KHPA
Kansas Health Policy Authority
Coordinating health & health care for a thriving Kansas

KHPA Testimony to the House Appropriations Committee

January 16, 2008

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Kansas Health Policy Authority

Objectives

- Kansas Health Policy Authority
  - Agency Overview
  - Programs
  - Budget Overview
  - Health Reform Overview
- State Employee Health Plan (SEHP)
  - Historical Health Plan Funding
  - Future Plan Management

Agency Overview

- KHPA created in 2005 Legislative Session
- Built on Governor Sebelius' "Executive Reorganization Order"
- Modified by State Legislature to:
  - Create a nine member Board to govern health policy
  - Executive Director reports to Board
  - Added a specific focus on health promotion and data driven policy making

July 1, 2005

Kansas Health Policy Authority Established. Transfer programs to a Division first, then to a separate agency.

January 1, 2006

Assume responsibilities of Health Care Data Governing Board and oversight of KS Business Health Partnership program.

March 1, 2006

Authority plan for various program transfers submitted to Legislature.

July 1, 2006

Transfer programs to Authority.

2007 Legislative Session

Authority plan for additional program transfers submitted to 2007 and 2008 Legislatures.

2008 Legislative Session

Programs Transferred to KHPA in 2006

- Medicaid
  (Regular Medicaid)
- MediKan
- State Children's Health Insurance Program
- Ticket to Work/Working Healthy
- Medicaid Management Information System
- Medicaid Drug Utilization Review & related programs
- State Employee Health Insurance
- State Workers Compensation
- Health Care Data Governing Board
- Business Health Partnership Program

KHPA Board Members

- Nine voting board members
  - Three members appointed by the Governor
  - Six members appointed by legislative leaders.
- Seven nonvoting, *ex officio* members include:
  - Secretaries of Health and Environment, Social and Rehabilitation Services, Administration, and Aging; the Director of Health in the Department of Health and Environment; the Commissioner of Insurance; and the Executive Director of the Authority.

Vision Principles & Health Indicators

- Adopted by the Board in 2006
- Provides governance and operational direction to the Board
- Provides guiding framework to analyze health reform options
- Provides “yardstick” to measure over time improved health in Kansas

Quality and Efficiency

- Use of HIT/HIE
- Patient Safety
- Evidence based care
- Quality of Care
- Transparency (Cost, Quality, etc.)

Access to Care

- Health Insurance Status
- Health Professions Workforce
- Safety Net Stability
- Medicaid Eligibility
- Health Disparities

Affordable, Sustainable Health Care

- Health insurance premiums
- Cost-sharing
- Uncompensated Care
- Medicaid/SCHIP Enrollment
- Health and health care spending

KHPA: Coordinating health & health care for a *thriving* Kansas

Health and Wellness

- Physical Fitness
- Nutrition
- Age appropriate screening
- Tobacco control
- Injury control

Stewardship

- Open Decision Making
- Responsible Spending
- Financial Reporting
- Accessibility of Information
- CMS Cooperation

Public Engagement

- Council Participation
- Data Consortium
- Public Communication
- Community/Advocacy Partnership
- Foundation Engagement

SRS	KDHE	KDOA	KID
•Mental Health • LTC for Disabled •Substance Abuse	•Health Promotion •Child, Youth & Families •Consumer Health •Health & Environ. Stats •Local & Rural Health	•Aged •Institutional Care •Community Care	•Private Health Insurance •Business Health Partner.

KHPA Programs

Medicaid, HealthWave, and the State Employee Health Plan (SEHP)

Definition of Medicaid

- Medicaid is an optional source of matching funds for states wishing to purchase healthcare for selected populations
  - Run by states, governed jointly
  - Federal share varies by state from 50%-90%
  - Significant federal requirements
  - Serves as a payment source; considered an insurance product

Background: Kansas Medicaid

- Beneficiaries: Medicaid and the State Children's Health Insurance Program (SCHIP) provides health insurance coverage to nearly 300,000 Kansans
  - Around 61% of these beneficiaries are children (under age 19)
  - Health care services covered include medical, preventive, long-term care, mental health, in-patient hospital care, office visits, prescriptions, etc.
- Spending: Medical care spending of about $1.2 billion this fiscal year
- Claims: Process over million health claims per month directly, and nearly 300,000 through private health plans
- Scope of providers: Medicaid reimburses
  - Thousands of different services
  - Twenty thousand providers
  - Hundreds of institutions

Background: HealthWave

- Began in 1999 as program name for State Children's Health Insurance Program (SCHIP) in Kansas
- Delivery of health care services to SCHIP and Medicaid families was integrated in 2002
- Beneficiaries:
  - Managed care program delivers health care services to:
    - 123,000 Medicaid beneficiaries
    - 38,000 SCHIP beneficiaries
- HealthWave in second year of new contracts with two private health plans:
  - UniCare Health Plan of Kansas
  - Children's Mercy's Family Health Partners

Accomplishments in 2007: Medicaid/HealthWave

- Implemented Medicaid MCO – transition to new contractors and defended MCO contracting process
- Successful Audits and Deferral Negotiations with CMS
- Managed impact of new Citizenship/Identification requirements – managed public, legislative, and CMS impacts
- Presumptive Medical Disability – shortened process time and reduced backlog
- Reformed DSH payment policies through a hospital stakeholder process
- Increased number of dental providers and beneficiaries

Accomplishments in 2007: Medicaid/HealthWave (2)

- Established Work Opportunities Reward Kansans (WORK) program -- cash and counseling supports for working disabled Kansans
- Enhanced match for Data Analytic Interface (DAI)
- Completed National Provider Identification (NPI) implementation
- Enhanced Care Management Pilot Project to provide high-risk beneficiaries with improved quality of care (focus on chronic disease)
- Community Health Record Pilot Program (Sedgwick County), expanding to 20 additional sites in 2008
- Linked state immunization registry with Medicaid Management Information System (MMIS)

Background: State Employee Health Plan

- Participants (State & Non-State Groups)
  - Over 51,000 contracts
  - Around 87,300 covered lives
  - In 2007, 92% of employees enrolled:
    - 56% carry single coverage
    - 44% provide coverage for their dependents
  - Non-State Employer Group
    - In 2007, 33 educational groups (3,640 contracts)
    - In 2007, 57 local government units (1,788 contracts)
    - Around 10,055 covered lives:
      - 5,225 employees
      - 4,830 dependents

Background: Dental Plans

- Delta Dental
  - Nearly 79,300 State/Non-State participants (includes dependents)
  - Over 11,350 Retiree participants
  - Cost over $32.6 million from Oct. 2006 to Sept. 2007 (rolling year)
  - Over 95% of people enrolled in dental coverage use this benefit

Background: Retiree Health Plan

- Coverage, Usage & Costs
  - Over 11,000 covered lives including over 700 dependents
  - Medical costs (includes drugs) over $47.8 million from Oct. 2006 to Sept. 2007
  - 100% of participants incurred a claim in 2007
- Plan Design
  - Participants pay 100% of premium
  - Eligible to enroll in all health plans except Qualified High Deductible Health Plan
  - Eligible to enroll in dental, prescription drug, and vision coverage
  - If Medicare eligible, have 3 additional options:
    - Medigap Policy
    - Coventry Advantra Preferred Provider Organization
    - Coventry Advantra Private Fee-For-Service (only available in 27 counties in KS and 9 in MO

Accomplishments in 2007 : State Employee Health Plan

- Negotiated Wellness Contract for State Employee Health Plan with focus on personal responsibility
- Added Benefit selector/Plan Selector Tool
- Increase in employer contribution for dependents (from 45 to 55%)
- Improved benefit design with focus on prevention, health and wellness
- Improved marketing materials
- Initiated financial reporting to Health Care Commission (HCC)

