitated	62,274	23%	61%
Fee for Service	203,858	77%	39%
Total	266,132	100%	100%

1-7

Kansas - Total Expenditures by 3 Digit Primary Diagnosis for All Datasets by Amount Paid

DIAG CODE	Description	Patients	Paid	Paid per Patient
318	MENTAL RETARDATION	2,115	$79,010,110	$37,357
295	SCHIZOPHRENIC DISORDERS	5,325	$29,392,533	$5,520
250	DIABETES MELLITUS	10,134	$24,252,468	$2,393
290	SENILE AND PRESENILE ORGANIC PSYCHOTIC CONDITIONS	2,445	$21,363,804	$8,738
428	HEART FAILURE	6,348	$20,781,177	$3,274
V30	SINGLE LIVEBORN	13,038	$20,664,747	$1,585
317	MILD MENTAL RETARDATION	1,702	$19,768,997	$11,615
296	AFFECTIVE PSYCHOSES	9,890	$17,761,535	$1,796
331	OTHER CEREBRAL DEGENERATIONS	2,247	$16,798,978	$7,476
783	SYMPTOMS CONCERNING NUTRITION	15,110	$15,657,175	$1,036
401	ESSENTIAL HYPERTENSION	11,608	$15,583,861	$1,343
436	ACUTE, BUT ILL-DEFINED CEREBROVASCULAR DISEASE	2,774	$15,573,018	$5,614
780	GENERAL SYMPTOMS	25,171	$14,630,642	$581
496	CHRONIC AIRWAY OBSTRUCTION	5,168	$10,424,088	$2,017
309	ADJUSTMENT REACTION	7,036	$9,768,275	$1,388

52% of all births are paid by Medicaid

Big Three

Kansas Medicaid Fee for Service

2000 Summary of Primary Diagnosis Data for Selected Conditions

	Patient Count	% Patient	Medicaid Paid	% Paid	Average Paid
Asthma	11,892	4.5%	$73,185,087	6.0%	$6,154.14
Diabetes	11,740	4.4%	$163,489,532	13.3%	$13,925.85
CHF/Heart Failure	7,906	3.0%	$136,723,742	11.1%	$17,293.67
Total 3 Diseases*	27,926	10.5%	$304,597,513	24.8%	$10,907.31
Total State	266,132		$1,226,642,415		$4,609.15

* Unduplicated

Distribution of Kansas Costs for Those with Asthma, Diabetes, Heart Failure

- Top 10% of recipients (2,792) cost $131 million (12% of all dollars) and averaged $49,999 per recipient
- Long term care patients were 33% of the top 10% expenditures
- Other 67% of patients had heavy use of hospital inpatient/outpatient services

1-9

Kansas - Examples of Controllable Expenditures for Asthma: 2000

- $16.1 million in Inpatient Hospital expenditures
- $2.6 million in Outpatient Hospital (ER, MRI centers, etc.) expenditures

Relative Costs of Medicaid Recipients with Mental Illness and Selected Chronic Illnesses:
Total Annual Expenditures Per Person

Need Case Management

	Mental Illness Diagnosis	No Mental Illness Diagnosis
Asthma	$23,669	$14,252
Diabetes	$18,051	$10,421
Heart Failure	$27,667	$18,354

I-10

Kansas - More on Distribution of Costs for Top 200 Medicaid Recipients

- Top 200 recipients cost $35.8 million and averaged $167,095 per recipient *(other states ranged from Kansas at $167,095 to $344,843)*
- Hospital complications and septicemia, diseases of the lung, and intestinal problems dominate these 200 patients
- Hospital expenditures are 51% of this group's cost

Ks is most most inexpensive of 20 states studies

Neonate Case Management

- 200 Neonates
- 98 hospitalized in first year
- 7 had two or more hospitalizations
- Hospitalizations can be prevented

1-11

Kansas - Top 10 of the Larger Hospitals with the Highest Proportion of Septicemia or Complications - 2000

Provider	Patient Count	Sept/Comp Patient Count	% Septicemia/ Comp	Medicaid Paid	Average Paid Sept/Comp
A	2,475	230	9.29%	$6,679,913	$29,043
B	1,034	94	9.09%	$691,222	$7,353
C	4,895	430	8.78%	$3,694,313	$8,591
D	1,107	84	7.59%	$699,892	$8,332
E	966	69	7.14%	$415,436	$6,021
F	1,384	98	7.08%	$727,926	$7,428
G	1,849	106	5.73%	$1,265,473	$11,938
H	1,129	58	5.14%	$401,935	$6,930
I	950	44	4.63%	$449,276	$10,211
J	5,390	233	4.32%	$4,187,527	$17,972
Total All Hospitals	44,059	2,561	5.81%	$27,280,292	$10,652

