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How Disease Management Works in Medicaid

Innovative State Medicaid Programs

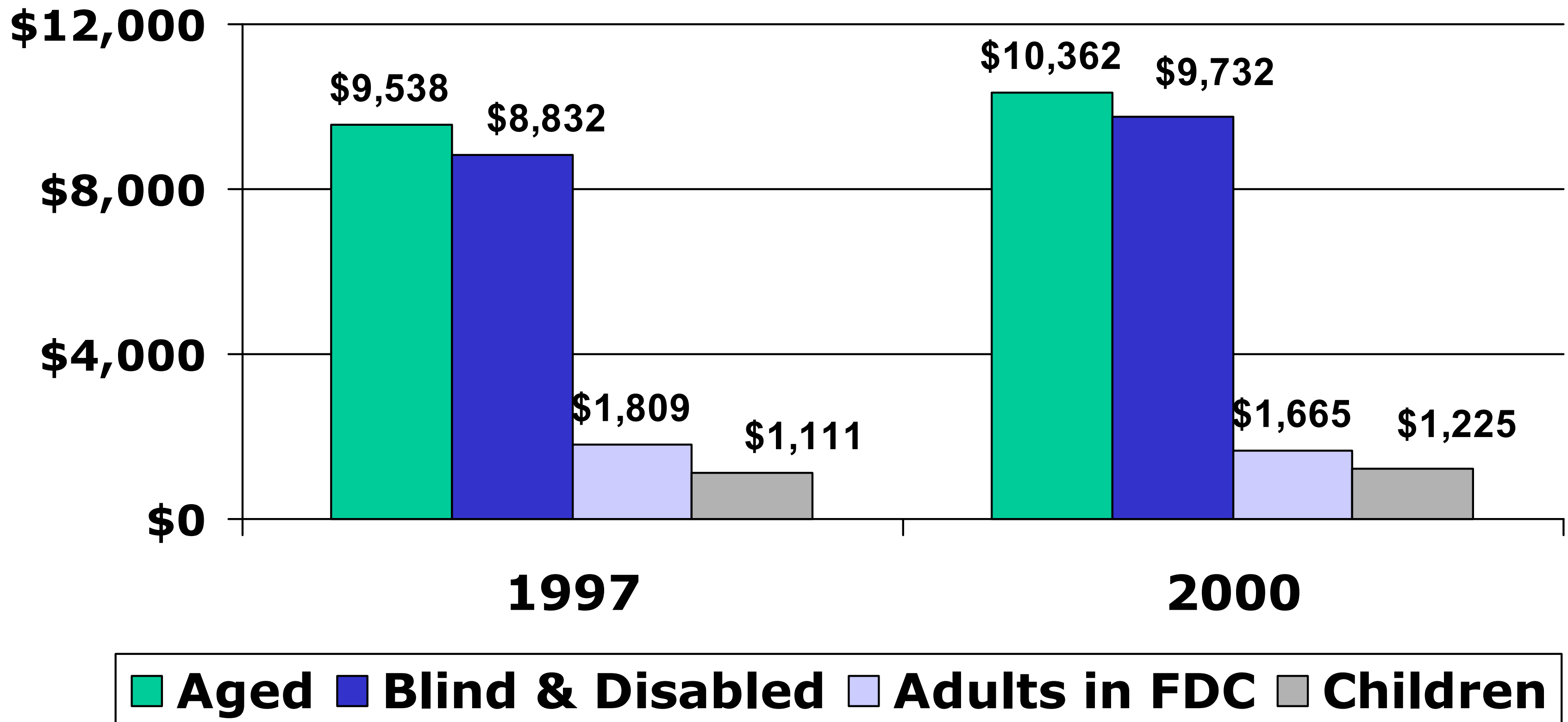
Wednesday, June 30, 2004

9:00 – 10:00 AM

Overview

- Disease States in State "X"
  Spending patterns in one example state
- Strategic Information Review
  Categories of Activities in the States and Examples
- Asking Patients to Join the Team
  - Restrictive Drug Lists vs. Disease Management
  - Quality & Consumer
  - Medicare Modernization
  - Federal Financial Participation

US Medicaid Spending per Beneficiary by Eligibility Category



Source: HCFA 2082 (1997) & CMS MSIS (2000) Reports

State X

- We are using “State X” to show trends in Medicaid spending
- State X is a typical state in the percentage of eligibles and expenditures and the percentage of money spent on types of service compared to national data

Source:

