

Medical Contracts



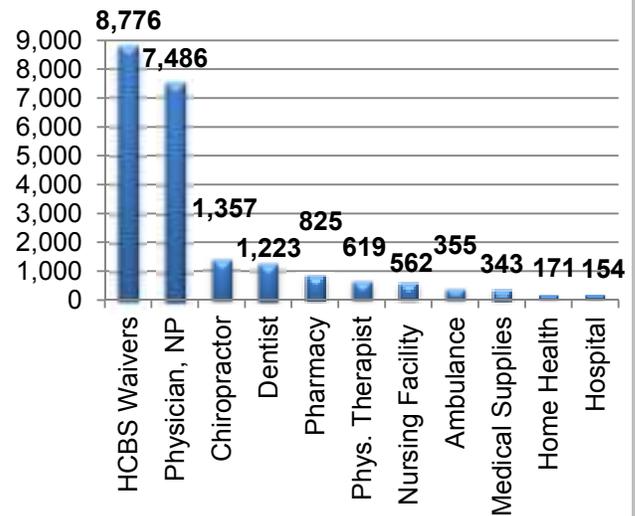
Purpose

The Medicaid program is administered by the Iowa Medicaid Enterprise (IME). The IME is comprised of 26 full-time state employees (excluding 12 Health Insurance Premium Payment staff) and nine performance-based contracts with private vendors. State staff performs policy functions and manages the vendors to assure member access, cost effectiveness and value. Vendors carry out the majority of the business functions of operating the program including efficiently processing medical claims, working with providers and members, promoting program integrity and pursuing cost recovery.

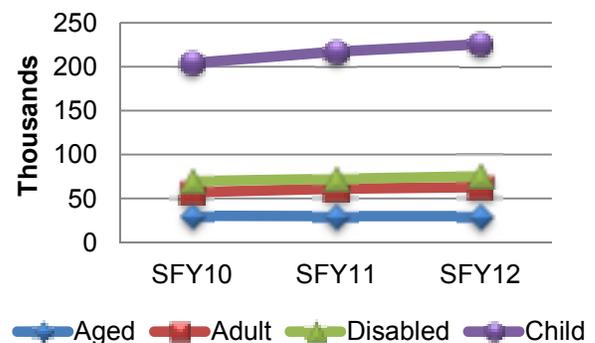
Who Is Helped

- IME contracts with vendors to administer the Medicaid program. These administrative costs are funded through the Medical Contracts appropriation.
- IME continually produces a high return on investment, saving millions of dollars through program management initiatives, while maintaining a 4 percent administrative cost ratio.
- The IME served more than 615,000 (unduplicated) Medicaid members in SFY12, (20 percent of the state population).
- The IME supports over 38,000 dedicated public and private health care providers (in-state and out-of-state).
- Medicaid enrolls the same private and public providers as other insurers in Iowa and is the second largest healthcare payor in Iowa.
- A New England Journal of Medicine study reported that, among eligible populations, Medicaid contributes to a significant reduction in adjusted all-cause mortality, as well as decreased rates of care being delayed due to cost.

Medicaid In-State Providers



Medicaid Enrollment by Group



- ✓ *Provider Services answers over 31,000 calls per month from healthcare providers. Average wait time for providers to talk to a call center representative is less than 20 seconds.*
- ✓ *Member Services answers over 14,000 calls per month from members. The average time for members to talk to a call center representative is less than thirty seconds.*
- ✓ *Pharmacy Services processed over 99,000 prior authorizations in SFY12 with an average determination time of 4 hours and 3 minutes.*

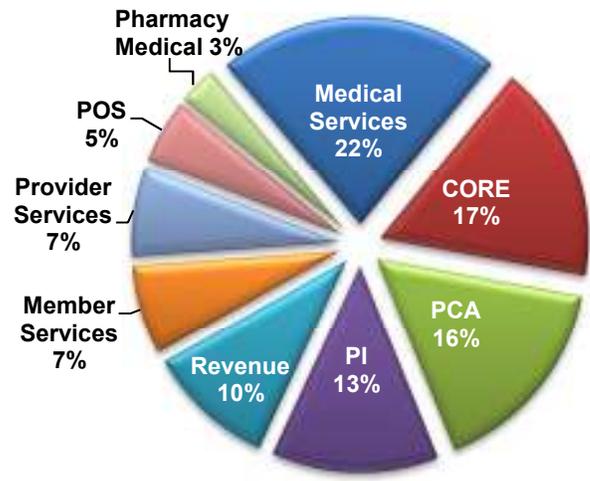
Services

Iowa Medicaid utilizes nine performance-based contracts with vendors who provide key business services. These contracts are integrated under state oversight and management in a single location. They comply with over 200 performance measures to achieve maximum value for Iowa taxpayers.