Expenditures for Persons with 9 or More Prescriptions in 180 Days*

- 171,755 total persons with $1.8 billion in total expenditures
  - $378 million in prescription drug expenditures
- 147,050 non-institutionalized persons used $1.2 billion of total expenditures
  - Represent ***22%*** of Fee for Service recipients (other states range from ***5% to 24%***)

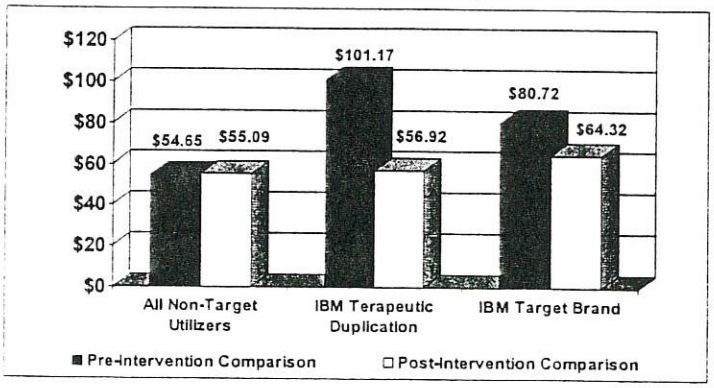
*** Since analysis confined to one year, these are *underestimates***

Expenditures for Persons with 20 or More Prescriptions in 180 Days*

- 41,986 total persons with $784 million in total expenditures
  - $175 million in prescription drug expenditures
- 28,983 non-institutionalized persons used $455 million or 16% of total State XYZ Medicaid expenditures
  - These patients represent ***5%*** of total Fee for Service recipients (other states range from ***0.3% to 5.2%***)

* Since analysis confined to one year, these are ***underestimates***

Florida Intensified Benefit Management (IBM) Program for Persons with 20 or more Prescriptions in 180 days



"The IBM program was able to produce cost savings for each intervention, including a 44% reduction in the PUPM (per user per month) for therapeutic duplication targeted recipients." *Medicaid Prescription Drug Spending Control Program Annual Report*, State of Florida Agency for Health Care Administration, Jan. 2002, p. 23.

1-13

Kansas - 2000 Prescription Drug Expenditures by American Hospital Formulary Service (AHFS) Classes by Amount Paid

AHFS Description	Patients	PAID	Average Per Patient
Total Drug Expenditures	171,167	$173,144,452	$1,011.55
CENTRAL NERVOUS SYSTEM DRUGS	92,143	$72,438,864	$786.16
CARDIOVASCULAR DRUGS	35,538	$17,058,652	$480.01
GASTROINTESTINAL DRUGS	32,114	$16,816,119	$523.64
HORMONES AND SYNTHETIC SUBSTITUTES	50,512	$13,777,862	$272.76
ANTI-INFECTIVE AGENTS	118,478	$13,354,072	$112.71
AUTONOMIC DRUGS	45,915	$7,824,840	$170.42
UNCLASSIFIED THERAPEUTIC AGENTS	11,538	$6,838,990	$592.74
ELECTROLYTIC, CALORIC AND WATER BALANCE	27,139	$3,940,076	$145.18
ANTIHISTAMINE DRUGS	35,358	$3,934,357	$111.27
EYE, EAR, NOSE AND THROAT (EENT) PREPARATIONS	37,378	$3,048,740	$81.57

Kansas - 2000 Prescription Drug Expenditures

(Fee for Service in millions of dollars)

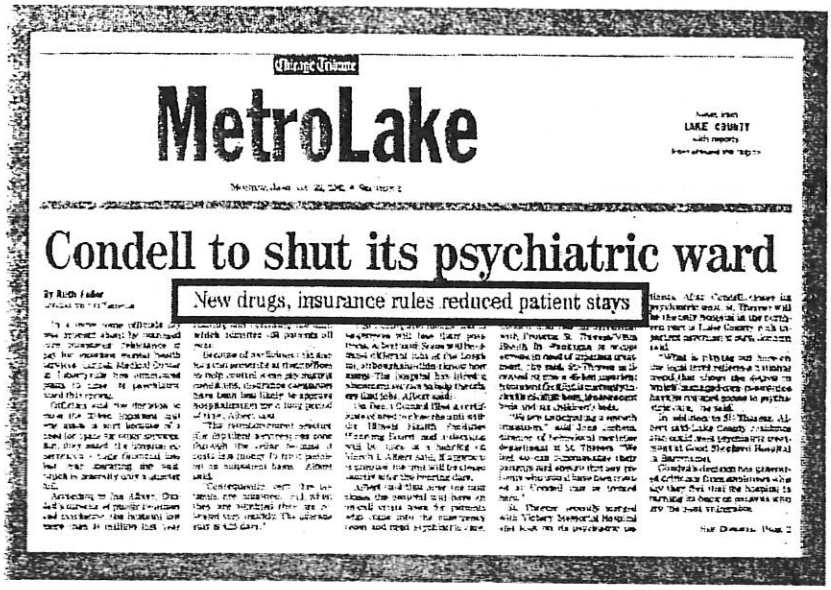
Group	Dollars	Percent
Aged	$ 53	31.6%
Blind/Disabled	$ 91	54.2%
Children	$ 16	9.5%
Other Adults	$ 6	3.5%
Unknown	$ 2	1.2%
Total	$ 168	100.0%

