



# **Maryland Medicaid Program**

## **MMIS: Enabling Technology and Challenges**

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# Overview

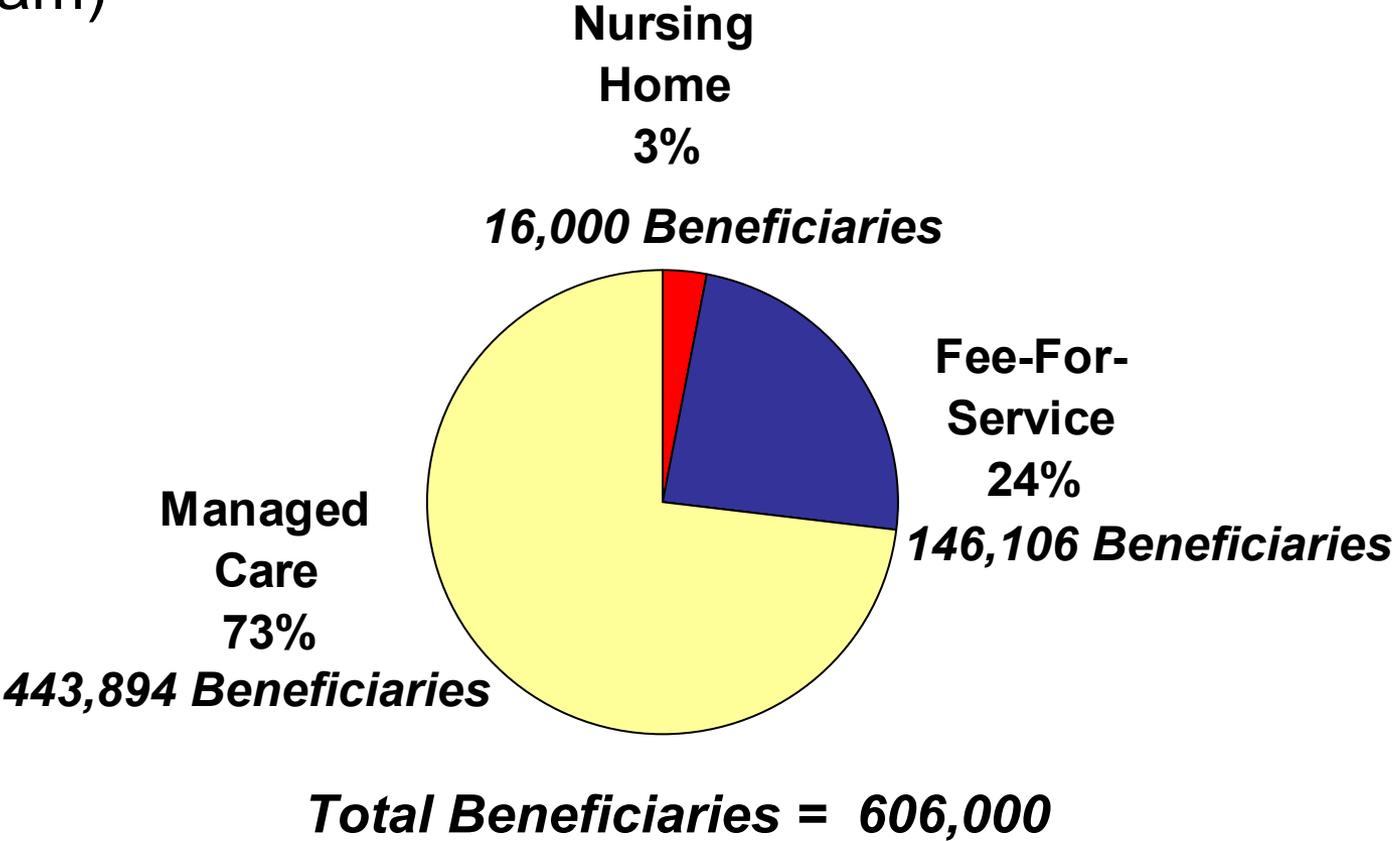
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- ◆ Current Operating Environment: Past Program Growth and New Budgetary Pressures
- ◆ MMIS Is Critical In Enabling Maryland to Administer Its Programs
- ◆ MMIS Challenges

