STATE OF COLORADO

DEPARTMENT OF HEALTH CARE POLICY & FINANCING

1570 Grant Street
Denver, CO 80203-1818
(303) 866-2993
(303) 866-4411 FAX
(303) 866-3883 TTY

Bill Owens
Governor

Karen Reinertson
Executive Director

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SUMMARY OF DEPARTMENT ACTIVITY APPROACHING WAIVER PROCESS

In the fall of 2001, the federal Department of Health and Human Services (HHS) invited states to participate in the Health Insurance Flexibility and Accountability (HIFA) demonstration initiative. The primary goal of the HIFA demonstration initiative is to encourage new, comprehensive state approaches that will increase the number of individuals with health insurance coverage within current-level Medicaid and Child Health Plan Plus (CHP+) resources (eligibility expansions are required by HIFA). The federal administration puts a particular emphasis on broad statewide approaches that maximize private health insurance coverage options and target Medicaid and CHP+ resources to populations with incomes below 200 percent of the federal poverty level (FPL).

As a result, the Department of Health Care Policy and Financing is considering how, through more prudent purchasing, to take advantage of this potential for more flexibility in providing services to Colorado's Medicaid and CHP+ populations, without increasing General Fund expenditures or decreasing available benefits.

To determine if there would be support for the waiver and the concept of consolidating the two programs, department staff traveled to six locations throughout the state: Alamosa, Colorado Springs, Denver, Fort Collins, Grand Junction and Pueblo. Providers, recipients, policy makers, and other interested parties were invited to attend the community meetings.

At each meeting, the community was asked to provide input on the following questions: 1) whether or not to consolidate the programs; 2) how to best serve children with special health care needs in a consolidated program; and 3) which currently uninsured populations should be prioritized for expanded coverage if there were sufficient funding. In the meetings, the community voiced general support to consolidate the Medicaid and CHP+ programs, depending on the final design and structure.

The research that has been done to date has supported the department's basic premise that the children served in these two programs have similar health care needs and that many children "bounce" between Medicaid and CHP+. It is administratively inefficient and

costly to "bounce" these children between programs just because there is a moderate fluctuation in the family income. The barrier of the separate programs also does not allow for the purchasing power from commercial and safety net providers that one large program might.

The department believes that the lessons from private sector examples of administrative efficiencies and buying in volume will allow for better services to the clients and more effective use of tax dollars, and the possibility of stretching those dollars further. The success of this approach could be an increase in the number of low-income children that can receive health care services.

Within the flexibility of the HIFA waiver, the department hopes to meet the primary and preventive care "Core" services for the child without special needs in a more cost effective manner, and to target "Core Plus" benefits for those children who need additional services as a "wrap around" approach.

There may be a way to also ease some of the frustration that providers face because of the administrative burden of having several different programs. The confusion of whom to bill for services and the cost of the paperwork becomes an additional deterrent to accepting Medicaid and CHP+ members, therefore aggravating the provider access issue.

KEY PRINCIPLES

The following principles have been key to the development of this project:

- **There will be no increase in expenditures beyond what would have been spent under the current structure;**
- **There will be no reduction in eligibility criteria or benefits for either Medicaid or CHP+;**
- **The children and families Medicaid and CHP+ programs would be combined into one program and enrollees will be able to move back and forth seamlessly depending on their respective eligibility;**
- **None of the children's Medicaid waiver programs, or other Medicaid programs that serve only children with special needs will be included in the waiver;**
- **Children and families will be provided a "Core" benefit package, while children who require more extensive services would be provided additional "Core Plus" services;**
- **There will be an eligibility expansion that meets federal HIFA waiver requirements (see below); and**
- **Purchasing of health services will both leverage the volume of the combined Medicaid for children and families and CHP+ programs and use best practices from the private and public sector to encourage participation from both safety net and commercial plans.**

The streamlining project does not currently plan to include the participation of foster care, adoption, SSI, and children's waiver populations. These populations require much more intensive services than other Medicaid clients, and they are much less likely to move between the Medicaid and CHP+ programs.

However, the number of children with special health care needs who are income-eligible for Medicaid and CHP+ would be included in the project scope. Disruptions in coverage due to bouncing between programs can be particularly problematic for these children. Proper clinical management of asthma, juvenile diabetes or cerebral palsy for example, requires consistency in coverage and providers.

