



HEALTH CARE AND HUMAN SERVICES POLICY, RESEARCH, AND CONSULTING - WITH REAL-WORLD PERSPECTIVE.

New York State Medicaid Program: Identification of Potential Cost-Containment Opportunities

State of New York Medicaid Reform Roundtable

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Overview of Presentation

- Two separate analyses
- New York State Medicaid Program and Identification of Potential Cost Containment Opportunities
 - October 2010 report for the Citizens Budget Commission
 - Focused specifically on NY, trends and national comparisons
- Potential Federal and State Savings if Medicaid Pharmacy Programs were Optimally Managed
 - December 2010 report for Pharmaceutical Care Management Association
 - Focused on pharmacy programs and assessing potential cost savings approaches among all 50 states, including New York

Current Status of the NYS Medicaid Program

- 4.7 million enrollees as of March 2010¹
 - 65% in New York City
 - 70% do not receive cash assistance
- Program projected to grow to \$53 billion in SFY 2010-11²
 - FFY 2007 per capita spending was \$2,283, almost twice the national average of \$1,026³
 - FFY per enrollee spending was \$8,450, higher than any state but Rhode Island⁴

1 NYS Medicaid Statistics (http://www.health.state.ny.us/health_care/medicaid/statistics/index.htm), March 2010

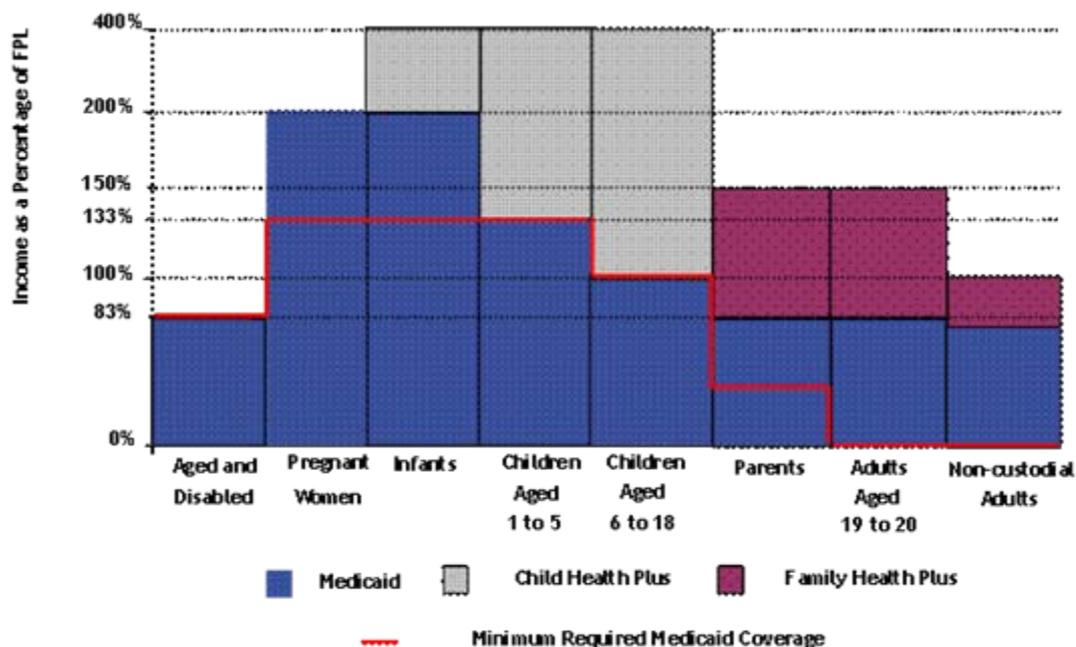
2 "Continuing Medicaid Reform: FY2010/11 Executive Budget" from NYS Department of Health

