HEALTH MANAGEMENT ASSOCIATES

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The Michigan Update

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Medicaid Managed Care Enrollment Activity

The Michigan Department of Community Health (DCH) has advised that Medicaid managed care enrollment information for April 2014 is not available. The department has not indicated when enrollment information again will be available. As noted below in the discussion of MIChild enrollment, there was a significant increase in family-related Medicaid enrollment in March 2014. This increase, in combination with the transfer of Adult Benefit Waiver (ABW) beneficiaries to Medicaid Health Plans under the Healthy Michigan Plan, should have resulted in a significant increase in Medicaid managed care enrollment.

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

Duals in Medicaid HMOs

The count of Medicaid beneficiaries dually eligible for Medicare (duals) enrolled in Medicaid HMOs to receive their Medicaid benefits is taken from the same report that includes managed care enrollment for other Medicaid beneficiaries and is not available for April 2014.

Eight of the 13 *Medicaid* HMOs in Michigan (or their parent organizations) are also federally contracted as Medicare Advantage D-SNPs to provide *Medicare* benefits for duals in Michigan: HealthPlus Partners, McLaren Health Plan, Meridian Health Plan of Michigan, Midwest Health Plan, Molina Healthcare of Michigan, Total Health Care,

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UnitedHealthcare Community Plan and Upper Peninsula Health Plan. As of April 1, 2014 these eight D-SNPs have a combined enrollment of 20,501 duals for whom they provide Medicare services; 51.8 percent of the duals that are enrolled in a D-SNP are enrolled in the Molina plan, 28.9 percent are enrolled in the UnitedHealthcare plan and the remaining 19.3 percent are spread across the other six plans. Not all of the duals enrolled in these D-SNPs are eligible to receive full Medicaid benefits. Some only receive assistance from the Medicaid program with Medicare coinsurance and deductible payments and/or monthly Medicare premiums.

There is one additional D-SNP in Michigan, Fidelis SecureCare of Michigan, Inc., which does not hold a Medicaid contract but has been approved by the state as a potential Integrated Care Organization (ICO) in the state's duals demonstration. As of April 1, 2014, Fidelis has 809 enrollees in its D-SNP and is also an approved institutional SNP (I-SNP) with 283 enrollees.

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

CSHCS Children in Medicaid HMOs

The count of Medicaid beneficiaries dually eligible for Children's Special Health Care Services (CSHCS) enrolled in Medicaid HMOs to receive their Medicaid benefits is taken from the same report that includes managed care enrollment for other Medicaid beneficiaries and is not available for April 2014.

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

Adult Benefits Waiver (ABW)

The Michigan Department of Community Health (DCH) reports that the ABW population was transitioned to the Healthy Michigan Plan on April 1, 2014. However, DCH has not provided any detail about the exact number of former ABW beneficiaries transitioned or the managed care plans into which they were enrolled. The same data issues precluding release of the Medicaid managed care enrollment information affect DCH's release of this data for April 2014.

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Healthy Michigan Plan

In previous editions of *The Michigan Update*, most recently last month, we have provided information about the Healthy Michigan Plan (HMP), a Medicaid expansion initiative expected to provide health care coverage to as many as 320,000 individuals in 2014. Implementation of the HMP occurred as planned on April 1, 2014 and the Michigan Department of Community Health (DCH) has included a number of informative materials on its website. The department reports that between April 1 and April 28, 2014, a total of 158,654 individuals applied and have been approved for HMP coverage. This number includes approximately 55,000 former ABW beneficiaries that were enrolled in Medicaid Health Plans effective April 1st. DCH has not provided further detail regarding the enrollment numbers.

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

MIChild

According to MAXIMUS, the Michigan Department of Community Health (DCH) contractor for MIChild enrollment, there were **34,252 children enrolled in the MIChild program as of March 1, 2014 and 33,129 enrolled as of April 1, 2014**. These enrollment numbers reflect **a decrease from the 36,792 children enrolled as of February 1, 2014**. Of these totals, 786 enrollees in March and 713 enrollees in April are dually eligible for Children's Special Health Care Services (CSHCS) and MIChild.

