

Medicaid Plan of Action

Medicaid Technical Amendment Bill:

Action	Legislative Result	Response/Considerations
Pass/Hudson Amendment	<ul style="list-style-type: none">• McKesson DZ Management Dies• Health Alliance (mail order) Dies	Rica will proceed with the McKesson contract. She said that she has a deficit and will proceed with this cost containment program.
Technical Amendment Bills Die in Conference	<ul style="list-style-type: none">• McKesson contract moves forward, enrollment starts April 1, 2003• Nothing changes	Do Nothing. Rica moves forward with McKesson. (However, Rica has stated that she prefers the bills die than to pass with the Hudson Amendment).
Bill Passes without Hudson Amendment	<ul style="list-style-type: none">• McKesson contract moves forward• Other EP&P Report cost containments initiated.	Rica continues to implement cost containment initiatives in EP&P Report and other measures already identified by DOM.

EP&P Reports:

The EP&P consultants recommended many cost containment measures, which are included in the Medicaid Technical Amendment Bills. However, with the flexibility Rica has, she can continue to initiate cost containment measures without enabling legislation. The EP&P consultants recommended mail order prescription drugs, an absolute moratorium on nursing home beds, and many other initiatives.

Governor's Healthcare Commission:

The Governor's Healthcare Commission made several recommendations to the Division of Medicaid and has donated time and resources to work with Rica to contain costs. The next meeting of the Commission will be Friday, March 28, 2003 in Room 145 of the Woolfolk Building. During the meeting, the group will review results of a survey that

they completed related to prioritizing services for the Poverty Aged and Disabled category of eligibles.

As a reminder, the Governor's Healthcare Commission, in Executive Order 856 issued last year, was charged with "developing recommendations to address and strengthen the Mississippi Medicaid program. The Commission shall have the authority to review all aspects of the Medicaid program, including redesigning the optional services available to Mississippians whose needs exceed the mandatory services under federal law."

Joint Legislative Hearing with Public Health and Welfare Committees (3/25/03)

Rica highlighted several key points during the hearing and responded to questions from legislators.

- While McKesson is an out of state company, many in-state partners will be involved. For instance, physicians with University Medical Center are involved in the development of evidenced-based guidelines.
- Disease Management will decrease duplication of services and the use of multiple providers.
- HB1200 passed last session mandated the Division of Medicaid to develop and implement a statewide disease management program for diabetes, asthma, and hypertension. (lines 627-632)
- Financial goals of the program include reducing costs. Rica stressed that the last two years, DOM has had a shortfall and she under legislative mandates to stay within the budget. With a shortfall and no indication from the legislature of additional funding, she is required to cut services.
- Any cut in funding will result in cuts in services. Providers and beneficiaries alike will be detrimentally affected. Rica's choice has and will always be that the legislature funds the agency.
- The legislature mandated the services included Rica's budget request. To under fund the agency results in cuts to those services mandated in the last few years by the legislature.
- The current shortfall is \$78 million dollars in state funds- with the federal match it means cuts totaling \$312 million.
- The McKesson Disease Management program will help contain cost and slow the progression of chronic disease. For example, by slowing progression of diabetes, costly amputations and dialysis can be avoided. Having 24-hour access to nurses

at the call center will also recognize cost savings. Nurses will help divert some visits to the emergency room, which are more costly. If a recipient needs to be seen face to face by a nurse, the nurses at the call center will contact field-based nurses who will go out to the home.

