

## **Oklahoma Health Care Authority SFY2010 Budget Fast Facts Summary**

### **What is the current budget situation?**

Like every other state agency we are preparing for budget reductions of five percent or more for the remainder of this fiscal year. To date, we have been able to accommodate reductions. However, because the agency can no longer absorb such reductions, we expect to take recommended reductions to the board at its December 10th meeting in Tulsa. We also expect the board will discuss potential budget cuts at its November 12th meeting in preparation for the December meeting. It is also important to note that any reduction in state dollars in Medicaid results in a reduction in federal dollars to operate the program; currently, \$1 cut in state funds means a loss of \$3 in federal funds for a total program reduction of \$4 dollars.

A five percent reduction in general revenue for 11 months of state fiscal year 2010 equals \$26.6 million (\$110 million total). As noted below, the agency has reduced the current year budget \$9.8 million (\$40.5 million total). Therefore, the agency needs to be able to accommodate an additional \$16.8 million (\$69.6 million) cut in state funds for a five percent reduction.

If the reduction increases to 7.5 or 10 percent for the remainder of the fiscal year then the net cut is increased to \$26.5 million (\$109.7 million total) or \$36.2 million (\$150 million total), respectively.

### **What has the agency done so far?**

The Oklahoma Health Care Authority reduced the budget \$9.8 million state dollars (\$40.5 million total) to accommodate the five percent cut for the months of August through November. The agency was able to implement this cut without any reduction in services primarily thanks to \$7.3 million in savings available through unbudgeted carryover from the previous year and lower than estimated growth in the first quarter. Another \$1.8 million was made available due to a settlement of a national class action lawsuit of pharmacy pricing in September. This resulted in a reduction in payments to pharmacists. More than \$700,000 will be available beginning January 1 because of a pricing change in codes for certain injectable drugs.

The agency will also reduce its administrative budget at least five percent for the 11-month timeframe and it will produce a savings of \$2.9 million in state dollars (\$5.8 million total).

### **What are the agency's next steps?**

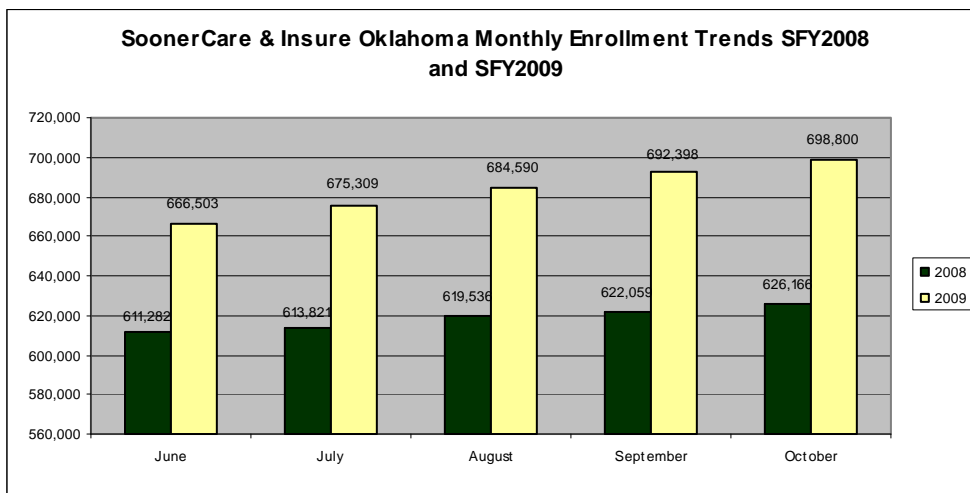
We have found there is really no great way to go about this exercise. However, we are striving to make our process as transparent and interactive as possible.

The agency is working both internally and externally to develop budget savings ideas that minimize the impact on patient care and access to care. Externally, we plan to meet several times with our contracted provider groups and consumer advocates in an effort to share ideas and get feedback on potential surgical cuts. We met recently with a group of provider associations representing our five largest provider groups including the hospital association, both long-term care provider associations, both of the physician associations, the pharmacists association and the dental association. This is the first of what we expect to be several meetings to identify budget savings in the most cooperative and enlightened manner possible. Upcoming meetings include the Drug Utilization Review board (Nov. 12), the Medical Advisory Committee which includes consumer advocates (Nov. 19), the Medical Advisory Taskforce which is comprised of physicians (Nov. 19). Meetings with the Behavioral Health, the Child Health and the Perinatal Health advisory committees will also be scheduled.