The new Modified Adjusted Gross Income (MAGI) income counting methodology was implemented in Michigan in January 2014. The previous income threshold for MIChild was between 150 percent and 200 percent of the federal poverty level (FPL). Under MAGI the income items counted have changed and also the income limits have changed. Medicaid now covers children from age 1 through 19 in families with income up to 160 percent of the FPL, and infants in families with income up to 195 percent of the FPL. With the new counting methodology, the upper limit for MIChild is now effectively 212 percent of the FPL. While

data are not available regarding the impact of this change, this revision of eligibility policy may be responsible for a reduction in MIChild enrollment. It is noteworthy that enrollment in family-related Medicaid categories increased significantly in March 2014.

As the enrollment reports (.pdf) (.xls) for March show, enrollment is dispersed between 12 plans. A little less than 17 percent of the children are still enrolled with BCBSM. This is down from about 75 percent last fall. Children residing in counties where there are at least two health plans available are given the choice to enroll with one of those plans; children in counties where BCBSM has been the only available health plan choice will remain enrolled with that plan until other plans expand their service areas to these counties. The enrollment reports (.pdf) (.xls) for April identify a new health plan choice for enrollees in Wayne County - Harbor Health Plan. The percentage of children still enrolled with BCBSM is continuing to decrease; as of April 1, 2014, BCBSM is providing care for 15.8 percent of the MIChild population and is serving 27 counties.

MIChild-enrolled children receive their dental care through contracted dental plans. Of the two available plans, 95.4 percent of the children were enrolled with Delta Dental Plan as of March 1, 2014 (94.5 percent as of April 1), which has a statewide service area. The remaining 4.6 percent of children in March (and 5.5 percent in April) are enrolled with Golden Dental Plan in a service area that includes eight counties. BCBSM was a statewide dental health plan as well through September but terminated in full its participation in the dental program.

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

Integrated Care for Dual Eligibles

In previous editions of The Michigan Update we have written about Michigan's plan to implement an integrated delivery system of health care for persons dually eligible for Medicare and Medicaid (duals) beginning in July 1, 2014. The Michigan Department of Community Health (DCH) has finalized a Memorandum of Understanding (MOU) with the federal Centers for Medicare and Medicaid Services (CMS), is working with CMS to develop the Medicare and Medicaid capitation rates for the Integrated Care Organizations (ICOs) and for the Prepaid Inpatient Health Plans (PIHPs) that will provide behavioral health

services, and is preparing necessary waiver documents in order to implement the demonstration.

The demonstration will target approximately 89,000 full-benefit duals (out of the 198,000 in the state) residing in four selected regions. A readiness review process for the ICOs chosen during last year's competitive procurement is expected to begin in the late summer or early fall. The ICOs by region include:

- Upper Peninsula - Upper Peninsula Health Plan
- Southwest Michigan - CoventryCares of Michigan and Meridian Health Plan of Michigan
- Wayne County - Amerihealth Michigan, CoventryCares of Michigan, Fidelis SecureCare of Michigan, Midwest Health Plan, Molina Healthcare of Michigan and UnitedHealthcare Community Plan
- Macomb County - same plans as for Wayne County

The MOU provides the expected timeline for the enrollment process, which will occur in two phases. Phase 1 relates to the first two regions - the Upper Peninsula counties and eight counties in southwest Michigan (Barry, Berrien, Branch, Calhoun, Cass, Kalamazoo, St. Joseph and Van Buren). Phase 2 relates to the other two regions (Wayne and Macomb counties).

- Opt-in (voluntary) enrollment for Phase 1 counties will occur no earlier than October 1, 2014 with an enrollment effective date of January 1, 2015.
- Opt-in enrollment for Phase 2 counties will occur no earlier than March 1, 2015 with an enrollment effective date of May 1, 2015.
- Passive enrollment (auto-assignment but with the ability to opt out/disenroll) for Phase 1 counties will be effective no earlier than April 1, 2015.
- Passive enrollment for Phase 2 counties will be effective no earlier than July 1, 2015.

