

KyHealth Choices

*Presentation to
Medicaid Congress*

June 15, 2007

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

Kentucky
UNBRIDLED SPIRIT™



Agenda

- ✓ Background & Vision for Kentucky Medicaid
- ✓ Comprehensive Medicaid Modernization & Reform
 - Phase I: Infrastructure
 - Phase II: Flexibility – *KyHealth Choices*
- ✓ Transforming Health and Human Services In Kentucky
- ✓ Signs Kentucky's Efforts are Working
- ✓ Conclusion

*BACKGROUND
& VISION*



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 more than 700,00 enrollees representing about 20% of the state's total population



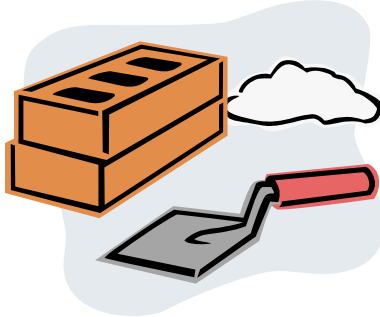
Kentucky Medicaid

- 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 had to change. We needed to modernize the program to better serve our citizens



Old Medicaid vs. New

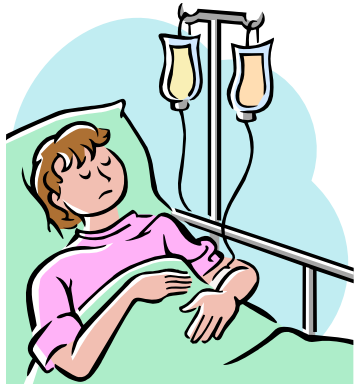
**Bricks & Mortar –
Institutional Approach**



VS.



**Home & Community-
Based Care**



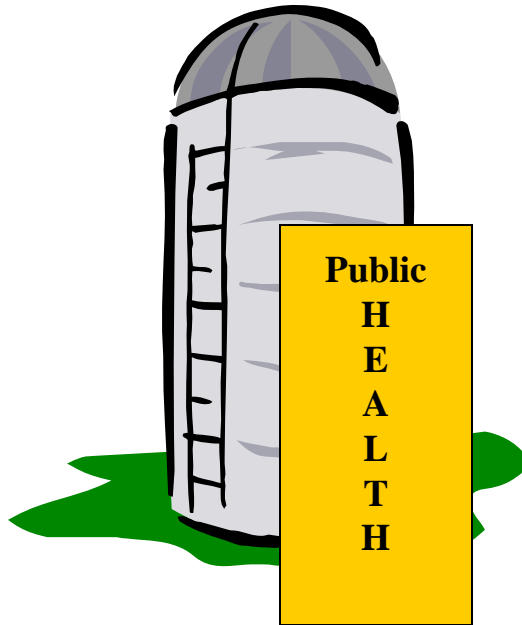
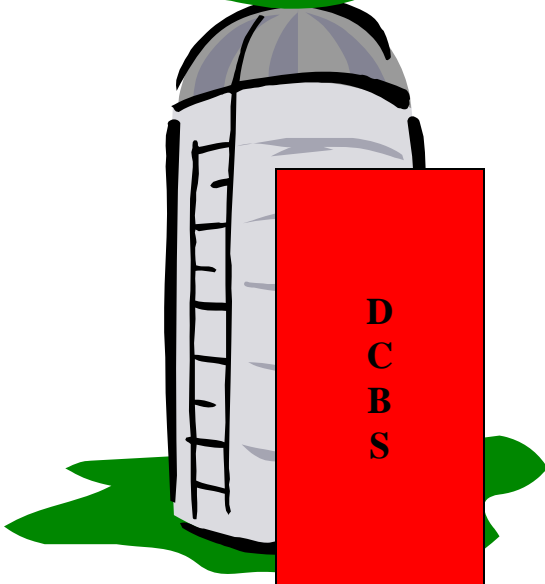
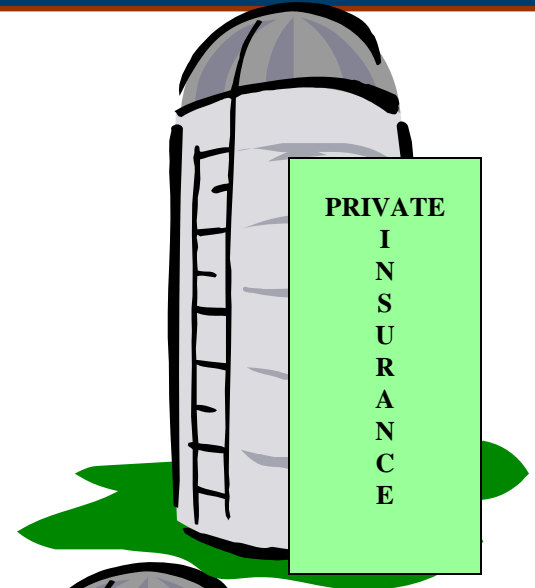
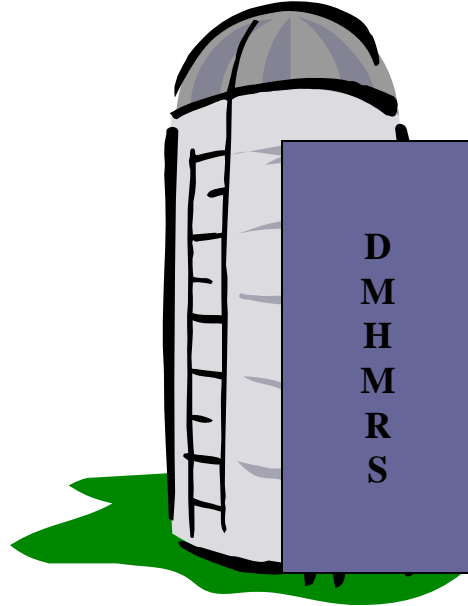
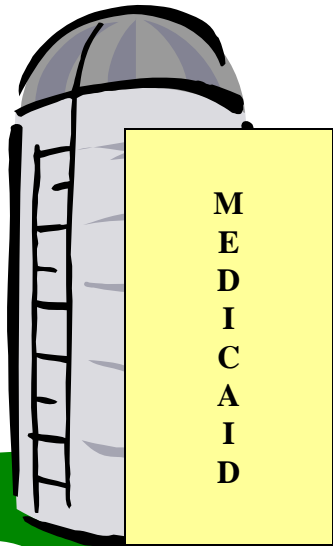
Sick Care

