

Office Of Medical Assistance Programs

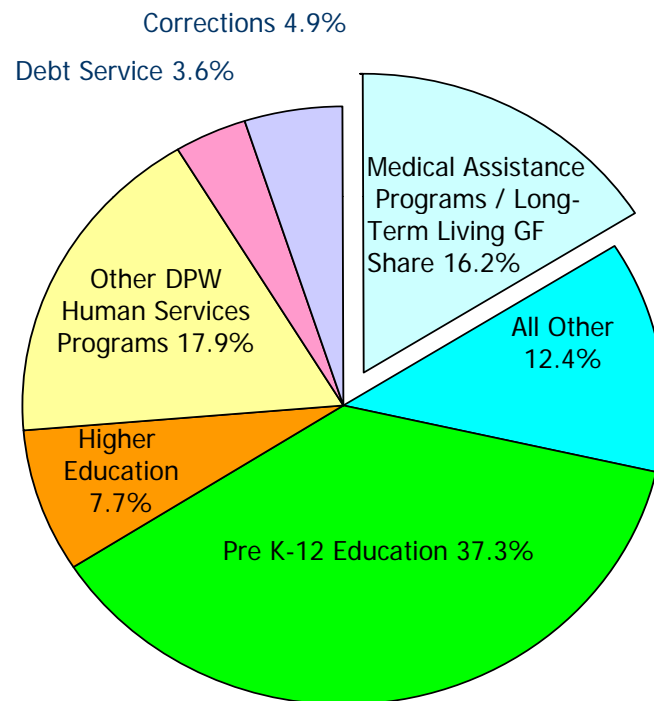
2009-10 Budget Presentation



Outline Of Presentation

- General Budget
- Challenges We Face
- Actions Already Taken
- What's Happening in FY 09-10
- Next Steps

