HEALTH MANAGEMENT ASSOCIATES

August 2012

The Michigan Update

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Medicaid Managed Care Enrollment Activity

As of August 1, 2012, there were **1,225,071 Medicaid beneficiaries enrolled** in 13 Medicaid Health Plans (HMOs), a **decrease of 12,703** since July 1, 2012. The number of Medicaid beneficiaries eligible for managed care enrollment also decreased in August - there were 1,286,499 eligible beneficiaries, down from 1,303,193 in July. The number of Medicaid beneficiaries dually eligible for Medicare ("duals") enrolled in Medicaid HMOs to receive their Medicaid benefits continues to grow - there were **25,260 duals enrolled in August, up from 24,604 in July**, an increase of 656.

In the April 2012 edition of *The Michigan Update* we reported that McLaren Health Plan was to purchase CareSource Michigan. This purchase has now been finalized and the enrollment reports (.pdf) (.xls) for August reflect the much-expanded service area of McLaren, up from 30 counties to 53, and McLaren's increased membership as a result of the added CareSource enrollees.

As the enrollment reports also reflect, every county in the state is served by at least one Medicaid Health Plan. Auto-assignment of beneficiaries into Medicaid Health Plans is now in place in every county of the state. Fee-for-service care is an option in only one county - Barry - which is also the only remaining "Preferred Option" county. Beneficiaries in Barry County who do not specifically choose the fee-for-service option are auto-assigned to a 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.

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

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Aetna to Buy Coventry

On Monday, August 20, 2012, Connecticut-based Aetna Inc., the third largest health plan in the United States, agreed to buy Coventry Health Care, Inc., a multi-state health plan headquartered in Maryland, for $5.6 billion. Coventry had specialized in providing Medicaid health plan services in many states and has more than 5 million members. Aetna will pay $42.08 per share, a 20 percent premium over Coventry's closing price the previous Friday. In addition to the purchase price, Aetna will assume Coventry debt, making the total deal worth about $7.3 billion. CoventryCares of Michigan, a Medicaid Health Plan serving more than 43,000 members in Cass, Kalamazoo, Oakland, St. Joseph and Wayne Counties is included in this transaction.

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

Duals in Medicaid HMOs

The number of Medicaid beneficiaries dually eligible for Medicare (duals) who were enrolled in Medicaid HMOs through auto-assignment in August was 13,454; the number of duals enrolled on a voluntary basis was 11,806. All Medicaid HMOs have duals enrolled although the numbers vary dramatically across plans.

A Medicaid HMO member who gains Medicare coverage and remains in the HMO is categorized as auto-assigned or voluntarily enrolled based on the means through which the member was *initially* enrolled in the HMO. Duals enrolled in a Medicare Special Needs Plan (SNP) for their Medicare benefits but receiving Medicaid on a fee-for-service basis are auto-assigned to the related Medicaid HMO if applicable. Any dual is able to "opt out" of the HMO and receive Medicaid benefits on a fee-for-service basis.

As the table below reflects, Molina Healthcare of Michigan has the most dual enrollees receiving their Medicaid services from an HMO, about 34 percent of the total; UnitedHealthcare Community Plan has 24 percent of the total; Meridian Health Plan of Michigan has almost 14 percent of the total (but the most voluntary enrollees); and the other 11 plans share the remaining 28 percent.

July 2012 Medicaid Dual Eligible Enrollment			
Medicaid Health Plan	**Voluntary Enrollees**	**Auto-Assigned Enrollees**	**Total Enrollees**
Blue Cross Complete of MI	226	267	493
CoventryCares of MI	343	83	426
HealthPlus Partners	596	134	730
McLaren Health Plan	1,226	235	1,461
Meridian Health Plan of MI	2,868	649	3,517
Midwest Health Plan	726	621	1,347
Molina Healthcare of MI	1,779	6,788	8,567
PHP Mid-MI Family Care	152	32	184
Priority Health Govt. Programs	668	584	1,252
Pro Care Health Plan	12	16	28
Total Health Care	491	146	637
UnitedHealthcare Comm. Plan	2,397	3,687	6,084
Upper Peninsula Health Plan	322	212	534
Total	**11,806**	**13,454**	**25,260**

Six of the 13 Medicaid HMOs in Michigan are also federally contracted as Medicare Advantage SNPs to provide *Medicare* benefits for duals: CareSource (now McLaren), Meridian, Midwest, Molina, UnitedHealthcare and Upper Peninsula Health Plan. As of August 1, 2012 these six SNPs have a combined enrollment of 13,921 duals for whom they provide Medicare services; 58.2 percent of the duals enrolled in SNPs for Medicare services are enrolled in the Molina plan, 29.8 percent are enrolled in the UnitedHealthcare plan and the remaining 12 percent are spread across the other four plans.