OHCA staff is meeting daily to research and refine all potential reductions including those suggested by the external stakeholders. The end result will be a recommendation to submit to the OHCA board at its December 12th meeting in Tulsa.

### **Are there other factors potentially affecting the agency’s budget?**

In addition to the state revenue shortfall, the program is experiencing continued growth in its population and utilization of services. This growth is creeping above budgeted amounts and looks to continue on that trend. This is compounded because the Medicaid program is designed to be countercyclical, in that, as the economy suffers more people become qualified for help and because medical issues such as H1N1 causes greater utilization of the program.



## **How does the budget impact providers and members?**

Because the current budget is funded with federal stimulus dollars, and in order to access and use those dollars, the state is restricted from eliminating any groups of people from the program. Therefore, the agency must look to optional benefits primarily for adults and what we pay providers for services for potential cuts.

The federal government requires state Medicaid programs to provide some mandatory benefits including inpatient hospital and physician services. However, the state has benefits it is not required to provide including pharmacy, durable medical equipment and dental.

Paying providers a responsible amount has been a priority of the Oklahoma Health Care Authority. It would be an area of last resort for potential cuts. However, because of the size for the revenue deficit it may be unavoidable.

## **Current budget realities are not a complete surprise, what have you done to make the program more efficient?**

Ever mindful that the money funding our budget comes from taxpayers, the Oklahoma Health Care Authority has been working to contain costs in the inflationary field of health care while also carrying out our mandate to efficiently provide the best possible care for our state's children, pregnant women, aged, blind and disabled. From 2005 to 2008, the growth in SoonerCare's per capita costs has been only 8.1 percent, compared to more than 20 percent nationally.

Here is a quick outline of some measures that have proved to be especially effective:

### **Cost-containment through targeted programs**

**Pharmacy lock-in:** SoonerCare's pharmacy lock-in program encourages appropriate use of health care resources among members whose past claims data might indicate misuse of resources or potentially fraudulent behavior. The program provides a mechanism to detect potential misuse of narcotics and other medications and a procedure to "lock in" the member to one pharmacy, thus limiting the opportunity for inappropriate behavior within the SoonerCare system. Results so far indicate positive change in members' behavior, including reduced narcotic use. Cumulative estimated narcotic cost savings for the first 12 months post lock-in for the 52 members studied was more than \$31,500 – an average of about \$600 per member.

**Emergency room use:** Inappropriate use of emergency department services is a long-term, frustrating problem. Hospital emergency departments are inundated with patients who need care but are consuming time and resources better spent on actual emergencies. The inappropriate visits also represent a missed opportunity for primary care physicians to offer patients continuity of care from a provider familiar with their medical needs and history. A recent special initiative by the Oklahoma Health Care Authority allowed staff to

intervene with SoonerCare members who have a history of frequent, inappropriate emergency department visits. During five quarters of calendar years 2006 and 2007, OHCA identified 13,447 SoonerCare members for intervention. These members received letters and sometimes phone calls reminding them who their primary care provider was. Based on information from the members, some were referred for further intervention from nurse care managers and behavioral health specialists. OHCA also contacted those members' primary care providers to exchange information such as ER dates of service, facilities visited and diagnoses. Post-intervention analysis revealed an 80 percent reduction in the number of members that met the criteria for intervention. We estimate that the intervention efforts with these members resulted in 19,260 fewer emergency department visits and about \$5.8 million in avoided ER costs for state fiscal year 2007. Although recent cost savings data is unavailable, this effort continues.

**Living Choice:** The Oklahoma Long-Term Living Choice Project helps people of all ages with disabilities or long-term illnesses to live as independently as possible. The Living Choice Project promotes community living, such as returning to their own home or residing in a group home, rather than ongoing institutional care, if that is the member's desire. A \$41 million dollar grant in 2007 from the Centers for Medicare & Medicaid Services under the Money Follows the Person solicitation allows OHCA to facilitate the transition of people from institutional settings to their own homes in the community by offering such supports as home health care, environmental modifications and medical equipment. Right now our target is a population of about 2,000 people.