Additional Agency Accomplishments

Accomplishments in 2007: Agency Infrastructure

- New positions authorized and filled – staff now at operating capacity
- Integrating programs across the agency: finance, contracts, legal, operations
- Mills Move/10th Floor expansion
- Established KHPA Intranet for internal communications
- Developed internal policies to promote consistent & uniform decision making

Accomplishments in 2007: Interagency Partnerships

- Long Term Care Partnership Program (KHPA, KDOA, KID) to offer ways to protect assets for elderly Kansans applying to Medicaid
- Updated interagency agreements between SRS, KDOA, Kansas Juvenile Justice Authority (JJA), and KHPA
- Implemented CMS-required reforms: Targeted Case Management and Local Educations Agencies
- Supported implementation of Prepaid Inpatient Health Plan (PIHP) and Prepaid Ambulatory Health Plan (PAHP), waiver for dental coverage, autism waiver

Accomplishments in 2007: Health Reform Recommendations

- KHPA Board developed health reform recommendations aimed at increasing personal responsibility for health, paying for prevention and promoting medical homes, and improving access to affordable health insurance
- Solicited significant stakeholder input – public meetings/Advisory Councils, etc
- Successful Listening Tour in 22 communities
- Foundation funding for health reform stakeholder/data analysis process

Accomplishments in 2007: New Initiatives

- Added significant health policy research and analysis staff capacity
- Convened first meeting of the Data Consortium to provide stakeholder input on data policy and assess State's health status
- Developed and designing Premium Assistance program to provide private health insurance for low income Kansans: Kansas Healthy Choices
- Established Inspector General's Office to provide oversight and investigate performance for delivery of services

Fulfilling our Statutory Requirements

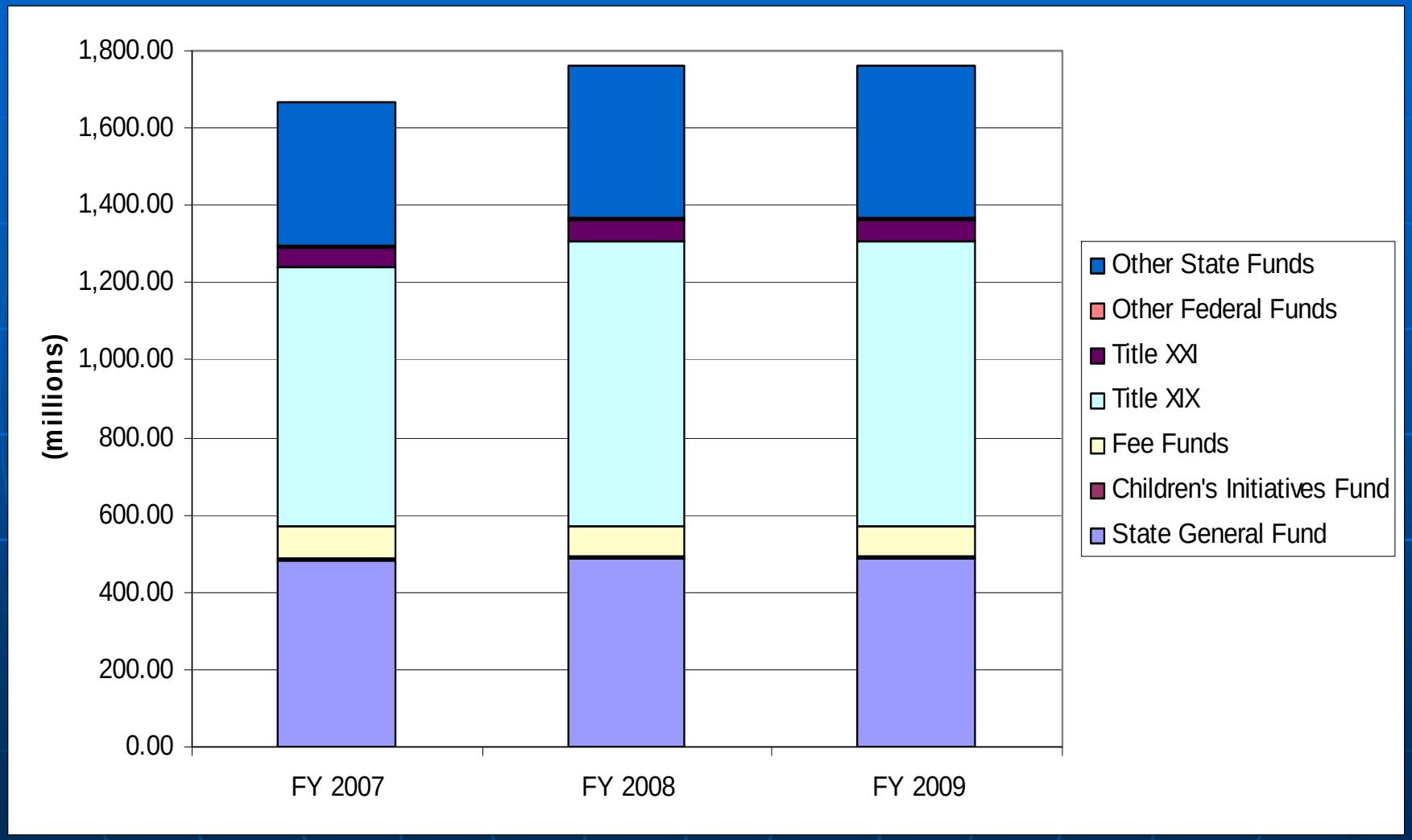
Effective Health Care Purchasing	Health Promotion and Public Health	Coordinating Health and Health Care
▪Implemented Medicaid MCO ▪Successful CMS Deferral Negotiations ▪Reformed DSH Payments ▪Initiated financial reporting to HCC ▪Added Benefit/Plan Selector Tool to SEHP ▪LTC Partnership ▪Increased dental providers and beneficiaries	▪Health and wellness focus for SEHP ▪Improved benefit design for SEHP ▪Developed health reform recommendations ▪Solicited stakeholder input in health reform ▪Listening tour on health reform	▪Managed impact of new citizenship identification requirements ▪Shortened process time and backlog for Presumptive Medical Disability ▪WORK program launched ▪Completed National Provider Identification implementation ▪Community Health Record Pilot Program ▪Expanding Enhanced Care Management Pilot Project ▪Linked State immunization records to MMIS ▪Established KHPA Intranet