VS.



Wellness

Programmatic Silos



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

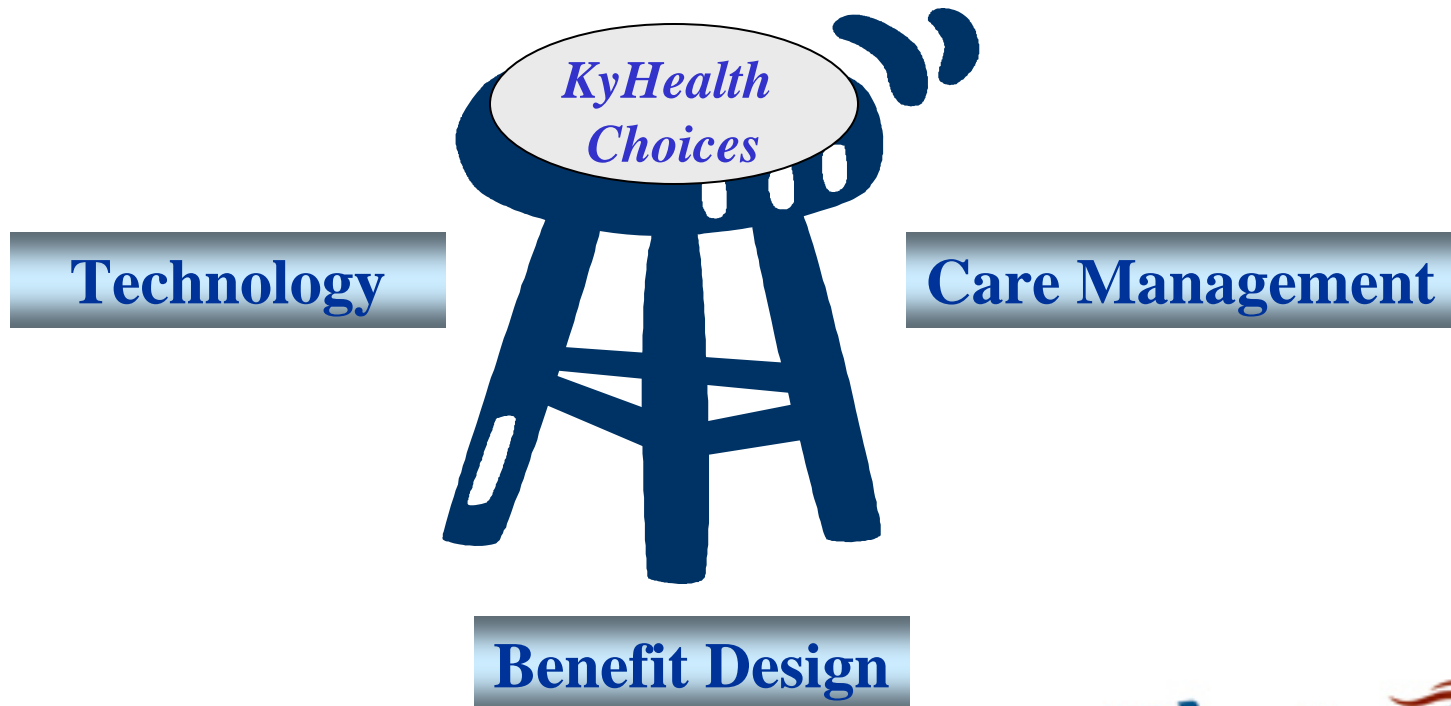
*COMPREHENSIVE
MEDICAID
MODERNIZATION
& REFORM*



