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## Kansas Health Policy Authority Current Year Reduction Proposal

**Description:** As part of the FY 2010 Budget Instructions, Governor Sebelius requested state agencies identify ways to reduce the approved FY 2009 budget by between 1% and 2%. The State General Fund (SGF) target for the Kansas Health Policy Authority (KHPA) provided by the Division of the Budget included a reduction of \$835,963 from the approved FY 2009 budget. This amount reflects 2% of the approved SGF budget, excluding the amount needed to provide matching funds for Medicaid expenditures.

KHPA anticipates that our revised FY 2009 budget will be reduced during the review process to meet the 2% target amount. The allocation target we are using to build the FY 2010 budget assumes the 2% reduction from FY 2009 applies to both fiscal years.

To meet the reduction \$835,963 reduction, KHPA proposes two changes to the FY 2009 budget.

**Eliminate the Generic Drug Program.** The FY 2009 approved budget includes \$400,000 SGF for the CommunityRx Kansas statewide prescription assistance program. This program was implemented in January 2006 to provide low-income, uninsured Kansans access to affordable prescription medication. The program provides access to reduced priced drugs through 2 networks of community pharmacies and pays the \$20 enrollment fee for participation in the network.

Take up for this program has been extremely low. The implementation period coincided with the Medicare Part D enrollment. During FY 2008, KHPA spent \$1,281 for only 30 people.

Eliminating this program would save \$400,000 SGF in both FY 2009 and FY 2010.

**Revise estimate for HealthWave assistance.** The HealthWave assistance budget is included in the 2% reduction amount. Unlike Medicaid, HealthWave expenditures are not adjusted through the consensus caseload process. KHPA submits estimates in the budget and requests any additional SGF needed to finance the expected level of expenditures, either as supplemental or enhancements requests. For FY 2009, the approved budget for exceeds the current projection for HealthWave assistance. The table below shows the actual expenditures from FY 2008, the approved and estimated expenditures for FY 2009.

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	<b>FY 2008 Actual</b>	<b>FY 2009 Approved</b>	<b>FY 2009 Estimate</b>	<b>Reduction with revised budget</b>
State General Fund	15,221,746	16,918,383	16,468,383	(450,000)
Children's Initiative Fund	2,054,502	2,000,000	2,000,000	--
Federal Funds	43,856,914	48,574,955	47,490,128	(1,084,827)
<b>Total</b>	<b>61,133,162</b>	<b>67,493,338</b>	<b>65,958,511</b>	<b>(1,534,827)</b>

By revising the budget amount to the expected level of expenditures, KHPA would save \$450,000 in SGF expenditures without making any changes in eligibility or benefit levels. This approach aligns the budgeted expenditures with anticipated expenditures in the same way the consensus caseload process works for Medicaid expenditures.

### **FY 2010 Reduced Resource Proposals**

The Kansas Health Policy Authority was requested to suggest ways to reduce the FY 2010 budget by a total of \$2,055,580 from the State General Fund. In the budget submission, KHPA two items summarized in the following table:

<b>Description</b>	<b>State General Fund</b>	<b>All Funds</b>
Expand preferred drug list to include mental health drugs	(800,000)	(2,000,000)
Time limited MediKan	(1,500,000)	(1,500,000)

**Expansion of the preferred drug list.** State law currently prohibits management of mental health prescription drugs dispensed under Medicaid. Under this proposal, that prohibition would be rescinded and KHPA will use the newly created Mental Health Preferred Drug List (PDL) Advisory Committee to recommend appropriate medically-indicated management of mental health drugs dispensed under the Medicaid program.

Over the past three fiscal years mental health drugs have been the highest drug expenditure by class of medications and the most-prescribed drugs by volume. This has led to cost growth in pharmacy services that exceeds growth in other services. Expenditures for mental health drugs increased from the previous fiscal year by more than \$4 million in FY 2007.

