

Governor Fletcher's Medicaid Reform Initiative

“Kentucky is leading the nation in crafting Medicaid benefit packages to meet the needs of its residents.”

– Secretary Mike Leavitt

Mark D. Birdwhistell
Secretary, Cabinet for Health and Family Services

Kentucky
UNBRIDLED SPIRIT™



KyHealth Choices

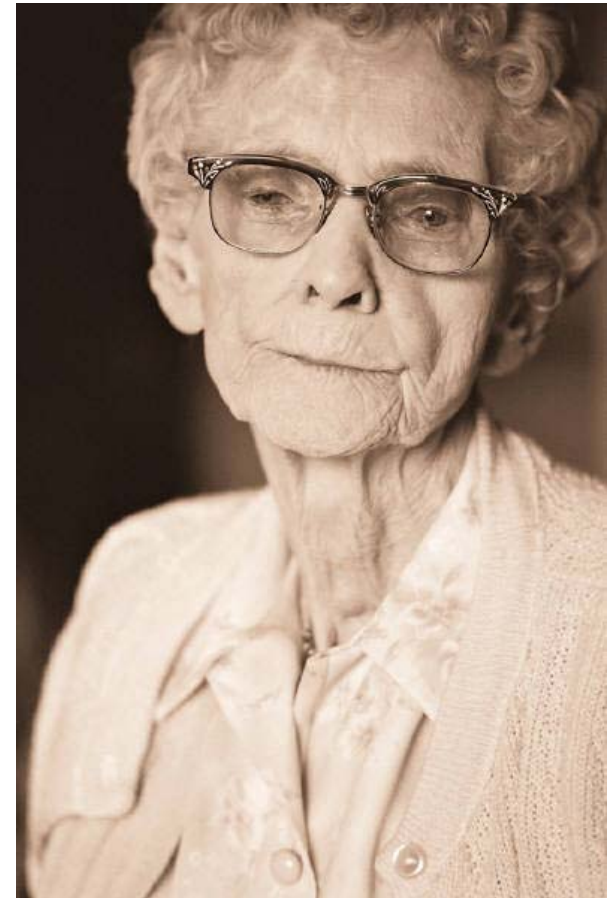
Kentucky Medicaid

- Covers nearly half of all births in the Commonwealth per year
- Provides health coverage to 1 out of every 3 children and 1 out of every 7 seniors over age 65
- Provides coverage to approximately 691,000 enrollees representing more than 15% of the state's total population



KyHealth Choices

- Currently, Kentucky spends \$700 million dollars for 24,000 individuals residing in nursing facilities
- In contrast, we pay \$30 million dollars for 72,000 individuals to live in a community setting
- Something has to change. We must build our community services to better serve our citizens



KyHealth Choices

Kentucky envisioned a NEW Medicaid program that would:



- Improve the health status of those Kentuckians enrolled in the program
- Ensure people receive the right care, in the right setting, at the right time
- Ensure the solvency of Kentucky Medicaid for future generations of Kentuckians
- Transform Kentucky Medicaid into a 21st Century Health Care System

KyHealth Choices

Transform Kentucky Medicaid into a 21st Century Health Care System

– Phase I: Infrastructure:

- Care Management
- Benefit Management
- Technology

– Phase II: Obtain Flexibility to Structure Program with Consumer Involvement

- Federal changes to Medicaid
 - Advocated for state flexibility in the Medicaid program at the federal level
 - Presentation to Congressional leadership and various subcommittees in April 2005
 - Deficit Reduction Act of 2005 passed by Congress and signed by President Bush on February 8, 2006.
- 1115 Demonstration Waiver
 - Only vehicle at the time
 - Submitted to CMS in November 2005

KyHealth Choices

Pre-DRA Medicaid

- ✗ “One size fits all” with identical programs statewide regardless of need
- ✗ Very limited (if any) consumer involvement
- ✗ No limitations on benefits on services

KyHealth Choices

- ✓ Cost sharing and alternative premiums
- ✓ New rules for prescription drug coverage
- ✓ Co-pays for emergency room visits for non-emergency care
- ✓ Tailored health benefit packages
- ✓ Increases in the use of home and community services rather than institutional, long term care services
- ✓ Service limitations
- ✓ Incorporates best practices from the commercial market
- ✓ Maximum out of pocket expense limits
- ✓ Tiered formulary
- ✓ Consumer involvement in prevention and care management