21st Century Health Care System

Kentucky's Medicaid Reform

Three Legged Foot Stool



21st Century Health Care System

- **Phase I: Infrastructure**
 - Administrative Reorganization
 - Technology

- **Phase II: Flexibility**
 - Federal changes to Medicaid
 - Benefit Design
 - Care Management

Administrative Infrastructure

- On May 11, 2004 Governor Ernie Fletcher issued an Executive Order reorganizing Kentucky state government.
- Created Cabinet for Health and Family Services, largest agency in Kentucky state government
- Combined all health and human services within one agency, including Medicaid, with new opportunities for coordination
- \$6.5 billion annual budget and more than 8,000 employees

Administrative Infrastructure



**Had to remove the
silos to achieve
the right care
in the right setting
at the right time**

Technology Infrastructure

- New Medicaid Management Information System (MMIS) for improved claims and administrative infrastructure
- New Kentucky Medicaid Administrative Agent (KMAA) for better care management and pharmacy management



Phase II: Flexibility

Kentucky was the 1st state in the nation to receive approval for comprehensive Medicaid reform under the Deficit Reduction Act (DRA)

- Advocated for state flexibility in the Medicaid program at the federal level
- Presentation to Congressional leadership and various subcommittees in April 2005
- Originally submitted 1115 waiver in November 2005 - Only vehicle at the time for comprehensive reform
- Deficit Reduction Act (DRA) of 2005 passed by Congress and signed by President Bush on February 8, 2006.
- ***KyHealth Choices* received approval on May 3, 2006**