- The guaranteed savings of the McKesson Disease Management program is 5% or \$10 million annually. There will be additional savings recognized from the mail order program but Rica said she is not sure how many recipients will choose this option so there is no way option for state employees and most insurance companies offer it to participants. The Veteran's Administration provides mail order option to our veterans. Why should we treat Medicaid recipients any different? They should have the same choices as everyone else.
- Currently, only 3.4% of state employees exercise the mail option. There is no reason to believe that mail order will put pharmacists out of business.
- Logistics of the McKesson program: Medicaid recipients will receive a letter from Medicaid, nothing happens UNLESS the recipient completes the enrollment form and sends to Medicaid.
- Logistics of Health Alliance mail order program: Physician gives Medicaid recipient a prescription. What the recipient does with the prescription is up to the beneficiary. They can complete a form and send it to Medicaid if they want mail order or they can take it to their local pharmacist. At any time, the recipient can choose to go to the local pharmacist.
- There will be a \$300,000 implementation fee paid to McKesson.
- Rica responded to comments from pharmacist that they feel ostracized. Rica stressed that she is under a mandate to contain costs and that when you cut Medicaid budget, you impact economics' and providers. Rica said she is concerned about pharmacists, she is concerned about physicians, and she is concerned about ambulance providers. She is concerned about access to health care in the state. As we continue to cut, it will have a negative impact to the beneficiaries and the providers in the state. She said that new services have been authorized by the legislature since 2000. The Poverty Level Aged and Disabled population has been increased and health care costs have increased at double-digit rates.
- Savings related to the mail order program will be recognized by a lower dispensing fee (\$3.25 verses \$3.91) and AWP (average wholesale price) minus 15% for brand name drugs and AWP minus 20% for generics. (verses AWP minus 12%)
- There were questions from the pharmacists about the future plans if the program is successful or does Medicaid plan to come back next year to expand to other

diseases? Rica responded that the last two years, Medicaid has had a deficit. This year, there is a \$78 million shortfall and she will continue to explore other options to save money. She has a legislative mandate to do so. (AG opinion last year)

- There are 30,000 Medicaid recipients with diabetes, asthma, and hypertension who will have the option to participate in the disease management program.
- No one will be locked into the program.
- There were several negative remarks made about Health Alliance. Apparently, there were problems in Florida with the company. Rica stressed that the program in Florida is totally different than the contract in Mississippi. She also stated that if members of the Mississippi Legislature had negative information about the company that was provided by the Mississippi Pharmacy Board, that she finds it disturbing that that information has not been shared with the Division of Medicaid.

Plan of Action Appropriation Bills

Division of Medicaid Appropriation Bill (\$317M)

Action	Result	Response/Consideration
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Medicaid under funded \$78M for FY04	<p>\$78M state funds or \$312M total cuts in services</p> <ul style="list-style-type: none"> • 13,000 optional income nursing home residents now paid by Medicaid would be discharged • Eligibility level of PLAD would be cut from 135% to 100% FPL resulting in 20,000 people losing prescription drug coverage. 	<p>Veto. The FY03 budget is also under funded. The Legislature promised this time last year that they would fund Medicaid if there were still a shortfall after cost containment measures. The FY03 shortfall is \$53M. The deficit appropriation was for \$40M with \$10M borrowing authority. EP&P Reports recommended cost containment measures.</p> <p>If you do not veto the bill, provide comments to help protect yourself politically when other cuts are made as a result of under funding.</p>
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DHS Appropriation Bill (\$73-\$74M)

DHS under funded \$13M	<ul style="list-style-type: none"> • Critical staffing shortages- DHS social workers, youth court staff, child support attorneys. • Inability to draw down federal dollars and potential loss of TNAF grant dollars. 	<p>Veto.</p> <p>If you do not veto, push for flexibility. \$5M in bill to go to AG- \$3M to Boys and Girls Clubs and \$2M to YMCA. Not only is the agency under funded, but her hands are also tied on how to spend the money. The legislature is micromanaging the agency.</p>
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Questions for Rica

How long will it be before cuts will have to be implemented?

A \$78M shortfall in state funds means a shortfall of \$312M with the loss of the federal match. Basically, Rica has a year to implement cost reduction steps equaling \$312M.

The law requires that if there is a projected shortfall, Rica must take steps to decrease services and/or eliminate services to balance her budget. If she waits until 6 months to implement reductions or elimination of services, it will mean she has less time to save the \$312M. Example, if she waits until January 04, she would have to save \$624M because she has half the amount of time to save the money.

The beginning of FY04 is July 1, 2003. She has to identify and give public notice 60 days prior to implementing any changes in services. She needs to give public notice in April 2003.

Comments

With the war monopolizing the media, all the discussions/coverage about cuts from the federal level in Medicaid, Medicare and Veteran's programs, and the national recession, now may be a better time to announce plans to cut services. Blame can be placed on the Legislature for mandating the disease management program and under funding Medicaid. We also need to remind everyone of the AG's opinion last year. We cannot have it both ways. The Legislature either has to fund Medicaid or Rica is under legislative mandate to balance the Medicaid budget.