**Current Operating  
Environment:  
Past Program Growth and  
New Budgetary Pressures**

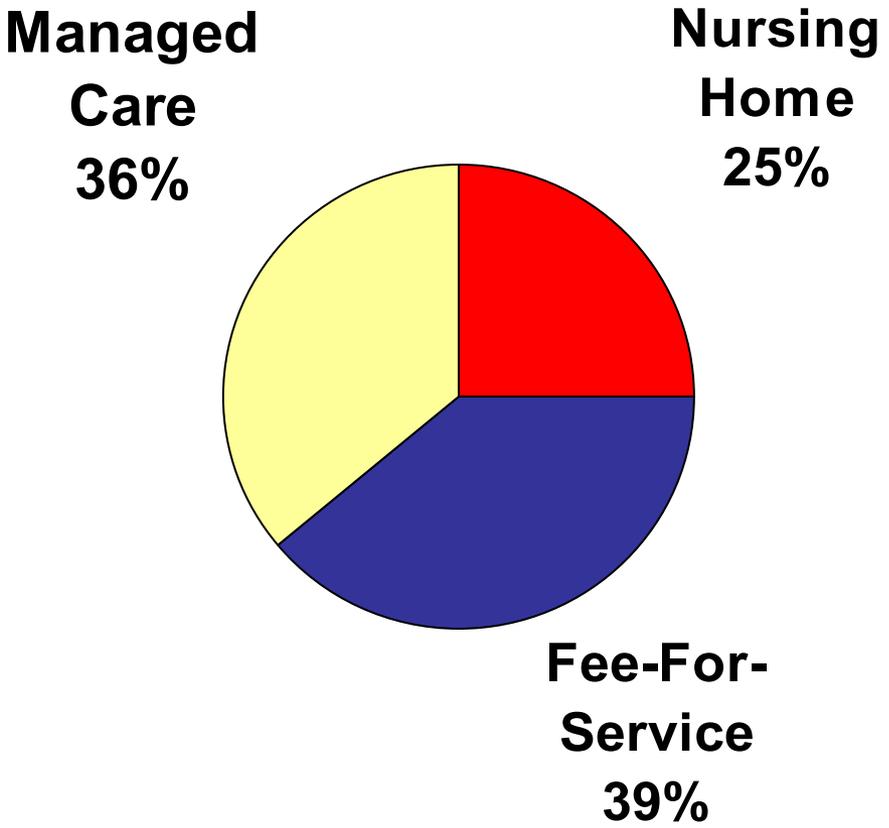
# Maryland Serves Over 600,000 Individuals...

- ◆ Maryland Medical Assistance Programs provide services to 606,000 citizens (637,000 including pharmacy assistance program)