KyHealth Choices

Pre-DRA Medicaid

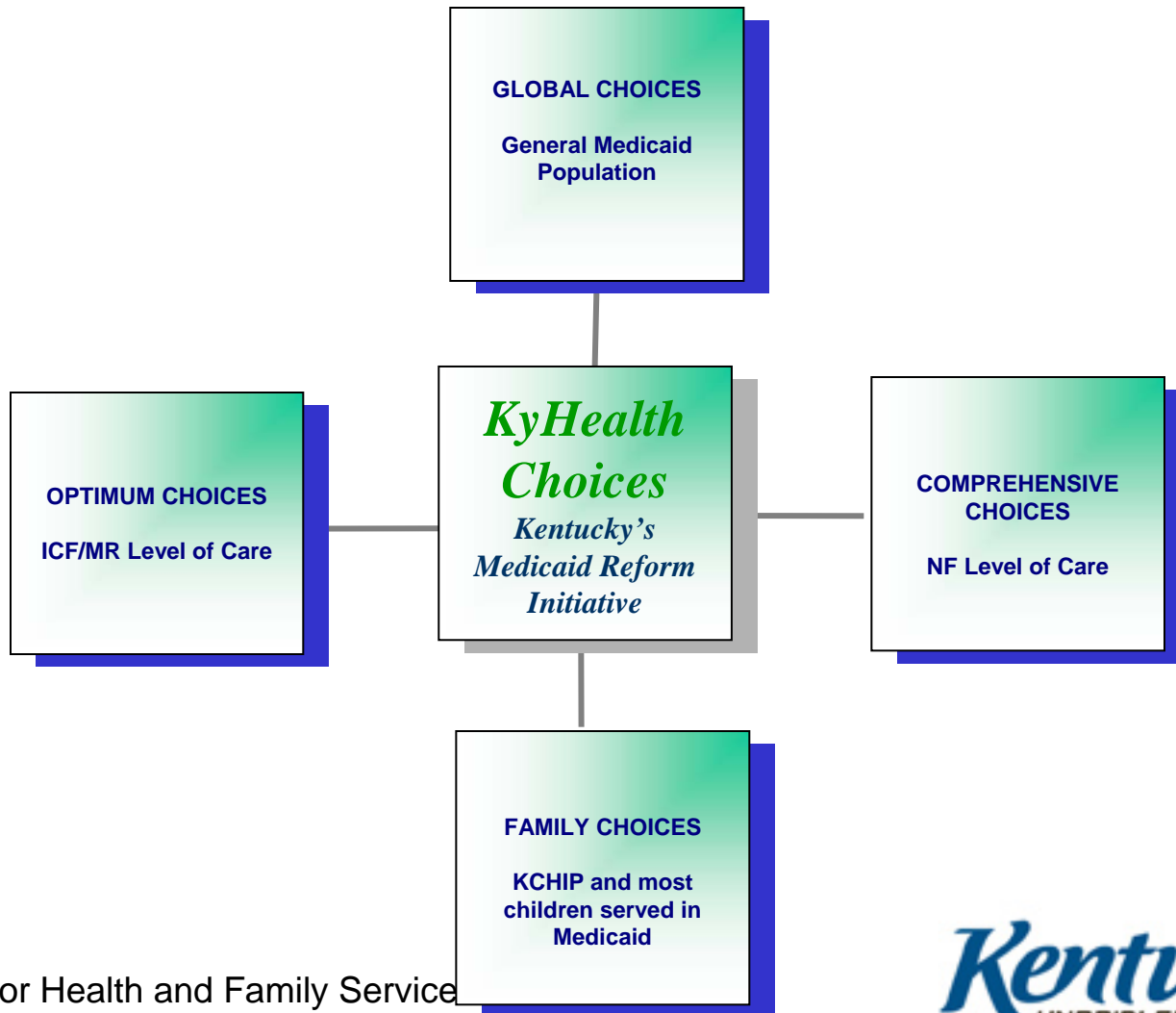
- X “One size fits all” with identical programs statewide regardless of need
- X Very limited (if any) consumer involvement
- X No limitations on benefits on services

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

Benefit Design

Four Targeted Benefit Plans



Benefit Design

Cost Sharing

- Most members enrolled in *KyHealth Choices* will be required to share in the cost of many of the covered services
- The maximum amount of cost-sharing shall not exceed five percent of a family's income per quarter.
- Maximum out of pocket expense:
 - \$225 per calendar year for prescription drug copayments or coinsurance; or
 - \$225 per calendar year for medical copayments or coinsurance.

Service Limits

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

**Medicaid has had NO access to care issues
as a result of these changes**

Care Management

- \$2 billion spent currently on just a few conditions:
 - Diabetes
 - COPD
 - Asthma
 - Heart disease, stroke/TIA and heart failure
 - Neo-natal babies
- Prevalence and Cost of Chronic Diseases
 - Chronic illness accounts for 74% of total medical spending, after including all behavioral health issues this increases to 82%.
 - Focus on disease and case management to address

Care Management

- Disease management pilots were initiated in counties with high risk throughout the state
- Programs under way:
 - Diabetes:
 - Pediatric Asthma & COPD / Adult Asthma
 - Pediatric & Adult Obesity
 - Cardiac & Coronary Artery Disease
 - Breast and Cervical Cancer
 - Prostate Cancer Screening
 - Minority Health
 - Pediatric Diabetes
 - Osteoporosis

KyHealth Choices

Consumer Involvement and Empowerment

- **Consumer Directed Option** - Enrollees can hire individuals (relatives or friends) to provide services rather than a Home Health Agency or other service provider
- **Self-Directed Option Pilot** - Even more control than CDO – choice of support brokers and fiscal intermediaries ; Allows individuals to use their budgets to pay for items that increase independence and decrease dependence on human assistance (such as employment services).
- **Money Follows the Person** - Kentucky awarded a five-year grant for \$49,835,800 from CMS to transition MR/DD, frail elderly and brain injury clients from a facility to the community

*TRANSFORMING HEALTH
& HUMAN SERVICES
IN KENTUCKY*



Flexibility = Better Coordination



Medicaid has been the
800 lb. gorilla in the room.