2009-10 General Fund Expenditures

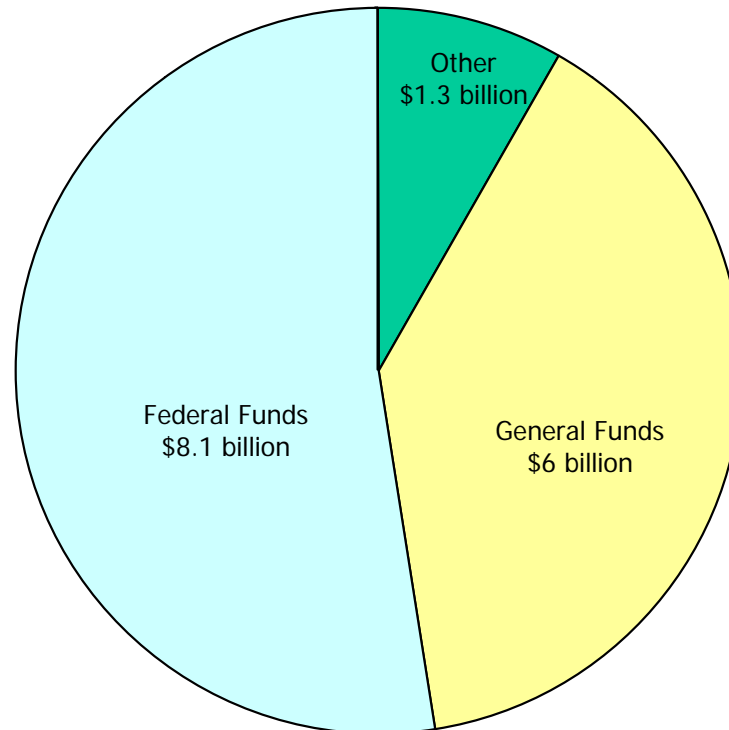


Total GF Expenditures: \$26.6 Billion

Source: Governor's Executive Budget

Over \$15 Billion For MA

FY 09-10 State & Federal Funding



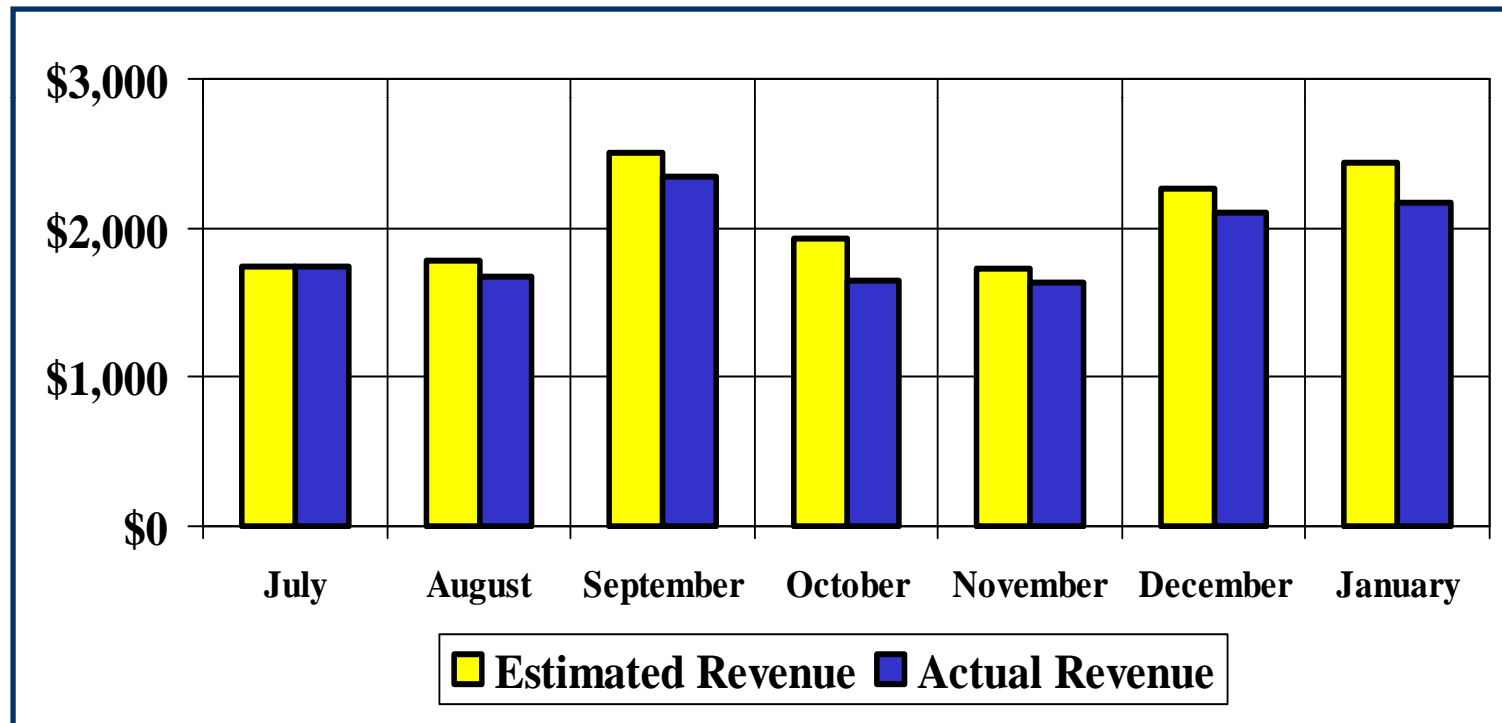
Total = \$15.4 billion

Source: Governor's Executive Budget

Challenges We Face...

