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How Much Is Enough?

An Evidence-Based Framework for Setting Medicaid Payment Rates
National MMIS Conference, Sept. 18, 2008

So, How Much Is Enough?

“Whatever will keep my name out of the newspapers”

“Whatever makes providers madder at Medicare than at us”

“... cover costs for facilities below the 82nd percentile of adjusted cost per diem”

“Depends who talked to the legislature last”

“Slightly more (or less) than the state next door”

“What we paid last year plus 1%”



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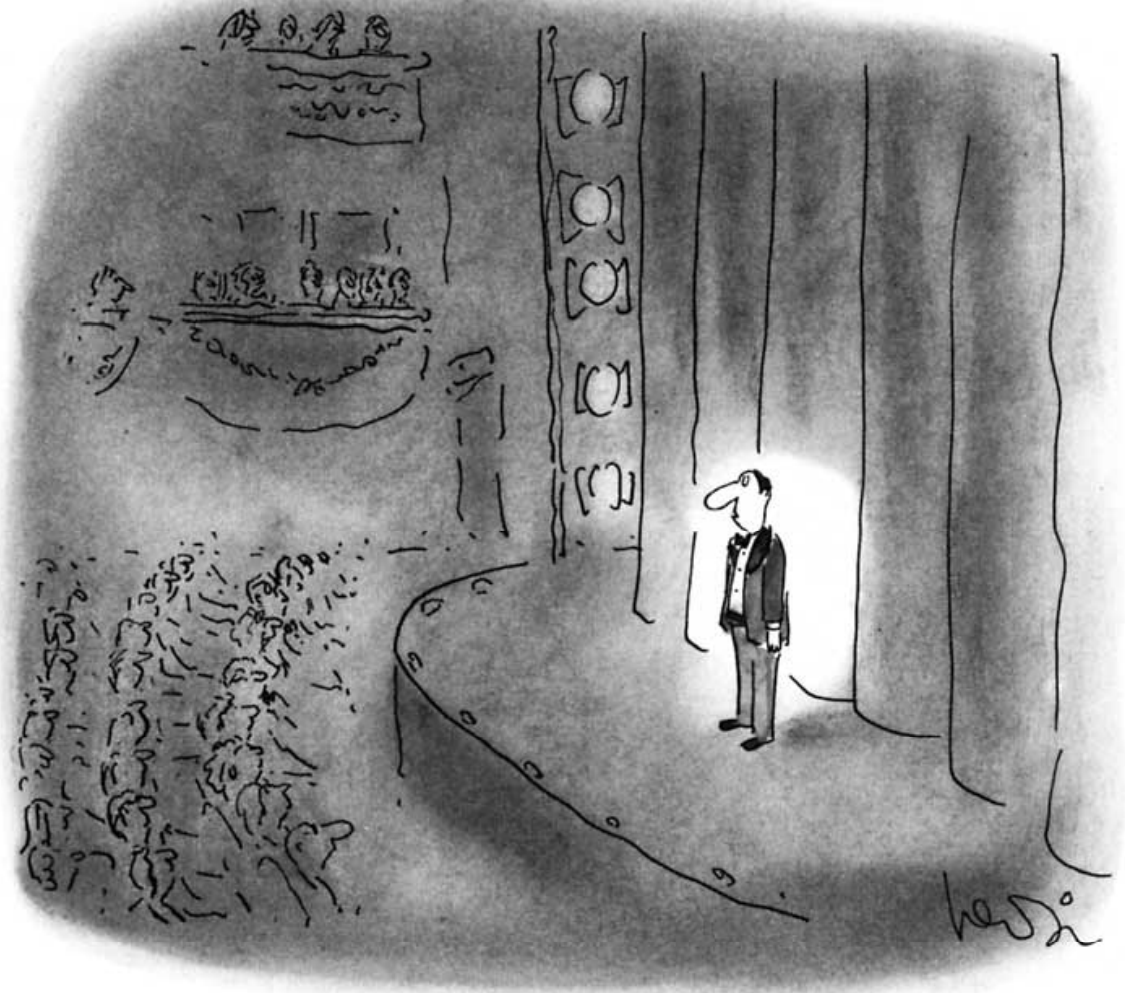


Why Does Medicaid Pay Providers?

