KHPA Advisory Council Update

Advisory Councils
September 2009

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Overview

• Advisory Council Meeting format
• KHPA Annual Retreat June 16-17
• KHPA Budget options for FY 2011
• Council discussion and input
Advisory Committee Meeting
Format

• KHPA Board strongly endorsed the Council structure, emphasizing the need for continued input from stakeholders
• Reached out to KDHE for teleconference capacity
• Meetings will emphasize input
• Minutes will be taken in the form of a transcript
• Reviewed dramatic changes in circumstances since the Agency began operations in 2006
• Reviewed Agency activities over the last three years
• Identified prevailing issues facing the State and KHPA in 2009 and 2010
• Identified a new set of priorities
Opportunities, Challenges and Expectations: 2006-2009

- Legislative expectations for coordinated health policy and statewide health reform
- Window of opportunity for state health reform initiative
- Expectation of improved programs through coordinated purchasing
- Need to establish coordinated operation of Medicaid across five state agencies
- Statutory charge to provide information and make data-driven decisions
- Legal threat to a core product (HealthWave managed care)
- Lack of financial accountability in the state employee health plan
- Federal liabilities in Medicaid had reached crisis proportions
- New agency with no infrastructure and insufficient resources
Initial Focus for KHPA During the Agency’s First Phase
Successfully Address Key Challenges

• Secured new resources from Legislature to meet agency’s broad scope of responsibilities
• Successfully transitioned to two new Managed care subcontractors
• Established rigorous public reporting mechanism for state employee health plan
• Led collaborative effort to resolve state’s outstanding Medicaid liabilities in the areas of mental health, targeted case management, and school-based services
Establish Agency Operations

• Successfully implemented joint premium billing and document imaging/management
• Effort to coordinated actuarial services for insurance operations
• Initially combined data functions for SEHP and Medicaid
• Applied common contracting practices across insurance programs and initiated some joint procurements, e.g., for actuarial services
• Developed and employed joint reporting tools for SEHP and Medicaid
• Brought centrally managed legal and HR services into the agency
Establish Public Governance

• Broad consideration of key programmatic decisions and policy objectives
• Expert engagement and governance through the Board, agency staff, and external resources
• Public decision making and posting of key information
• Established stakeholder groups dedicated to continuous feedback
• Open, structured policy development
• Transparent actions and clear accountability
Coordinate Health Policy for the State

- Extensive community outreach and comprehensive engagement of stakeholders
- Initiate health policy development and promote systemic health reform
  - Expand access to care through coverage and insurance market reforms
  - Advance health information exchange
- Develop a comprehensive prevention-oriented public health agenda
  - Medical home
  - Prevention and personal responsibility
  - Smoking
  - Obesity
Advance Data Policy and Assessment

• Establish and convene data consortium to develop indicators and data policy

• Managing statewide health data
  o Maintain inpatient claims data
  o Assess health professions database

• Collaborative selection of Statewide health indicators and dashboard

• Management and development of KHIIS (private insurance database)
Improve Program Coordination and Efficiency

• Medicaid transformation
  o Transparent policy development
  o Comprehensive program review
  o Data-driven recommendations and savings
  o Public accountability
  o Consistent agenda

• State Employee Health Plan
  o Prevention oriented benefits
  o Expanded employee choice
  o More competitive market place
  o Consumer tools and customer service
  o Financial accountability
Improve Program Coordination and Efficiency

- Coordinate and leverage purchasing
  - Data management
    - Create comparable data
    - Enable public and private benchmarking
  - Joint policy initiatives
    - Community health records in Medicaid and state employee plan
    - Medical home
    - Prevention-oriented benefits
Implement an Independent Single State Medicaid Agency

- Take responsibility to address widespread compliance and payment issues
- Care out role in oversight and coordination
- Initiate regular meetings
- Responsiveness and accountability for Federal partners
- Emerging focus on managing risks associated with Federal partnership
- Facilitate joint or non-KHPA Medicaid program initiatives
KHPA’s New Challenge:
the Environment for Reform and Program Management in 2010
New Economy

• **Large reductions in agency resources**
  - Significant under-funding of core insurance operation for Medicaid
  - Looming coverage crisis due to eligibility backlog
  - Likelihood of disputes over provider and beneficiary service

• **Large structural deficit in state budget**
  - Will create pressure for potentially large reductions in Medicaid spending
  - Will prompt focused discussion and legislative interest in re-scaling benefits
  - Consistent sources of growth in Medicaid spending may or may not be addressed through national reform efforts

• **Large structural deficit in federal budget**
  - Financial crisis added $1 trillion to Federal deficit
  - National debt skyrocketing as a percentage of national income
  - Economic growth unlikely to resolve deficits

• **Increasing levels of need for access to care and health insurance coverage**
KHPA Operational Budget
Distribution of FY 2010 Budget Cuts as compared to approved base budget

Claims Processing/ Customer & Provider Service
$6,994,400
(Cut $1.3 million, 15.7%)

Administration
$8,778,824
(Cut $2.2 million, 20.25%)

Clearinghouse
$3,511,067
No cuts; GBA Requested to add additional funding, but not supported by legislature

Rescission Bill
$2,162,595
(Cut of 9.48%)

"Mega" Budget Bill
$258,800
(Cut of 1.13%)

Sen. Omnibus Budget
$1,108,332
(Cut of 4.86%)