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

MIChild

According to MAXIMUS, the DCH contractor for MIChild enrollment, there were **37,610 children enrolled** in the MIChild program as of August 1, 2012. This is an increase of 133 since July 1, 2012.

As the enrollment report (.pdf) (.xls) for August shows, enrollment is dispersed between 10 plans, with more than 76 percent of the children enrolled with Blue Cross Blue Shield of Michigan (BCBSM). MIChild-enrolled children receive their dental care through contracted dental plans. Of the three available plans, more than 95 percent of the children are

enrolled with either BCBSM (48.3 percent) or Delta Dental Plan (47.0 percent).

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

Adult Benefits Waiver (ABW)

Enrollment in the ABW program has been closed since November 2010. As of the middle of August 2012, DCH reports there were **35,740 ABW beneficiaries enrolled** in the program, **a decrease of 1,187** since the middle of July. There are 28 County Health Plans (CHPs) serving ABW beneficiaries in 73 of Michigan's 83 counties. As of August 1, 2012, the combined ABW **enrollment in the 28 CHPs was 32,522, a decrease of 999** since July.

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

Michigan Consumers Healthcare CO-OP

The federal Affordable Care Act (ACA) created a new type of nonprofit health insurer, called a Consumer Operated and Oriented Plan (CO-OP) that will offer member-friendly, affordable health insurance options to individuals and small businesses beginning in January 2014. Earlier this year, with the assistance of staff from Health Management Associates (HMA), 15 of Michigan's County Health Plans (CHPs) currently providing coverage to ABW beneficiaries and other low-income uninsured individuals formed the Michigan Consumers Healthcare CO-OP (MCHCO) and submitted an application to the federal Centers for Medicare & Medicaid Services (CMS) in response to an announced start-up loan opportunity. MCHCO's application was successful and a $72 million loan was approved. More recently the MCHCO Board of Directors announced the selection of Dennis (Denny) Litos as Chief Executive Officer (CEO) on an interim basis (subject to federal approval). Denny is a seasoned hospital executive, rising through the ranks of hospital administrations to serve as CEO of two large hospital systems, including Ingham Regional Medical Center in Lansing (now McLaren Greater Lansing). Most recently Denny was a principal at HMA.

For more information, contact Eileen Ellis, Managing Principal, 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. DCH submitted a proposal to CMS in April 2012, which CMS posted for public comment. Based on questions and comments from CMS, the department has been working on refinements to the proposal that provide more operational detail since that time.

There are several issues that require more detailed development, one of which relates to the coordination of physical and behavioral health care. The proposal would continue separate contracts, using risk-based reimbursement, with Prepaid Inpatient Health Plans (PIHPs) for behavioral health services and with Integrated Care Organizations (ICOs) for acute and long-term care. The submitted proposal would utilize a "Care Bridge" model to bring coordination and accountability between the PIHPs and ICOs.

A Care Bridge is a care coordination framework designed to identify and stratify populations based on dominant need; the dominant need may be for behavioral health, intellectual or developmental disability services, for long-term care or special supports due to aging or a complex medical condition, or the individual may be "flagged" for an assessment to determine the dominant need if past service utilization is not telling. The Care Bridge is designed to assess and develop integrated and individualized (person-centered) care and supports plans that ensure a linkage to health and community services and supports; and the Care Bridge monitors the plans and occurrence of trigger events requiring plan modification. Although an individual's care coordination team will be multidisciplinary and assure a focus on the dominant need, each individual will select a team leader who will serve as their primary contact.

There is also an issue related to region configuration. The current geographic regions used for the Medicaid Health Plan and the PIHP contracts are different, so there is discussion regarding changes to one or both of these regional configurations for consistency. In addition, the appropriate number of regions for the duals demonstration may be smaller than for either Medicaid Health Plan or PIHP contracting.

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

DCH Director Dazzo Resigns

On August 15, 2012, Governor Rick Snyder announced that he had accepted the resignation of DCH Director Olga Dazzo, who he had appointed to the position in December 2010. Ms. Dazzo indicated she would be returning to the private sector to help put into place some of the health care initiatives she worked to develop during her tenure. Governor Snyder appointed James K. Haveman Jr. as the new DCH Director. Mr. Haveman previously served in this position from 1996 to 2003, and as the Department of Mental Health Director from 1991 to 1996, during the administration of Governor John Engler. Mr. Haveman's appointment is subject to the advice and consent of the Senate and he is scheduled to assume his new role on September 1, 2012. Ms. Dazzo will continue in a transition role over the next couple of months.

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Health Insurance Exchange

On August 23, 2012 a spokesman for Michigan Governor Snyder announced that Michigan would no longer focus its Exchange planning efforts toward the creation of the MIHealth Marketplace, a state-based Exchange and would focus its energy toward using the Federal partnership model for operation of Michigan's Exchange.