Budget Overview

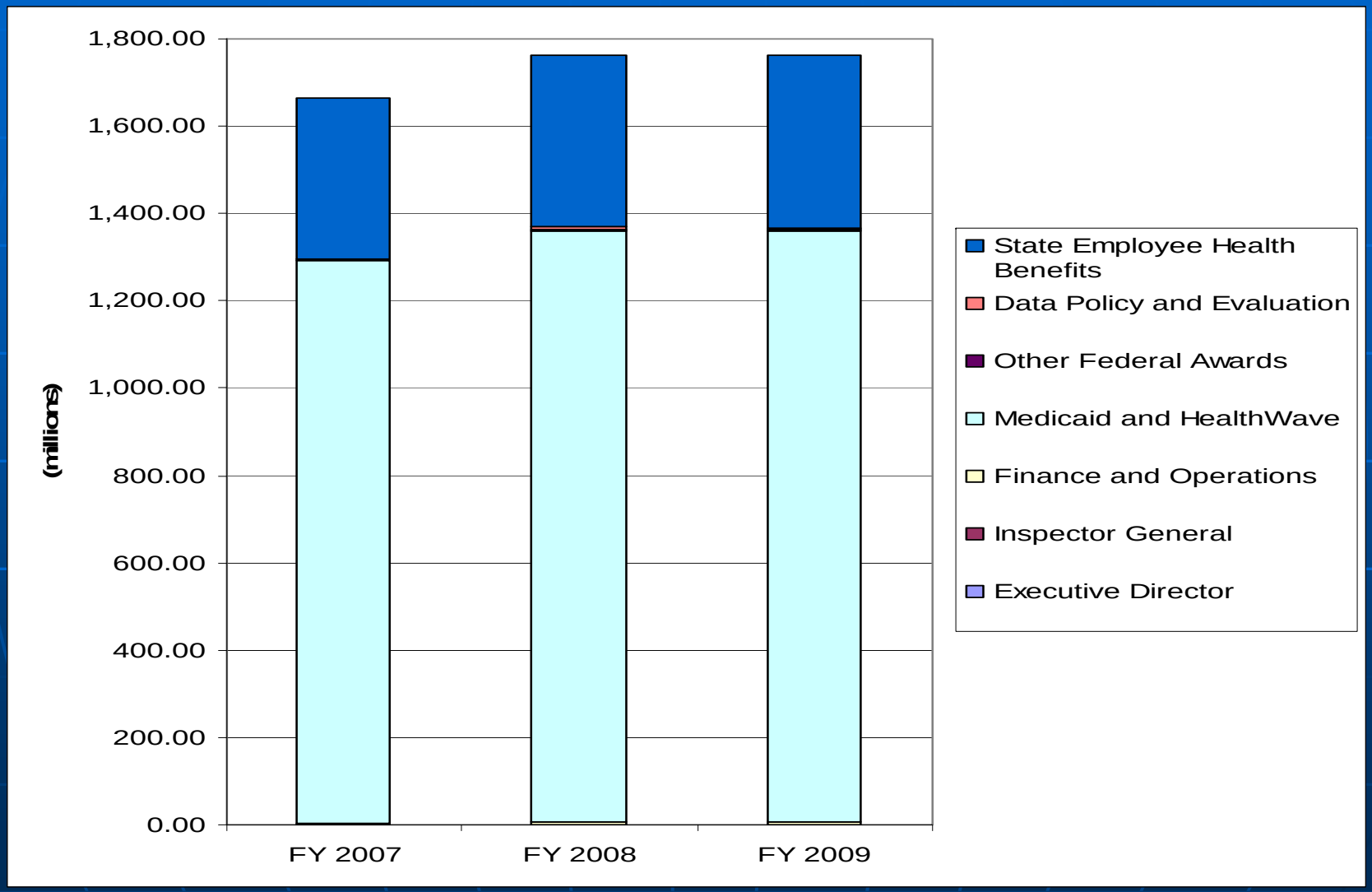
Budget Overview

- Expenditures trends for Medicaid (Title 19), HealthWave (Title 21), and the State Employee Health Plan (SEHP)
- KHPA Board enhancement requests
  - Summary table
  - Detailed information on system improvements
- Summary of health reform recommendations

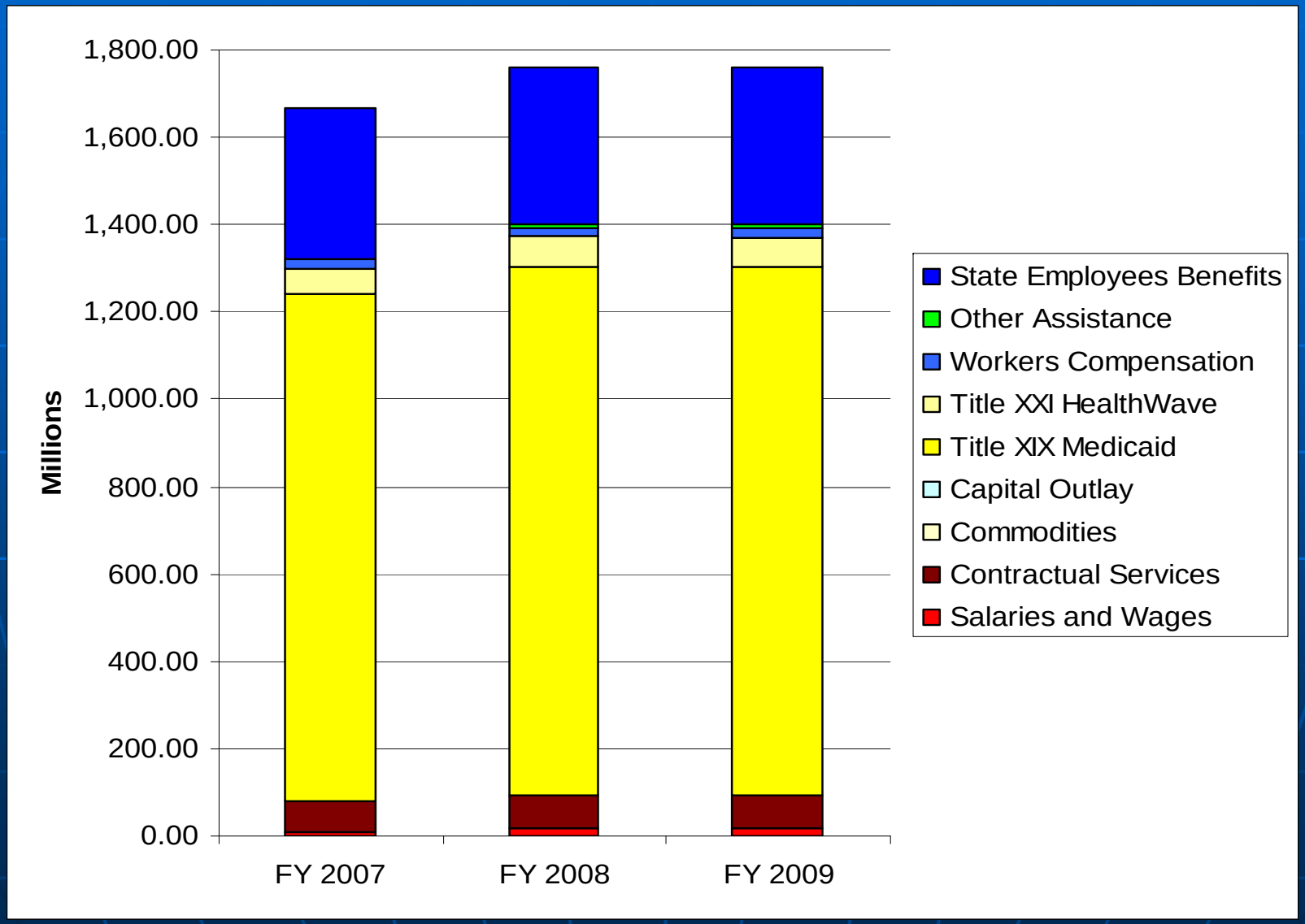
Expenditures by Funding Source



Expenditures by Program



Expenditures by Category



FY 2009 Budget Enhancement Requests*

Priority	Description	State General Fund	All Funds
1	Premium Assistance Implementation (1)	5,037,000	12,075,000
2	Integrated Enrollment System	4,000,000	8,000,000
3	Medicaid Prescription Drug Prior Authorization System	206,250	825,000
4	Expand Enhanced Care Management	50,000	100,000
5	Community Health Record	50,000	100,000
	Total Request	**$ 11,343,250**	**$ 25,100,000**

* Reflects most recent request from our Budget Appeal

1) This item includes $10.0 million for health benefits for those eligible for Premium Assistance and $2.1 million for administrative costs.