3 Ibid

4 Kaiser Family Foundation State Medicaid Health Facts (<http://www.statehealthfacts.org/>), FFY 2007

Current Levels of Eligibility for NYS Public Health Coverage

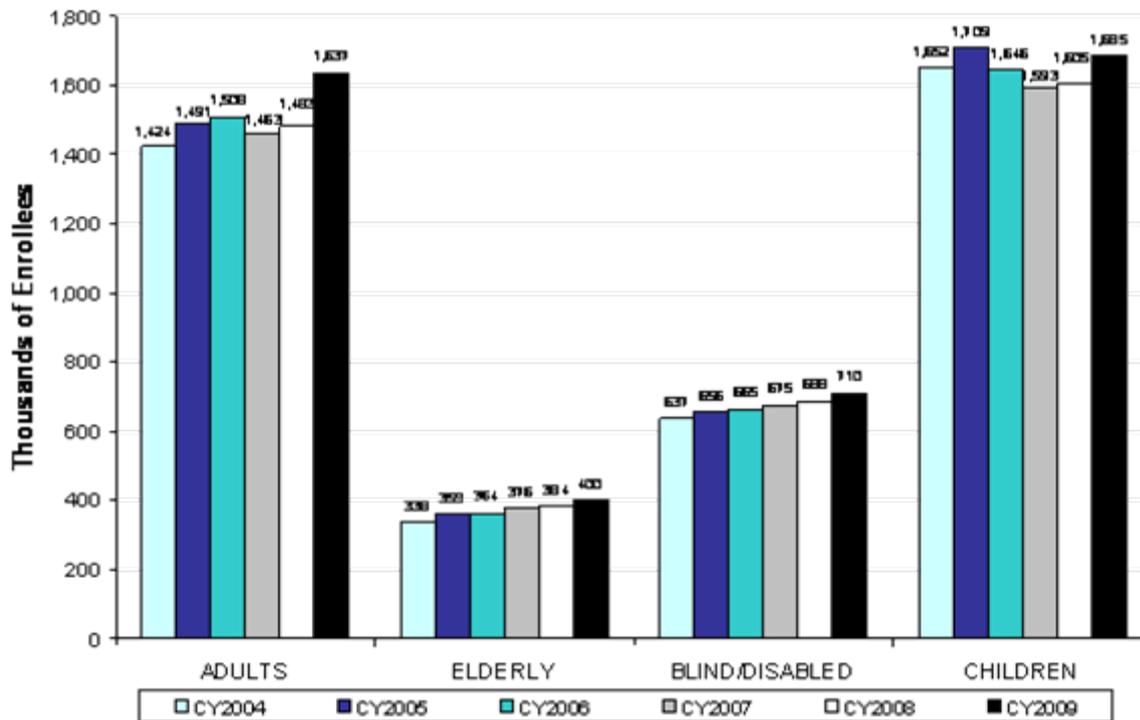
- High eligibility levels result in a larger proportion of New York's population being enrolled in Medicaid than in other states
 - 26% of New Yorkers were enrolled as of 2007¹



Source: Based upon program data from the NY Department of Health.