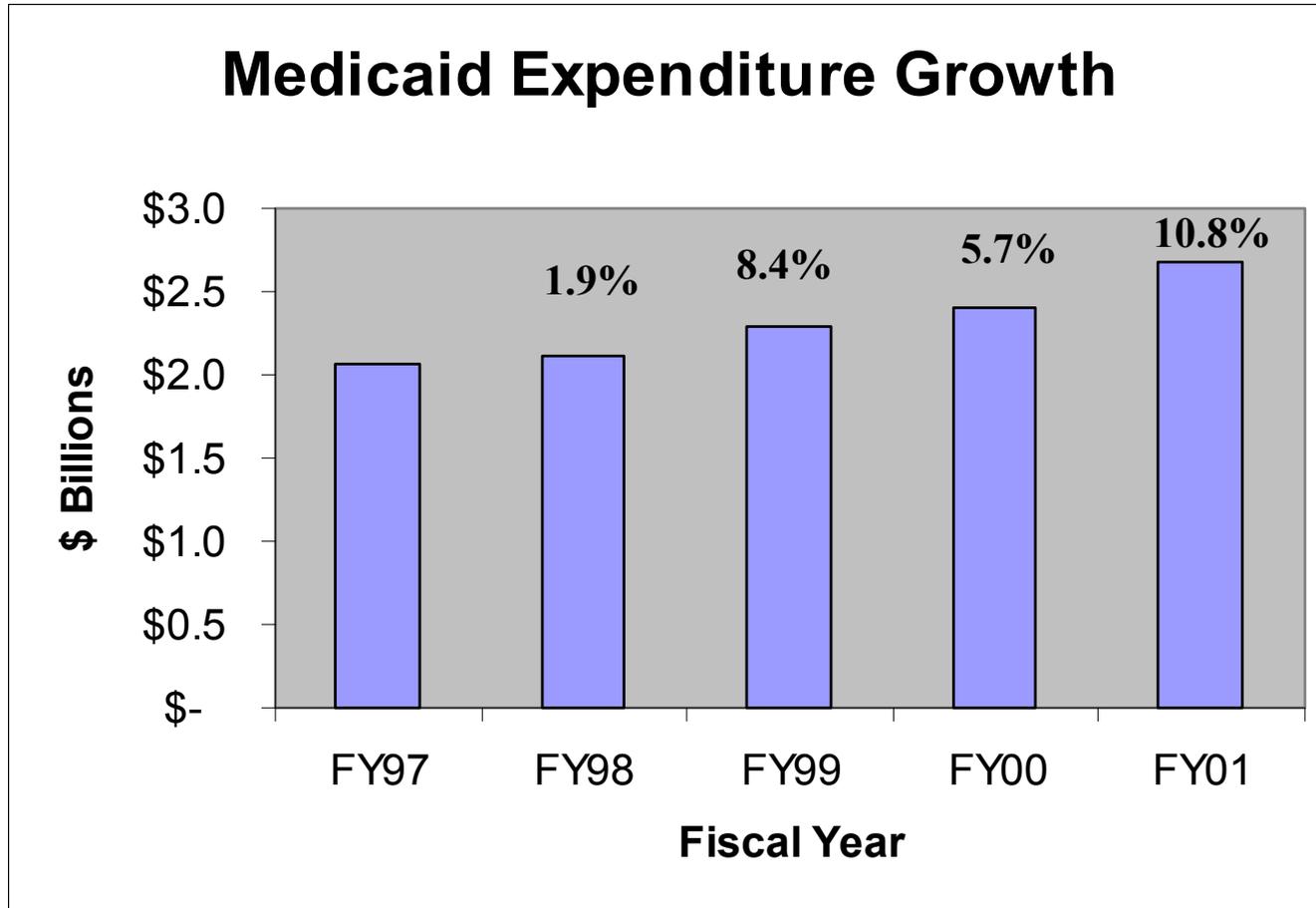


# ...With A Budget of \$2.8 Billion (Total Funds)

- ◆ Medicaid Budget for FY 02 totals \$2.8 billion (Total Funds)



# Maryland's Expenditures Are Increasing At Double-Digit Rates



# Program Has Experienced Tremendous Growth...

- ◆ Over the last several years, enrollment has increased due to major program expansions, particularly for children
  - HealthChoice enrollment has increased significantly from approximately 315,000 to greater than 440,000 over four years
  - Serving 110,000 more children, particularly adolescents, than in 1997
  - Serving more kids in suburban and rural areas
  - New home and community-based waivers as alternatives to nursing home care

# ...From Major Program Expansions

## ◆ Expansions include: \_\_\_\_\_

### HealthChoice and Maryland Children's Health Insurance Program (MCHP)

- HealthChoice (CY 1997)
- MCHP initially covered children and pregnant women through 200% of the FPL (July 1998)
- MCHP covers pregnant women through 250% of the FPL (July 2001)

### MCHP Premium

- Expansion of children through 300% of the FPL (July 2001)

### Long-Term Care Home and Community-Based Waivers

- Medicaid waiver for Older Adults (January 2001)
- Waiver for Adults with Physical Disabilities (April 2001)
- Waiver for Children with Autism Spectrum Disorder (July 2001)

### Other

- Breast and Cervical Cancer Treatment Program (April 2002)