DCH is developing an assignment algorithm for passive enrollment that will consider at a minimum previous managed care enrollment in both Medicare Advantage and Medicaid managed care as well as enrollments of people who share a common case number for Medicaid eligibility. Additional ICO measures for quality, administration and capacity will be included as well.

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

Michigan Medicaid Budget

On April 30th, the Senate Appropriations Committee is considering the Michigan Department of Community Health (DCH) Budget for fiscal year (FY) 2014-2015. The committee will be considering the Subcommittee recommendation for the DCH budget as well as two bills introduced on March 27 and April 29 by Senator Roger Kahn that affect the funding of the Medicaid program.

Medicaid Funding Bills: On March 27th, Senator Kahn introduced Senate Bill (SB) 893 which restores the six percent "Use Tax" on Medicaid HMO services that was in place from April 2009 through March 2012. On April 29th, Senator Kahn introduced SB 913 which reduces the Health Insurance Claims Assessment (HICA) from one percent of the value of health care claims to 0.75 percent of claims. The combination of these two bills fills a hole in the revenues for the DCH budget that has existed since April 2012 due to a shortfall of $110 million to $120 million per year in HICA revenues from what was projected. As noted above, both of these bills are expected to be considered on April 30th.

Subcommittee Recommendation: The Subcommittee Recommendation for the FY 2015 DCH appropriation includes numerous changes to what was recommended by Governor Snyder. In most cases an item, especially if included by the House of Representatives in its version of an appropriation bill, was not totally removed by the Senate Subcommittee, but rather was replaced with a $100 placeholder appropriation. Among those changes are the following:

- Health and Wellness appropriations:
    - Cut the appropriation for a before and after school healthy exercise program pilot for elementary school children,
    - Added Health and Wellness funding for Breast Cancer and Diabetes/Kidney programs.
- Behavioral Health Program Administration and Special Projects:
    - Several items were removed and replaced by $100 placeholder amounts:
        - Removed $425,000 for additional data analytics staff.
        - Removed $3.35 million for Jail/Prison Diversion Initiatives.

        - Removed $15.6 million in State General Funds for implementation of the recommendations of the Governor's Mental Health and Wellness Commission.
    - Increased the adjustment to Community Mental Health non-Medicaid funding by an additional $4.8 million beyond the Governor and House proposals.
- Medical Services (Medicaid):
    - Restored the Rural/Sole Community Hospital Pool ($35.6 million gross, $12 million General Fund/General Purpose - GF/GP).
    - Restored "one time" Graduate Medical Education (GME) funding of $4.3 million ($1.45 million GF/GP).
    - Agreed with the Governor to make up 50 percent of the difference between Medicaid rates and Medicare rates for primary care physician services (rates at about 78 percent of Medicare). The House proposal only covered 35 percent of the difference. (No change from Executive Recommendation)
    - Increases Medicaid OB/GYN rates to full Medicare rates ($18.9 million gross, $6.5 million GF/GP).
    - Restored FY 2012-2013 payment to Harper/Hutzel Hospital ($18.9 million total, $6.5 million GF/GP).
    - Placeholder item of $100 to retain some funding for Special Indigent Care Payments.
    - Rate increases for Adult Foster Care (3 percent), Medicaid Dialysis Services (2 percent) and Ambulance Services (15 percent).

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

Michigan's Blueprint for Health Innovation

On April 24, 2014, Governor Rick Snyder submitted to the US Department of Health and Human Services Michigan's State Health Care Innovation Plan, called the *Blueprint for Health Innovation*. The Blueprint was developed with funding from HHS through a State Innovation Model (SIM) Design award in February 2013.