1-14

60-70% go on Medicaid for Mental Health reasons

In 1995 - 30% Mental Health recipients took drugs

2000 - 70% -



Chicago Tribune

MetroLake

LAKE COUNTY

Condell to shut its psychiatric ward

New drugs, insurance rules reduced patient stays

See also: "Use of Conventional Antipsychotics and the Cost of Treating Schizophrenia," by Ramon R. Lyu, Jeffrey S. McCombs, Bryan M. Johnstone, and Donald N. Muse. *Health Care Financing Review*, Winter 2001

Kansas - 2000 Expenditures for Long Term Care Recipients

(in millions of dollars)

19,834 Residents (75% aged) Cost:

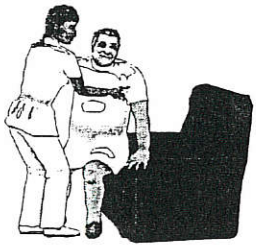
Type of Provider	*State*	*Percent*
Nursing Homes	$362.7	82.3%
Prescription Drugs	$ 45.5*	10.3%
Inpatient Hospital	$ 10.1	2.3%
Physicians	$ 11.8	2.7%
Hospital Outpatient	$ 0.9	0.2%
Clinic	$ 2.7	0.6%
Capitated Payments	$ 0.0	0.0%
Other	$ 7.0	1.6%
Total	$441.0	100%

* 27% of all prescription drug expenditures

1-15

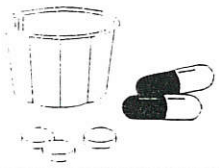
Research on Long Term Care (LTC) Facilities

- 35,975 Medicaid patients in LTC
- Approximately 425 facilities



180 Days

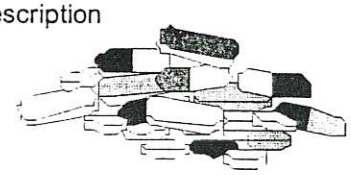
- **Persons with 9 or more unique prescriptions in 180 days**
  - 24,289 (***68%***) of LTC patients had 9 or more prescriptions
  - These persons had $83 million in prescription drug expenditures
  - ***91*** facilities had more than ***85%*** of their patients with 9 or more prescriptions (excluding facilities with < 20 patients)
- **Persons with 20 or more unique prescriptions in 180 days**
  - 11,589 (***32%***) of LTC patients had 20 or more prescriptions (other states range from ***11% to 28%***)
  - These persons had $55 million in prescription drug expenditures



1-16

30 Days

- **Persons with 9 or more unique prescriptions in 30 days**
  - –20,862 (***58%***) of LTC patients had 9 or more prescriptions
  - –These persons had $78 million in prescription drug expenditures
  - –77 facilities had more than ***78%*** of their patients with 9 or more prescriptions (excluding facilities with < 20 patients)
- **Persons with 20 or more unique prescriptions in 30 days**
  - –4,590 (***13%***) of LTC patients had 20 or more prescriptions (other states range from ***1.3% to 11%***)
  - –These persons had $27 million in prescription drug expenditures



Indicators of Nursing Homes with Potential Problems

- Indicators developed in technical consultation with:
  - American Medical Directors Association
  - American Health Care Association
  - Long Term Care Pharmacy Alliances

1-17

Indicators of Nursing Homes with Potential Problems

- High percentage of residents taking 20 or more prescriptions at the same time
- High percentage of residents taking one or more of 19 modified Beer's list medications (always,rarely)*

*Zhan, C, et.al., JAMA 286, Dec. 12, 2001, p. 2823-9.