### Expansions not yet implemented

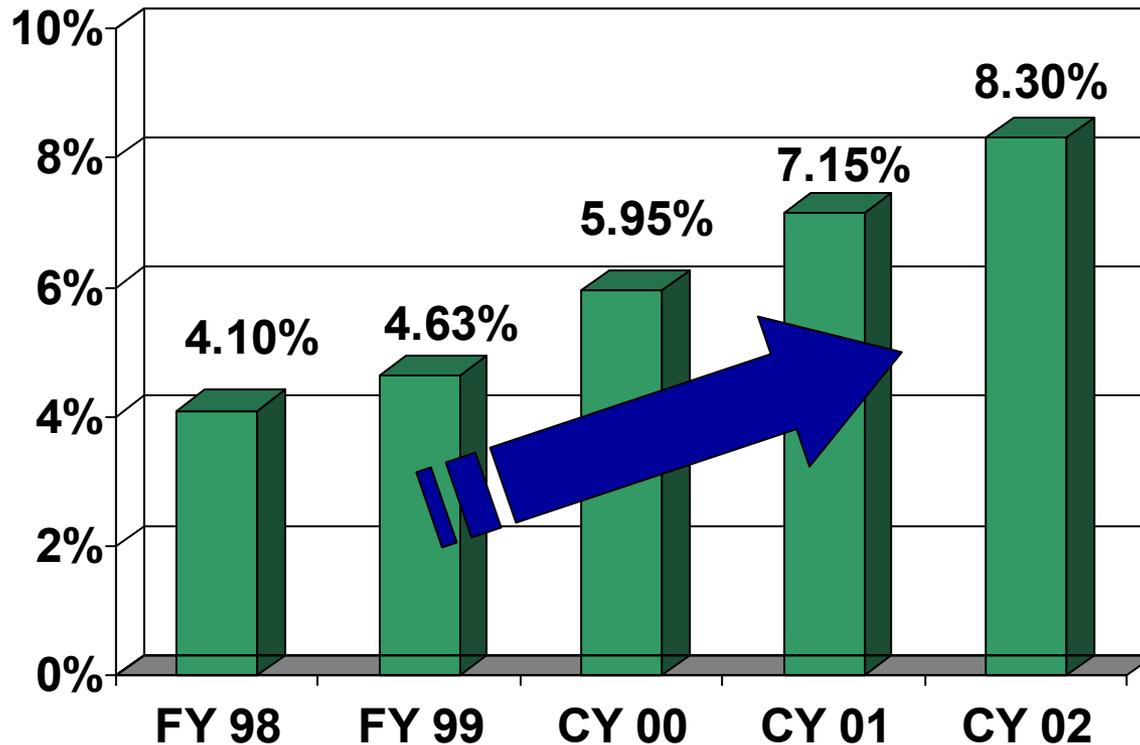
- Waiver for Adults with Traumatic Brain Injury (if approved by Federal Government)
- Waiver for the Pharmacy Discount Program (if approved by Federal Government)

# MMIS Staff Played A Critical Role In Each of These Expansions

- ◆ These expansions could not have been possible without MMIS staff
- ◆ MMIS staff worked closely with eligibility and policy staffs to design the expansions: who would be covered? what services would be provided? what program would administer the services -- HealthChoice, FFS, in partnership with other State agencies, or through a vendor?
- ◆ During the implementation phase, MMIS staff worked closely with subcontractors and other State agencies to ensure all system changes were made and interfaces worked properly
- ◆ As a result, MMIS staff ensured that beneficiaries received services and providers were paid

# Health Care Costs Are Rising Both Within HealthChoice...

## Maryland Medicaid Managed Care Rise in Health Care Costs, FY 1998 - CY 2002



→ Based on actuarial analysis, health care costs for the Medicaid managed care population are escalating

→ The increasing trends largely are driven by inpatient and pharmacy costs

Note: CY 00 includes 18 months worth of data due to changes in measurement period.

Source: Mercer, 2001

# ...And Fee-For-Service

## Key Fee-for-Service Cost Drivers

### Pharmacy

- ◆ Maryland's Medicaid fee-for-service payments for pharmacy were \$248 million (Total Funds) in FY 01 compared to \$200 million (Total Funds) in FY 00, which is a 24% growth rate. These amounts include payments for the Maryland Pharmacy Assistance Program (MPAP).