Enrollment Growth

- From 2004 to 2009, enrollment in NYS Medicaid has grown by 9%¹



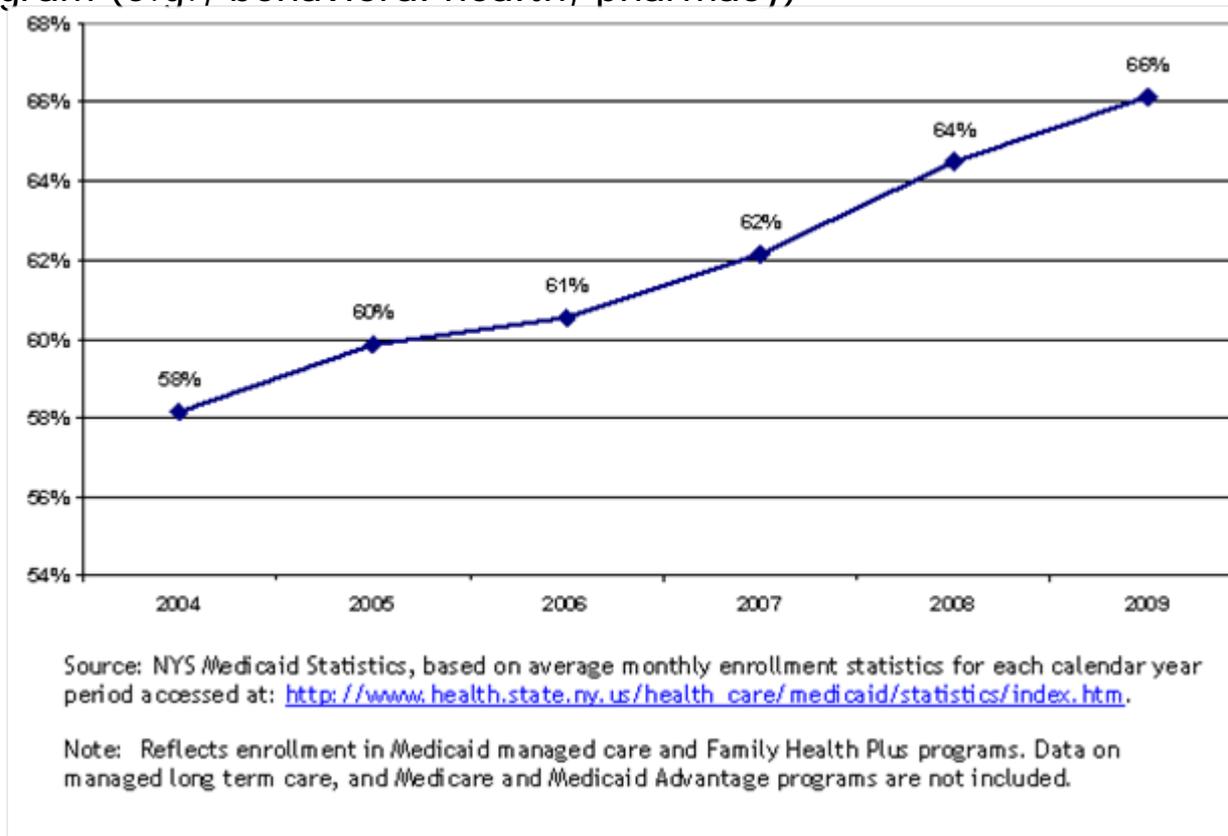
Source: NYS Medicaid Statistics (http://www.health.state.ny.us/health_care/medicaid/statistics/index.htm)

Note: 1) Data include all individuals enrolled in the Medicaid program including Family Health Plus. Child Health Plus enrollment is not included.

2) Actual average enrollment levels for CY2004 through CY2009.

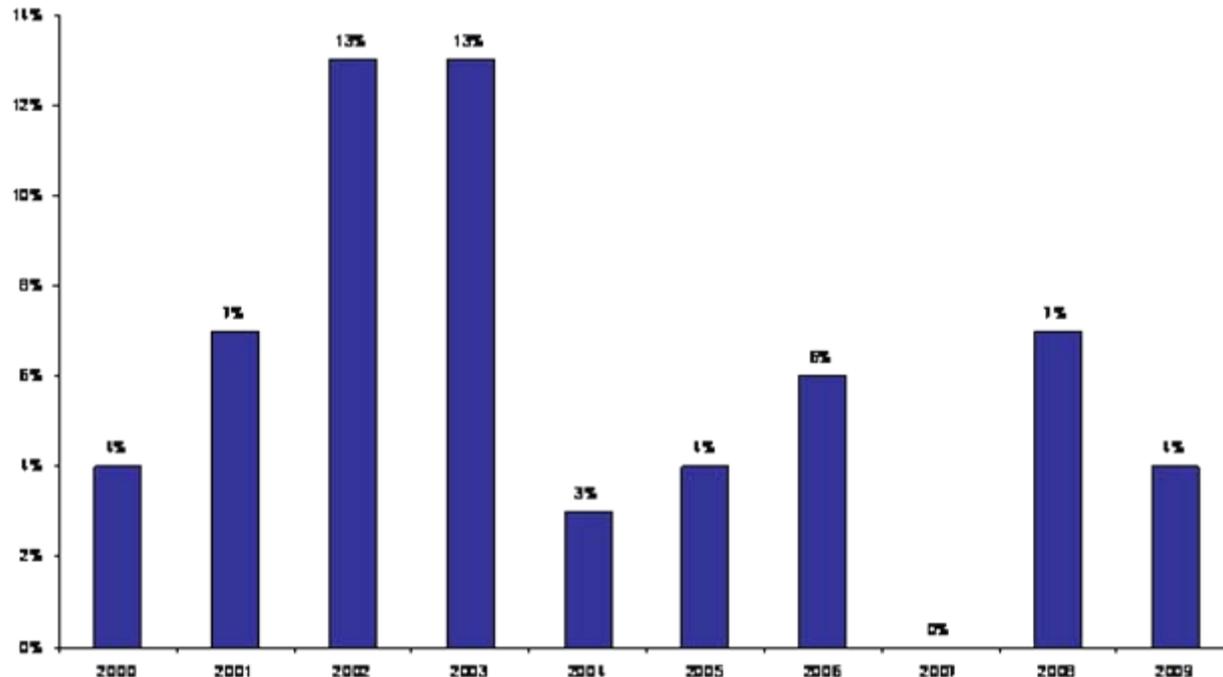
Medicaid Managed Care Growth

- NY has a larger percentage of its Medicaid population (66%) in comprehensive managed care than nationally (46.5%), but still excludes major cost drivers from the program (e.g., behavioral health, pharmacy)