Indicators of Nursing Homes with Potential Problems

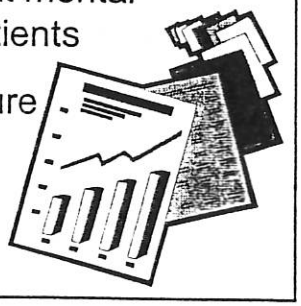
- 424 total homes of which 257 had 50 or more Medicaid patients:
- For the homes with 50 or more Medicaid patients:
  - 96 homes had more than 5 percent of residents taking 20 or more drugs at the same time
  - 26 homes had more than 25 percent of residents taking Beer's list medications (always,rarely)
  - 24 homes had both indicators

1-18

Potential Over / Under Utilization of Mental Health Medication

Overview of Analysis

- Mental health related protocols from Comprehensive NeuroScience, Inc. were applied to State XYZ's data
- Focus on medications used to treat mental health to identify mental health patients
- Based on published clinical literature



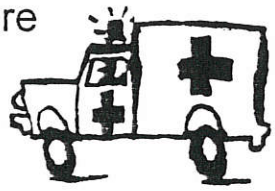
1-19

Key Finding 1
Potential Ineffective Dosage

- There were 4,664 (3.6 percent of those receiving mental health medication) patients that were prescribed an atypical at an ineffective strength. This represents 21.5 percent of patients who received an atypical medication. Industry experts indicate that this wastes money and is not helpful to treating recipients.

Key Finding 2
Potential Discontinued Usage

- There were 13,473 patients (10.4 percent) with severe mental illness that did not refill their prescription for their atypical anti-psychotic. This represents 62.0 percent of patients who received an atypical medication. Significant concern with respect to future hospitalizations, ER visits, etc. for these patients.



1-20

Key Finding 3
Potential Overlapping Medication

- There were 5,717 patients on 3 or more overlapping behavioral medications during 2000. This represents approximately 4.4 percent of recipients who received a prescription drug with a mental health indication.

Key Finding 3
Potential Overlapping Medication
(cont'd)

- 1,384 patients (1.1 percent of those receiving mental health medication) were concurrently on more than one SSRI during the year. Patients should not generally be on more than 1 SSRI at a time
- About 1.9 percent of patients taking atypicals received two or more of this type of drug at the same time during the year. Patients should not generally be on more than 1 atypical at the same time

1-21

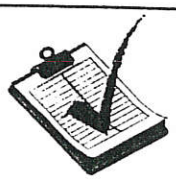
Third Generation Abuse Investigative Tools

- Applied Correct Coding Initiative(CCI) developed by CMS to database
- Two Areas
  - Compound Code Violations
  - Incompatible Code Violations

Examples of Compound Code Violations Upper GI Endoscopy, Biopsy

- CPT 43239, Upper GI Endoscopy, Biopsy and CPT 00740, Anesthesia, Upper GI Visualize should not be billed separately and should be bundled as part of the endoscopy procedure. Approximately $4,609 was paid for these codes in 2000.
- Hundreds of pairs of codes
- Approximately 2.8% of total expenditures for physician services in average state.

Incompatible Code Violations



- The CCI identifies CPT codes that should not be billed together on the same day.
- For example, CPT 73630, X-ray exam of foot and CPT 73610, X-ray exam of ankle should not be billed together on the same day. However, $59,597 was paid for this type of violation during 2000.
- In an average state 0.5% of total expenditures for physician services

Total Potential Savings from These Initiatives

- In an average state, approximately 5% of total professional services billed that could be impacted by these types of third generation fraud and abuse activities.
- A portion of these expenditures could be realized as savings if these types of billing practices were prevented.
- In most states, average potential savings ranges between 5% to 10% of total expenditures for professional services.

1-23

Analysis of Federal Medicare Prescription Drug Benefit

- Medicare is the primary payer to Medicaid
- Modeled our analysis of an Rx benefit on the Thomas/House bill
- Total State XYZ prescription drug expenditures: $390.0 million
- Approximately 43.5% of State XYZ prescription drug expenditures are for dual eligibles ($169.6 million)

Messages from the Data

- Significant savings are possible from targeted disease management. State XYZ should persist in its efforts to implement such programs. Disease management not only saves money, but is good for recipients.
- Savings are possible from targeted case management of high cost recipients. The quality of life of high cost recipients would also be increased.
- Programs that focus on utilization of recipients with very high prescription drug utilization have potential for savings. We also believe that savings from prescription drugs coming off patent will significantly benefit State XYZ.

Messages from the Data

- State XYZ should consider expanded use of its database for identification of hospitals and long term care providers with quality and/or utilization problems.
- Significant savings from targeted case management of mental health recipients
- Significant savings from Correct Coding Initiative (CCI) approach
- State XYZ should examine drug utilization in a few nursing homes.

Other Options

- 23 other options available through requests by the state

Don's Black Box

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