MEDICAID AND MMA
ADMINISTRATIVE CHALLENGES:
SPECIAL NEEDS PLANS

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Introduction and Overview

- Special Needs Plans (SNPs) represent a major opportunity to better integrate Medicare and Medicaid acute and long-term care for dual eligibles.

- Dual eligible characteristics

- Medicaid Rx drug use by dual eligibles and nursing facility residents

- Administrative and implementation challenges for SNPs, states, and CMS

- Medicare takeover of Medicaid Rx drug coverage for duals may further impede coordination of care unless Medicare and Medicaid MCOs and states can partner
  - SNPs need support from states and CMS
MMA Opportunities and Risks

- Medicare Part D takes over responsibility for Rx drugs for dual eligibles on January 1, 2006
  - Medicaid will no longer provide Rx coverage for duals (with very limited exceptions)

- Huge beneficiary outreach and education challenge for CMS, SSA, advocates, states, health plans, and others

- Duals will be auto-enrolled in stand-alone prescription drug plans (PDPs) in October-December 2005, unless they are enrolled in or choose an MA-PD plan or SNP
  - Duals will constitute a very large portion of initial enrollment in PDPs, especially those with low premiums
MMA Opportunities and Risks (Cont.)

- PDPs have no responsibility to coordinate or manage non-Rx care for duals, or provide Rx data to those who do
  - A major potential challenge for Medicaid MCOs, disease management (DM) programs, and nursing facilities that serve duals
  - Dual eligible enrollment in Medicaid managed care and DM programs is currently quite limited
MMA Opportunities and Risks (Cont.)

- Risks for MCOs and PDPs in serving dual eligibles
  - Dual eligible Rx drug costs are very high, especially for under-65 disabled duals
  - CMS risk adjustment may not adequately account for Rx drug cost variation (limited historical data)
    ♦ May be a bigger problem for PDPs than MA-PDs, since PDPs can’t offset Rx losses with savings from other services
  - CMS risk sharing and risk corridors will prevent major PDP and MA-PD losses (and gains) in 2006 and 2007
MA Special Needs Plans

- MA SNPs can specialize in serving nursing facility residents, dual eligibles, and others with severe or disabling chronic conditions (SSA, Sec. 1859(b)(6))
  - Can contract with Medicaid to cover Medicaid services for duals (42 CFR sec. 422.106)
  - Opportunity to coordinate/integrate all Medicare and Medicaid services

- Authority for MA plans to restrict enrollment to those with special needs expires on 1/1/2009 (SSA Sec. 1859(f))

- DHHS report to Congress assessing impact of SNPs on cost, quality of services, and savings to Medicare due by 12/31/2007 (MMA Sec. 231(e))
Risk Adjustment for SNPs

- Risk adjustment for SNPs will be the same as for other Part D plans
  - 75% risk adjustment in 2006, 100% in 2007

- Payments for Rx drugs and other services will be adjusted for health status - higher payments for those with costly health conditions

- CMS Rx risk adjustment formula will also pay additional amounts for:
  - Dual eligibles: 8% more
  - Long-term institutionalized aged: 8% more
  - Long-term institutionalized disabled: 21% more

- Possibility of a “frailty adjuster” in 2006 or 2007

Characteristics of Dual Eligibles

- Over 6 million “full” dual eligibles
  - 15-20% of both Medicare and Medicaid enrollees
- Over one-third are under age 65 and disabled
- Over 20 percent say their health is poor
- One-third have 3+ ADL limits
- Over half live alone (31%) or in a nursing facility (23%)
- 62% have incomes below poverty
- 62% never graduated from high school

SOURCE: MedPAC Report to the Congress, June 2004, p. 76
Dual Eligible Rx Drug Use

- Medicaid reimbursement for Rx drugs for dual eligibles in 1999 accounted for over half of total Medicaid Rx drug costs

- Average annual Medicaid Rx reimbursement in 1999
  - All duals: $1629
  - Under-65 disabled duals: $2,143
  - Non-disabled adults: $182
  - Children: $83

- 12% of under-65 duals had annual Medicaid Rx reimbursement of over $5,000 in 1999
  - Less than 4% of 65+ duals had costs this high

Sources: CMS-MPR data at:
http://www.cms.hhs.gov/researchers/projects/Medicaid_rx/
MPR Issue Brief, “Medicaid Drug Use Data Show High Costs and Wide Variation for Dual Eligibles,” August 2005
Dual Eligible Rx Drug Use in Nursing Facilities

- Annual Medicaid Rx reimbursement for all-year dual eligible nursing facility (NF) residents in 1999:
  - All: $2,172
  - 0-64: 3,360
  - 65-74: 2,796
  - 75-84: 2,292
  - 85+: 1,752

- Dual eligibles in NFs (all-year and part-year) accounted for 14 percent of total Medicaid Rx reimbursement in 1999.

Administrative and Implementation Challenges

- Serving NF and long-term (LT) care beneficiaries
  - Rx drugs in NFs are provided by specialized institutional pharmacies
    - Usually one per NF
    - How will NFs and pharmacies coordinate with multiple Part D plans?
  - Medicaid in the past has done relatively little to scrutinize Rx drug use in NFs
    - Medicaid pays separately for NF drugs; not in NF per diem rate as in Medicare
    - NF consulting pharmacists who review drug use are usually employed by institutional pharmacies
  - Major opportunities for institutional SNPs to improve Rx drug use and overall NF and LT care
    - But must partner with states, who fund most NF and LT care
Administrative and Implementation Challenges (Cont.)

- Conflicting Medicare and Medicaid managed care rules
  - Rate setting and financing
  - Marketing and enrollment
  - Complaints, grievances, and appeals
  - Monitoring and reporting

- SNPs that contract with states to provide Medicaid services must maintain dual administrative structures unless current regulatory and statutory requirements are modified
  - S. 1602 (Grassley, Bayh, and Clinton) would require CMS to work on removing barriers to integration (Title III)
  - See New York State Medicaid Advantage model contract for illustration of awkward work-arounds
State Interest in Integrated Care and SNPs

- Center for Health Care Strategies (CHCS) Integrated Care Program
  - Goal is to integrate financing, delivery, and administration of primary, acute, and long-term care, and social and behavioral health services for dual eligibles and other Medicaid beneficiaries

- CHCS will provide Innovation Awards to states of up to $100,000, technical assistance and training, support for contracting with SNPs, evaluation support, and dissemination of best practices

- Up to five states will be chosen, with winners announced in December
  - Check www.chcs.org for details
Conclusion

- MA SNPs provide a major opportunity for Medicare and Medicaid MCOs and states to partner, with support from CMS
  - Potential to substantially improve care for duals and other Medicare and Medicaid beneficiaries

- MMA and Part D experience may lead to further rethinking about how to better structure and coordinate care for dual eligibles and others
  - Including LT care and home- and community-based services

- Differing Medicare and Medicaid managed care administrative requirements are an unnecessary obstacle