Expenditure Growth - Overall

- Total NYS Medicaid spending increased by an average of approximately 4% per year from FFY 2004 to FFY 2009¹



Source: United Hospital Fund analysis of CMS 64 data.

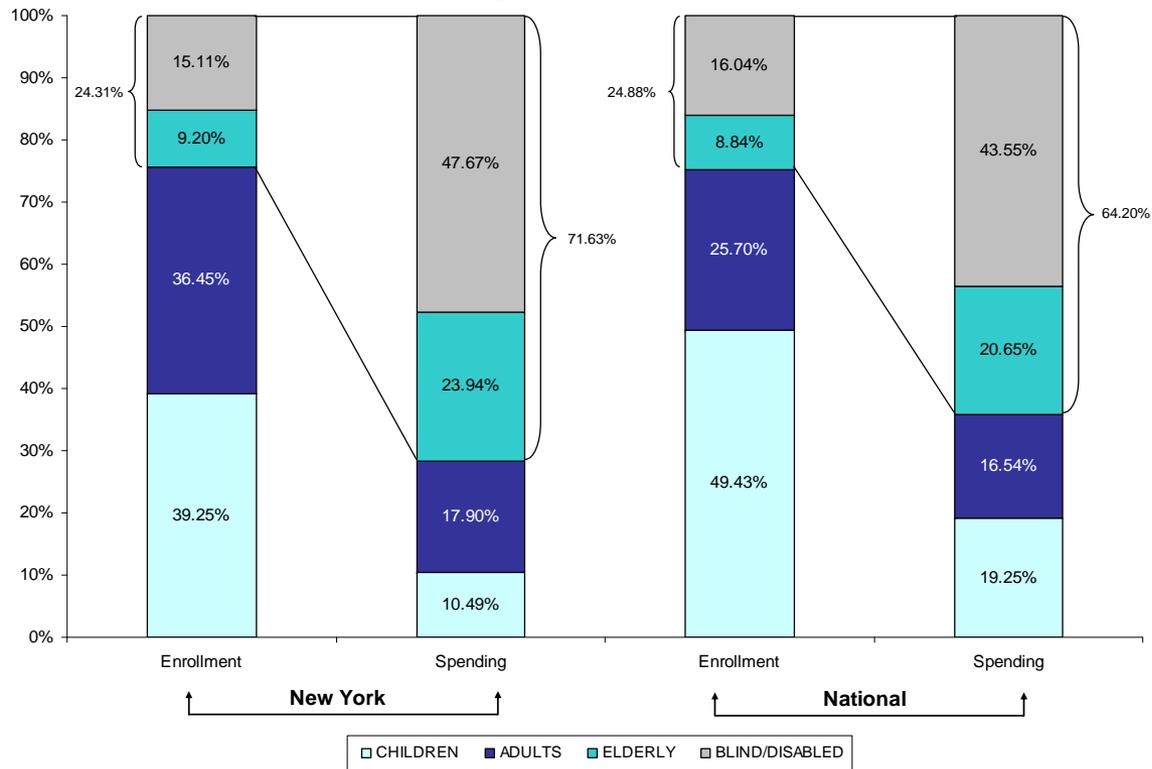
Note: Spending is for FFYs and includes all funds; administration is not included. For 2006 and 2007, annual growth rates are adjusted to exclude declines in Rx drug spending triggered by implementation of Medicare Part D.