Premium Assistance Implementation

- Enhancement Request FY 2009:
  - SGF 5,037,000; All Funds 12,075,000

- Purpose: To implement first year of new private health insurance assistance program *(Kansas Healthy Choices)* in Jan 2009
  - *Employer-sponsored health insurance*
  - *State-procured private health insurance*

- Population Served: 8,500 very low income Kansas parents

Integrated Eligibility and Enrollment System

- Enhancement Request FY 2009:
  - SGF 4,000,000; All Funds 8,000,000

- Purpose: To procure a modern integrated eligibility and enrollment software system to improve functionality, productivity, and cost-effectiveness for state operated programs

- Population Served: All Medicaid, HealthWave, and ultimately SEHP beneficiaries (also populations served by SRS). Approximately 388,000 Kansans

Medicaid Prescription Drug Prior Authorization System

- Enhancement Request FY 2009:
  - SGF $206,250; All Funds $825,000
- Purpose: To procure a statewide automated prior authorization system that can be accessed at the point of care by pharmacists in order to improve patient safety and cost-effectiveness
- Population Served: All Medicaid and HealthWave beneficiaries, pharmacy and medical providers

Pilot: Enhanced Care Management Program

- Enhancement Request FY 2009:
  - SGF 50,000; All Funds 100,000

- Purpose: To continue a care/disease management pilot program targeted at low income chronically ill Kansans in order to improve health outcomes, prevent further illness, and help to control health care costs

- Population Served: Medicaid beneficiaries in Sedgwick County who have volunteered to participate. After evaluation, potential for statewide implementation

Pilot: Community Health Record

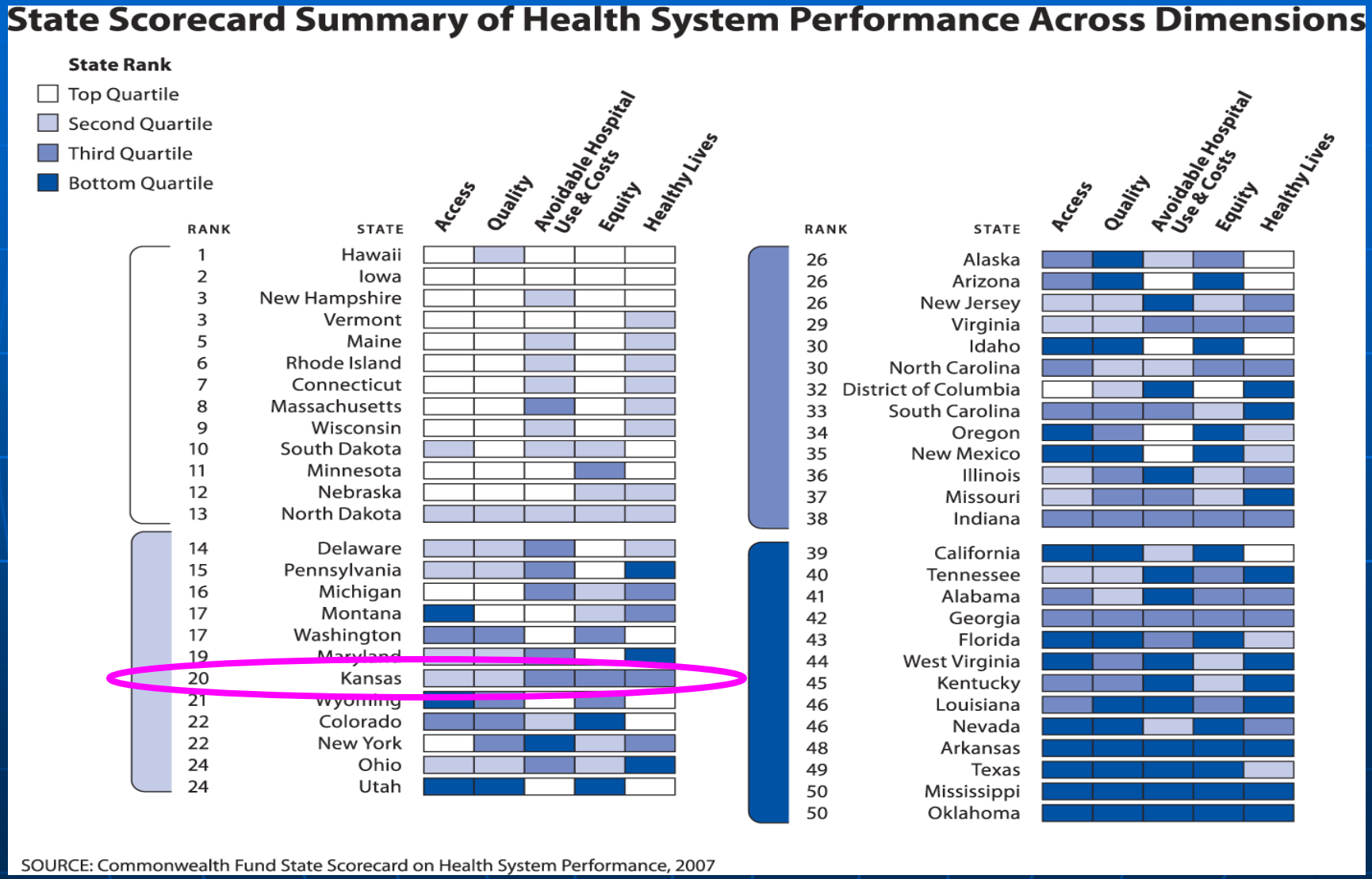
- Enhancement Request FY 2009:
  - SGF 50,000; All Funds 100,000

- Purpose: To continue and expand the community health record pilot project in order to promote the use of health information technology and exchange, improve health outcomes, and control administrative costs of health care

- Population Served: Medicaid beneficiaries and providers in Sedgwick County. Statewide implementation is recommended as part of health reform

