Report to the Social Services Appropriations Subcommittee

Increased Medicaid Program Efficiencies

December 2015

UTAH DEPARTMENT OF HEALTH

Statutory Requirement

As first required by House Bill 459 (2010), the Utah Department of Health (Health) submits this response to comply with the following statutory requirement in UCA 26-18-2.3:

> *Division responsibilities -- Emphasis -- Periodic assessment.*
>
> *(4) The department shall ensure Medicaid program integrity by conducting internal audits of the Medicaid program for efficiencies, best practices, fraud, waste, abuse, and cost recovery.*
>
> *(5) The department shall, by December 31 of each year, report to the Health and Human Services Appropriations Subcommittee regarding:*
>
> > *(a) measures taken under this section to increase:*
> >
> > > *(i) efficiencies within the program; and*
> > >
> > > *(ii) cost avoidance and cost recovery efforts in the program; and*
> >
> > *(b) results of program integrity efforts under Subsection (4).*

Increased Medicaid Efficiencies

Over the past year, the Division of Medicaid and Health Financing (Division) within the Department has implemented many changes to improve the efficiency and effectiveness of the areas of the Medicaid program it manages. In addition to the efficiencies it has identified on its own, the Division has also worked with many partners (including legislative auditors, its legislative fiscal analyst, and the federal government) to identify other potential improvements and then implement those changes. Some of these efficiencies have produced budget savings, others have resulted in cost avoidance, and others have created improved operating processes for the Medicaid program.

Expansion of Mandatory Enrollment in an Accountable Care Organization (ACO)

Effective July 1, 2015, Utah Medicaid requires Medicaid members living in nine additional counties to enroll in an ACO for their physical health care. Previously, only Medicaid members in Davis, Salt Lake, Utah, and Weber Counties were required to enroll in an ACO. Medicaid members in long-term care facilities with a prognosis of longer than 30 days, or those in the Utah State Hospital or Utah State Developmental Center are not enrolled in an ACO.

A minimum of two and as many as four ACO health plans are available in each county. The ACOs are Health Choice Utah (Health Choice), Healthy U, Molina Healthcare of Utah (Molina), and SelectHealth Community Care (SelectHealth).

MyBenefits: Benefit Lookup Tool for Medicaid Members

The Division launched a new website called 'MyBenefits' (mybenefits.utah.gov). This website allows Medicaid members to view information about their eligibility status, health or dental plans, and co-pays online. The website displays enrollment information for Medicaid, the Children's Health Insurance Program (CHIP), Primary Care Network (PCN), Utah's Premium Partnership for Health Insurance (UPP), and other Medicaid waiver program enrollees.

Web Portal for Electronic Funds Transfer/Electronic Remittance Advice Enrollment

The Division began offering providers the ability to enroll for Electronic Funds Transfer (EFT) and Electronic Remittance Advice (ERA) via a web portal. In the past, providers were required to submit a paper form. The secure portal creates a more timely process with less errors. Additionally, providers are able to make their own changes to their information rather than having to work through someone on the Medicaid staff.

Ongoing Efficiency Efforts

The Department also has several ongoing projects that have generated increased savings and efficiencies for the Medicaid program this year.

- Each year the Division works with its Pharmacy and Therapeutics (P&T) Committee to determine if additional drug classes should be added to Medicaid's Preferred Drug List (PDL). In FY 2015, the Division added 27 new drug classes to the PDL. As a result of the Division's use of the PDL, Medicaid is projected to save $48.2 million in FY 2016.
- In FY 2015, the Division submitted renewal requests to the Centers for Medicare and Medicaid Services (CMS) for the New Choices Waiver, the Aging Waiver, and the Community Supports Waiver to be effective July 1, 2015. These waivers help individuals move from institutional settings to the community or help them avoid institutionalization by providing them services so they can remain in the community. Generally, it is less expensive for these members to live in the community than in an institutional setting.
- The Division continues to operate a "Lock In" program for Medicaid clients who demonstrate a pattern of excessive program utilization. Individuals who inappropriately utilize Emergency Departments (ED) are also subject to "Lock In." Once a pattern of misuse is identified, the Division will contact that individual and assign/restrict the Medicaid client to a primary care provider and one pharmacy. The Division will also provide education to the client regarding proper utilization of Medicaid benefits, proper utilization of EDs and alternatives such as urgent care clinics. Medicaid ACOs are responsible to also conduct reviews of their members under the direction and oversight of the Division. In 2015, the Division/ACO conducted case reviews on

1,847 individuals. There are currently 751 individuals in the "Lock In" program as a result of Medicaid benefit misuse or abuse.

Cost Avoidance and Cost Recovery Efforts

The Office of Recovery Services (ORS) in the Department of Human Services identifies commercial insurance coverage for Medicaid members. This information is used by the Division to cost avoid Medicaid expenditures. In some circumstances, federal regulations require the state to pay a claim and pursue collection from the third-party insurance. ORS is responsible for coordination of benefits for fee for service (FFS) Medicaid members. ORS also pursues collection from third parties in personal injury cases involving Medicaid members and for estate recovery in accordance with federal regulations. Managed care organizations are responsible for coordination of benefits for their Medicaid members. These collections are taken into consideration in the rate setting process.

In FY 2015, total cost avoidance for third-party insurance and collections was $172 million.

Internal Audits of the Medicaid Program

The Office of Inspector General for Medicaid Services (OIG) was created in July 2011. Many audit positions related to Medicaid were moved from the Department to the OIG to staff that office. As a result, among other responsibilities, the OIG is to audit, inspect, and evaluate the functioning of the Division to ensure that the Medicaid program is managed in the most efficient and cost-effective manner possible. The OIG is directed to issue its own reports to the Legislature on its efforts.

Despite the loss of staff in 2011, the Department has continued to operate its own Office of Internal Audit (OIA). Responsibilities for the OIA are broader than just Medicaid and include performing internal audits and reviewing grants issued by the Department.   Below are highlighted two Medicaid audits performed by OIA during 2015.

OIA performed an access control audit to gain reasonable assurance that system access controls around and within Medicaid are in place to mitigate reasonable risks. The report noted that Medicaid's IT system security has improved since 2012. The audit also identified several areas where security can be improved. Medicaid, the Department, and DTS are all working together to continue to improve Medicaid system security.

OIA also performed an audit of a sample of Medicaid claims and for each claim tested (1) whether it represented eligible recipient(s), (2) whether the service and applicable rate(s) were approved through the Utah State Plan or other agreement and properly approved prior to system implementation, (3) whether it adjudicated properly and paid at the appropriate rate(s), (4) whether it was appropriately coded/reported in FINET and the CMS-64 report. The report concluded that each claim tested met the criteria without exception.

Conclusion

The Department is committed to improving the Medicaid program. It is the Department's goal to employ healthcare delivery and payment reforms that improve the health of Medicaid clients while keeping expenditure growth at a sustainable level. The Department will maintain previously identified efforts to improve efficiency as they continue to save the State tens of millions of dollars each year. In addition, the Department will continue to seek out the most effective way to carry out its responsibilities in the future.