



KHPA Budget Overview for Senate Ways and Means

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Objectives

- Medicaid Prescription Drug Prior Authorization System
 - Current System
 - Budget Enhancement: Automated System
 - Benefits of New System
- KHPA Budget Overview

Medicaid Prescription Drug Prior Authorization System

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

Benefits of Automated System

- Enhances relations with providers and pharmacists through real-time approval of drugs and quicker reimbursements
- Immediate cost savings & quality improvement in drug program
- Improves beneficiary access to needed medications and minimizes delays
- Automates 60-90% of Prior Authorization requests
- Ultimately can be used for authorization of durable medical equipment and selected medical procedures

Missouri's Experience

- Missouri implemented an automated system in 2002
- In FY 2002-2003, annual increase of 4.5% in fee for service pharmacy claims
 - **Previous Year.** Significantly less than the 10.4% increase during the previous FY
 - **National Increase.** Significantly less than the 15-18% national average increase for the same time period
- Since 2004, Missouri Medicaid claims editing & prior authorization system has saved approximately 9% per year in prescription drug expenditures
- Estimated \$85 million of savings annually for prescription drug expenditures

Idaho's Experience

- Idaho implemented an automated system in 2003
 - Allowed the State to validate over 700,000 claims per year (up from 69,000 per year prior to implementation)
 - Cost savings of \$4.7 million per year in drug expenditures

Projected Contract Costs

	SGF	Other Funds	Total
Web-Based Program	187,500	562,500	\$750,000
EDS (MMIS Changes)	18,750	56,250	\$75,000
Subtotal	206,250	618,750	\$825,000

Estimated Expenditures

	Budget Year	Out Year 1	Out Year 2	Out Year 3
	FY 2009	FY 2010	FY 2011	FY 2012
Salaries & Wages				
Contractual Services	825,000	750,000	750,000	750,000
Commodities				
Capital Outlay	-	-	-	-
Assistance	-	-	-	-
TOTAL	\$825,000	\$750,000	\$750,000	\$750,000

Estimated Financing

	Budget Year	Out Year 1	Out Year 2	Out Year 3
	FY 2009	FY 2010	FY 2011	FY 2012
SGF	206,250	250,000	250,000	250,000
Fees Fund				
Federal Funds	618,750	500,000	500,000	500,000
Other Funds				
TOTAL	\$825,000	\$750,000	\$750,000	\$750,000

Conclusions

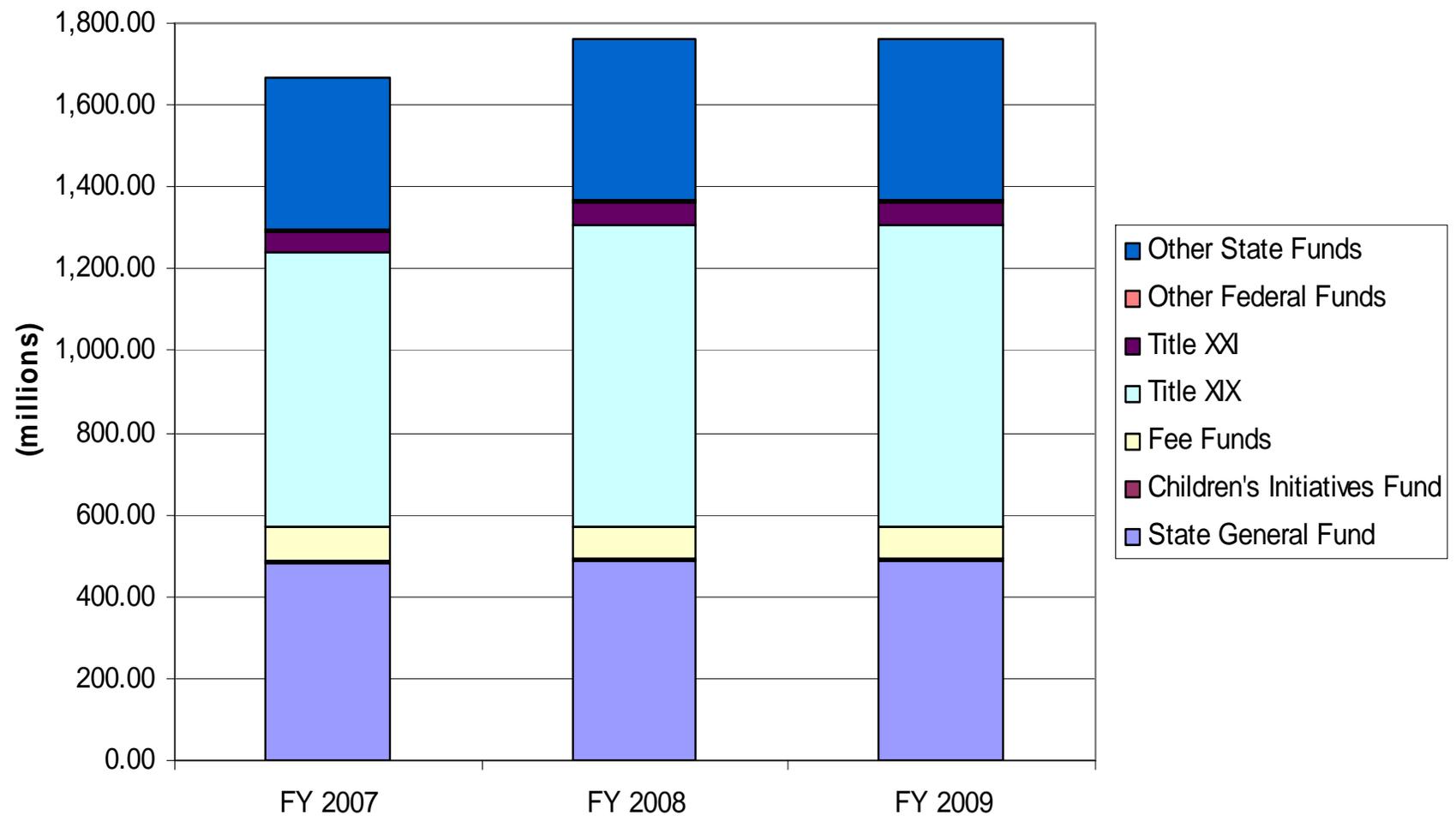
- **Cost-Effective.** Automated system has demonstrated cost-effectiveness indicating cost savings within the first year
- **Improved Quality.** Decreases wait time for patients receiving prescribed drugs and increases access to medications, thereby improving quality of patient care
- **Future Applications.** Provides a medium for other medical care procedures & equipment needing prior authorization to be integrated within the automated system