### **Cost savings through better patient care**

**Medical Home:** SoonerCare Choice members are assigned a primary care provider, or PCP, who sees to their medical needs and refers them for specialized care as needed. Having a "medical home" allows members to develop a relationship with a provider who knows their medical issues and history.

**Care Management:** The Oklahoma Health Care Authority's care management program assists SoonerCare members who have complex or exceptionally costly health care needs (such as cancer, organ transplants or multiple long-term conditions like diabetes and heart disease). Nurses and social workers help members and their health care providers use the appropriate providers, resources and facilities within the scope of the state's Medicaid program.

**Prenatal Care:** Since SoonerCare pays for about 60 percent of the deliveries that take place in Oklahoma each year, we have a strong interest in bringing about more positive birth outcomes by making sure members receive proper prenatal care early in their pregnancy and that high-risk members are identified and receive appropriate care. "Special Delivery," a program for pregnant women, encourages early prenatal care, helps members to understand available benefits and identifies high-risk OB cases for early care management intervention.

**Pay for Performance:** In January, SoonerCare Choice began transitioning to a “patient-centered medical home” model that pays providers for care coordination and medical visits. It also includes payments for excellence through the SoonerExcel program. When the first quarterly SoonerExcel payments were made in May, 87 percent of our Choice providers received a payment. The average payment per provider was \$935. “Focus on Excellence” provides similar payments for nursing homes and other long-term care facilities.

## **Improved technology and efficiencies**

**Avoiding payment errors:** Oklahoma’s error rate for medical claims is much lower than the national average. The federal government’s Payment Error Rate Measurement (PERM) program checks the accuracy with which states pay Medicaid and State Children’s Health Insurance Program (SCHIP) claims for members’ medical services. In the state’s last federal review in 2006, Oklahoma’s error rate was 2.51 percent, while the national rate was 4.7 percent. The PERM considers paid claims, capitation payments, reimbursement and premium policies, coding and more. Unlike other states that tend to pay claims and then try to recoup funds for payments made in error, the Oklahoma Health Care Authority has technology in place to catch many such errors before they can occur. Our claims processing system scans claims to look for common errors based on such factors as age, gender and duplicate payments. For instance, circumcision is only a covered benefit for male members; birth claims must be for a female age 10 or older; if a SoonerCare member is also eligible for Medicare, we hold the claim until Medicare has paid its part of the bill. OHCA’s Provider Audit/Review unit has identified more than \$19 million in recoveries during the last three years, according to the OHCA annual reports.

**Tracking down other payment sources:** OHCA is taking full benefit of legislative changes passed in 2003 and 2006 to enhance collections and obtain data from private insurance companies. Electronic data matching with various health insurers not only increases collections but has a big impact on cost avoidance and assists other state agencies with their goals, such as child support enforcement.

**Web-based operations:** The Oklahoma Health Care Authority (OHCA) uses a variety of computerized and Web-based operations to improve quality while simultaneously minimizing the costs of its services. Here are some examples of the operational efficiencies currently in place:

- Specific computer systems allow OHCA staff to improve turnaround times for prior authorizations.
- A secure Web site for providers allows them to submit forms, claims and contract renewals online rather than relying upon time-consuming, paper transactions. More than 95 percent of the nearly 38 million claims submitted during the past calendar year were submitted electronically, allowing OHCA to process them more quickly.

- Participating hospitals can submit newborn registration forms electronically using a customized, secure Web site. Doing this creates a SoonerCare ID for the newborn and instant linking of the newborn to the mother's records within hours of delivery.
- MySoonerCare.org, a Web site currently under development, will allow Oklahomans to apply for SoonerCare benefits online from any computer with Internet access.
- SoonerScribe, an electronic prescribing system, allows providers to automate the prescription process, enhancing not only the speed of transactions but the safety and efficiency of care. The system, available at no cost to SoonerCare providers, manages patient prescription costs by displaying formulary information and a list of alternatives and by checking for interactions between medicines.