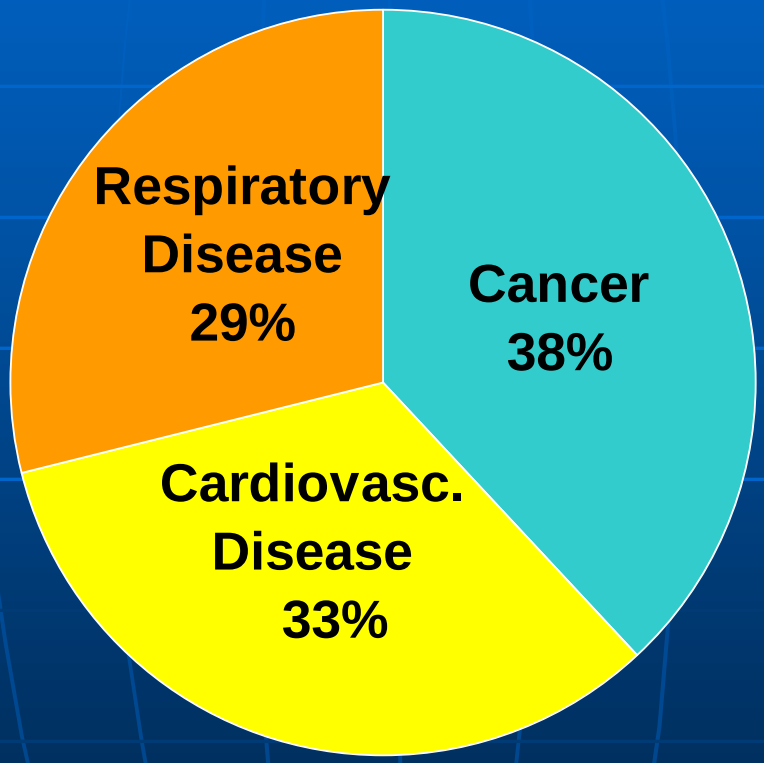
Health Reform Overview

Health in Kansas: Room for Improvement



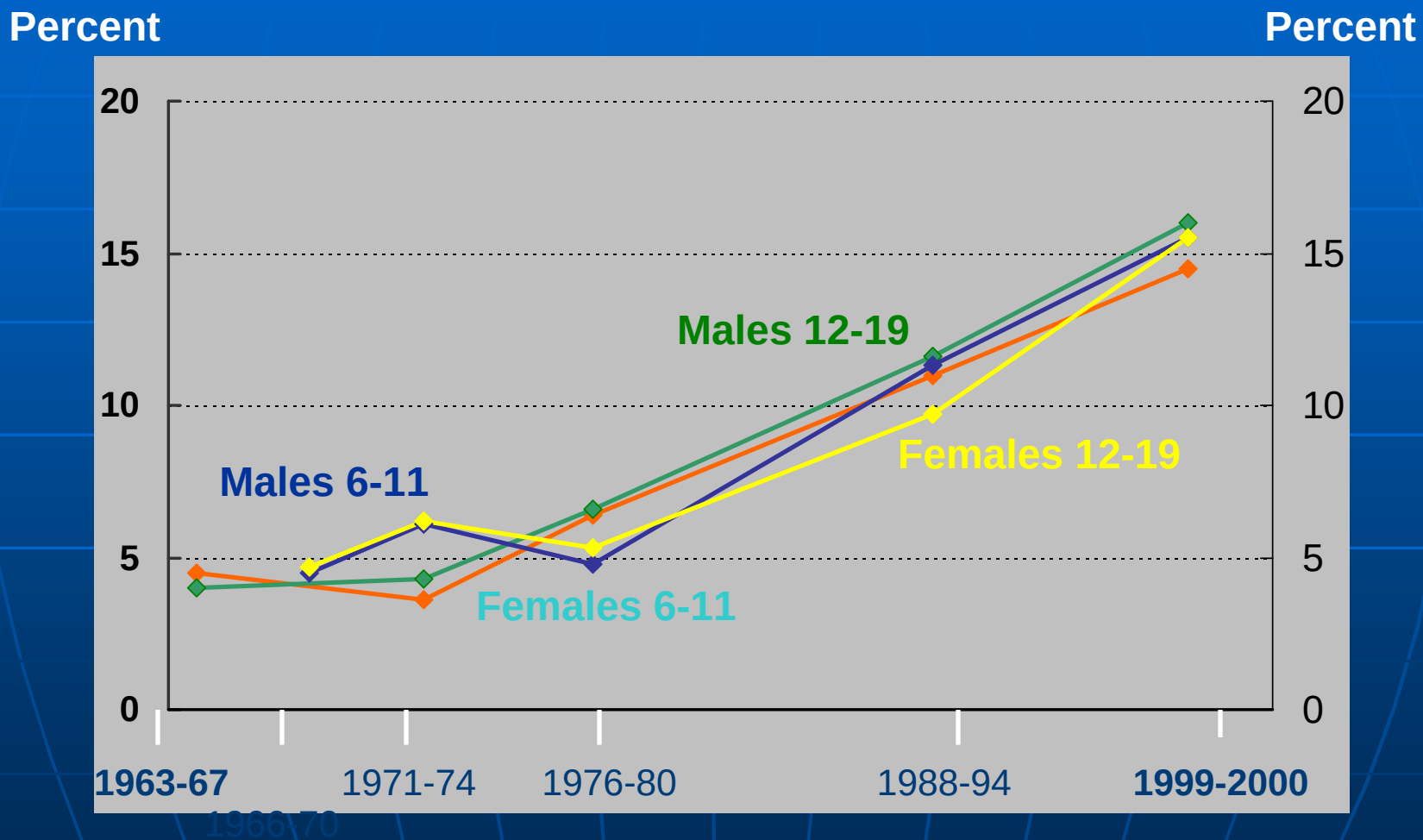
Tobacco Related Deaths in Kansas

Average of 3,900 Deaths per Year in Kansas Due to Smoking



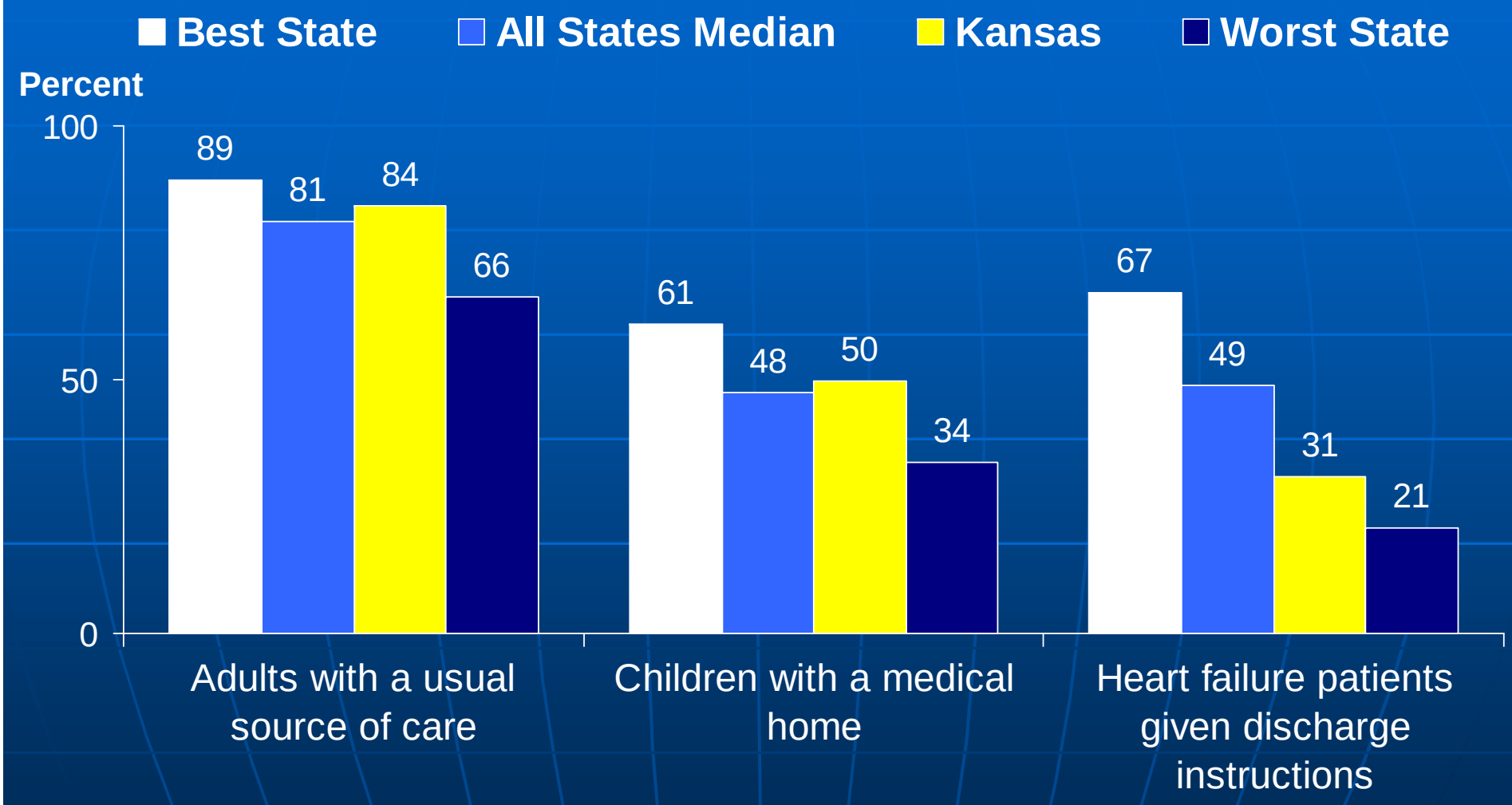
Source: Smoking Attributable Morbidity, Mortality and Economic Cost, CDC

U.S. Trends for Overweight Children and Adolescents



Note: Overweight is defined as BMI >= gender- and weight-specific 95th percentile from the 2000 CDC Growth Charts for the United States. Source: National Health Examination Surveys II (ages 6-11) and III (ages 12-17), National Health and Nutrition Examination Surveys I, II, III and 1999-2000, NCHS, CDC.