### Nursing Home

- ◆ The average Medicaid rate increased 12.1% in FY02, after a 9.4% increase in FY01

# Maryland and Other States Are Facing Deficits

- ◆ Maryland Medicaid is projecting a \$150 million general fund deficit for FY 2002.
  - ◆ The Governor added \$440 million for FY 2002 and FY 2003 to Medicaid's budget. This amount fully funds the FY 2001 and FY 2002 deficits and provides an increase of \$300 million in FY 2003, a 19% increase over FY 2002 appropriation.
- ◆ Other States are facing similar budget deficits
  - ◆ NASBO survey: about 2/3 of all states projected that Medicaid expenditures would exceed FY 01 Budgets
    - ◆ Kentucky projects deficit of \$280M FY02
    - ◆ Indiana projects deficit of \$140M FY02
    - ◆ Virginia projects deficit of \$115M FY02
  - ◆ NCSL Report on State Fiscal Outlook for 2002
    - ◆ 19 states report expenditures exceed budget limits
    - ◆ Medicaid the biggest culprit

# Medicaid Currently Is Taking A Number of Actions to Control Costs

- ◆ The Medicaid Program currently is taking a number of actions to control costs by focusing on the key cost drivers of the program. Provider savings are estimated at \$34.9 million (general funds)
  - ◆ Nursing Homes (\$5.3 million general funds)
    - Initiatives include:
      - Increasing the occupancy standard
      - Modifying the method used to index nursing rates
      - Increasing the rate of earlier recoveries of unspent funds
  - ◆ Pharmacy (\$10.1 million general funds)
    - Initiatives focus on:
      - Changing physicians' drug prescribing patterns
      - Reducing drug costs
  - ◆ Other (\$19.5 million general funds)

**MMIS Is Critical In Enabling DHMH  
To Administer Its Programs**

# Maryland Is Keenly Dependent on MMIS To Serve Its Enrollees



**FFS Providers,  
Maryland Health Partners, and  
State Agencies**



**First Health  
Pharmacy  
Services**



**DHMH  
MMIS**



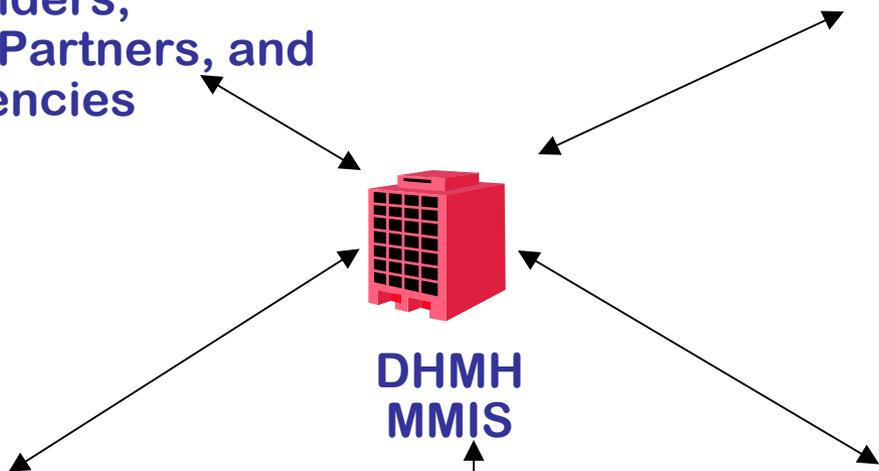
**Concerra  
Enrollment  
Broker**



**Department  
of Human  
Resources  
CARES**



**6 MCOS**



# Once DHR Determines Eligibility, Individuals Are Enrolled Through DHR's CARES System

- ◆ The Department of Human Resources (DHR) works with various agencies to determine individuals' eligibility
- ◆ Once eligibility is verified, individuals are entered into DHR's CARES system
- ◆ MMIS is updated through a direct (batch) interface with CARES
- ◆ MMIS processes claims for all eligible enrollees

# Claims Processing Is A Core Function of MMIS For The Fee-For-Service Program

- ◆ Maryland's fee-for-service program includes:
  - ◆ 20,437 physicians
  - ◆ 12,008 personal care providers
  - ◆ 1,279 hospitals
  - ◆ 246 nursing homes
  - ◆ 39 Federally Qualified Health Care Facilities (FQHCs)
  - ◆ As well as number of other providers
- ◆ For our waiver programs, a number of State Agencies (e.g., Department of Aging, Maryland State Department of Education) provide services directly or bill on behalf of other providers; DHMH receives their bills electronically
- ◆ 93.5% of claims are received electronically, and 6.5% of claims are received through paper claims, which requires manual entry. Over 32 million claims are processed annually