Budget Overview

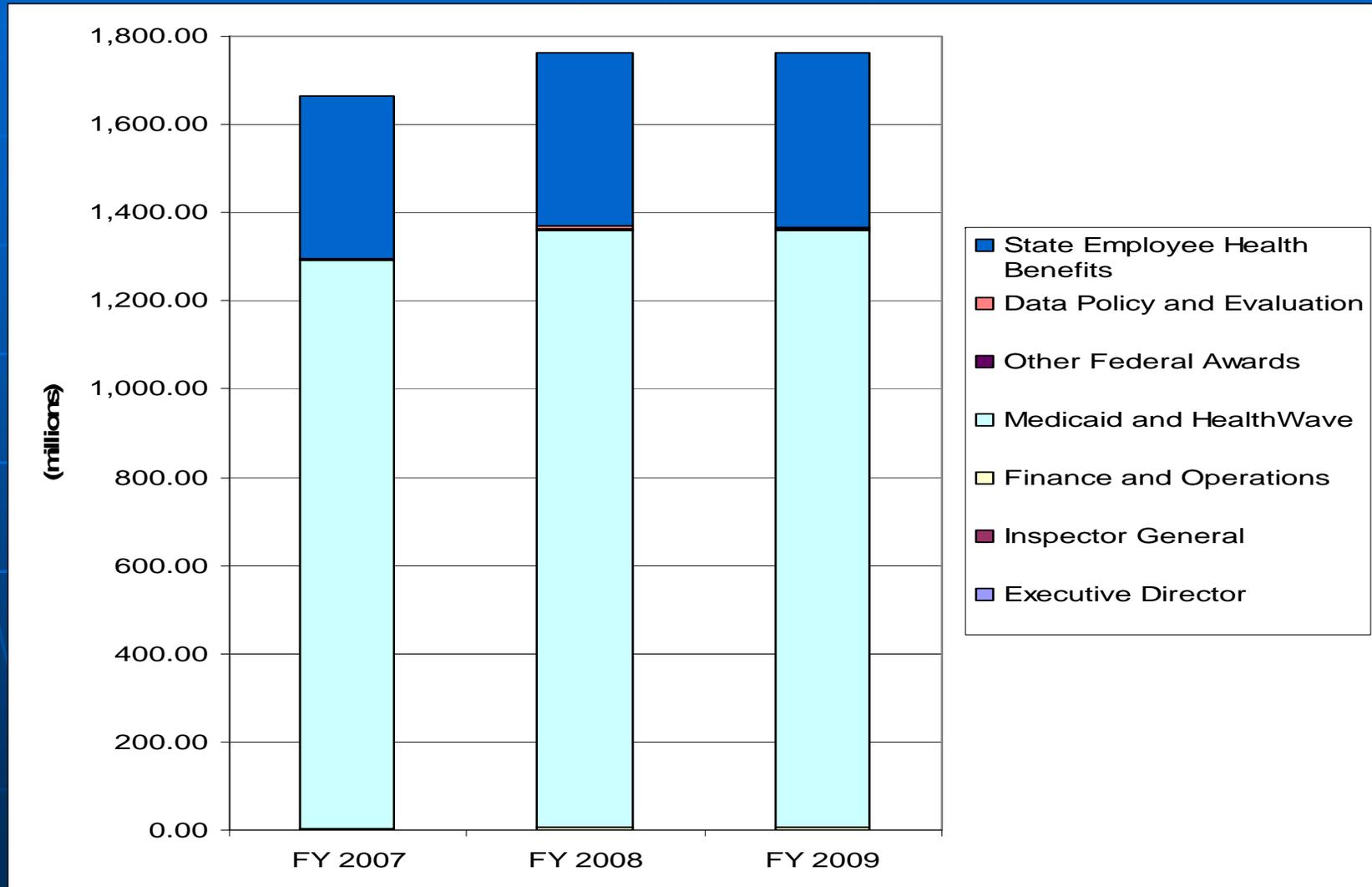
Budget Overview

- 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

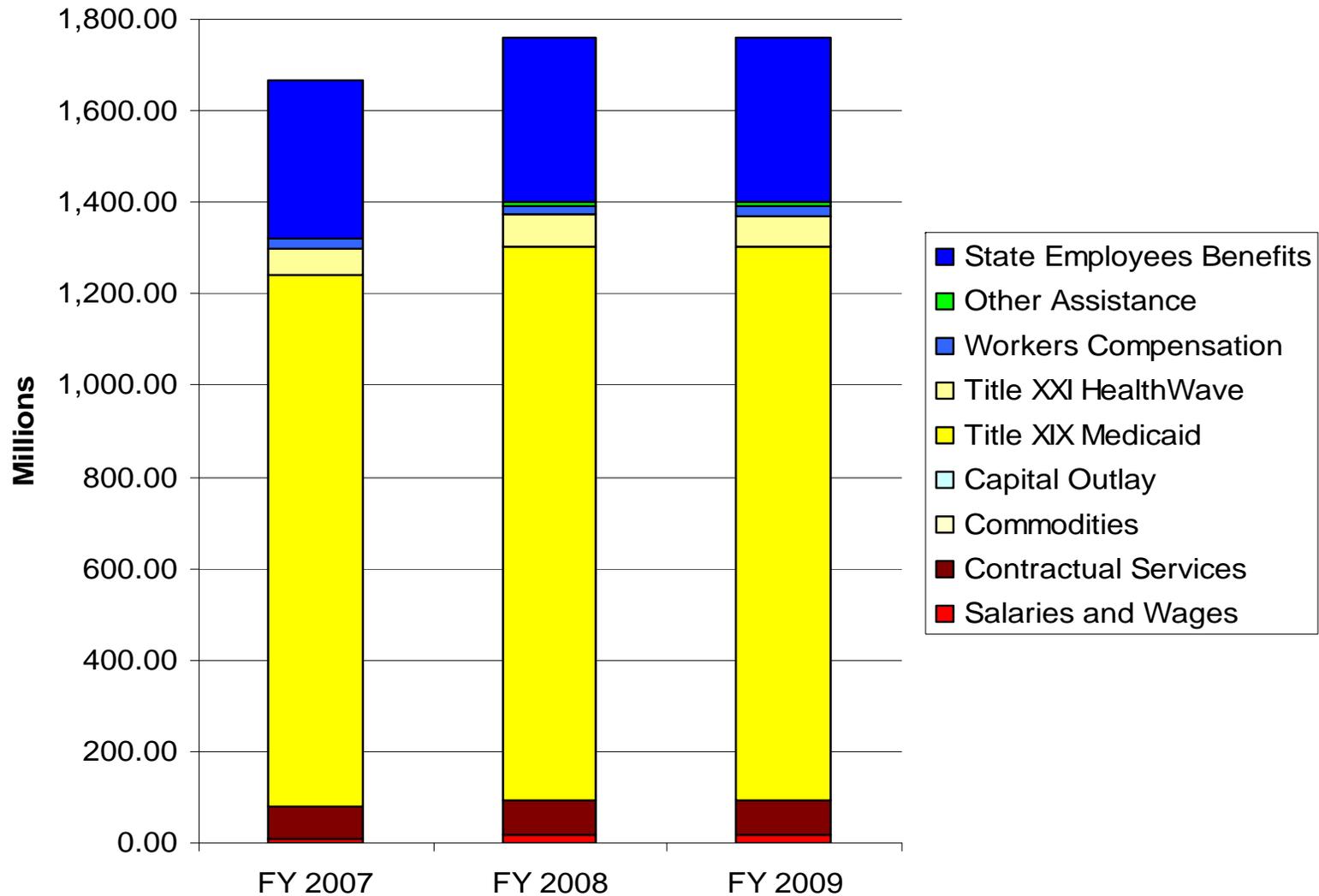
Expenditures by Funding Source



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



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