Pharmacy management tools such as a PDL and automated prior authorization (PA) improve patient safety; help ensure timely access to medications, support systematic, best-practice guidance for providers, and lower overall costs. The use of a PDL is standard practice in most private health insurance plans. According to Kansas State Statute 39-7, 121b, however, “no requirements for prior authorization or other restrictions on medications used to treat mental illnesses such as schizophrenia, depression or bipolar disorder may be imposed on Medicaid recipients.” This provision provides for unlimited access to all mental health drugs, regardless of medical condition, provider experience in treating mental health disorders, or cost. This level of access differs in practice from other major purchasers, public and private, including the Kansas state employee health plan, Medicare, and the Veterans Administration, and distinguishes management of Medicaid mental health drug services from the level of management applied to many other critical services for sensitive medical conditions. It also prevents the use of

standard pharmacy management tools to ensure patient safety, for example in cases where mental health drugs are being prescribed for off-label uses that lack scientific justification.

Concerns have been raised about the application of tools such as a PDL and PA to Medicaid mental health drugs on the grounds that they may pose a threat to the timely acquisition of critical medications that improve health and prevent more expensive care (e.g., emergency room visits or inpatient treatment). To support the expansion of the Medicaid PDL to mental health drugs, KHPA will ensure both timely access and a transparent process that guides PDL and PA decisions with recommendations from mental health professionals. In 2008, the legislature directed the KHPA to implement a preferred drug formulary that includes mental health drugs for the state-funded MediKan program. KHPA is convening a specialized Mental Health PDL Advisory Committee, composed of mental health experts such as psychiatrists, psychologists, psychiatric pharmacists, and other stakeholders, for mental health drugs in FY 2009 in order to implement the expanded MediKan PDL.

The expanded Medicaid PDL would be subject to the same legal protections governing the existing Medicaid PDL, but would in addition be guided by recommendations from the new Mental Health PDL Advisory Committee for mental health drugs. Long-standing federal requirements ensure that Medicaid beneficiaries have access to any prescribed drug, even when the drug is not listed on a state's PDL, if established PA criteria are met. The mental health PDL would be developed after the implementation of an automated PA system, allowing requests that meet the PA criteria to be approved quickly at the point of sale. Automated PA would be just one of the tools available to the mental health PDL advisory committee as it develops recommendations for safe and sustainable management of mental health drugs.

During fiscal year 2009 the KHPA will recruit members for the mental health preferred drug list advisory committee and begin development of the PDL. In fiscal year 2010 will continue to expand the PDL and develop criteria for prior authorization of selected drugs. KHPA would begin using the mental health PDL in January of 2010 with an expected savings of \$2,000,000, including \$800,000 from the State General Fund in FY 2010.

**Time limited MediKan.** The reduced resource proposal would place a firm lifetime limit on the receipt of MediKan benefits with no exceptions or hardship criteria. Also, using Working Healthy as a model, MediKan would be modernized by redirecting a portion of current expenditures to offer a package of services consisting of basic health care and employment services aimed at re-entry into the workforce and achieving self-sufficiency.

MediKan currently provides health care coverage to persons with significant impairments, as determined by the Presumptive Medical Disability Team (PMDT), who do not meet the level of disability necessary to receive Medicaid and are unlikely to meet Social Security Disability criteria. However, people eligible for MediKan are required to pursue Social Security benefits as a condition of eligibility. Although a lifetime limit of 24 months currently exists in the MediKan program, the limit can be waived if the individual is still attempting to receive Social Security benefits, creating a "hardship exception." Almost 30% of the current MediKan caseload receives coverage under the hardship exception.

Our goal with the modernized MediKan program will be that instead of having individuals continue to pursue disability benefits, we will re-direct some MediKan funds to provide services that will address their barriers to work. Ultimately we want a MediKan individual to become employed and self-sufficient, which includes obtaining private health insurance.

There are two basic parts to the services that will need to be provided. First, a basic health care benefit is a critical element of the modernized MediKan program. MediKan health care utilization data indicates these persons experience significant mental and physical health conditions. Addressing health care issues is viewed as necessary to remove a critical barrier to employment. The modernized MediKan program may also include premium-based

transitional coverage for persons newly employed.

Second, employment and other support services will be provided to train or re-train individuals so that they can re-enter the workforce. An example might be someone who has only done manual labor and now has a back condition that limits, but does not prevent, employment. These support services might be used to re-train the person to do a less physical job that will provide a living wage and benefits. Based on information from Kansas Vocational Rehabilitation Services, we can expect that people who have the potential to return to work will be able to do so within 18 to 24 months.

KHPA estimates that applying the time limit and developing the modified services package would result in savings of \$1.5 million from the State General Fund during FY 2010.