# HealthChoice Enrollees Select A MCO Through An Enrollment Broker, Concera

- ◆ A key difference between commercial insurers and Medicaid programs is the federal requirement of Medicaid programs to provide enrollees with a choice of at least two MCOs
- ◆ Typically, this means having two or more open MCOs for enrollees to choose from. The Federal Government, however, has granted a few exemptions, such as only requiring one MCO in rural areas
- ◆ To ensure enrollees have enough information about their options without allowing the MCOs to directly market enrollees, Medicaid has contracted with a third-party enrollment broker, Concera. This relationship results in an interface with Concera's information systems

# While MCOs Are Responsible For Paying Their Own Claims, They Are Required to Submit Encounter Data

- ◆ MCOs are required to submit encounter data electronically through a direct interface with MMIS. Encounter data detail services received by enrollees, but they do not include cost data
- ◆ State regulations require MCOs to submit 100% of their encounter data
- ◆ Incomplete encounter data negatively impact MCOs during the rate-setting process and the State's purchasing strategy
  - ◆ Risk-adjustments are calculated based on encounter data
  - ◆ Maryland's value-based purchasing strategy encourages MCOs to achieve certain performance targets through incentives and disincentives; a number of performance targets are measured using encounter data

# Based On Enrollment and Risk-Adjusted Capitation Rates, Medicaid Pays MCOs On A Monthly Basis

- ◆ The MMIS system is programmed to pay MCOs monthly capitation rates, which averages \$95 million per month
- ◆ MMIS currently is programmed to pay MCOs different capitation rates based on:
  - Enrollee categories
    - Family and Children, Disabled, SOBRA, HIV, and AIDs
  - Regional variations
    - Baltimore City and Rest of State
    - Age and Sex (for non-risk-adjusted enrollees)
  - Risk-adjusted segmentation of enrollees based on health status
    - Currently, there are 18 risk-adjusted categories

# Another Interface Is Required For Our Pharmacy Benefits Contract With First Health

- ◆ First Health processes pharmacy claims for Maryland's fee-for-service enrollees and Maryland Pharmacy Assistance Program enrollees (the Department still pays the pharmacists)
  - Approximately 4.6 million fee-for-service claims are processed annually
  - Approximately 1.1 million MPAP claims are processed annually
- ◆ First Health also:
  - performs utilization review
  - handles prior-authorization requests
  - oversees our rebate billing process
  - produces encounter data for MCO enrollees
- ◆ A MMIS interface is required to send enrollee and provider files and to pay claims



# MMIS Challenges

# MMIS Departments Are Facing A Number of Challenges

-  Pressure to realize operational and administrative efficiencies
-  Having the capabilities to nimbly respond to program changes and expansion opportunities
-  Balancing the resource requirements and operational constraints caused by HIPAA with the Department's other priorities
-  Improving its payment and reporting capabilities to assist in program evaluation and monitoring
-  Keeping pace with the rapid changes in technology

# Pressure to Realize Operational and Administrative Efficiencies

-  Budgetary pressures have caused Maryland to identify ways to not only reduce or control medical expenses but also identify ways to make its operations more efficient
  - Medicaid has an administrative budget of \$24.8 million for FY 02 (General Funds); 40% is devoted to operations and eligibility (due to the higher matching rate, 48% of Total Funds is devoted to operations and eligibility)
-  The Department has identified opportunities to reduce administrative expenses (FY 02-- \$1.07 million General Funds and FY 03 -- \$1.3 million General Funds) in addition to provider cost-reductions (FY 03 -- \$34.9 million General Funds)
  - Administrative reductions for operations and eligibility focused mostly on programming, personal computer equipment and software, training, office supplies, and space

# Need to Have the Capabilities to Nimbly Respond to Program Changes

-  Maryland has a large stakeholder base; all expressing varying preferences and concerns about the program
-  Program change requests are made throughout the year, forcing MMIS to balance various constituents' concerns and to continually re-prioritize its project workplan
-  Despite long-range planning processes to provide a more systematic approach to deciding program changes, stakeholders will continue to demand quicker implementation timeframes