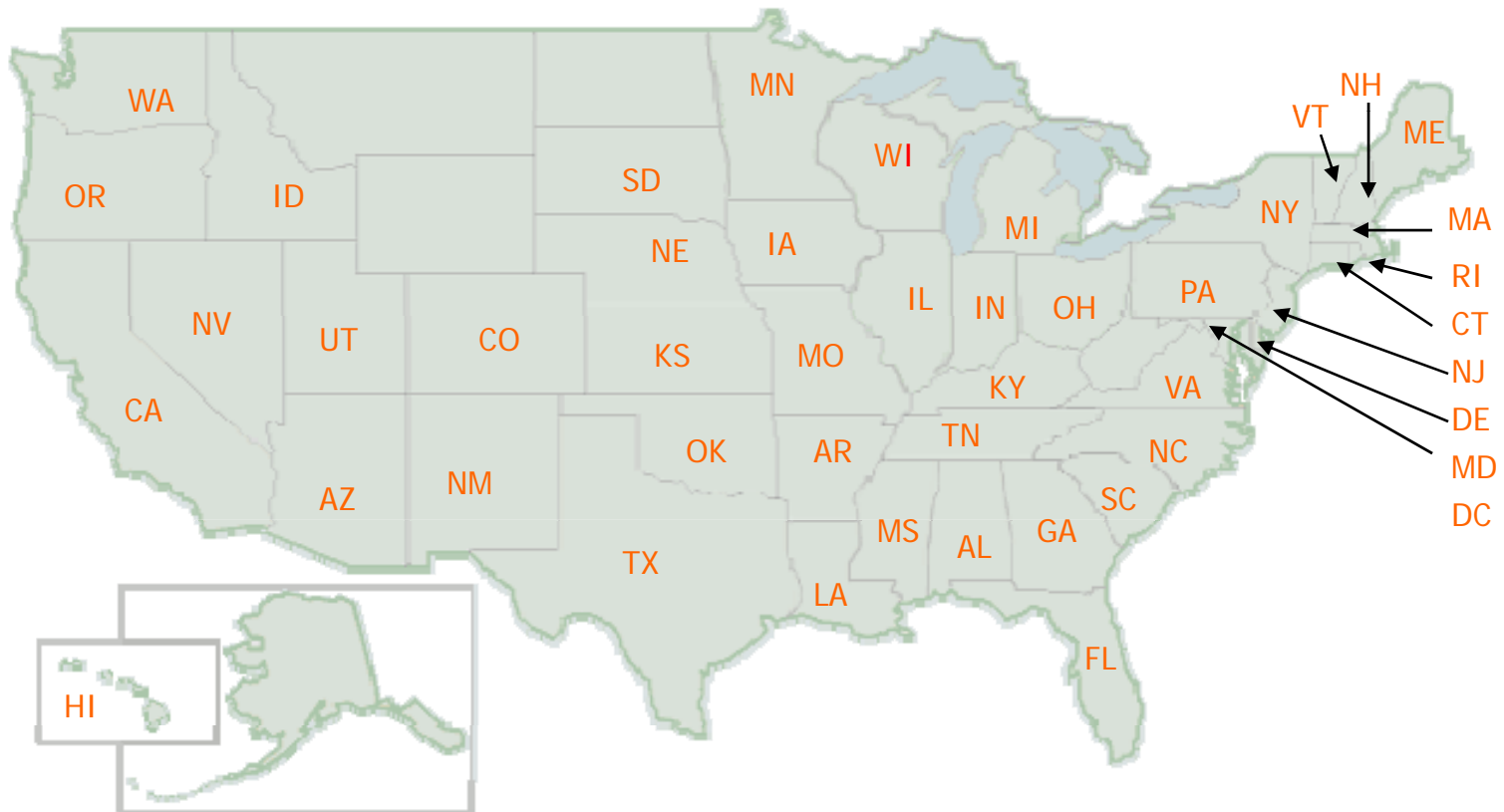
- National Economic Crisis
- Increased MA Need
- Loss Of Other Revenue Sources