National Pharmaceutical Council prepared by Muse& Associates

Comparison of National and State X Medicaid Programs

	National	State X
• Percentage of Eligibles		
– Disabled/Blind/Aged	26.6	24.2
– Children/Adults/Other	72.4	75.8
• Percentage of Expenditures		
– Disabled/Blind/Aged	69.4	72.9
– Children/Adults/Other	30.3	27.1
– Inpatient Hospital	14.4	13.3
– Nursing Facilities	20.5	26.0
– Physicians	4.0	5.0
– Prescription Drugs	11.9	15.6

Source:

National Pharmaceutical Council prepared by Muse& Associates

2000 Summary of Primary Diagnosis Data for Selected Conditions in State X

	Patient Count	% Patient	Medicaid Paid	% Paid	Average Paid
Asthma	109,669	4.6%	$560,363,009	7.8%	$5,109.58
Diabetes	72,359	3.0%	$722,116,986	10.1%	$9,979.64
CHF/Heart Failure	33,467	1.4%	$480,113,924	6.7%	$14,345.89
Total 3 Diseases*	196,286	8.2%	$1,471,502,724	20.6%	$7,496.73
Adusted Total**		10.3%		25.0%	
Total State	2,382,165		$7,156,950,165		

Source: National Pharmaceutical Council prepared by Muse& Associates

Impact of Mental Illness and Selected Chronic Illnesses: Total Annual Expenditures Per Person

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

Source:

National Pharmaceutical Council prepared by Muse& Associates

Common Types of Disease Management Programs in the US

- Disease Management Organization (DMO)
  - Centers of Excellence
- Enhanced Primary Care Case Management (E-PCCM)
  - Health Outcomes Partnership
- Pay Individual Providers (PIP)
  - Pay-for-Performance

Common Types of Disease Management Programs in the US

Pay Individual Providers (PIP) approaches establish new rules for scope of practice or referrals and may involve nontraditional providers in the care of patients with specific diseases. Providers are paid a special fee contingent upon improving health outcomes or lowering costs. As long as freedom-of-choice provisions are not affected, Medicaid waivers are not required.

Disease Management Organization (DMO) focus on particular disease episodes for high-cost, high-volume diseases and selects a single contractor or a network of hospitals, physicians, and other providers who are already organized to receive a prospective, bundled payment of care. The Medicaid program decides the number of approved centers of excellence in a community or statewide. A fixed price or fixed price + performance bonus contract is made to a single entity. The DMO is required to track patient outcomes and report improvements in health outcomes.

Enhanced Primary Care Case Management (E-PCCM) approach is ordinarily applied to an existing fee-for-service primary care case management program. Medicaid programs focus on high-priority diseases, offering a combination of claims-based feedback reports to providers and other professional education programs, approved medical treatment guidelines, and other support systems to help existing Medicaid providers better serve the patients assigned to them. Medicaid waivers of federal provisions are not required.

Virginia (E-PCCM), Florida (DMO), West Virginia (PIP)

- **Virginia** was the first state to implement fee-for-service Medicaid disease management
  - 1996-97 Pilot with asthma and heart failure
  - 1998-2002 Statewide implementation for asthma, diabetes, depression, peptic ulcer disease, cardiovascular disease, hemophilia, AIDS
- **Florida** was the first state to issue an RFP for fee-for-service Medicaid disease management
  - 1998–present
  - Asthma, HIV/AIDS, CHF, hemophilia, ESRD, diabetes mellitus, hypertension, pre-diabetes, depression
- **West Virginia** was the first state to pay individual providers for improved health outcomes
  - 2001-present
  - Diabetes

Virginia, Florida, West Virginia

For more, see:

Gillespie, Jeann Lee and Louis F. Rossiter, "**Medicaid Disease Management Programs: Findings from Three Leading State Programs,**" Disease Management and Health Outcomes (2003) 11 (6): 1 **LEADING ARTICLE** 1173-8790

Mississippi (PIP)

- 1998 Piloted pharmacist payments for counseling patients
- Asthma, diabetes, hyperlipidemia coagulation disorders

North Carolina (E-PCCM)

- Unique community disease management model
- State grants awarded to 12 not-for-profit community networks with more than 2,000 physicians
- 372,000 fee-for-service Medicaid recipients are targeted
- Asthma, diabetes
- Targeting high cost services
  - polypharmacy
  - generic prescribing
  - best prescribing practices
  - OTC
- Targeting high cost patients
- - congestive heart failure, high risk obstetrics, multiple chronic conditions
- Pilots: Gastro-enteritis, otitis media, dental varnishing

Texas (DMO)

