HEALTH MANAGEMENT ASSOCIATES

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The Michigan Update

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Medicaid Managed Care Enrollment Activity

As of May 1, 2011, there were **1,223,433 Medicaid beneficiaries enrolled** in 14 Medicaid Health Plans (HMOs), an **decrease of 14,190** since April 1, 2011. The number of Medicaid beneficiaries eligible for managed care enrollment also decreased in Mayl - there were 1,280,664 eligible beneficiaries, down from 1,306,730 in April. The number of beneficiaries eligible but not yet enrolled in a contracted health plan, not counting exemptions, was 45,557.

The Michigan Department of Community Health (DCH) reports that the reason for the significant drop in both managed care enrollment and the number of beneficiaries eligible for enrollment appears to be due to the timing of case closures by the Department of Human Services (DHS). Two large batches of Medicaid case closures, one after the April managed care enrollment reports were generated and another before the May reports were generated, resulted in the large decreases.

As the enrollment reports for May reflect, every county in the state is served by at least one Medicaid Health Plan.

Fee-for-service care is an option in four counties - Barry, Charlevoix, Cheboygan and Emmet - all of which have been designated as "Preferred Option" counties. Beneficiaries in these counties who do not specifically choose the fee-for-service option are auto-assigned to the contracted health plan but may return to fee-for-service at any time. Beneficiaries in all 15 counties in the Upper Peninsula are auto-assigned through federal "Rural Exception" authority to the one health plan serving the counties.

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For more information, contact Esther Reagan, Senior Consultant, at (517) 482-9236.

MIChild

According to MAXIMUS, the DCH contractor for MIChild enrollment, there were **35,670 children enrolled** in the MIChild program as of May 1, 2011. This is an **increase of 844** since April 2011.

As the enrollment report for May shows, enrollment is dispersed between ten plans, with almost 81 percent of the children enrolled with Blue Cross Blue Shield of Michigan (BCBSM). Please note that Midwest Health Plan is now accepting MIChild enrollments

MIChild-enrolled children receive their dental care through contracted dental plans. Of the three available plans, more than 96 percent of the children are enrolled with either BCBSM (47.51 percent) or Delta Dental Plan (48.87 percent).

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Adult Benefits Waiver (ABW)

As of the middle of May 2011, DCH reports there were **81,392 ABW beneficiaries enrolled** in the program, **a decrease of 5,464** since the middle of April. Even with this month's decrease in caseload, there are still almost twice as many beneficiaries enrolled in the ABW program than in September 2010 when the caseload stood at 41,405, before the open enrollment period that ran from October 1 through November 30, 2010.

There are 28 County Health Plans (CHPs) serving ABW beneficiaries in 73 of Michigan's 83 counties. As of May 1, 2011, the combined ABW **enrollment in the 28 CHPs was 73,507,** a **decrease of 4,968** since April. Although a significant decrease, the May enrollment level is still higher by more than 35,600 beneficiaries than prior to the open enrollment period last fall.

For more information, contact Eileen Ellis, Managing Principal, at (517) 482-9236.

DCH Budget

On May 26, 2011, both Houses of the Michigan Legislature completed their work on the State Budget for Fiscal Year (FY) 2011-12 and sent all appropriation bills to Governor Rick Snyder for signature. With this action, the Legislature succeeded in complying with the Governor's request that the State Budget be completed before the end of May.

Senate Bill 172, the FY 2011-12 DCH appropriation provides $14.1 billion Gross / $2.4 billion in General Fund / General Purpose (GF/GP) funding, a change of $117.2 million Gross / $349.7 million GF/GP from the current year-to-date DCH appropriation. The bill also includes boilerplate language (Section 1901) specifying the allocation of an additional $53.0 million Gross / $22.1 million GF/GP for several one-time efforts.

A summary of major decisions affecting the Medicaid program includes:

- **Medicaid Caseload Consensus:** The DCH appropriation updates base Medicaid funding over the levels provided in the Executive and Legislative proposals to account for assumed changes in Medicaid caseload, utilization and inflation for FY 2011-12. This estimate was reached through the May Medicaid caseload consensus process by the Office of State Budget, House Fiscal Agency and Senate Fiscal Agency ($219.0 million Gross / $55.0 million GF/GP).
- **Actuarial Soundness Adjustment:** The Executive, House and Senate proposals initially assumed that an adjustment in rates paid to Medicaid HMOs and Prepaid Inpatient Health Plans (PIHPs) to meet federal actuarial soundness requirements was not necessary. The appropriation assumes a 1.7 percent ($50.1 million Gross / $17.0 million GF/GP) increase in Medicaid managed care rates and a 1.2 percent ($24.9 million Gross / $8.4 million) increase in PIHP rates.
- **Graduate Medical Education:** The DCH appropriation assumes an 8.7 percent reduction in Medicaid Graduate Medical Education (GME) payments. This is not as significant a reduction as originally proposed by the Executive and House proposals (both assumed a 40 percent cut) and the Senate proposal (for full elimination). The net change in GME funding from FY 2010-11 is -$14.7 million Gross / -$5.0 million GF/GP. However a portion of GME funding ($17.1 million Gross) is included as a one-time funding provision.
- **Rural and Sole Community Hospitals:** The appropriation provides additional funding for rural and sole community hospitals. These funds are appropriated through budget boilerplate and are described as one-time funds ($29.5 million Gross / $10.0 million GF/GP).