State Variation: Coordination of Care Indicators

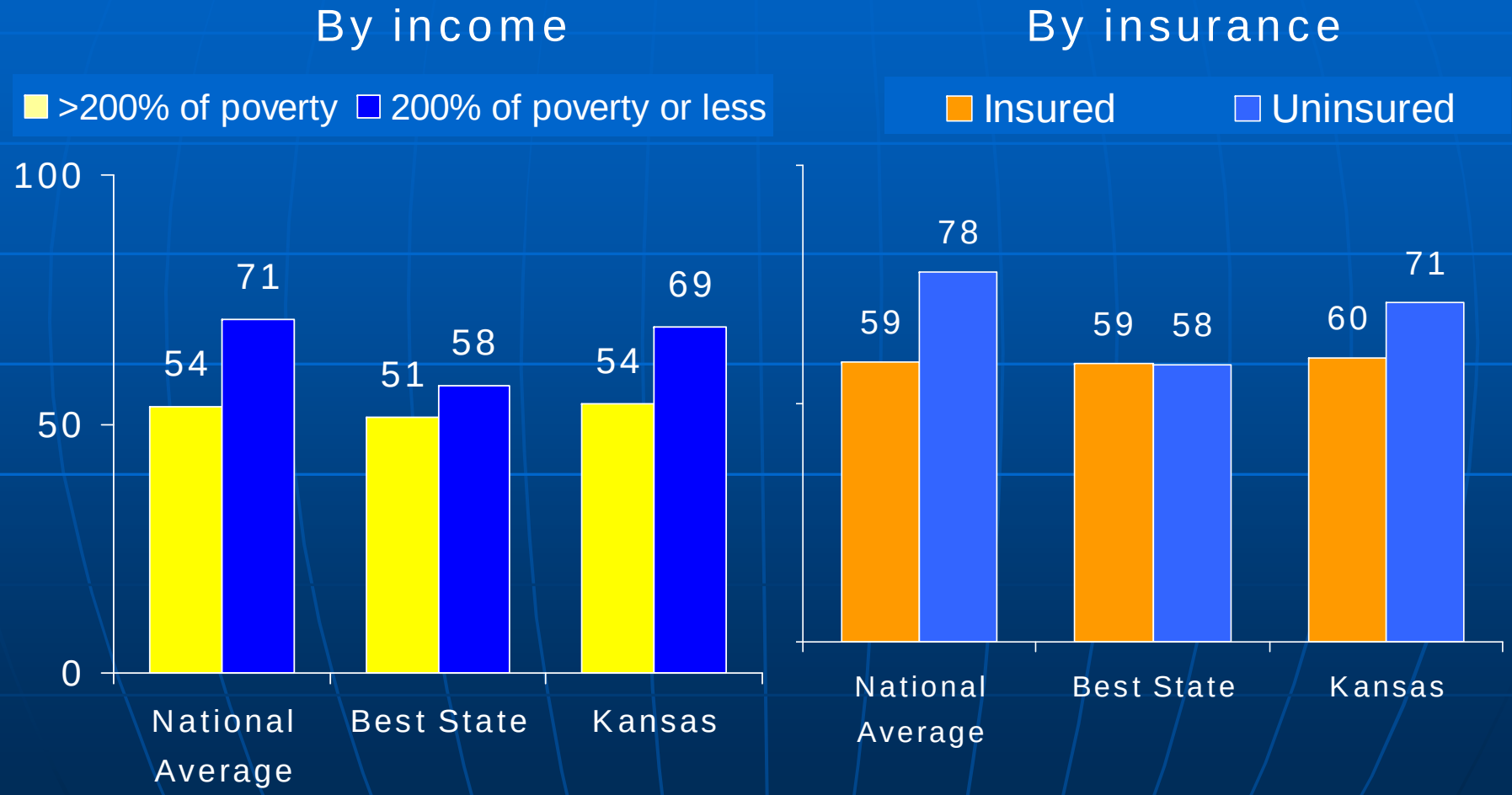


DATA: Adult usual source of care – 2002/2004 BRFSS; Child medical home – 2003 National Survey of Children's Health; Heart failure discharge instructions – 2004-2005 CMS Hospital Compare SOURCE: Commonwealth Fund State Scorecard on Health System Performance, 2007

EQUITY

Lack of Recommended Preventive Care by Income and Insurance

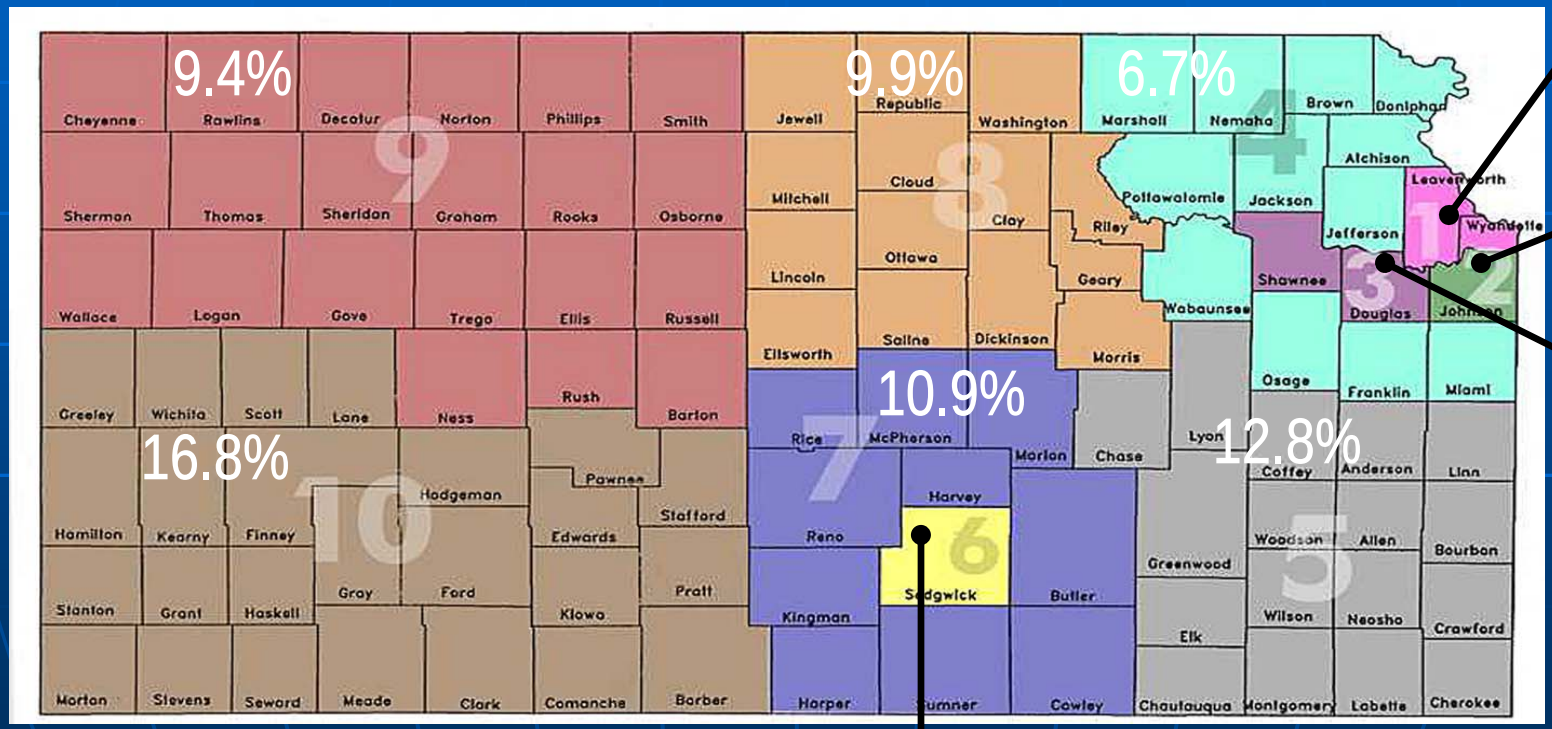
Percent of adults age 50+ who did NOT receive recommended preventive care