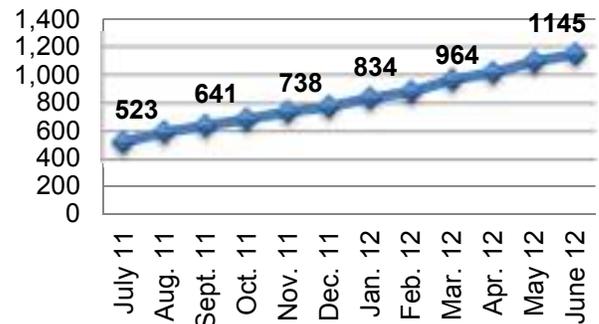
The contracts were competitively procured through an integrated Request for Proposals process in 2010. IME vendors carry out the following primary functions:

- CORE Services** include mailroom operations, claims processing and operation of systems, including the Medicaid Management Information System (MMIS).
- Medical Services** provides a variety of utilization management and quality management activities to ensure medical necessity requirements are met, provide guidance on covered services, standards of care, and best practices. Additional functions include activities associated with Medicaid Value Management (MVM).
- Member Services** provides customer service, assists members in choosing a primary care provider, and provides pro-active chronic care and maternity management through health coaches and health coordinators. Member Services operates the **Lock-In** program which prevents harmful or wasteful practices such as the misuse or overuse of emergency room services and drug abuse.
- Pharmacy Medical Services** maintains the Preferred Drug List (PDL), processes prior authorization (PA) requests for preferred drugs, and responds to inquiries to the Pharmacy PA Hotline.
- Pharmacy Point of Sale (POS)** collects drug rebates from manufacturers, answers questions and resolves claim issues for pharmacies, and provides POS claim function availability 24 hours/7 days per week.

SFY14 Projected Share of State Expenditures by IME Units



Lock-in Monthly Enrollment SFY12



Preferred Drug List (PDL) Savings



- **Provider Cost Audit (PCA)** provides technical assistance to providers, performs rate setting, cost settlement, cost audit functions and ensures that payments made to Medicaid providers are in accordance with state and federal requirements.
- **Program Integrity (PI)** efforts include identifying potential fraud, waste and abuse through oversight and cost avoidance strategies.
- **Provider Services** is dedicated to supporting providers across the state that provides services to Medicaid members. Functions include operation of a call center, managing the provider network, provider enrollment, program integrity, and education and outreach activities.
- **Revenue Collections** functions include Third Party Liability (TPL) for cost avoidance to ensure that Iowa Medicaid is the payer of last resort, recovery of funds where Medicaid has paid prior to a responsible third party, and estate recovery to obtain repayment of Medicaid expenditures from estates of members who have received long-term care services.

Medical Contracts also includes a number of other contracts with additional vendors and other state agencies, such as the Department of Public Health and the University of Iowa. Those contracts all contribute to the administration of the Medicaid program.

The IME administers Iowa's federal Electronic Health Record (EHR) Incentive Payment program, which distributes 100 percent federal payments to hospitals, physicians and other eligible Medicaid providers for implementing EHRs and incenting meaningful use of the systems. The IME also provides significant funding for Iowa's Health Information Network (HIN) implementation, which will allow real-time exchange of patient health information allowing for greater coordination of care for patients.

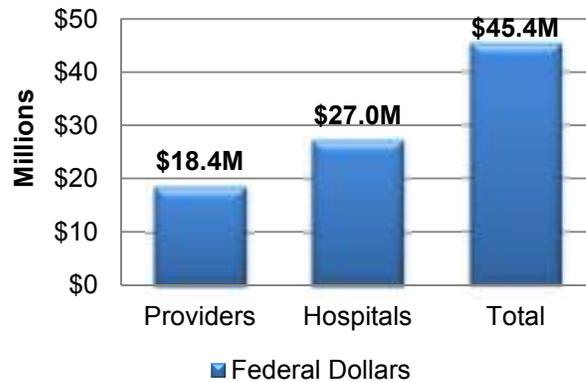
Program Integrity Savings



Revenue Collections



Medicaid Electronic Health Record Payments (Since January, 2011)