Over the last year, the Michigan Department of Community Health (DCH) partnered with dozens of stakeholders across the state to develop the Blueprint, which is built on the following five foundational components as spelled out in the document:

1. The **Patient Centered Medical Home** is the first element of Michigan's health system transformation. Michigan's Patient Centered Medical Home model builds on the Michigan Primary Care Transformation demonstration project, which has been widely adopted and is being scaled up across the state as a cornerstone of health system transformation. Michigan's Blueprint for Innovation will leverage the Michigan Primary Care Transformation program to meet the goal of strengthening primary care infrastructure to expand access to care for Michigan residents and to ensure that patients get high quality health care services.
2. The second element in the proposed service delivery model is the **Accountable System of Care**. The role of the Accountable System of Care in Michigan's health system transformation is to improve health system performance by organizing care providers within an integrated network that ensures patients have access to the right care, by the right provider, at the right time, and in the right place. A Michigan Accountable System of Care is a legal entity with infrastructure that organizes and supports a network of providers who are accountable to work together in a coordinated manner to proactively manage comprehensive medical, behavioral, and social care services for a defined population. Providers in an Accountable System of Care include Patient Centered Medical Homes that serve children and adults with complex clinical care management services. The distinguishing feature of this provider network is that - through new payment mechanisms - the providers are held financially accountable for performance outcomes of a defined population.
3. The third element of the Innovation Model is the **Community Health Innovation Region**. While Accountable Systems of Care will provide a structure for clinical integration and provider accountability, Michigan stakeholders strongly support the development of a community-based organizing mechanism composed of partners from many different fields in the community who will work together for better population health and health care at lower costs. Given the substantial

impact of social, economic, behavioral, and environmental factors on health and health care, broad partnerships are needed across the health system and beyond. To be effective and sustained over time, these partnerships will take a collective impact approach, with a long-term commitment to a common agenda, shared measures, and effective strategies for engaging the community in improving health and the health care delivery system while containing costs.

4. The fourth model element, **Paying for Value**, will require payers and providers to make changes to their business models. Accountable Systems of Care provide the structure to support the evolution of new value-based payment and reimbursement methods. Medicare's Accountable Care Organizations will inform the way Michigan will move the preponderance of health care payments away from fee-for-service and into value-based models. Michigan's Accountable Systems of Care organizational framework is based on the Medicare Accountable Care Organization financial and clinical integration principles for organizing providers to improve quality and reduce cost, with some additional roles that go beyond Medicare Accountable Care Organizations.
5. The investment for the fifth model element, **Infrastructure and Process Improvement**, will be made at local levels (for instance as Accountable Systems of Care implement network-wide electronic health records, enroll in health information exchange organizations, and engage practice coaches or quality improvement consultants). There are three areas of infrastructure investment that are recommended to be made at a central level in order to implement the Blueprint. These relate to the Policy and Planning Office Innovation Model Steering Committee, performance measurement and recognition committee, and central health information technology.

By submitting a State Health Care Innovation Plan, Michigan is eligible to apply for a SIM Testing award. It is anticipated that CMS will release a Funding Opportunity Announcement for a Testing award in the coming months.

For more information, contact Sue Moran, Principal, at (517) 482-9236.

Potential Protected Health Information Breach

On April 3, 2014, the Michigan Department of Community Health advised that the department had recently been made aware that protected health information for 2,595 individuals was stolen from the State Long Term Care Ombudsman's Office. The information was on a flash drive connected to a laptop computer taken from the office. All affected individuals have been notified.

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

Renewed Focus on Obesity Prevention and Reduction

On April 24, 2014, Michigan Department of Community Health (DCH) Director James Haveman released the department's "Be Active, Eat Healthy 2014 - 2018 Priority Strategies", a companion document to the Michigan Health and Wellness 4 x 4 Initiative implemented in 2013 to prevent and control obesity, reduce chronic disease and build a stronger healthier Michigan. Information about the 4 x 4 Initiative and the new companion document are available through a link on the press release.

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

Best Practices in Care Management

On April 11, 2014, the Center for Healthcare Research and Transformation (CHRT) at the University of Michigan released a policy paper entitled *Best Practices in Care Management for Senior Populations*. The paper focuses on the question: do care management programs work for senior populations and, if so, what characteristics are shared by the most effective programs?