To promote access for Medicaid clients to quality services

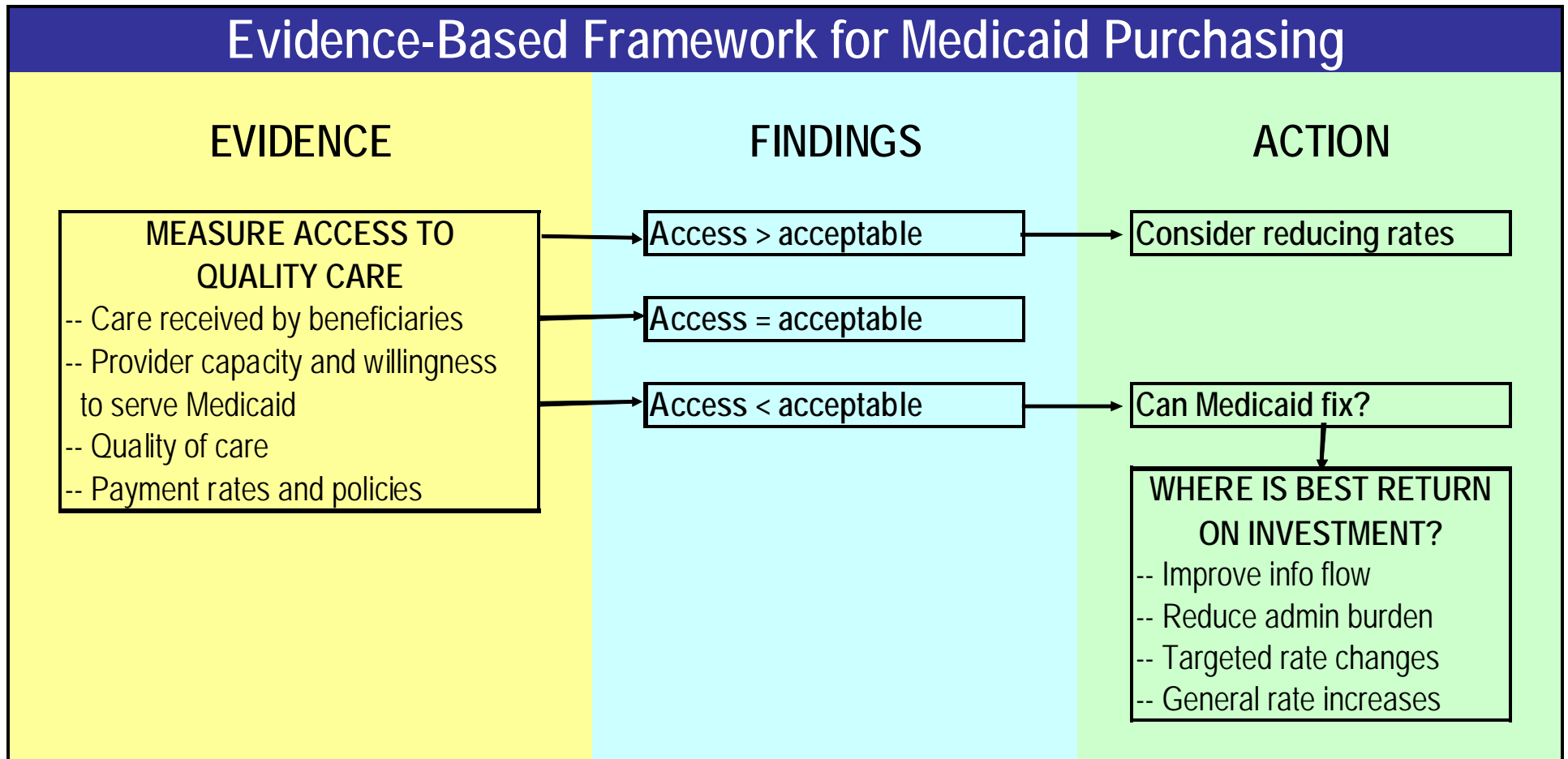
*... not provider benefit
... not the equation of incremental cost with incremental improvement in population health*

© Cartoonbank.com



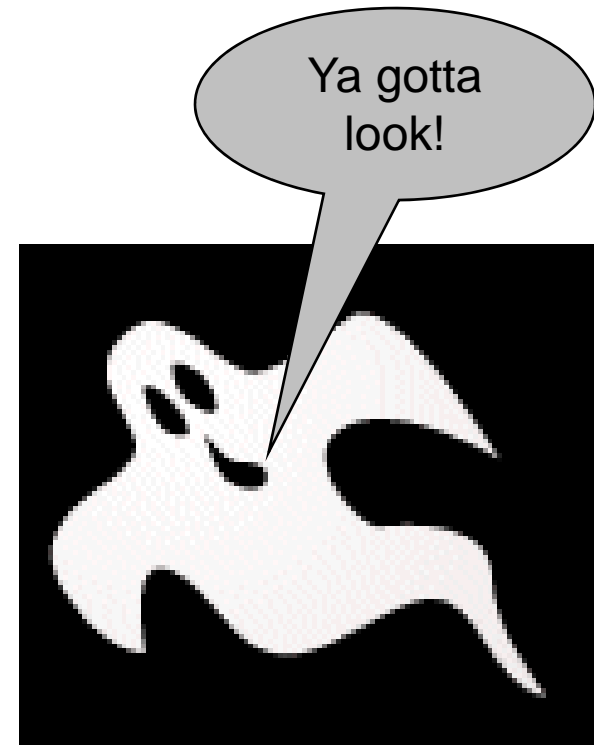
“Is there a doctor who accepts Medicaid in the house?”