	<ul style="list-style-type: none"> ✓ <i>IME processes nearly 33 million claims per year. The average time from receipt of the claim to payment was less than seven days (6.4) in SFY12.</i> ✓ <i>The Medical Services Unit typically reviews up to 1,200 claims per day.</i> ✓ <i>Program Integrity saved Iowa Medicaid \$28.9 million in SFY12 through the identification of overpayments, coding errors, and fraud, waste, and abuse.</i> 													
Goals & Strategies	<p>Goal: Effectively Manage Resources</p> <p>Strategies:</p> <ul style="list-style-type: none"> • Implement new Medicaid Management Information Systems (MMIS). • Implement new DHS and IME website. • Increase Medicaid provider performance by sharing quality data. • Expand Program Integrity efforts in DHS Programs. • Maximize federal financial participation to the greatest extent possible. 	<p>SFY11 Medicaid Member Satisfaction</p>  <table border="1"> <caption>SFY11 Medicaid Member Satisfaction Data</caption> <thead> <tr> <th>Satisfaction Level</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Excellent</td> <td>31%</td> </tr> <tr> <td>Very Good</td> <td>24%</td> </tr> <tr> <td>Good</td> <td>27%</td> </tr> <tr> <td>Fair</td> <td>12%</td> </tr> <tr> <td>Poor</td> <td>6%</td> </tr> </tbody> </table>	Satisfaction Level	Percentage	Excellent	31%	Very Good	24%	Good	27%	Fair	12%	Poor	6%
Satisfaction Level	Percentage													
Excellent	31%													
Very Good	24%													
Good	27%													
Fair	12%													
Poor	6%													
	<ul style="list-style-type: none"> ✓ <i>IME collected over \$231 million in revenue in SFY12 through cost avoidance and recovery when other insurance is present.</i> ✓ <i>Implementation of the Preferred Drug List (PDL) dramatically reduced the per user per year prescription drug cost from over \$1,000 to under \$400 in SFY12, saving Iowa Medicaid \$60 million in SFY12 alone.</i> ✓ <i>IME is in the process of replacing its 30-year-old Medicaid Management Information System (MMIS). The new system will provide a modern, flexible IT platform that is less expensive to operate, will provide real-time processing capabilities to support members, and other enhancements that will increase IME performance in supporting both members and providers.</i> 													
Cost of Services	<ul style="list-style-type: none"> • Kaiser Family Foundation data show that Iowa Medicaid spending per person is slightly lower than the national average. • Iowa Medicaid has a very low administrative overhead of only 4 percent. Medicaid administrative costs go towards managing the program, processing claims, managing member usage of services, provider and member assistance, rate setting, and recovering funds from other payors or providers. • Total state expenditures for IME operational contracts were \$16.25 million in SFY12. 	<p>Medicaid Expenditures</p>  <table border="1"> <caption>Medicaid Expenditures Data</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Services</td> <td>96%</td> </tr> <tr> <td>Admin.</td> <td>4%</td> </tr> </tbody> </table>	Category	Percentage	Services	96%	Admin.	4%						
Category	Percentage													
Services	96%													
Admin.	4%													

Funding Sources

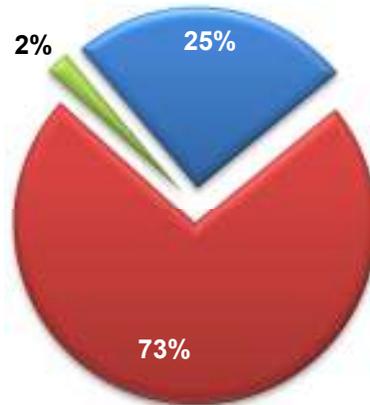
IME Medical Contracts are funded by state general funds, other state funds and federal matching funds. The state share of funding varies by contract and sometimes by service within the contracts. The state share ranges from 10 percent (such as system development), to 25 percent (such as CORE, Medical Services, and Provider Services), to 50 percent (such as Revenue Collections).

The overall total budget for SFY14 is \$62.7 million:

- \$15.8 million (25.1 percent) is state general fund.
- \$45.6 million (72.7 percent) is federal funding.
- \$1.4 million (2.2 percent) is other state funding (Pharmaceutical Settlement Account).