CONTINUING ACTIVITIES

The Department was provided a significant grant by the Rose Community Foundation with support from the Colorado Child Health Foundation, the Piton Foundation and the Denver Foundation to assess the feasibility of these program changes. The federal Department of Health and Human Services, Health Resources and Services Administration (HRSA) also provided grant money. The grants enabled the Department to contract with nationally recognized consultants to:

1. Analyze the actual utilization of health care services by children enrolled in Medicaid and CHP+ over a three year period;
2. Assess national trends within the commercial marketplace and government sponsored programs around benefit design, cost sharing and purchasing of health care services; and
3. Investigate the specific issues around providing services to children with special health care needs including the impact of federal regulations and approaches taken by other states.

Another area which was investigated under the grants but which is still in process is the availability of funding to support potential eligibility expansions. As noted, eligibility expansions are a requirement of HIFA waivers. The department is researching this area with a focus on expansions for children up to 200 percent of the federal poverty level and low-income parents of Medicaid children. The department will provide recommendations to the General Assembly after a full analysis of potential financing sources is completed. Again, we note that the total cost of the HIFA waiver may not be greater than what the projected costs for Medicaid and CHP+ would have been.

The next section will outline the work of the consultants in more detail.

PROGRAM RECOMMENDATIONS

The Department intends to provide health care services to children and families – those who are eligible for the children and families categories of Medicaid and the CHP+ program; those with routine needs and those with special needs – within a *single integrated health care delivery system*. This system would feature a *uniform benefit package* that is sufficiently comprehensive for all children and ensures access to appropriate care. This benefit package is referred to as the *"Core" benefits*. These benefits are comprehensive and include immunizations, routine physical exams, selection of a primary care doctor, prescription drugs, hospital care, eye glasses, hearing exams, routine mental health services and therapies and dental benefits. These benefits are currently provided in both Medicaid and CHP+.

"CORE" BENEFITS

Immunizations

Routine Physical Examinations

Selection of Primary Care Doctor

Prescription Drugs

Hospital Care

Eye Glasses

Hearing Exams

Routine Mental Health Services and Therapies

Dental Benefits

Children with special health care needs (within the children and families Medicaid program) would be "mainstreamed" with other children under *a common delivery system and purchasing strategy* for "Core" benefits. For children whose medical conditions required it, additional "wrap-around" benefits would be provided. Total streamlined program benefits consist of the "sum" of Core and wrap-around benefits and would be available as an integrated program to enrolled children. The wrap-around benefits are referred to as *"Core Plus."* These refer to such things as extraordinary mental health services, extended physical and speech therapy and durable medical equipment that is outside of traditional benefits. The department recommends utilizing the same provider network(s) for "Core" and "Core Plus" benefits, where feasible to *promote seamlessness and continuity of care*.

"CORE PLUS" BENEFITS

Available to children

All medically necessary benefits needed beyond "Core" Benefits

This model is effective because it:

- Maximizes efficiency by limiting the number of providers and plans the Department must manage;
- Reduces the need for inter-plan coordination and referrals, promoting continuity of care, user-friendliness and administrative simplicity; and,
- Focuses on the delivery of clinically appropriate care.

This approach, as compared to maintaining separate delivery systems for "Core" and "Core Plus" benefits, also reduces the need for consumers (and to some extent, providers) to negotiate multiple systems.

This model enables the department to leverage the high volume of children and families in purchasing traditional benefits and individualize the approach for those children whose needs are truly exceptional.

Evidence in the literature, and experience in other states, suggests that "mainstreaming" children can improve access to, and satisfaction with, "Core" child health services, especially, primary care (e.g. routine health services) and dental services. *Based on extensive data analysis, the current CHP+ benefit package is sufficiently comprehensive to meet the needs of the overwhelming majority of children enrolled who currently receive either CHP+ or Medicaid benefits (with some minor modifications to reflect "updated" insurance practices).*

The department analyzed three years of claims data from both the children and families Medicaid program[i] and the CHP+ program. The results of that analysis are included in a separate paper. The analysis showed that the children in the two programs are similar in their prevalence of key diagnoses (Table 1). However, despite the similarities, CHP+ spends less per member per month on children in these categories.