A Suggested Framework



Federal Rules General but Important

- Rates must be consistent with economy, quality and access similar to that of general population
- Only a few floors: hospice, RHC, FQHC
- Institutions have ceilings: Medicare rates and provider charges
- Public process requirements for payment methods and payment levels – especially inpatient hospital, NF, ICF-MR



Boren Amendment Ghost

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Evidence Is More Available than Ever

Federal Gov't

CMS (MSIS)
MedPAC
GAO
OIG

Provider Associations

Physicians
Pediatricians
Nursing
facilities
Etc.

Medicaid Websites

Provider manuals
Studies
Fee schedules
(Thank you HIPAA!)

Search Tools

PubMed
Google
FindLaw etc.

Research & Data Organizations

Kaiser Commission on Medicaid
National Academy
DERP SHADAC

Suggestions for Interpreting Evidence

- Focus first on access and quality
 - Provider finances are of secondary importance
- Work with providers to rely on evidence rather than anecdote
- Trends in access often more relevant than absolute
- Be mindful of Medicaid role as a purchaser
 - Medicaid in the market: hospitals, physicians, dental
 - Medicaid is the market: long-term care, ICF/MR, waiver
- Build capability and attitude throughout the agency...
- ... before the crisis hits

“So, What Do You Do at Medicaid?”

“I’m a systems person”

“Program operations”

“I calculate reimbursement rates”

“I write policy manuals”

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“So, What Do You Do at Medicaid?”

“ I spend millions of dollars to improve the health of thousands of people in my state”

Options for Finding Best Return on Investment

1. "Matchmaking" clients and providers

The screenshot shows a web browser window displaying the Georgia Health Partnership website. The page is titled "Search for Physicians - Initial Results" and lists search criteria: City: ATLANTA, State: GA, Zip Code: 30350, and Language: English. Below the criteria is a table of search results with columns for Name, Miles, Address, Phone, GBHC Participant, and Specialty.

Name	Miles	Address	Phone	GBHC Participant	Specialty
PATEL, BEENA S	0.00	8095 A ROSWELL ROAD DUNWOODY, GA 30350	(770) 394-7868	Y	FmlyPract, Pediatrics
HERRERA, BENJAMIN	0.00	7740 ROSWELL RD ATLANTA, GA 30350	(770) 452-8630	N	PsyChAdol
PATEL, NIPUN B	0.00	8095 A ROSWELL ROAD ATLANTA, GA 30350	(770) 394-7868	Y	IntrnlGen
EYZAGUIRRE, WILLIAM A	0.70	1872 D INDEPENDENCE SQUARE DUNWOODY, GA 30338	(770) 394-6853	Y	CaseManag, IntrnlGen
LUTZ, JERRE F	0.70	4575 NORTH SHALLOWFORD ROAD DUNWOODY, GA 30338	(404) 686-8202	Y	IntrnlGen
WILLIAMS, JOANNE E	0.70	4555 NORTH SHALLOWFORD ROAD	(770) 458-5141	Y	CaseManag, FmlyPract,

Options for Finding Best Return on Investment

2. General rate increase

3. Focused rate changes (some up, some down)

4. Reducing provider cost and frustration due to:

- Coordination of benefits (crossovers, TPL)
- Cost-sharing can't be calculated at point of service

- Prior authorization hassles
- Avoidable denials
- Unclear manuals



- Retroactive payment changes
- Hard to get answers
- Paper processes

A Watch List for Paying Too Much

How much is "too much" depends on state-specific policy goals and evidence on access to quality care. Some possible areas for analysis are shown on the following slides

Some Clues to Prompt Further Analysis

- Rapidly increasing utilization
- Rapidly increasing average payment per service
- Surprising growth in provider enrollment
- Concerns raised by CMS, OIG, GAO, other payers
- Years have passed since payments were analyzed

Imaging Services



- Rapid growth fueled by economics and self-referral
- Can be life-saving; can be a waste of money
- Wide availability suggests access problems less likely

Anything Paid at a % of Cost or Charges

Cost Risk Reimbursement Issues

- Payment policy drives industry behavior
- Minimal auditing
- Perverse, unfair incentives
- Delayed settlement
- What are you buying?