- August 2003 - Issued an RFP for disease management services
- Retained vendor in April 2004 to conduct actuarial review of proposals
- Seeking vendors who guarantee savings for either
  - Diabetes, CAD, and CHF
  - Asthma and COPD
- Activities include:
  - Identification of and Outreach to Eligible Beneficiaries
  - Health Assessment and Risk Stratification
  - Enrollment and Withdrawal of Eligible/Ineligible Beneficiaries
  - Education - Beneficiary/Provider/Staff
  - Quality Assurance
  - Care Management
  - Outcomes Measurement

Missouri (PIP)

- Summer 2002 contractor awarded DM contract for
  - Asthma
  - Depression
  - Diabetes
  - Heart Failure
- Enrolled disease management providers reimbursed at a fixed per encounter rate
- Must complete the CME/ACPE program

Disease Management Program Reimbursement Rates	
Service Type	**Proposed Encounter Rate**
Initial Assessment	$75.00
Problem Follow-up Assessment	$40.00
New Problem Assessment	$40.00
Preventative Follow-up Assessment	$25.00

Colorado (DMO)

- Voluntary interventions with pharmaceutical industry
  - Schizophrenia: Specialty Disease Management and Eli Lilly and Company
  - Asthma: National Jewish Hospital and Novartis and Astra Zeneca
  - Diabetes: McKesson and Eli Lilly and Company
  - Neonatal Intensive Care: Clinician Support Technology with Johnson & Johnson
  - Breast and Cervical Cancer: Astra Zeneca
  - Case Management: Pfizer, Abbott, and Astra Zeneca

Indiana (DMO)

- 2001 Legislation required disease management for:
  - diabetes
  - congestive heart failure
  - asthma
  - HIV/AIDS
- Relies upon "state-sponsored outreach"
- Web-based decision support
- Patient interventions:
  - patient education materials
  - case management
- Rigorous evaluation component

New Hampshire (DMO)

- Issuing 2-part disease management contract
  - First for congestive heart failure, coronary artery disease and diabetes
  - Second for asthma and COPD
- Contractors must guarantee savings and pay 1/2 cost of outside evaluator
- Heavy emphasis on patient self management skills

States to Watch

- **Delaware** - Legislation in 2003 created task force to study statewide implementation
- **Iowa** - Legislation in 2003 directed administration to implement
- **New Jersey** - Budget calls for $16M state savings in $7.5B budget

25 States Have Named Staff Responsible for Medicaid Disease Management

Alabama, Alaska, California, Colorado, Florida, Georgia, Hawaii, Maine, Michigan, Minnesota, Mississippi, Montana, New Hampshire, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Vermont, Washington, West Virginia, Wyoming

- Request a copy of:
  - Pharmaceutical Benefits Under State Medical Assistance Programs 2002, Published in 2003 by the National Pharmaceutical Council, Inc., 1894 Preston White Drive, Reston, VA 20191-5433, www.npcnow.org

Restrictive Drug Lists vs. Disease Management

- **Restrictive Drug List**
  - Compliance with restrictions is cornerstone of savings
  - Patient safety and quality unknown
  - Long-term contribution dim
  - Pharmaceutical companies and pharmacists modify behavior
  - Individual company formularies like a hydraulic
  - If more states adopt, potential for savings dwindles to perhaps nothing
- **Disease Management**
  - Adherence to treatment regimen is cornerstone of savings
  - Patient safety and quality improved significantly and immediately
  - Long-term contribution enormous
  - Potential to redefine the standard of care in Medicaid
  - Logical response for states to add managed care to the dual eligible population they will have for some time

Quality and Consumer

- Many states facing malpractice and ignore the role of the state in improving quality and empowering the 000s of consumers they cover
- In theory, the tort system should:
  - Help promote high standards
  - Provide compensation for injured patients
- In practice, the tort system is:
  - Grossly wasteful of resources
  - Time-consuming
  - Threatening
  - Unpleasant for both plaintiff and defendant
- Smart states are demanding leadership in quality improvement from their largest at-risk health plan -- Medicaid

Medicare Modernization

- The changes created by the Medicare Modernization Act represent an exciting opportunity to states
- Differential needs and impact of DM for Medicaid-only versus Medicaid-Medicare dual eligibles is gone after 2006
- States can focus on improving the care delivered to Medicaid recipients with chronic conditions (their most high-cost group)

Federal Financial Participation

- CMS issued February 25, 2004 Letter for State Officials regarding disease management
- Many states obtain enhanced federal financial participation if their regional office will approve quality improvement administrative costs for a PRO or PRO-like entity
- State spends $1M on disease management and receives $750,000 in federal match
- New enhancements to computer systems is 90% match