Revenues Are Down By \$1.1 Billion Due To The Recession July 2008 – January 2009



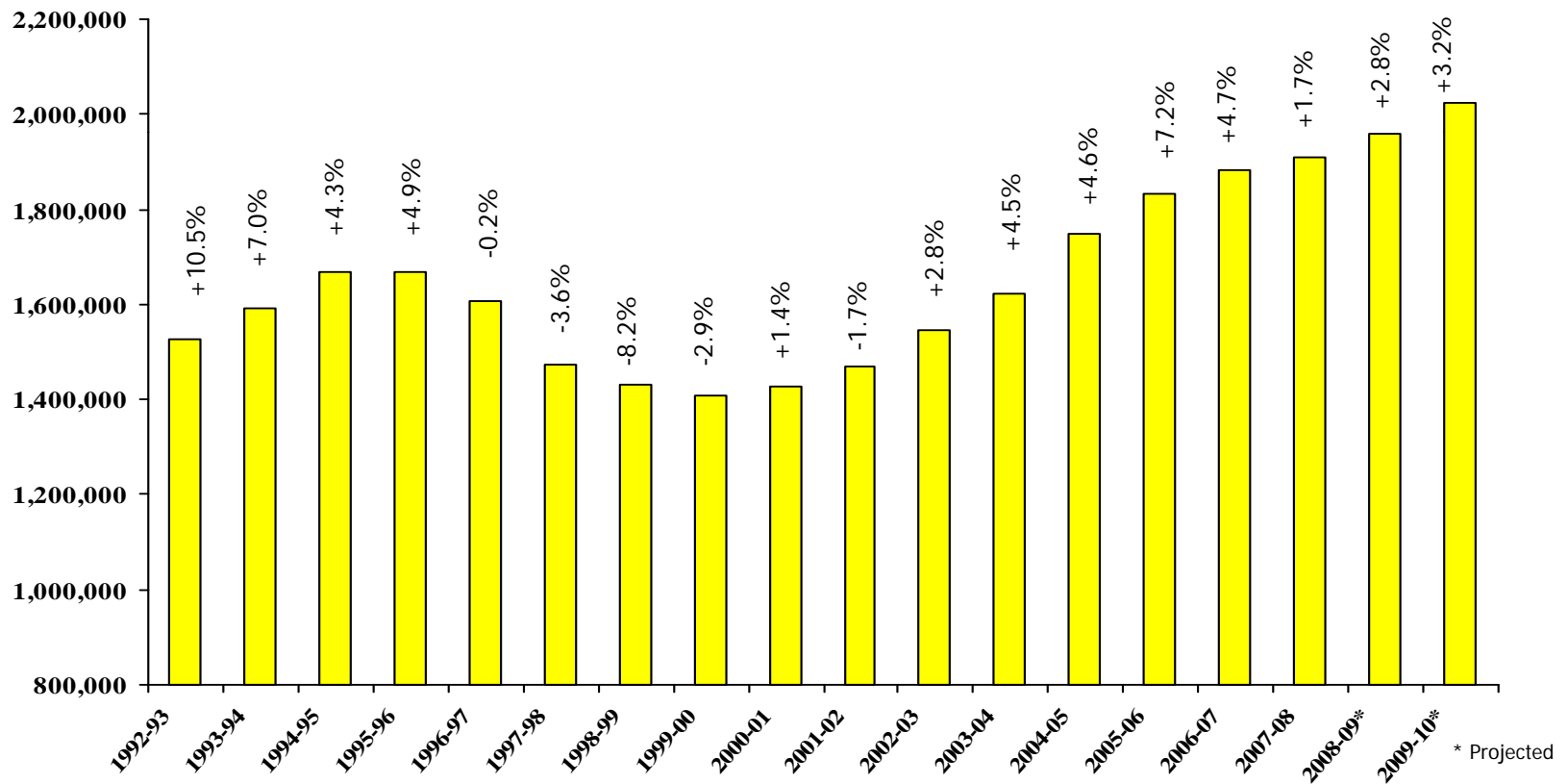
Source: Governor's Executive Budget

45 States Face Budget Shortfalls



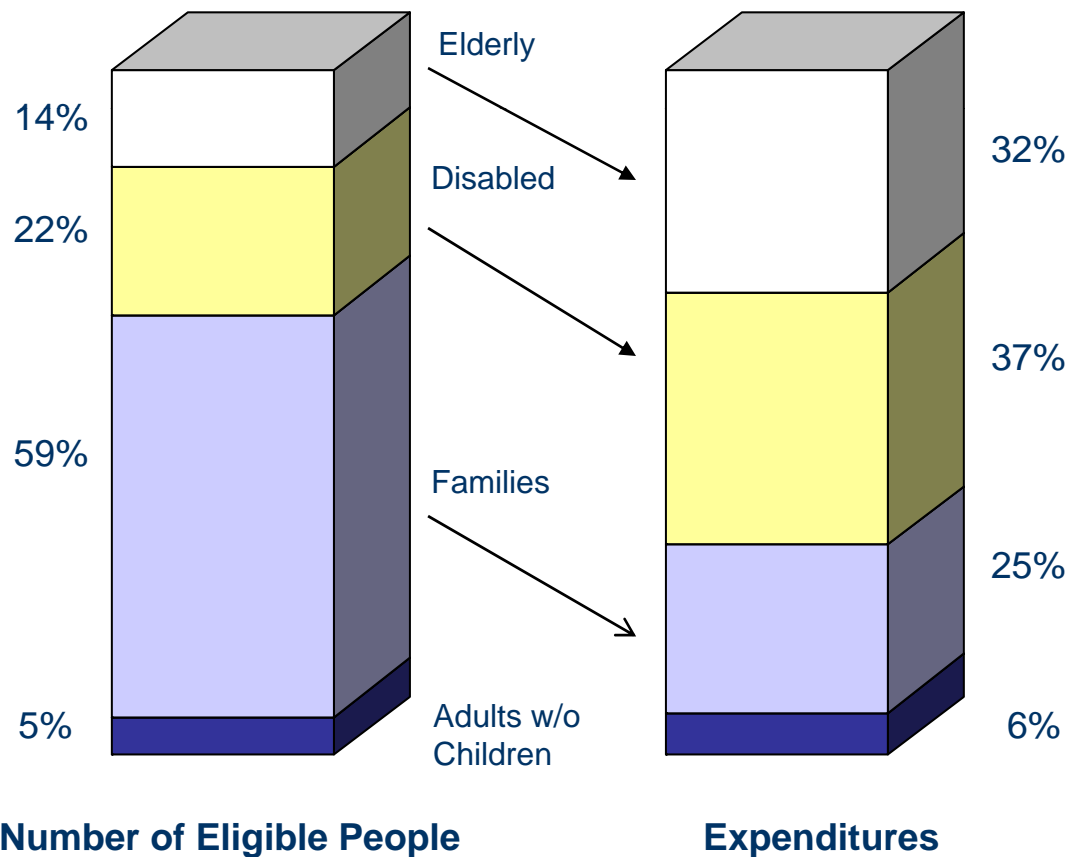
Source: Governor's Executive Budget

Pennsylvania MA Enrollment Expected To Increase By 62,000



Source: DPW Budget

Seniors And People With Disabilities Use The Largest Share Of Medical Assistance Resources



Seniors And Persons with Disabilities Are **36%** Of Enrollment, But Account For **69%** Of Program Expenditures

Source: Secretary's Budget Presentation

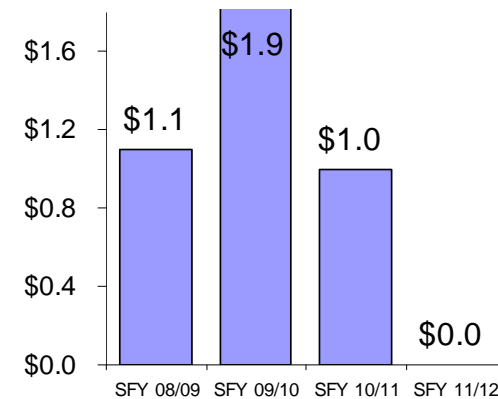
Must Replace Over \$250 Million (Annually) In Revenue Reductions

Federal Funding Streams Will Sunset:

- Medicaid MCO Assessment Will End September 30, 2009
- Intergovernmental Transfers Will End June 30, 2009

Temporary Federal Stimulus:

- Temporary FMAP Boost For 27 Months
- \$4 Billion Total (Estimate)
- Narrows But Does Not Close The Budget Gap



Additional FMAP (Billions)

Source: Secretary's Budget Presentation

Opportunity And Challenge

- The Opportunity: Federal Dollars May Help Us To Avoid Most – But Not All – Painful Cuts In This Budget
- The Challenge: Temporary Relief Creates A Window To Implement Smart Practices To Permanently Lower The Cost Of Government

OMAP Has Been Proactive

- Enhance Care Quality
- Refine Pharmacy
- Expedite New Technology
- Expand Fraud & Abuse Activities

Source: OMAP Deputy Secretary's Office

Initiatives Implemented In FY 07-08

- Enhanced P4P To Improve Quality And Access
- Implement SelectPlan For Women
- Issued Bulletin On Preventable Serious Adverse Events
- Initiated Telehealth For High-Risk Prenatal And Psychopharmacology
- Implemented Childhood Nutrition And Weight Management

Continued Enhancements In FY 08-09

- Implemented Predictive Modeling
- Enhanced Pharmacy Utilization Management And Rebate Collections
- Implemented Specialty Pharmacy Drug Program
- Installed Claim Check
- Increased Use Of Electronic Provider Communications
- Increased Fees For Dental, Home Health And Physicians

Source: OMAP Deputy Secretary's Office

FY 09-10 Budget

➤ **MA Budget**

- Does Not Reduce MA Eligibility
- Does Not Reduce MA Services
- Continues Coverage For Growing Number Of MA Eligibles