"Disneyland Numbers"

"I do not deny our charges look insane," says Dr. Pont, CPMC's chief medical officer. But all hospitals operate the same way, he says. "It's the reality of the industry."

-- *Wall Street Journal*, 11/29/07

→ \$791 for pressure stockings available on Internet for \$12

Certain Hospital Outpatient Revenue Strategies



Observation Care

- Blurs inpatient line
- Amorphous nature of "observation"



Provider-Based Clinics

- Provider receives double payment
- If access is an issue, raise physician rates directly
- Question of fairness

A Most Remarkable Industry



Schering-Plough to Pay \$435M Settlement

By Julie Schmit, USA TODAY (8/30/06)

Schering-Plough will pay \$435 million to settle federal civil and criminal charges that it illegally promoted several drugs, including one for brain tumors, and also defrauded Medicaid.

Its settlement with the Justice Department, announced Tuesday, is the third-largest since 2000 involving drugmakers, and the third for Schering in the past two years...

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Medicaid Value Purchasing

- *Maximize drug rebate*
- *Attention to pricing, especially to generics*
- *Actively balancing drug cost and clinical benefit*



“Lower of” Pricing for Medicare Crossovers

- Specifically allowed by BBA 1997
- Used by at least two-thirds of states
- Applicable to all Medicare crossover claim types
- Very unlikely to jeopardize access to quality care
- Requires crossover claim to be priced twice

Claim	Medicare Rate	Medicare Payment	Medicare Cost Sharing	Medicaid Rate	"Lower of" =	Medicaid Payment	Provider Receives
1	\$ 100	\$ 80	\$ 20	\$ 120	Medicare	\$ 20	\$ 100
2	\$ 100	\$ 80	\$ 20	\$ 90	Medicaid	\$ 10	\$ 90
3	\$ 100	\$ 80	\$ 20	\$ 50	Medicaid	\$ -	\$ 80
Total			\$ 60			\$ 30	

Notes and References

- Slide 1 – Opinions are those of the presenter and not necessarily those of ACS
- Slide 1 – Much of the presentation is drawn from Kevin Quinn, "How Much Is Enough? An Evidence-Based Framework for Setting Medicaid Payment Rates," *Inquiry* 44 (Fall 2007), pp. 247-256.
- Slide 5 – Though the legal framework for payment levels is beyond the scope of this presentation, the following provisions are among the most important. Social Security Act §1902(a)(30)(A) re consistency with economy, quality and access; 42 CFR §447.205 re public notice; SSA §1902(a)(13)(A) re public process requirements for hospital, nursing facility and ICF-MR rates; and 42 CFR §447.253(b)(2) and 42 CFR §447.321 re upper payment limits.
- Slide 5 – On the Boren Amendment experience, see Andrew I. Batavia, Ronald Ozminkowski, Gary Gaumer and Mary Gabay, "Lessons for States in Inpatient Ratesetting under the Boren Amendment," *Health Care Financing Review* 15:2 (Winter 1993), p. 145.

Notes and References

- Slide 6 – Some sources of evidence on payment methods and levels:
 - Kaiser Commission on Medicaid and the Uninsured at www.kff.org/about/kcmu.cfm
 - State Health Access Data Assistance Center at www.shadac.umn.edu
 - National Academy for State Health Policy at www.nashp.org
 - Medicaid Statistical Information System at <http://msis.cms.hhs.gov>
 - HHS Office of Inspector General at www.oig.hhs.gov/reports.html
 - CMS reports at www.cms.hhs.gov/ResearchGenInfo
 - Medicare Payment Advisory Commission at www.medpac.gov
 - Government Accountability Office at www.gao.gov
 - Drug Effectiveness Review Project at www.ohsu.edu/drugeffectiveness
 - Murphy's Unofficial Medicaid Page at www.geocities.com/CapitolHill/5974 (includes links to state Medicaid webpages)
- Slide 7 – On the role of Medicaid as a purchaser, see Kevin Quinn and Martin Kitchener, "Medicaid's Role in the Many Markets for Health Care," *Health Care Financing Review* 28:4 (Summer 2007), pp. 69-82.
- Slide 10 – The Georgia Health Partnership website is www.ghp.georgia.gov

For Further Information

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