- **Medicaid Disproportionate Share Hospital (DSH) Payments:** The DCH appropriation eliminates the "small hospital DSH" pool (-$7.5 million Gross / -$0.0 GF/GP).
- **Managed Care Expansion:** The appropriation assumes savings through the implementation of mandatory managed care for Medicaid beneficiaries also enrolled in the Children's Special Health Care Services (CSHCS) program (-$11.0 million Gross) and implementation of managed care for Medicaid beneficiaries dually eligible for Medicare (-$29.6 million Gross / -$10.0 million GF/GP).
- **Assumed Policy Savings:** The appropriation assumes GF/GP savings associated with efforts to increase third party liability recoveries from auto insurers (-$22.0 million Gross / -$7.5 million GF/GP), enhanced Medicaid estate recovery efforts (-$16.6 million Gross / -$5.6 million GF/GP) and including behavioral health drugs on the Medicaid Preferred Drug List (-$18.7 million Gross / -$6.3 million GF/GP).

Non-Medicaid changes include:

- **Community Mental Health (CMH) Non-Medicaid Funding:** Language in the DCH appropriation bill reduced non-Medicaid funds provided to local CMHs by 3.0 percent (-$8.5 million Gross / -$8.5 million GF/GP).
- **Healthy Michigan Fund (HMF):** The appropriation rolled all funding allocated through the HMF into a single line item and reduced the line. A total of $3.0 million in HMF funding provided for FY 2011-12 is appropriated through budget boilerplate and is described as one-time funding. The net change from FY 2010-11 is -$2.9 million Gross / -$3.1 million GF/GP.
- **Local Public Health:** Funding for Essential Local Public Health Services was reduced by 4.3 percent (-$1.7 million Gross / -$1.7 million GF/GP).
- **Office of Services to the Aging:** The appropriation fully restored $2.2 million in GF/GP reductions to Office of Services to the Aging programs that had been recommended in the Executive proposal.
- **Additional Reductions:** Reductions were included to the Community Substance Abuse line item (-$500,000 Gross) and the State Disability Assistance Substance Abuse item (-$224,300 Gross).
- **Claims Tax:** Language in the DCH appropriation concurs with an Executive proposal to eliminate assessment of the Michigan Use Tax on Medicaid HMOs and PIHPs and replace the Use Tax with a 1.0 percent tax on all paid health claims in the state.

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Merck Serono Drug Settlement

The US Department of Justice announced on May 4, 2011 that international drug manufacturer Merck Serono SA agreed to pay $44.3 million to settle allegations that it illegally promoted one of its drugs using kickbacks to doctors. The Michigan Medicaid program will share in the settlement.

Federal prosecutors said that Merck Serono and EMD Serono allegedly made inappropriate payments to hundreds of doctors for prescribing the multiple sclerosis drug, Rebif, between 2002 and 2009. These kickbacks allegedly resulted in false claims for the drug being billed to both the Medicare and Medicaid programs. The settlement payment will be shared between the federal government and various state governments, with the states receiving a total of $9.7 million.

Merck is already legally bound by a corporate integrity agreement related to a 2005 settlement with the federal government. That agreement has now been extended by three years to 2014, with additional accountability requirements included. Merck Serono has no current relationship to the US drug manufacturer Merck & Co. Inc.

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Medicaid Policies

DCH has issued one final policy that merits mention. This policy was also released simultaneously for public comment. The policy is available for review on DCH's web site at www.michigan.gov/mdch/0,1607,7-132-2945_5100-87513--,00.html.

- **MSA 11-17** advises **Hospitals, Physicians, Durable Medical Equipment (DME) Companies and Others** that the definition of "acquisition cost" will henceforth only include primary discounts for manually priced DME, Prosthetics, Orthotics and Supplies. The policy eliminates the requirement to include secondary and tertiary discounts on requests for prior authorization. This bulletin was **simultaneously issued for comment (1114-DMEPOS)**. Comments are due to DCH by June 8, 2011.

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***Health Management Associates** is an independent national research and consulting firm specializing in complex health care program and policy issues. Founded in 1985, in Lansing, Michigan, Health Management Associates provides leadership, experience, and technical expertise to local, state, and federal governmental agencies, regional and national foundations, investors, multi-state health system organizations and single site health care providers, as well as employers and other purchasers in the public and private sectors.*

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