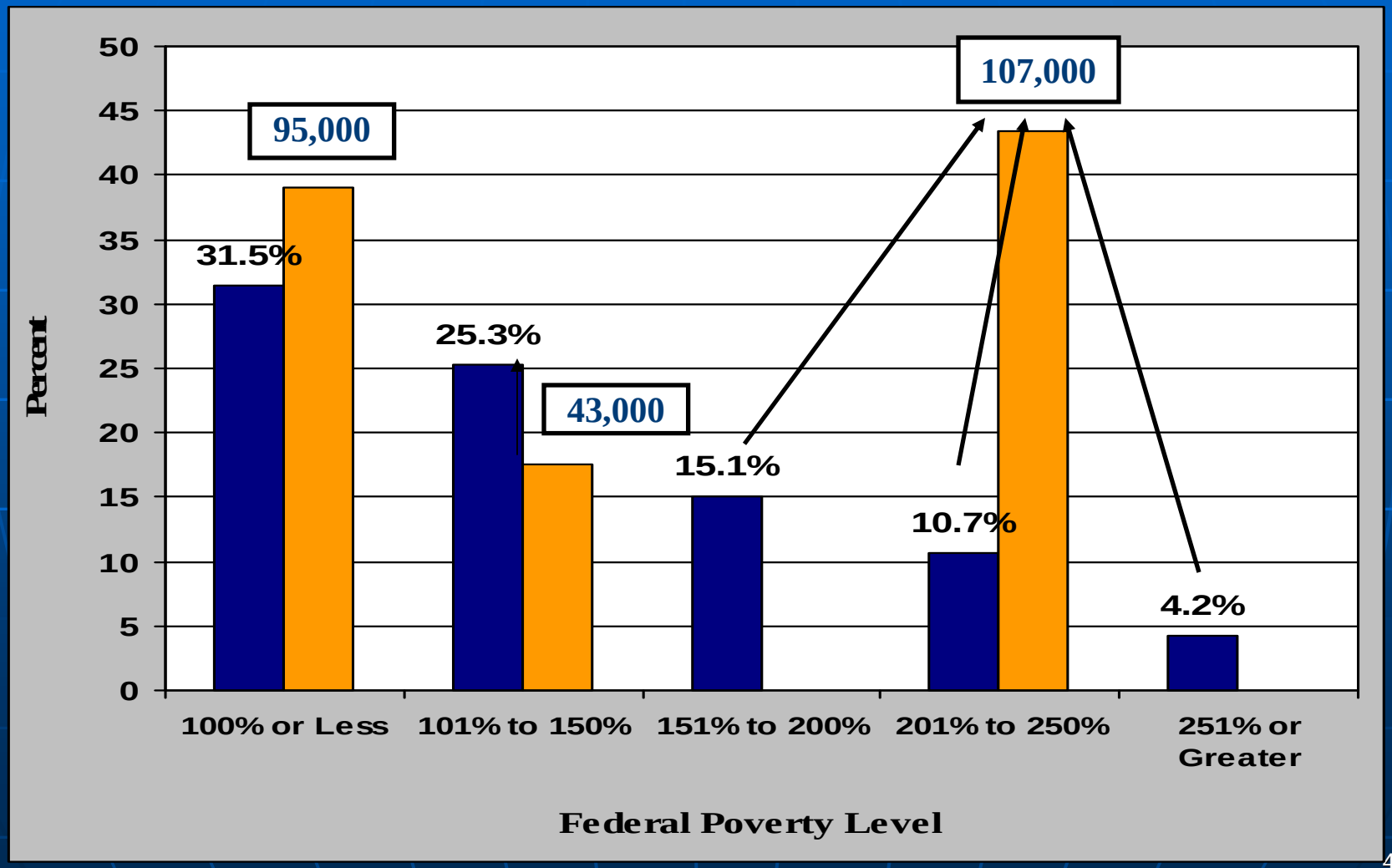
Note: Best state refers to state with smallest gap between national average and low income/uninsured.
DATA: 2002/2004 BRFSS. SOURCE: Commonwealth Fund State Scorecard on Health System Performance, 2007