Source: OMAP Deputy Secretary's Office

FY 2009-10 Medical Assistance Cost Containment

Initiatives (Savings in Millions of Dollars)	2009-10 Savings	2010-11 Savings
1. Implement Smart Pharmacy Program	\$ 54.0	\$ 146.0
2. Increase Access Plus And Pharmacy Efficiencies	4.4	11.5
3. Replace Managed Care Assessment	200.0	\$ 400.0
4. Reduce Hospital Supplemental Payments	20.0	20.0
5. Reduce Fraud & Abuse and Enhance TPL	<u>15.7</u>	<u>28.1</u>
Total	\$ 294.1	\$ 605.6

Source: Governor's Executive Budget

1. Smart Pharmacy

Why Smart Pharmacy is Necessary Now

Given The National Economic Crisis, Pennsylvania
Faces A Significant Fiscal Challenge

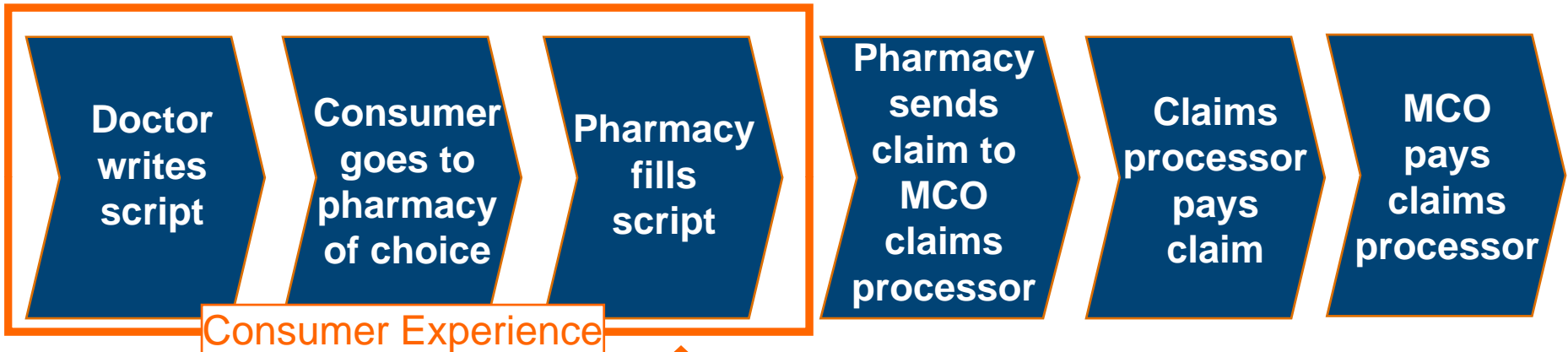
DPW Management Of Pharmacy Benefits Will Save The
Commonwealth ...

\$146 Million Annually

While Preserving Current Benefits
And Programs

How Does It Work For Consumers?

MCO



Smart Pharmacy



↑ **NO CHANGE!** ↓

Source: Smart Pharmacy Presentation

How Does It Work For Providers?