SFY14 Funding

■ State General Fund ■ Federal ■ Other Funds



SFY 2014 & 2015 Budget Drivers

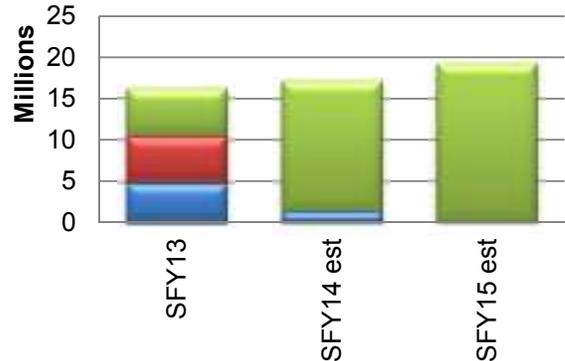
The total SFY14 budget reflects a \$9,969,256 (172.1 percent) general fund increase from SFY13. The SFY15 budget reflects a \$3,446,873 (21.9 percent) general fund increase over SFY14.

The key budget drivers of the increases are:

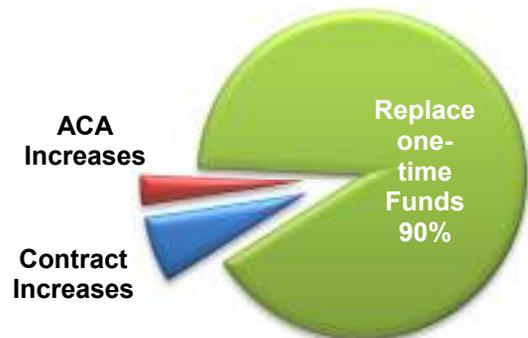
- Replacement of Health Care Transformation Account (HCTA) (\$5.6 million) and Pharmaceutical Settlement Account (\$3.5 million) funds depleted after SFY13 appropriation (\$9.1 million total).
- Negotiated, fixed prices in competitively procured contracts will increase slightly in SFY14 (\$0.7 million) and SFY15 (\$2.1 million).
- A one-time impact associated with CORE MMIS services will occur in SFY15 with an offset in SFY16. There will be a period of time in SFY15 between implementation of the new MMIS and certification of the MMIS by CMS, when the state is able to claim only a 50 percent federal match. Once the new MMIS is certified (anticipated to be in SFY16) the state will receive the typical 75 percent federal match for MMIS retroactively, offsetting the higher costs in SFY15.

Medical Contracts by Funding Source

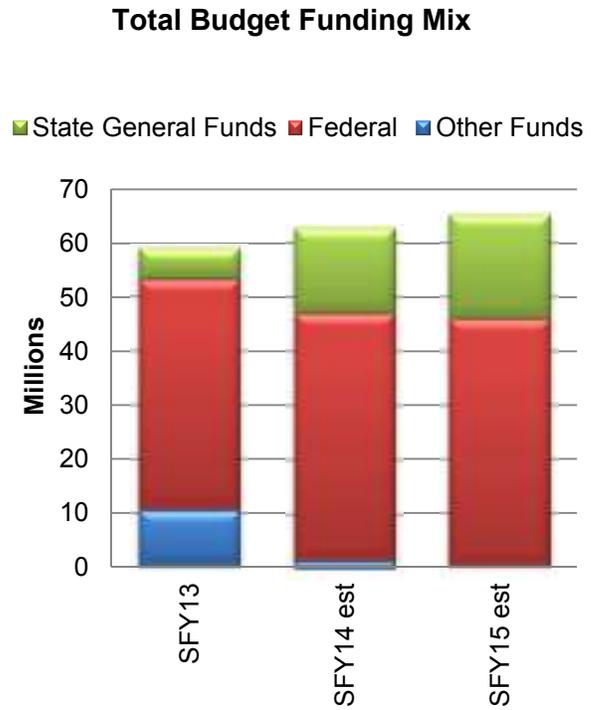
■ State General Fund ■ HCTA ■ Pharm Sett



Medical Contracts Increase



- Other small changes are reflected, included just over \$110,000 in added costs for enhanced provider screening and enrollment associated with Patient Protection and Affordable Care Act implementation (ACA).



Legal Basis

Federal:

- Code of Federal Regulations: 42 CFR 434.1. Section 1902(a) (4) and 42 CFR 434.1(b)