Uninsured Kansans Under Age 65, by Region

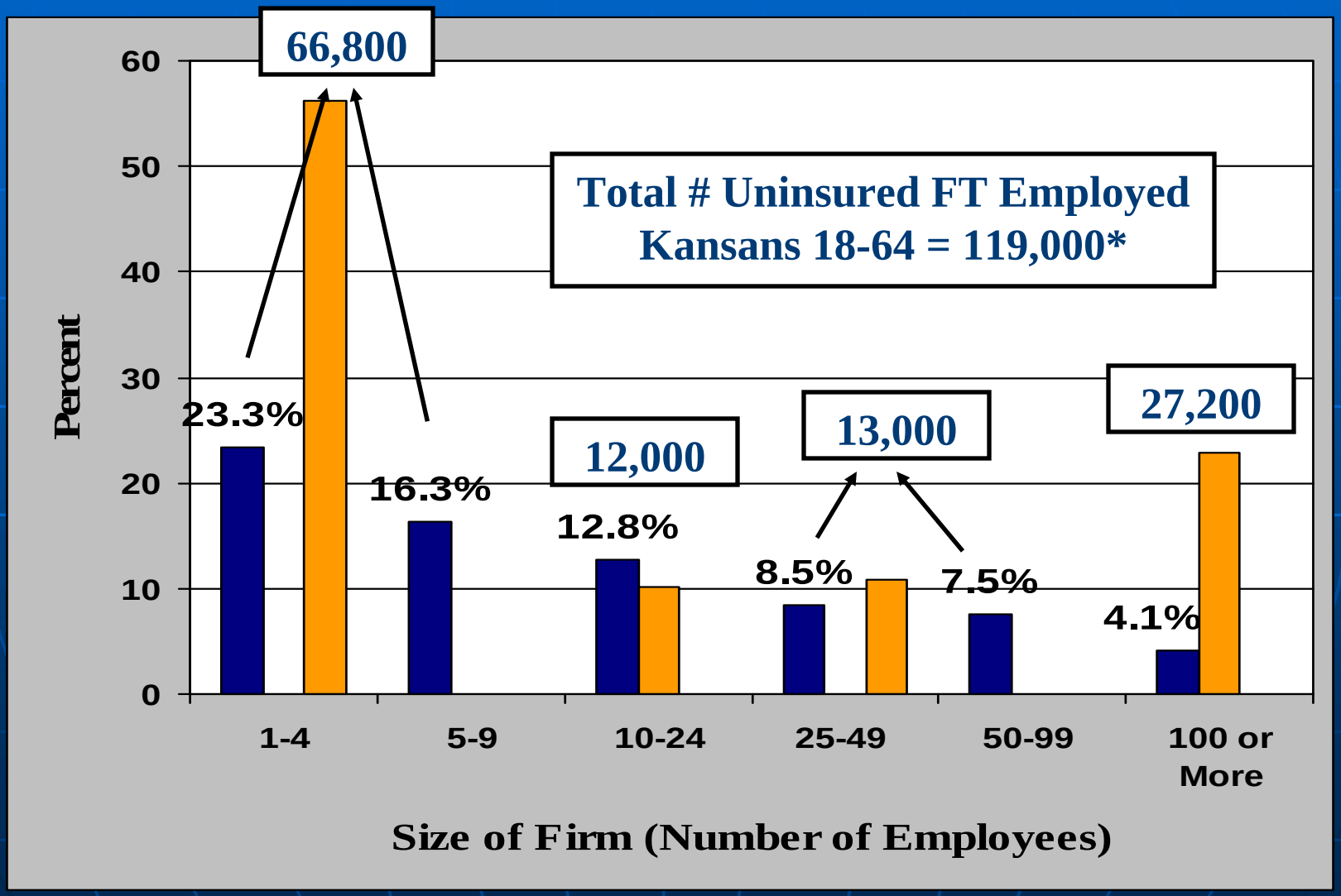
Total Uninsured in Kansas: 10.5%



Uninsured Kansans under Age 65 by Income as a Percent of FPL and Distribution of Uninsured



Uninsured Full-Time Employed Kansans Age 18-64 by Size of Firm



KHPA Board 2007 Health Reform Recommendations

Submitted to the Governor and Legislature on November 1, 2007

KHPA Reform Priorities

- Promoting personal responsibility (P1)
  - Responsible health behaviors
  - Informed purchase of health care services
  - Contributing to the cost of health insurance, based on ability to pay
- Prevention and medical homes (P2)
  - Focus on obesity, tobacco control, chronic disease management and incentives for primary care medical homes
- Providing and protecting affordable health insurance (P3)
  - Focus on small businesses, children, and the uninsured

Summary: Personal Responsibility Policy Options (P1)

- Improve Health Behaviors
  - Encourage healthy behaviors by individuals, in families, communities, schools, and workplaces
  - Policies listed under P2 – pay for prevention
- Informed Use of Health Services
  - Transparency for consumers – health care cost & quality transparency project
  - Promote Health Literacy
- Shared Financial Contributions for the cost of health care
  - Policies listed under P3

Summary: Medical Home Policy Options (P2)

Promote "Medical Home" Model of Care

- Define medical home
- Increase Medicaid provider reimbursement for prevention/primary care
- Implement statewide Community Health Record
- Promote insurance card standardization

Summary: Pay for Prevention Policy Options (P2)

- Healthy Behaviors in Families & Communities:
  - Increase tobacco user fee
  - Statewide Smoking ban in public places
  - Partner with community organizations
- Healthy Behaviors in Schools:
  - Include Commissioner of Education on KHPA Board
  - Collect information on health/fitness of Kansas school children
  - Promote healthy food choices in schools
  - Increase physical education

Summary: Pay for Prevention Policy Options (P2 Cont.)

- Healthy Behaviors in Workplaces:
  - Wellness grant program for small businesses
  - Healthier food options for state employees
- Additional Prevention Options:
  - Provide dental care for pregnant women
  - Improve tobacco cessation within Medicaid
  - Expand cancer screenings

Summary: Provide & Protect Affordable Health Insurance Policy Options (P3)

- Three targeted initiatives
  - Expand private insurance for low-income Kansans through premium assistance program: Kansas Healthy Choices
  - Improve access to coverage for Kansas children, with specific targets for enrollment
  - Increase affordable coverage for solo business owners and other small businesses

Priorities: System Reform and Better Health

Transforming Medical Care	Improving Public Health	Expanding Affordable Insurance
▪Transparency project: health care cost and quality ▪Health literacy ▪Medical home definition ▪Medicaid provider reimbursement ▪Community Health Record (HIE) ▪Form standardization	▪Increase tobacco user fee ▪Statewide smoking ban ▪Partner with community organizations ▪Education Commissioner ▪Collect fitness data in schools ▪Promote healthy foods in schools ▪Increase physical fitness ▪Wellness for small businesses ▪Healthier food for state employees ▪Dental care for pregnant women ▪Tobacco cessation in Medicaid ▪Expand cancer screening	▪Aggressive outreach and enrollment of eligible children (target population: 20,000) ▪Premium assistance for low income adults without children (target population: 39,000) ▪Small business initiatives (target population: 15,000 young adults and 12,000 employees of small businesses)

Financing Health Reform

- Fifty cent increase in tobacco user fee
  - Estimate of $69.7 million annually
- Increased federal matching dollars
- Hidden tax in Kansas – cost shifting
  - As much as 7%
- Cost containment - built into majority of proposals

Future Goals for KHPA

- **(1): To improve consumer communication and provide data rich information in order to improve health and public policy.**
- **(2): To strengthen and improve leadership and organizational development within the agency.**
- **(3): To successfully implement new initiatives and programs, while consistently improving ongoing programs/initiatives.**

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State Employee Health Plan: Historical and Future Reserves

January 16, 2008

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SEHP in a Snap Shot

- Around 88,000 total participants
  - 35,369 active employees
  - 37,022 dependents (includes State and non-State group)
  - 10,472 retirees
  - 5,157 other (non-state) public employees
- The SEHP moved to statewide health plan options in 2008
- All health plans self-funded to lower administrative costs

SEHP in a Snap Shot

- A major health and wellness initiative began this month, strengthening the HealthQuest program
- The gatekeeper component of the HMO was eliminated
- The employer contribution for dependent coverage was raised from 45% of an average premium to 55%
- Negotiated new pharmacy contract for 2007
  - Applies manufacturer rebates at the point of sale
  - Generates an estimated $8 million in savings

State Employee Health Plan (SEHP) Reserves

- Health plan reserves cover unexpected future SEHP expenditures
- Reserves are the capital required to self-insure
  - Costs of medical care delivered but not yet billed to the state
  - Unexpected events such as a spike in health care costs
- Health claims are paid out from these funds
- All plan revenues flow to these funds

Growth in Funds

- From FY 2000 – FY 2006, fund balances increased by more than 250%
  - up to $193.2 million
  - see Table 1 and Figure 1
- Plan design changed in FY 2004-2005
  - Agency & employee contributions increased
  - Benefit design reduced
- Total expenditures for FY 2004 and 2005 increased by less than 1% and by 1.6%
- Contributions for FY 2006 and 2007 were frozen for agencies and employees

Measurements for Reserve Amounts

- No clear rules or regulations in state or federal statute
- State's actuaries, Mercer & Segal, suggest maintaining reserves at level needed to pay claims run out if plan would be discontinued. For 2008
  - Mercer estimate for claims run out - $38.0 million
  - Mercer sensitivity analysis indicates that contingency fund of $15.0 million could reasonably offset unexpected increases in claims costs
  - Total recommended reserve balance = $53.0 million

Future Expenditure Impact on Reserves

- KHPA estimates of revenues, expenditures, & cash balances through 2017 indicate a gradual, managed, decline in balances to their target level
  - Target reserve of 15% of expenditures
  - Reserves drop from $223.7 million in plan year 2008 to $86.3 million in plan year 2017
  - See table 2 & Graph 2
- These projections will be updated quarterly to aid in plan management
- Projected annual increase in health costs, 6.5%, assumes future changes to manage costs

Conclusions

- KHPA staff recommend that 15% of estimated claims expenditures be reserved as part of annual projections
- Cash reserve needed to absorb unexpected costs & to protect financial integrity of plan
- Careful plan management will allow the reserve balance to absorb some of anticipated cost increases in SEHBP over time without need for abrupt changes in benefits and contributions
- Employer & employee contributions cannot stay unchanged given expected increases in future health care costs

http://www.khpa.ks.gov/