States have had difficulty
fundamentally changing
service delivery because
Medicaid was so inflexible

NOT ANYMORE

Ky's Health Reform Initiatives

- Kentucky's Medicaid reform is part of Governor Fletcher's comprehensive set of Health Reform Initiatives that also include:
 - Insurance Market Improvements
 - Long Term Living Initiative
 - E-Health
 - Governor's Office of Wellness and Physical Activity - Get Healthy Kentucky
 - Health Care Transparency
 - ICARE Small Business Coverage Assistance

Aging: Long Term Living Initiative

VISION

- Use new flexibility in Medicaid to redesign LTC services and programs in both the public and private sector to enable easy consumer access, a full continuum of services to match consumer needs, and delivery of quality services in a timely manner.

PROCESS

- Created Department for Aging and Independent Living
- LTL Policy Team to ensure no more silos
- LTL Advisory body comprised of providers, consumers, family members and advocacy organizations
- LTL Implementation Team comprised of staff from all departments and offices

Aging: Long Term Living Initiative

- Medicaid's CDO & SDO programs operated in collaboration with Area Agencies on Aging (AAAs)
- Collaboration resulted in streamlining process - formerly required 22 forms, now down to 4
- Aging and Disability Resource Centers through out the state - Single Point of Entry + One Stop Shop for all aging services and needs
- Future plans include combined screening and eligibility tool and "No Wrong Door" approach to services

Public Health: Wellness Initiatives

- **“Healthy at Heart” Initiative** - Medicaid giving free health screenings including testing glucose, cholesterol, and lipids.
- **Smoking Cessation Program** - DPH Tobacco Prevention and Cessation Program provides coverage of nicotine replacement products at no cost to Medicaid members who enroll in Quit Line counseling.
- **Disease Management** - Medicaid committed to working with local health departments
- Coverage for HPV Vaccine, Breast and Cervical Cancer Screenings for Medicaid members

Medicaid & e-Health

- Received \$4.9 million from CMS over 2 years to support initial development of the **Kentucky Health Information Partnership (K-HIP)**
- K-HIP is a Medicaid-led alliance of payors working together to develop statewide health information exchange:
 - **A statewide web-based portal** with
 - **Electronic access to a patient health summary** based initially on claims data (drug history, ER visits, etc.)
 - **Single-sign on access for electronic administrative transactions** (eligibility check, claims, prior authorization)

Medicaid & Substance Abuse

- Substance abuse is a factor in nearly 80% of child abuse investigations (about 25,000 per year)
- 3500 children in foster care due to substance abuse issues with parent
- Kentucky traditionally has only covered 60 days of pre and post partum substance abuse treatment for pregnant women under Medicaid
- Pilot program starting this summer will provide coverage for substance abuse services for caregivers of children under 18 eligible for Medicaid

Medicaid & Private Insurance

- Employer coverage coordination – allows Medicaid to pay the premium if a working family is offered health insurance through their employer
- Data Sharing – Kentucky law allows Medicaid access to private insurance rolls to ensure Medicaid is payor of last resort