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

Dental-Related Emergency Room Visits

On April 21, 2014, the Anderson Economic Group released the results of a study commissioned by Delta Dental of Michigan entitled *The Cost of Dental-Related Emergency Room Visits in Michigan*. Key findings of the study include:

- Treatment for preventable dental conditions in hospitals in Michigan cost at least $15 million in 2011.
- Over 7,000 patients visited Michigan hospital emergency rooms to receive treatment for preventable dental conditions in 2011 - largely for cavities or abscesses.
- More than 1,000 hospitalizations in 2011 were for preventable dental conditions.

The study notes that with the average cost of a hospital stay exceeding $12,000, a single avoided hospitalization would pay for decades of preventive and diagnostic dental care at an average cost per year of $217.

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

BCBSM Makes First Payment to Endowment Fund

With passage of Public Act 4 of 2013, Blue Cross Blue Shield of Michigan (BCBSM) was changed to a nonprofit mutual insurer. This change was a result of provisions in the Affordable Care Act of 2010 that eliminated the need for an "insurer of last resort" in the state. The change in status for BCBSM also required the company to contribute up to $1.56 billion over 18 years to a newly established Health Endowment Fund intended to support health programs, particularly those targeted to children and the elderly. In mid-April, BCBSM made its first contribution to the Fund, in an amount of $100 million.

In related news, on April 28, 2014, the Health Endowment Fund's board named Geralyn Lasher, currently senior deputy director for external relations and communications at the Michigan Department of Community Health (DCH), the interim executive director. She will oversee the Fund's operations during the search for a permanent director.

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

Michigan Recovery Audit Contractor (RAC)

The Michigan Department of Community Health (DCH) has recently approved the following target areas for review by its RAC, Health Management Systems (HMS):

- Credit Balance Audits of Hospitals, and
- Inpatient Hospital Inappropriate Setting Reviews and the Two-Midnight Rule.

Additional information is available in a Medicaid RAC Update.

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

Medicaid Policies

The Michigan Department of Community Health (DCH) has issued one final and four proposed policies that merit mention. The policies are available for review on DCH's website.

- **MSA 14-14** provides a technical **correction** for **Hospitals** on the order in which payments from the $45 million regular Disproportionate Share Hospital (**DSH**) pool will be withheld.
- A proposed policy (**1410-CSHCS**) has been issued for the Children's Special Health Care Services (**CSHCS**) Program that would **change the previous policy of applying effective dates** in different ways. The proposed policy would also **permit six months of retroactive coverage rather than just three**. Comments were due to DCH by April 30, 2014.
- A proposed policy (**1411-PE**) has been issued to **describe the presumptive eligibility periods and eligibility groups/populations** for which qualified entities may determine Medicaid eligibility presumptively. Comments are due to DCH by May 8, 2014.
- A proposed policy (**1414-SBS**) has been issued that would **modify terminology on reports** used by **Medicaid School Based Services Providers and Billing Agents**. Comments are due to DCH by May 14, 2014.

- A proposed policy (**1417-CMH**) has been issued that would implement a **Medicaid Health Homes pilot in three counties** - Grand Traverse, Manistee, and Washtenaw - beginning **July 1, 2014**. Implementation is contingent upon federal approval. **Community Mental Health Services Programs** would be designated as the Health Homes and serve **individuals with serious and persistent mental health conditions**. Comments are due to DCH by May 28, 2014.

DCH has also released two L-letters of potential interest, which are available for review on the same web site.

L 14-11 was released to selected Medicaid providers to inform them of a requirement in federal law applicable to any entity receiving at least **$5 million in Medicaid payments** during calendar year 2013. Such providers must **complete and submit to DCH** a form - **Certification of Compliance with Section 6032 of the Deficit Reduction Act (DRA) of 2005**. This provision in federal law relates to **employee education about false claims recovery**.

L 14-14 was released to advise that **DCH intends to submit a State Plan Amendment to align Michigan Medicaid policies with Affordable Care Act outpatient drug coverage changes**. Specifically, the change would **remove coverage restrictions on barbiturates, benzodiazepines and agents used to promote smoking cessation**.

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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.*