Total Cuts: $3,529,727 (15.47%)
New Political Leadership in Kansas

• **Limited success for comprehensive health reform agenda**
  - Support for expanding coverage to children only
  - Perception is that Medicaid covers the poor but,
    - 100,000+ uninsured adults living in poverty but not eligible
    - About 30,000 low-income children are eligible but not enrolled
  - Some progress in pre-eminent health issue of tobacco
  - Less progress in addressing obesity in children and adults

• **Turnover among political leaders who helped craft the Agency**

• **Some legislative interest in revisiting KHPA**
  - Agency’s role in coordinating policy and developing an agenda
  - Agency’s independence from Governor’s cabinet
New Federal Focus on Reform

- Congress and new administration pursuing health reform and universal coverage
  - Former Governor Sebelius in position of national leadership in health policy
  - National leadership and significant funding for HIE
  - Significant expansion in Federal role in controlling health impact of tobacco
  - Immediate passage of reauthorization of SCHIP
- Federal reform options could significantly expand or alter role of Medicaid
  - Expand Medicaid coverage to 100% of poverty or higher for all adults
  - Transition coverage of certain individuals from Medicaid into a state or national “exchange” offering subsidized private insurance
  - Establish an alternative “public option” plan that could involve Medicaid
  - Increase minimum benefits or payment rates for Medicaid
KHPA’s New Focus
Refocus resources on core program operations

• **Scale back communications, outreach and policy capacity**
  - Eliminate the policy division and Director’s position
  - Layoff 5 staff
  - Reassign remaining staff to programs operations

• **Consolidate responsibilities within Executive Team to take advantage of specific experience and strengths**

• **Maintain capacity to implement savings and efficiencies identified through transformation and normal program operations**
  - Provide update on 2008 Transformation recommendation
  - Provide updated estimate of 2008 Transformation savings

• **Acknowledge the agency’s core accountability to efficiency, transparency, and program improvement**

• **Develop new savings and efficiencies through transformation process and remake the agency to engage in continual review and improvement**
Complete Transformation into an Accountable Agency

- Extend the Transformation process to all programs
- Develop and apply the KHPA strategic plan at every level of the agency
- Adjust job titles and definitions to align with strategic plan, new structure, and agency culture of accountability, opportunity, and professionalism
- Engage in in-service or state-sponsored leadership and management training to adopt agency visions for accountability, opportunity, and professionalism
- Establish an affordable leadership development program to attract, retain, and develop future agency leaders
Solicit Feedback from Policymakers

• Build relationships following political and agency transitions
• Make clear KHPA’s intention to support state’s imperative to balance the FY 2010 and 2011 budgets
  o KHPA recognizes the magnitude of the state’s budget gap and the significant share of state spending attributable to the Medicaid program
  o KHPA understands the need to reduce spending in FY 2010 and 2011
• Core questions for policymakers
  o What role do they envision for KHPA in the budget and policy process?
  o What specific policy options would they like to see?
  o What can KHPA do to help policymakers set a course for Medicaid and SCHIP?
Position the State for National Health Reform

• Ensure appropriate governance and financing for reform and expansion in Kansas

• Advance general goals in health reform
  o Federal reform should maintain or reduce state cost
  o Preserve or enhance state flexibility
  o Consider leaving some big choices to states
  o Resolve conflicts between Medicare and Medicaid
  o Improve Federal support for Medicaid infrastructure

• Looking ahead to the state’s potential role post reform
  o Help implement universal coverage?
  o Increase public accountability and confidence at state level
  o Continued focus on prevention and medical home
  o Managing costs and program delivery
  o No need to develop policies for expansion
Help secure ARRA funding for health information exchange and technology

- Sec. Bremby designated by the Governor to take the lead in developing statewide response
- ARRA and existing Medicaid statute include funding for the development and advancement of a coordinated HIE and HIT strategy
- KHPA will coordinate with the Sec. Bremby, the e-Health Advisory Committee, and other workgroups to identify resources for technical assistance and planning to ensure successful application for ARRA and supplemental Medicaid funding
- KHPA will also have some specific objectives in developing a statewide HIE/HIT plan, especially in advancing a medical home
- CMS provided guidance to Medicaid agencies on enhanced payments September first
  - Addresses 90% Federal matching funds for administration and planning
  - Addresses oversight and implementation of 100% Federally-funded enhancement payments for core Medicaid providers demonstrating meaningful use
Developing KHPA Budget Options for FY 2011
Key Factors

• **Uncertain revenue forecast**
  - Stable revenues in July and August
  - Unemployment up, employment down

• **Initial savings target of about 1% of total spending**
  - Target based on 5% of non-caseload costs
  - Caseload costs rise significantly as Federal stimulus payments end

• **Larger savings targets would come later, if at all**
  - Significant savings may require coordination across agencies
Budget Options Target Efficiency, Payment Equity, and Patient Safety

- No significant enhancements
- Investments in care coordination and the medical home are deferred, but planning will accelerate
- Options reflect informal input from legislators
- Options protect the operation of KHPA health care programs
- Options are focused on improving program efficiency, payment equity, and patient safety, rather than reducing program operations and support
Initial Options for FY 2011 Budget
(as presented to Board in August)

- Align reimbursement for medical professionals at current average of 83% of Medicare
- Increase co-pay for emergency room use
- Increase premiums for SCHIP
- Streamline prior authorization in Medicaid
- Initiate pharmacy management for mental health drugs