*SIGNS OUR EFFORTS
ARE WORKING*

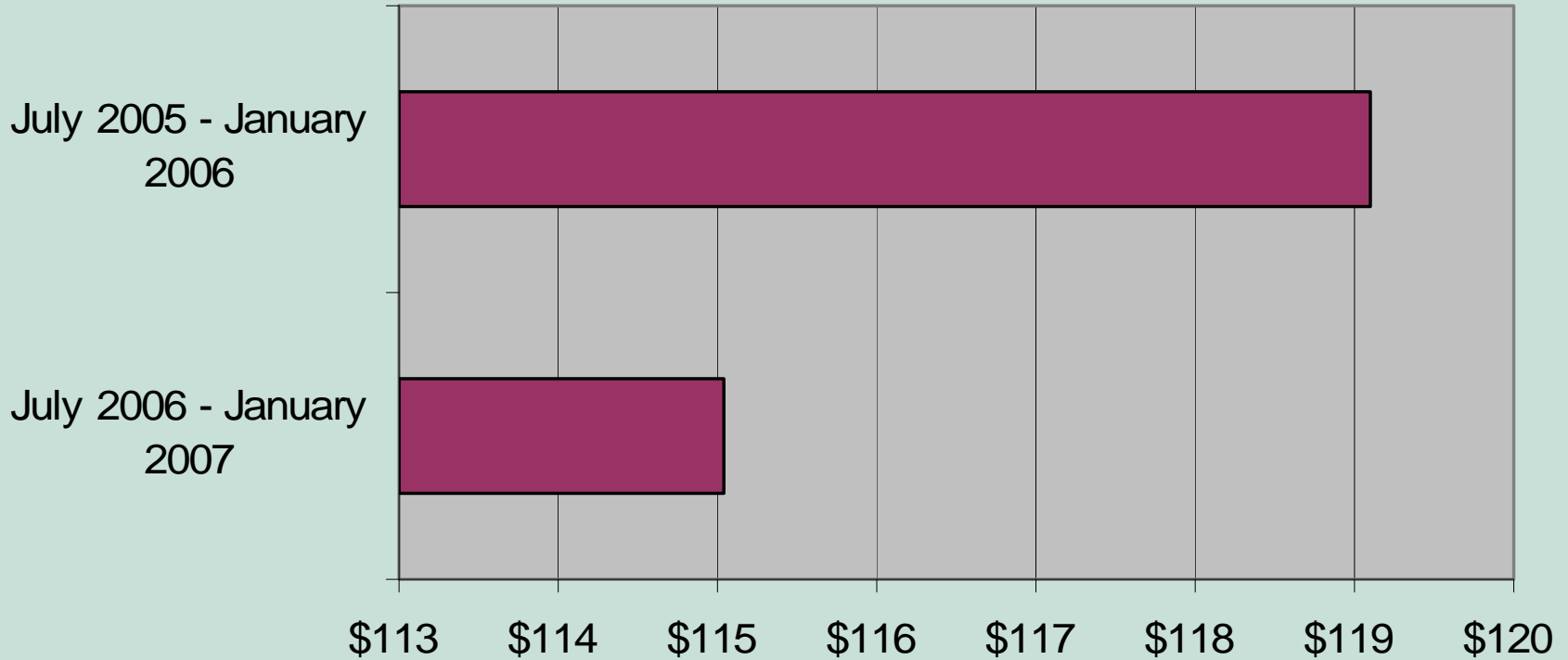
Kentucky 
UNBRIDLED SPIRIT™

Signs Ky's Efforts are Working

- National Trend: In 2005, number of uninsured increased in the US and employer-sponsored insured decreased.
- According to the Kaiser Family Foundation figures for 2005:
 - Kentucky was #1 in the nation in the growth of employer sponsored insurance.
