

## **EDITORIALLY SPEAKING**

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### *MEDICAID UPDATE*

#### **Medicaid Prospective Payment System**

At the December 8, 2004 meeting of the IAHC Governmental Affairs Committee, representatives from the Department of Human Services (DHS) met with committee members to provide an update on the proposed Home Health Agency Medicaid prospective payment system (PPS). At this writing, representatives of Myers & Stauffer are meeting with ACS/Consultec representatives analyzing the finalized Medicare cost reports ACS has on file for Iowa Medicaid certified home health agencies. Most of those reports cover 2003 with a few 2004. The purpose of this analysis is to determine why there is such a wide disparity in payments under the current system. From lowest to highest, the difference in some service categories is nearly 300%. It is expected this analysis will extend through early January, 2005. When completed, determination will be made as to whether the current cost data available is of sufficient quality and accuracy that a Medicaid PPS system could be developed there from. At that time IAHC, representatives will meet with DHS and Myers & Stauffer representatives to discuss the findings. Depending on the analysis there are 2 options available: 1) Use existing cost data, under the assumption that it is accurate and reliable, to develop the Medicaid PPS reimbursement system to be effective July 1, 2005, or 2) Determine that the available Medicare data is unreliable and does not accurately reflect the cost of conducting Medicaid home health business in Iowa. Should that be the determination, it would then be necessary to develop a free-standing Medicaid cost report, collect all new cost data, and use that for the basis of developing a Medicaid PPS reimbursement system. Should this be the decision, then the development of the Medicaid PPS reimbursement system will be delayed until July 1, 2006 at the earliest.

## **Medical Assistance Crisis Intervention Team – Final Report**

Following completion of 6 public meetings, on December 6, 2004, the Medical Assistance Crisis Intervention Team (MACIT) released to the public their final report. As related to home health care, the report contains 3 significant items: 1) No cuts should be made in eligibles, services or provider reimbursement; 2) The state should adopt a mandatory universal preadmission assessment tool to assist in eligibility decisions regarding placement of patients in nursing homes and for home and community based services and 3) It is recommended that the legislature enact "Revenue Enhancements" (increase taxes) in the area of additional tobacco tax earmarked for Medicaid, as well as consider increasing taxes on alcohol and a tax on advertising and marketing products and services that impact Medicaid program (prescription drugs and motorized scooters). Following is the MACIT report draft overview. The entire report, which is 186 pages long, is available at:  
<http://www.uiowa.edu/~govrel/macit/index.html>

## **MACIT Report Draft Overview**

### **Findings:**

Iowans who rely on Medicaid will suffer real hardships if services are no longer available or if they are unable to receive services from providers because of cuts to eligibility, services, or reduction in reimbursement. Iowa's Medicaid program is of high quality, ranking 6<sup>th</sup> best in the nation.

Iowa Medicaid providers have not received increases in reimbursement and reductions would potentially harm a fragile service delivery infrastructure in both rural and urban areas.

Expenditures for Medicaid in Iowa are lower than other states in the region. The Iowa Medicaid program cannot sustain a cut of \$130 without devastating the program, so additional sources of revenue must be identified.

**Recommendations:**

No cuts should be made to eligibles, services, or provider reimbursement. Changing eligibility requirements could act to add to the population of uninsured patients still in need of health care. Reductions to provider reimbursement would have a serious negative impact on the access to quality care and the economic infrastructure in Iowa's towns and cities.

*Other notes and recommendations:*

***“Overarching Issues”***

Universal Health coverage may be a desirable goal and may be an important strategy in the long term resolution of health access issues.

MACIT suggests that the state should recognize and expand successful efforts to deliver care. Programs like rebalancing of senior services, and drug utilization review in Medicaid were identified.

MACIT suggested more scrutiny on concerns about fraud and abuse in the Iowa Medicaid program.

Consideration of suggestion and proposals of the National Council of State Legislatures should be reviewed in depth.

Concerns were noted by MACIT about malpractice relief.

***“Management of Expenses”***

MACIT supports use of an appropriately developed and implemented Preferred Drug List.

Consider a review of managed care principles under Medicaid, while not supporting expansion of managed care as part of the program.

Provide incentives to expand purchase of long term care insurance.

Reduce regulatory and paperwork burdens on providers and Medicaid recipients.

Standardization of forms and documents

**“Improvement of State and Federal Partnerships”**

An overriding issue is the role that ‘Intergovernmental Transfer Payments’ play in the Iowa Medicaid Program. Iowa, like most state Medicaid programs utilize the payments received from the federal government to optimize the availability of funds for state Medicaid efforts. CMS has begun an effort to severely curtail use of those funds to ‘leverage’ federal dollars, and the Iowa Medicaid program has also initiated an effort to provide options to work with CMS to maintain fiscal viability while not undermining the nature of the program.

MACIT also believes that the Iowa congressional delegation should play a key role in assuring that Iowa’s interests are maintained.

MACIT supports increased Medicaid patient involvement, education, and empowerment to assure better quality care

***“Case Management/Care Management”***

MACIT recommends continuation and expansion of the activities of the Iowa Medicaid DUR Commission as recognition of the significant patient care and achievements in managing cost-effective medication use in the Iowa Medicaid Program.

MACIT also supports the continued expansion and support of the Pharmaceutical Case Management program, based on testimony received from pharmacists and providers.

Strategies to reduce the cost of pharmaceuticals were discussed, including purchasing co-operatives and expectations of more involvement by pharmaceutical companies to control costs of medications. MACIT reinforced concerns about the importance of the relationship of Medicaid patients and their community pharmacist, recognizing the role that community pharmacy plays in the rural health infrastructure of Iowa.

Purchasing medications from Canada was also discussed. While efforts to initiate programs were reviewed briefly, major concerns were noted about the conflict with federal and Iowa law. In addition, adequate supplies in the pharmaceutical pipeline and medication quality issues could undermine the effort.

#### ***“Practice/Organizational Issues”***

Recognition of potential problems with scope of practice issues was noted, as innovative efforts are undertaken to provide Iowa patients with access to care. MACIT supports informed debate but did not more forward any specific proposals.

Expansion of the role and the number of Community Health Centers was encouraged.

Use of an universal pre-admission assessment tool should be supported to assist in eligibility decisions regarding placement of patients in nursing homes and for home and community based care services.

Expansion of the preferred drug list to develop a statewide small business health and prescription drug purchasing pool was discussed and the concept was supported.

#### ***“Revenue Enhancements”***

MACIT supports enactment of an increase of the state tobacco tax, with all additional revenue to be earmarked for Iowa Medicaid. Use of tobacco products has a serious impact on the Iowa Medicaid program, and that health burden should be supported by the additional revenue.

MACIT also supports discussion of an increase in the tax on alcohol sales, again, noting the impact on health.

MACIT encourages consideration of a supplemental tax on advertising and marketing activities of products and services that have an impact on Medicaid services. Iowa Medicaid and other programs are burdened by increased use of more costly products and services that do not necessarily enhance patient care or improve patient outcomes.

### **Iowa Medicaid Enterprise (IME)**

Shortly, all Medicaid certified providers, including home health agencies, will begin receiving mail from DHS regarding Iowa Medicaid Enterprise (IME), which will replace ACS effective July 1, 2005. Members are advised to read each and every piece of communication and retain same.

This ACS-IME conversion has the potential to be very disruptive, business and payment wise, and members cannot be too informed.

Best wishes for a Happy Holiday Season and a successful 2005.