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CMS Press Release

March 31, 2006

“The Deficit Reduction Act grants states such options as creating benefit packages tailored to different populations, improving access to mainstream health insurance and expanding ways to provide long term care”



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Targeted Benefit Plans



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Original Approach:

- 1115 waiver for entire state Medicaid population

Revised Approach:

- Combination of unprecedented flexibility available under DRA with wraparound of 1115 and 1915 waivers for key populations
- DRA
 - Family Choices
 - Medical Cost for Comprehensive Choices
 - OPT-IN for Employer Sponsored Insurance
 - Non-Emergency Medical Transportation (Broker System)
 - Targeted Disease Management
 - Get Healthy Benefits

KyHealth Choices

- **Global Choices** (235,000 members) will cover the general Medicaid population program including foster children and medically fragile children. ([Deficit Reduction Act - SPA](#))
- **Family Choices** (263,000 members) will cover most children including the SCHIP children. ([Deficit Reduction Act - SPA](#))
- **Optimum Choices** (3,500 members) covers individuals with mental retardation and developmental disabilities in need of long term care. ([1115 Demonstration Waiver](#))
- **Comprehensive Choices** (27,900 members) covers individuals who are elderly and in need of a nursing facility level of care and also individuals with acquired brain injuries. ([1915 C Waiver](#))

KyHealth Choices

Member Involvement

- Members will be encouraged to participate in prevention and disease management programs

Cost Sharing

- Most members enrolled in *KyHealth Choices* will be required to share in the cost of many of the covered services

Service Limits

- Some services and prescriptions have limits. For example, prescription medicines are limited to a total of four per month



KyHealth Choices **BENEFIT GRID** (selected services)

Benefit/Service	Global Choices
Medical out of pocket maximum	\$225/12 month
Pharmacy out of pocket maximum	\$225/12 month
Inpatient Services	\$50 co-pay
Diagnostic	\$3 co-pay
Radiology	\$3 co-pay
Physicians Office Visit	\$3-\$8 co-pay
Occupational/physical therapy	\$2 co-pay (Limit 15 visits per 12 months)
Speech therapy	\$2 (Limit 10 visits per 12 months)
Chiropractic	\$2 (Limit 12 visits per 12 months for adults 18 and older)
Prescriptions	\$1 generic \$2 preferred 5% coinsurance Non preferred (Limit 4 per month, max of 3 brand)
Home Health	\$0 co-pay

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Consumer Involvement and Empowerment

Disease Management Programs

- Disease management programs will be developed throughout the state to assist those with chronic illnesses such as pulmonary disease, cardiovascular disease, pediatric obesity and diabetes

Get Healthy Benefits

- Get Healthy Benefits will be established to provide incentives to Medicaid members for healthy behaviors.

KyHealth Choices

Consumer Involvement and Empowerment

Self-Directed Services

- Through Consumer Directed Options (CDO) and a Self-Determination Pilot slated to begin in January 2007, Kentucky residents enrolled in our long term care plans will be afforded the option to control and direct Medicaid funds through an individual budget

Healthy Opportunity Accounts (HOAs)

- Enabling patients to take responsibility for health care decisions

Grants

- Money Follows the Person Rebalancing Demonstration
- Expanded Access to Home and Community Based Services for the Elderly and Disabled through pilot projects authorized by DRA

KyHealth Choices

Creating a partnership between Medicaid and private insurance

- If cost effective, Family Choices will be competitively bid to commercial insurance companies to allow greater access and choice
- ***KyHealth Choices*** will ensure that taxpayers are the payor of last resort by strengthening the Health Insurance Premium Program (HIPP) for members who have access to private insurance coverage
- In addition, Medicaid members who are employed will now have the option to “opt-in” to their private employer sponsored insurance (ESI) . The decision to opt-in is solely the member's choice. If a member opts-in to ESI, KyHealth Choices will pay the member's portion of their premium

KyHealth Choices

KyHealth Choices...

- Builds on the Deficit Reduction Act of 2005 and various waiver options and is easy to replicate in other states with both urban and rural populations
- Allows states to use their infrastructure and a third party administrator (TPA) to implement this approach
- Allows the state to retain crucial policy making authority over the program

KyHealth Choices

In conclusion, KyHealth Choices:

- Eliminates the one-size fits all approach to Medicaid
- Utilizes best practices from the commercial health insurance market
- Improves the quality of care delivered to our members
- Empowers members to be active participants in their own healthcare
- Enables the Commonwealth to sustain the Medicaid program through a savings of nearly one billion dollars over seven years