 - Kentucky's uninsured rate went down by nearly 2% - the fourth biggest drop in the nation.

Signs Ky's Efforts are Working

Cost Per Member Per Week



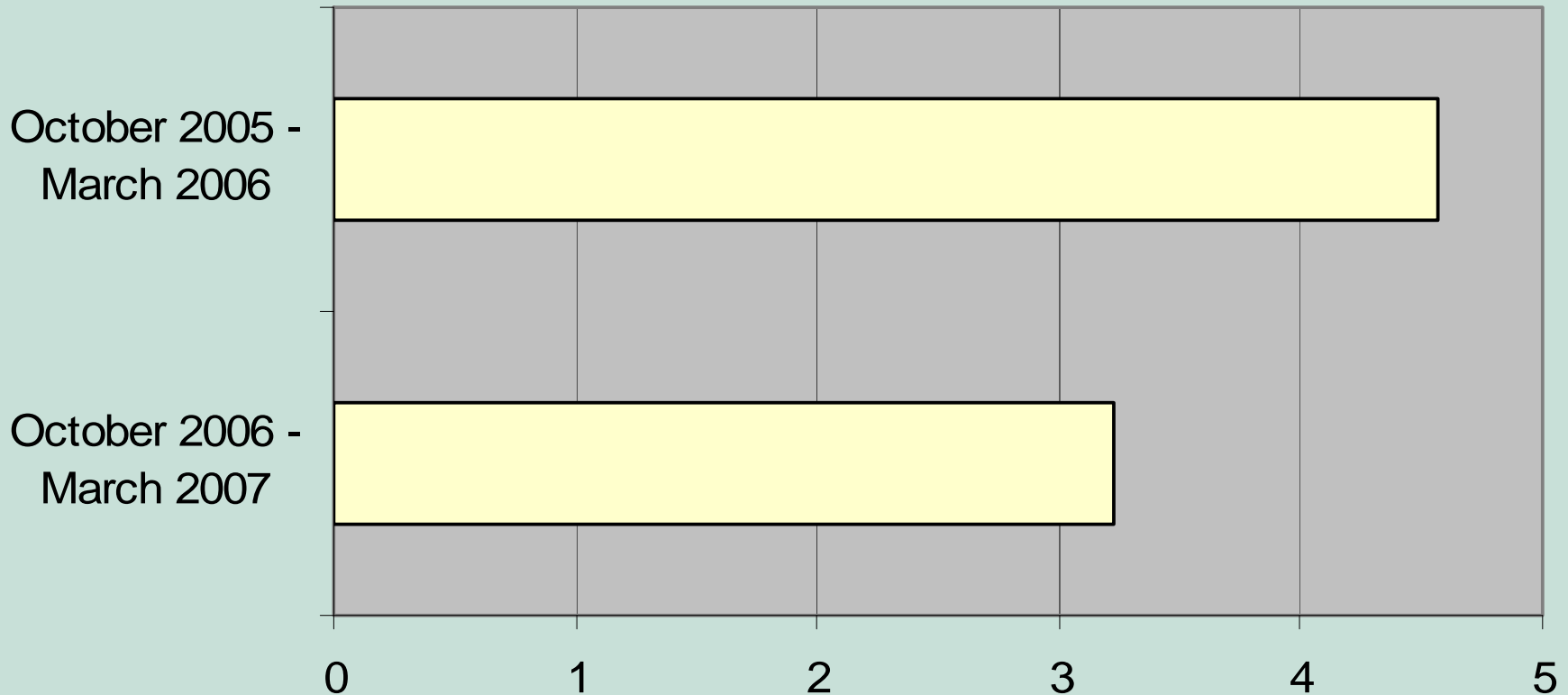
Enrollees	Cost Per Member Per Week	Weekly Cycle Cost
July 2005 - Jan 2006	696779	\$82,982,370
July 2006 - Jan 2007	709384	\$81,604,061