*One Statewide
Preferred Drug List (PDL)*



*Consistent Prior
Authorization Guidelines*

*Uniform Utilization
Controls*

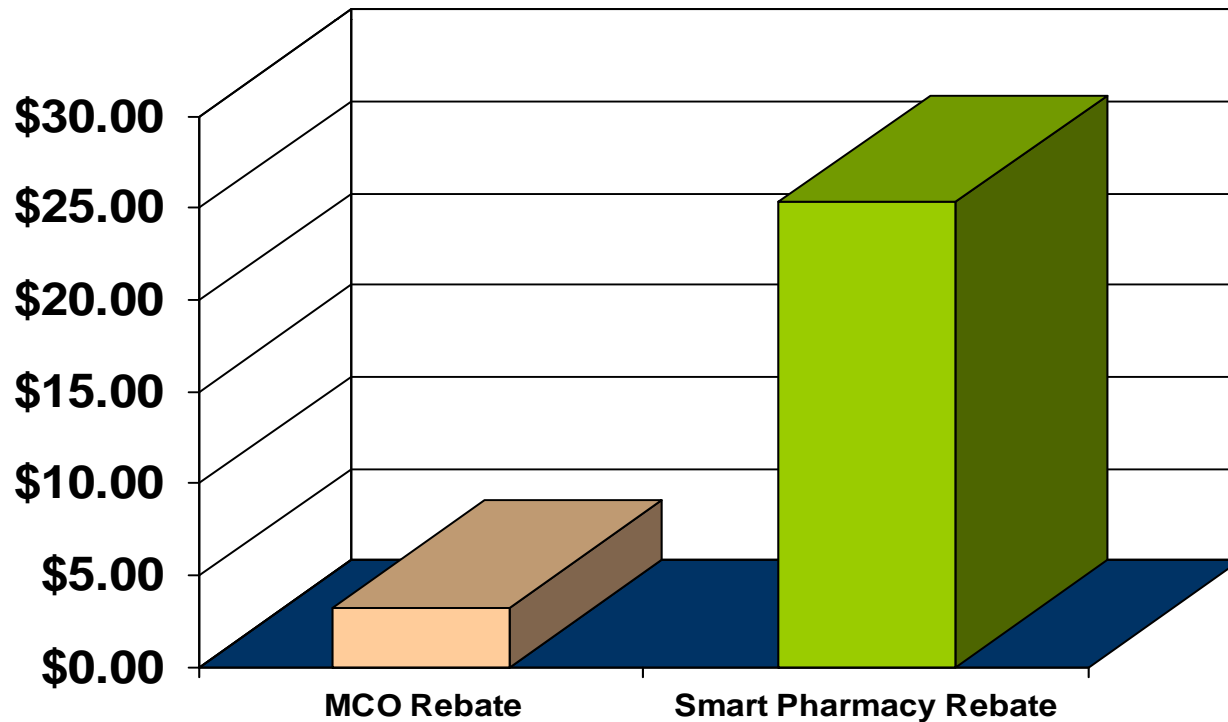
Note: Higher Dispensing Fee for Pharmacies

Source: Smart Pharmacy Presentation

Rebates Are The Source Of Savings

- A Rebate Is A Return From The Drug Manufacturer On The Amount Paid For The Drug
- Under Federal Laws, Drugs Accessed Through The DPW Pharmacy Program Are Eligible For Significant Rebates
- Drugs Accessed Through MCOs Are Not Eligible For These Rebates

DPW Collects 7 Times More Drug Rebates Than Managed Care Companies



Source: Smart Pharmacy Presentation

The Bottom Line...

➤ Smart Pharmacy

A Change In How We Pay Will Save The Commonwealth \$146 Million Annually

- Is Already Providing Pharmacy Benefits to Consumers in 42 Counties
- Is Good For Consumers
- Offers Consistency For Providers
- Presents A Statewide Solution

2. Access Plus Enhancements

- Expand Disease Management Program
 - Currently 5 Diseases
 - Increase To 6 Disease Categories Encompassing 21 Conditions
- Requires Management Of All Associated Co-morbidities
- Adds Additional BH/PH Coordination Requirements
- Expands Dental Outreach Services
- Adds Adult Wellness Program

3. MCO Assessment

- PA Currently Assesses Only Medicaid MCOs At 5.5%
 - Federal Sunset 9/30/09
 - Over \$200 Million Lost Revenue Annually
- Federal Government Has Changed The Rules – Must Assess All MCOs To Meet Federal Requirements

MCO Assessment: Proposed

- Starting In 2009-10, Will Assess All MCOs at 2%
 - Lower Rate, Broader Base
 - **\$200** Million Replacement Revenue For 2009-2010
- Without The New Assessment, Expect Major Health Care Cuts

PA Will Join 7
Other States That
Already Assess
All MCOs:

Arizona

Maryland

Minnesota

New Jersey

North Carolina

Tennessee

Texas

4. Hospital Payments

- No Payment Rate Reductions To Hospitals
- Continue To Fund Tobacco, OB/NICU, Trauma, And Academic Medical Centers
- Budget Assumes \$20 Million In Savings In Inpatient And Outpatient Supplemental Payments

5. Fraud & Abuse / TPL

- False Claim Act
- Recipient Restriction Program
- Targeted Self Audits
- Data Mining / Fraud & Abuse Analytics
- Expand Estate Recovery



Looking Forward



- Economy Remains A Challenge
- Economic Stimulus Package Provides Some Temporary Relief
- Need To Make Structural Program Changes
- Will Continue To Provide Needed Services And Retain Eligibility For Most Vulnerable