# To Identify Areas for Improvement, Maryland Conducted A Comprehensive Evaluation of HealthChoice

## HealthChoice Evaluation

- ◆ Maryland recently completed a comprehensive evaluation of its HealthChoice program (<http://www.dhmh.state.md.us/html/hotissues.htm>)
- ◆ Evaluation objectives
  - How well did HealthChoice meet its five stated goals?
    - Build a patient-focused system with a medical home
    - Build on strengths of current system
    - Provide comprehensive, prevention-oriented systems of care
    - Hold MCOs accountable for high-quality care
    - Achieve better value and predictability for state dollars
  - Identify areas for improvement
- ◆ Used both qualitative and quantitative data to measure HealthChoice's performance

# A Number of Recommendations Require MMIS Changes...

## Recommendations: New MMIS Programming Requirements

- ◆ Maintain current MCO-based capitated program, but develop back-up managed care system
- ◆ Improve provider networks
  - New physician reimbursement rates will require updating reimbursement files
  - Implement a new HIPAA-compliant eligibility verification system (EVS) to automatically route providers to MCOs' phone lines for PCP information
- ◆ Improve the program for consumers
  - Improvements to better serve foster care children (if the State-funded foster care children are enrolled under HealthChoice, system changes will be required)
- ◆ Improve the delivery of special services: dental, substance abuse, SOBRA pregnant women (changes in capitation rates and program coverage would require system changes)
- ◆ Establish strategies to stabilize the managed care system
  - Request an amendment to the federal waiver so that HealthChoice may continue to operate in areas where there is only one MCO as long as there is an adequate provider network

# ...Which Is A Challenge When Significant Resources Are Being Dedicated To HIPAA

-  Maryland's initial HIPAA Budget totals \$8 - 9 million (Total Funds) over 2 years
-  All areas within Medicaid are affected by HIPAA
  - Over 100 employees are spending 30% or greater of their time on HIPAA

# The Department Has Proactively Communicated The Impact of HIPAA On New Program Changes

-  Well before the January 2001 Legislation Session, the Department began communicating with all key stakeholders on the meaning of HIPAA and what the impact was for the Department and for new program changes
-  Specifically, the Department wanted to proactively manage requests for program changes by letting all employees and key stakeholders know that it could not consider any new program changes until HIPAA was fully implemented
-  Since then, this has been a consistent message from the Department, which is continually emphasized with new and existing workgroups as well to the Legislators

# Improving Payment and Reporting Capabilities



The Department has to closely monitor and manage costs due to rising medical expenses. The Department, therefore, needs to:

- Understand the unique health care differences across regions, including provider demographics, facility types and location, and how health care is accessed
- Monitor and evaluate trends in medical expenses
- Identify possible areas for cost containment
- Assess the impact of cost-containment measures on the budget

# Relying On MMIS For Data Reporting and Program Evaluation

 MMIS is the key data management tool used for program oversight and evaluation

 Therefore, MMIS needs to support finance and the various other program directors with data to make informed decisions. For example, MMIS needs:

- To have the capabilities to report data that can be segmented across more defined population groups

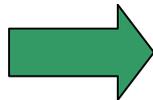
 MMIS also needs the flexibility to handle system changes required by modifications to the program

# Keeping Pace With Changes In Technology Will Become Even More of A Challenge In the Future

 In an attempt to save costs and meet the new demands on information and on provider and consumer expectations, health care payers are moving towards developing internet-based solutions to handle even core processes, such as claims processing

## *Maryland Today*

Mainframe  
Systems



Client-Server  
Systems



Internet-Based  
Systems

## *The Future Of Health Payers*

*More Flexibility, More Accessibility, and Lower Maintenance Costs*

# Significant Investments In Technology Can Decrease Operating Costs

-  As more and more providers adapt to the new technology, operating costs are expected to decline
-  For example, UnitedHealth Group has spent \$1.4 billion since 1998 on technology to provide better service, improve efficiency, and cut costs
-  With computers, software, and the Internet streamlining its operations, UnitedHealth has expanded operating margins for its managed-care services, from 3.3% in 1999 to 4.6% last year

# Disparities Between Commercial and Medicaid Plans May Increase If The Same Investments Are Not Made

-  If Maryland does not make the same type of investments in technology as commercial payers, disparities between the insurance programs may increase further
-  Maryland and other Medicaid programs may need to rely more heavily on MCOs or vendors for delivery of services