Slide 33 Cabinet for Health and Family Services



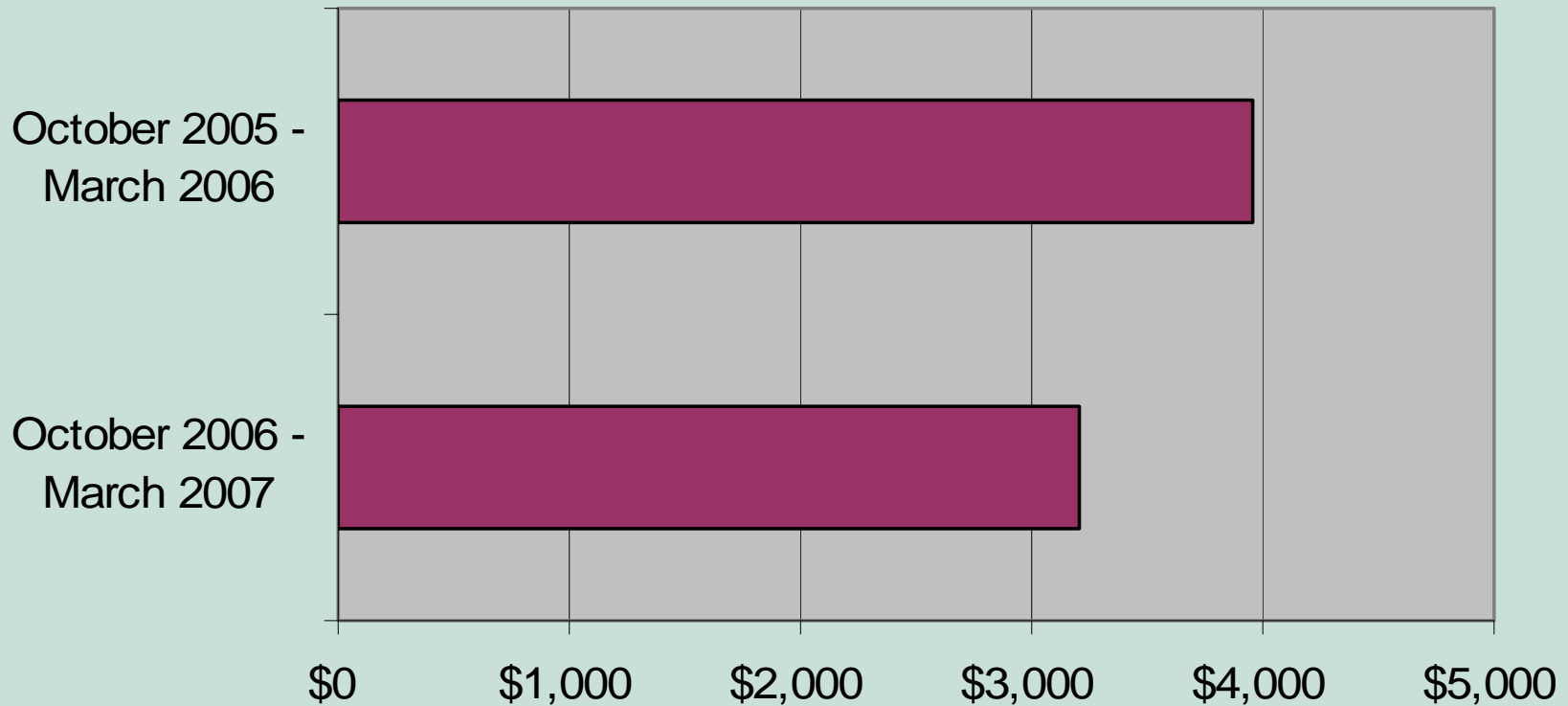
Signs Ky's Efforts are Working

Average Inpatient Length of Stay



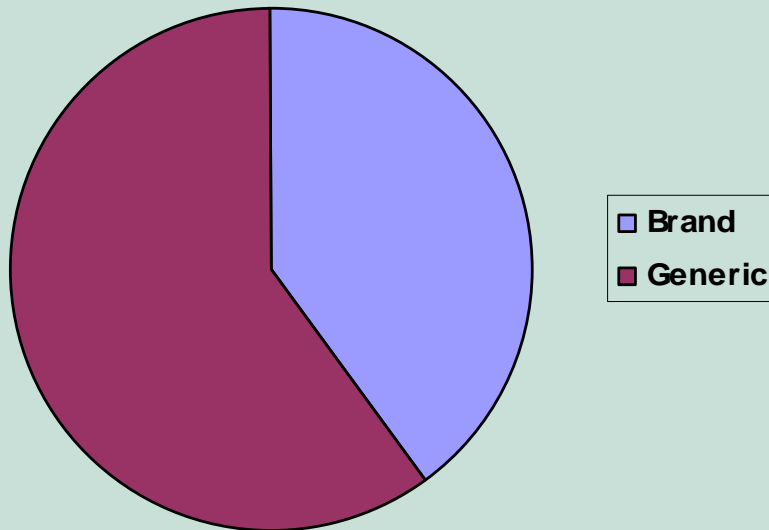
Signs Ky's Efforts are Working

Inpatient Cost Per Claim

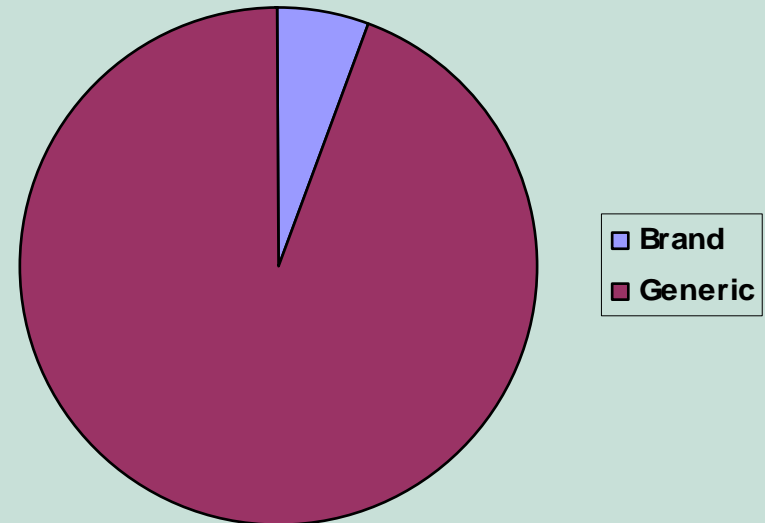


Signs Ky's Efforts are Working

Monthly Pharmacy Claims
October 2005 - March 2006



Monthly Pharmacy Claims
October 2006 - March 2007



KyHealth Choices

In conclusion, Kentucky's Medicaid reform:

- Eliminates the one-size fits all approach to Medicaid
- Is transforming Medicaid into a 21st Century health plan
- Empowers members to be active participants in their own healthcare
- Improves wellness and quality of care delivered to our members
- Enables the Commonwealth to break down the silos that hinder true coordination of care and services