The Governor attributed this change in course to a lack of interest and energy demonstrated by the Michigan House of Representatives in authorizing the creation of Michigan's Exchange. In addition the House had not provided required authorization for Michigan to spend$9.5 million in Federal planning grant dollars to support implementation of a state-based Exchange. Language in the press statement suggested that the Executive would re-examine a state-based Exchange if Federal deadlines were pushed back, stating "*If there are changes to the federal deadlines or to the law, we can and will reassess, but for now we must prepare for a federal exchange.*"

Insurer reaction appeared to be one of understanding, disappointment and concern over the role of the federal government, which at this time is not really known.

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Infant Mortality Reduction Plan

On August 1, 2012, DCH released Michigan's Infant Mortality Reduction Plan, a statewide plan to reduce and prevent infant mortality. The plan includes eight priority strategies.

The strategies were identified with academic input, an infant mortality steering committee and an October 2011 Infant Mortality Summit. The infant mortality reduction strategies include:

1. Implement a Regional Perinatal System.
2. Promote adoption of policies to eliminate medically unnecessary deliveries before 39 weeks gestation.
3. Promote adoption of a progesterone protocol for high-risk women.
4. Promote safer infant sleeping practices to prevent suffocation.
5. Expand home-visiting programs to support vulnerable women and infants.
6. Improve the health status of women and girls.
7. Reduce unintended pregnancies - expand teen pregnancy prevention.
8. Weave the social determinants of health in all targeted strategies to promote the reduction of racial and ethnic disparities in infant mortality.

The Plan and related documents including a fact sheet and regional contacts are available on the DCH website at www.michigan.gov/mdch.

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

Autism Coverage Reimbursement

State law enacted earlier this year requires insurers to provide coverage for the diagnosis and treatment of autism spectrum disorders. The law also included a provision for insurers to obtain reimbursement for the cost of diagnosing and treating these disorders from the State. The Department of Licensing and Regulatory Affairs (LARA) is charged with implementing the billing and reimbursement process. LARA is actively developing materials necessary to implement the new requirements on October 15, 2012. We will provide information about the billing and reimbursement process in this newsletter when it becomes available.

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

Medicaid Fraud Conviction

In early August 2012, a federal jury convicted Canton Township pharmacy owner Babubhai (Bob) Patel, four pharmacists and an business associate of running a massive billing scheme that charged the Medicare and Medicaid programs more than $57 million for painkillers and other drugs that were unnecessary or never provided. According to evidence presented at trial, Mr. Patel owned and controlled more than 20 pharmacies throughout metro Detroit and committed the fraud during a period from 2006 to 2011.

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Stage 2 Electronic Health Record Meaningful Use Rule

On August 23, 2012, US Health and Human Services (HHS) Secretary Kathleen Sebelius announced issuance of the Stage 2 Final Rule related to the Electronic Health Record (EHR) Incentive Programs. The rule specifies the criteria that eligible professionals and hospitals must meet in order to continue to participate in the EHR Incentive Programs. The Secretary's press release with links to related documents and the text of the rule is available on the HHS website at www.hhs.gov/news/press/2012pres/08/20120823b.html.

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

Medicaid Policies

DCH has issued four final policies and four proposed policies that merit mention. The policies are available for review on DCH's web site.

- **MSA 12-31** reminds **Medical Suppliers and Long-Term Care Facilities** that **Powered Air Flotation Beds and Air Fluidized Beds** are not "routine costs" and should not be included in facility cost reports. Such items are separately reimbursable to Medical Suppliers with prior authorization from the Medicaid program.
- **MSA 12-32** notifies **School Based Services Providers and Billing Agents** that Program

Specialists are now removed from the Administrative Outreach Program staff pool list for the **Random Moment Time Study**.

- **MSA 12-33** clarifies for **Nursing Facilities** Medicaid policy on the **penalty for use of beds** in areas designated non-available for occupancy.
- **MSA 12-35** informs **Hospitals and Medicaid Health Plans** that, as required in Public Act 89 of 2012, the **Graduate Medical Education Funds Pool** will be increased.
- A proposed policy (**1230-DSH**) has been issued that would **modify the DSH calculation and allocation process**. The public comment period for this proposed policy has now passed.
- A proposed policy (**1232-Screening**) has been issued that would implement new recommendations regarding **cholesterol screening in children and adolescents**. Comments are due to DCH by September 20, 2012.
- A proposed policy (**1236-Transportation**) has been issued that would require prior authorization for mileage associated with **fixed-wing air transportation** services. Comments are due to DCH by September 26, 2012.
- A proposed policy (**1238-Vision**) has been issued that would include **Optometrists** in the list of Medicaid professionals eligible for Electronic Health Record (**EHR**) **incentive payments**. Comments are due to DCH by September 26, 2012.

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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.*