

## Summary of Old Age Pension (OAP) Health and Medical Care Program Expenditures for Fiscal Year 2003-04

Friday, December 12, 2003

As outlined in this document, the Department is notifying the Medical Services Board that OAP Health and Medical Care Program expenditures within the first five months of this fiscal year have exceeded \$5.7 million dollars. Without reductions in medical benefits and provider reimbursement, total expenditures under the program are forecast to exceed the appropriation by \$2.5 million.

### OAP Health and Medical Care Program Management History

- Prior to January 2002, the program was administered by the Department of Health Care Policy and Financing.
- Effective January 4, 2002 programmatic authority, including responsibility for managing, monitoring, and forecasting this program was transferred to the Department of Human Services. The Department of Health Care Policy and Financing continued to process claims and issue Medicaid Authorization Cards during this period.
- Pursuant to SB 03-022, on July 1, 2003 the Department of Health Care Policy and Financing once again became responsible for the administration of the program.

### OAP Health and Medical Care Program Demographics

<u>Sex</u>		<u>Age Groups</u>	
Male	39%	60-64	46.3%
Female	61%	65-69	27.0%
		70-79	21.8%
		80+	4.9%

<u>Citizenship</u>		
	February 2003	May 2003
US Citizen	38.0%	35.5%
Non-Citizen, Legal Immigrants	61.3%	63.6%
Alien or Alien w/sponsor	0.7%	0.8%

<u>Region of Residence</u>	
Metro Denver	72.0%
Denver County	28.9%
Larimer-Weld Region	6.6%
El Paso-Teller Region	6.9%
Mesa County	1.5%
Pueblo County	2.5%
Other	10.5%

**OAP Health and Medical Care Program Caseload Growth**

<b>Month</b>	<b>Caseload</b>	<b>Change From Previous Month</b>	<b>Change On Annual Basis</b>
Jul-2002	4,069	30	610
Aug-2002	3,888	(181)	255
Sep-2002	3,702	(186)	53
Oct-2002	3,777	75	80
Nov-2002	3,780	3	61
Dec-2002	3,697	(83)	(53)
Jan-2003	3,734	37	(61)
Feb-2003	3,771	37	(66)
Mar-2003	3,849	78	(46)
Apr-2003	4,072	223	103
May-2003	4,143	71	142
Jun-2003	4,158	15	119
Jul-2003	4,201	43	132
Aug-2003	4,174	(27)	286
Sep-2003	4,221	47	519
Oct-2003	4,216	(5)	439
Nov-2003	4,289	73	509

Although we cannot draw a direct correlation at this time, the timing of the client caseload increase corresponds to the passage of SB 03-176 (Concerning the Repeal of Medicaid Eligibility for Legal Immigrants). The client caseload has continued to increase since April 2003 and rose to 4,289 individuals in November 2003. This was an increase of 73 clients from October 2003 and an increase of 509 clients from November 2002.

The Department is actively working with the county offices to verify that these additional clients are correctly enrolled in the program. The Department is concerned that numerous individuals have been incorrectly transferred from the Medicaid Program onto OAP Health and Medical Care Program following the passage of SB 03-176, which changed the citizenship requirements for the Medicaid Program. Due to a temporary court order issued by the U.S. Court of Appeals, neither the Department nor a County Department of Social/Human Services can implement SB 03-176. Currently, the Department is focusing this review on 350 clients who had a prior Medicaid enrollment span (OAP-A or OAP-B) but are now enrolled on OAP Health and Medical Care Program. Expenditures for these 350 individuals average \$100,000 per month.