Comparison to Other States and National Averages

- NYS accounts for approximately 8.5% of all Medicaid enrollees and approximately 14.1% of Medicaid spending, nationally¹
- NYS has higher than average Medicaid spending per enrollee across all eligibility categories except children compared to other states²
- Medicaid spending per enrollee was still on average 35% higher than the national average even after accounting for the geographic difference in medical practice overhead in NYS³

New York's Medicaid Expenditures are Made Primarily on Behalf of the Elderly and Disabled

- In fact, spending per elderly and disabled enrollee was almost double the national average



Source: Lewin analysis of CMS' Medicaid Statistical Information System (MSIS) FFY2008

Expenditure Growth - Service Specific

- Conducted a more in-depth review of spending trends from CY 2003 to CY 2008 for several categories of services
 - Long term care
 - Community rehabilitation
 - Prescription drugs
 - Inpatient hospital
 - Clinic/physician/outpatient
 - Medicaid managed care
- Analysis was informative at many levels, but spending changes per recipient were dramatic in some categories

Long Term Care Spending: CY 2003 to CY 2008

- Overall, spending has increased while number of recipients has decreased;
- Institutional care (nursing homes, other LTC; almost 60% of spending in this category):
 - Recipient decrease of 3.8%; spending increase per recipient of 18.1%
 - Nursing homes and other institutional LTC relatively comparable
- Non-institutional (personal care, CHHAs, LTHHC, other; 1/3rd of spending in this category)
 - Recipient decrease of 9%; spending increase per recipient of 50%
 - CHHAs per recipient increase: 76%
 - Personal care per recipient increase: 39.5%
- Managed LTC: recipient increase of 144%; almost no per recipient increase

Community Rehabilitation Spending CY 2003 to CY 2008

- Category includes Care at Home, OMH and OMR waiver programs, Bridge to Health and Traumatic Brain Injury programs
- Category of spending has been increasing overall
 - Overall spending: up 73.5%
 - Number of recipients: up 32.7%
 - Spending per recipient: up 30.7%
- OMR waiver spending is the driver in this category (over 90% of spending)
 - Overall spending: up 72.5%
 - Spending per recipient: up 34%
- TBI costs per recipient actually decreased 7.8% while number of recipients increased by 85.8%

Additional Options for Pharmacy Cost Containment in the NYS Medicaid Program

- NYS Pharmacy Program spending is approximately \$4.4B in 2010¹
- Prescription drug spending for non-duals increased approximately 24% with only a slight increase in recipients between 2004 and 2008²
 - Overall spending decreased due to shift to Part D for dually-eligible
- Given NYS Medicaid redesign activities currently being conducted, pharmacy is a potential area for which cost containment opportunities may exist
- Lewin has identified potential savings through optimally managing Medicaid pharmacy programs
 - Estimated national savings of \$30B over 10 years
 - Estimated NYS savings, all funds, of \$4.4B over 10 years

Optimally Managed Medicaid Pharmacy Programs

- Cost savings can potentially be achieved by examining:
 - Generic drug dispensing
 - NYS generic drug dispensing, despite mandatory generic dispensing requirements, appears lower than national average (63% vs 68%) or MCO generic dispensing rate (approximately 80%)
 - Dispensing fees
 - NYS dispensing fees appear lower than average (\$4.13 vs. \$4.81) but still higher than Medicare Part D plans, MCOs and commercial plans
 - Ingredient costs
 - Medicaid reimburses at a higher rate than MCOs or Medicare Part D
 - Drug utilization
 - Number of prescriptions per person is typically higher for similar demographic subgroups in Medicaid FFS programs than in Medicaid MCOs
 - Less effective controls on polypharmacy, fraud, waste, abuse and other factors in the FFS setting

Pharmacy Carve-In Approach

- Including pharmacy program in MCO rates is another approach
 - In NY, would reverse legislation adopted in 1998, but be consistent with Family Health Plus and Child Health Plus programs
 - Several states are considering this change to take advantage of new legislation which authorizes MCOs to obtain same rebates as Medicaid programs
- Medicaid MCOs have demonstrated cost-savings through:
 - Paying pharmacies a considerably lower dispensing fee
 - Payment pharmacies a slightly lower ingredient cost
 - Steering medications to the lowest-cost clinically effective product
 - Lowering the usage rate
 - Lowering cost escalation trends
- Estimates for NY, as well as other states, being finalized

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- Papers noted in presentation can be found at www.lewin.com
 - Medicaid Cost Containment Paper:
<http://www.lewin.com/content/publications/CitizensBudgetCommissionRpt.pdf>
 - Optimizing Medicaid Pharmacy Programs:
http://www.lewin.com/content/publications/Medicaid_Pharmacy_Savings_Report.pdf



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