Table 1: Top 10 Diagnoses and Treatments by Patient Count
January 1, 2001 to December 31, 2001

Diagnoses	*Medicaid Rank*	*CHP+ Rank*
Routine Child Health Exam	1	1
Acute Upper Respiratory Infection	2	2
Otitis Media (Ear Infection)	3	3
Disorders of Refraction and Accommodation (Near-sightedness and Far-sightedness)	5	4
Strep/Sore Throat	7	5
Fever	4	6
Abdominal Pain	10	7
Urinary Tract Infection	12	8
Non-infectious Gastroenteritis	8	9
Pain in Limb	16	10

According to the data analysis, there are differences in how the children utilize health care services: Medicaid children in these categories use hospitals more and CHP+ children use doctor's offices more. Also, the need for "exceptional" services within these categories is similar: Medicaid children in these categories used a total of $86,428 of services outside of the CHP+ benefit package in a one-year study period (Table 2).

Table 2: Medicaid Utilization Beyond CHP+ Benefit Package Limits
January 1, 2001 to December 31, 2001

Types of CHP+ Benefit Limits Exceeded by Medicaid Enrollees	*Medicaid Enrollees*	*Amount Exceeded in Medicaid Dollars*
Used over 20 Outpatient Mental Health visits	0	$0
Used Over 20 Outpatient Substance Abuse visits	0	$0
Used over 30 Rehabilitation Therapy visits	21 children	$9,021
Had over 40 days of Psychiatric-related Hospitalizations	2 children	$32,546
Used Durable Medical Equipment beyond $2,000	21 children	$44,861
Total		$86,428

The current Colorado CHP+ benefit package is based on the Small Group Standard Health Benefit Plan, which is reviewed and approved annually by the Colorado Division of Insurance. The analysis demonstrates that this model, with some minor modifications, is comprehensive and a suitable basis for the "Core" benefit package recommended for the streamlined program. The standard plan is one which health plans have experience administering. Using this as the basis for the "Core" package is likely to make the program more attractive to plans.

Segmenting benefits into distinct "Core" and "Core Plus" packages permits purchasing strategies unique to each that provides maximum flexibility for the department to negotiate arrangements that encourage plan participation while ensuring efficiency and cost-effectiveness of care. This approach offers the ability, for example, for reimbursement and benefit management strategies to be tailored to "Core" and "Core Plus" populations and benefit packages, respectively.

The "Core"-"Core Plus" structure also eliminates the experience of children "bouncing" between Medicaid and CHP+ programs, creating a seamless system for families who are burdened by program complexities in the current system. The data analysis found nearly 31,000 instances where children "bounced" between CHP+ and Medicaid in a 30-month period (Table 3).

Table 3: Movement between Medicaid and CHP+
July 1, 1999 through December 31, 2001

Number of individuals started with Medicaid eligibility and then became CHP+ eligible	15,170
Number of individuals started with CHP+ eligibility and then became Medicaid eligible	8,230
Number of individuals started with Medicaid eligibility, became eligible for CHP+, and then became eligible for Medicaid again	7,451
Total children enrolled (7/1/1999 to 12/31/2001)	377,046

The final component of the proposal is to leverage the volume and cost efficiencies of purchasing for children and families in Medicaid and CHP+. The department should be able to leverage the significant volume that the combined children and families categories of Medicaid and CHP+ bring to the marketplace (in excess of 200,000 lives). However, the multiple discussions that the consultants had with insurers, providers and representatives from other states, identified key purchasing behaviors that need to be in place to fully benefit from the volume purchasing, e.g:

1. *Offer sufficiently large membership;*
2. *Provide uniform and consistent administrative requirements over time;*
3. *Offer adequate reimbursement;*
4. *Provide children with special health care needs with access to wrap-around services using program designs that balance fairness, innovation, and administrative efficiency.*
5. *Contract for the administration of wrap-around services with the same plans that provide core benefits;*
6. *Define clear boundaries between the core benefit package and the wrap-around package;*
7. *Blend the strengths of private and public approaches to management of care; and*
8. *Encourage participation from traditionally commercial plans as well as safety net providers as a way to ensure network adequacy and foster competition.*

[i] The following low-income Medicaid aid categories were included in the study, ages 0 through 18: Transitional, AFDC – 4 month extended, Ribicoff, Needy Newborn – MA Mother, Qualified Pregnant – AFDC Need, 1931 Medicaid-only families, Prenatal State Only, AFDC Recipients in Work Programs, Poverty Level Pregnant (BCKC), Poverty Level <6 (BKCK), Qualified Child – AFDC Standard, 1931/TANF Families.