**FY 2003-04 Expenditures**

July 2003	\$1,485,000
August 2003	\$980,000
September 2003	\$1,228,000
October 2003	\$1,022,000
November 2003	\$996,000

**Total Year-to-Date FY 2003-04      \$5,711,000**

Claim Type	July – November 2003 Total Expenditures	Forecast FY 2003-04 Total Expenditures
Capitation	(\$126)	(\$117)
Pharmacy	\$1,545,241	\$3,826,433
Inpatient Hospital	\$1,338,024	\$3,320,316
Outpatient Hospital/Clinic	\$1,350,274	\$3,409,927
Practitioner/Physician	\$996,605	\$2,421,567
Emergency Dental	\$47,750	\$121,854
Independent Laboratory and X-Ray	\$66,561	\$156,583
Medical Supply	\$214,784	\$495,712
Home Health	\$77,522	\$193,810
Transportation	\$26,630	\$67,074
Medicare Crossover Payments	\$48,601	\$133,284
<b>Total Expenditures</b>	<b>\$5,711,865</b>	<b>\$14,146,443</b>
Forecast Expenditures	\$14,150,000	
<u>FY 2004 Appropriation</u>	<u>\$10,750,000</u>	
Sub Total Over Appropriation	\$3,400,000	
FY 2003 Payable	\$400,000	
<u>Expected Drug Rebate</u>	<u>\$550,000</u>	
<b>Forecast Over Appropriation</b>	<b>\$2,450,000</b>	

### **OAP Health and Medical Care Program Provider Payment & Benefit History**

Following are actions taken since FY 1999-00 to contain costs for the OAP Health and Medical Care Program:

- October 1, 1999, inpatient hospital rates for all hospitals statewide were reduced by 20%.
- Effective January 1, 2002, medical backdating was eliminated.
- Effective February 1, 2002, inpatient hospital coverage and medical transportation services were eliminated for the remainder of FY 2001-02.
- Effective February 1, 2002, all provider payments, such as payments for practitioner, and outpatient services were reduced by 20% and the maximum client co-pay was increased from \$100 a year to \$300.
- Effective July 1, 2002, all providers of OAP Health and Medical Care Program, with the exception of pharmacists, were paid 18% less than the negotiated Medicaid rate. Pharmacists were paid at the Medicaid rate.
- Effective August 30, 2002, the HMOs discontinued OAP Health and Medical Care Program clients after the Department of Human Services advised them the rates in FY 2002-03 would have to be 18% lower than the FY 2001-02 rates. Clients were no longer able to enroll in managed care options, including Primary Care Physician Program due to inadequate funding.

## **Recommendation**

Eliminate Inpatient Hospital Benefit

Expected Savings: \$1,380,000

Reduce Physician Reimbursement from 82% to 50% of the Medicaid Rate

Expected Savings: \$400,000

Reduce Outpatient Reimbursement from 82% to 50% of the Medicaid Rate

Expected Savings: \$560,000

Reduce Dental, Independent Laboratory, Medical Supply, Home Health, and Transportation Reimbursement from 82% to 50% of the Medicaid Rate

Expected Savings: \$170,000

Pharmacy Benefit remains at 100% of the Medicaid Rate

Expected Savings: \$0

**Total Expected Savings: \$2,510,000**

Issues: Access to physicians and other services will be reduced. Clients can receive discounted physician care and inpatient hospital services under the Colorado Indigent Care Program (CICP).

## **Alternative**

The Department may not over expend the spending authority in this program. On March 15, 2004, the spending authority for this program is forecast to be completely expended at which point the entire OAP Health and Medical Care Program would be suspended for the remainder of the state fiscal year.

## **Future Alternatives**

To proactively address this problem for future fiscal years, on December 1, 2003 the Department released a Request for Information (RFI) to obtain information on the ability of a health benefits company, health management organization or health care provider to provide comprehensive health insurance or direct health care benefits to this population. The purpose of this RFI is to obtain information on the ability of a qualified vendor to provide a more systematic, innovative and comprehensive health benefit program that includes case management and preventive care through a fixed price agreement. This is a non-binding, non-competitive RFI, such that replies to this RFI will not be considered as official offers, nor will replies result directly in an award for these services. The information requested may be used as background information for the development of a future Request for Proposal (RFP) that would assist the Department in selecting an appropriate qualified vendor(s) for providing such a health benefit program. The Department is releasing this RFI in December 2003 and, depending on the responses, anticipates issuing an RFP in February 2004 for a contract effective date of July 1, 2004.