

Members

Sen. Patricia Miller, Chairperson
Sen. Robert Meeks
Sen. Steve Johnson
Sen. Rose Antich
Sen. Vi Simpson
Sen. Samuel Smith
Rep. Charlie Brown
Rep. William Crawford
Rep. Susan Crosby
Rep. Mary Kay Budak
Rep. Gary Dillon
Rep. David Frizzell



SELECT JOINT COMMISSION ON MEDICAID OVERSIGHT

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Authority: IC 2-5-26

MEETING MINUTES¹

Meeting Date: November 19, 2001
Meeting Time: 10:30 A.M.
Meeting Place: State House, 200 W. Washington St., Senate Chambers
Meeting City: Indianapolis, Indiana
Meeting Number: 5

Members Present: Sen. Patricia Miller, Chairperson; Sen. Robert Meeks; Sen. Steve Johnson; Rep. Susan Crosby; Rep. Gary Dillon; Rep. David Frizzell.

Members Absent: Sen. Rose Antich; Sen. Vi Simpson; Sen. Samuel Smith; Rep. Charlie Brown; Rep. Mary Kay Budak; Rep. William Crawford.

Senator Miller called the meeting to order at 10:50 A.M. Senator Miller announced that although a representative from EDS was not available to testify at the meeting, EDS had prepared a report for the Commission. (See Exhibit 1.)

Melanie Bella, Director, Office of Medicaid Policy and Planning (OMPP)

Ms. Melanie Bella updated the Commission on OMPP's status on implementing the

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

mandatory risk-based managed care program. Ms. Bella stated that the mandatory risk-based program will be implemented in the following timeframe: Marion County and Allen County, April 1, 2002; Elkhart County and St. Joseph County, July 1, 2002; Lake County and Hamilton County, October, 2002. OMPP is working with the managed care programs to make this change a seamless transition.

Ms. Bella informed the Commission that OMPP received a preliminary report on November 16, 2001, for the disease management initiative. Ms. Bella stated that OMPP is still planning on having this program in effect by July 1, 2002.

Ms. Bella stated that OMPP implemented an emergency rule at the end of October, 2001, that would have reduced the pharmacist dispensing fee and changed the average wholesale price used to compute Medicaid's prescription drug discount rate. OMPP withdrew the emergency rule as part of an agreement with the pharmacists and is currently working with a pharmacist work group to help identify other cost savings measures. OMPP is continuing to pursue a permanent rule reducing pharmacist dispensing rates in case the cost savings measures discussed by the work group do not achieve the necessary reductions.

OMPP is contracting with Health Care Excel in implementing its prior authorization program. Between now and the end of calendar year 2003, the prior authorization program will cost approximately \$3 million (for calendar year 2002, approximately \$1.5 million; and calendar year 2003, approximately \$1.25 million). Administrative costs include labor, fringe benefits, consultant fees, training, furniture, and supplies. The estimated cost per transaction is \$5.93 based on 237,000 anticipated requests and an anticipated denial rate of 30% (based on West Virginia's program denial rate). Ms. Bella stated that OMPP has not yet estimated savings incurred by implementing this program. The anticipated start-up date for the prior authorization program is January 7, 2002. Ms. Bella commented that the drug utilization review (DUR) board voted and approved the prior authorization program and Health Care Excel's contract at its October 12, 2001 meeting. The contract was not finalized before the October 12, 2001, DUR board meeting, as three people signed the contract on October 12, 2001, three people signed the contract on October 14, 2001, and the Attorney General signed the contract on November 5, 2001.

Responding to a question concerning whether state law allows a state agency to contract for services (as opposed to contracting for goods) without soliciting bids, Ms. Bella stated that she believed any contract for services over \$75,000 had to be bid out. Senator Miller referred to staff for confirmation that state statute provides that a state agency entering into service contracts may use whatever procedure the agency considers appropriate. Senator Miller stated that she would like to discuss with the Commission the bidding process in general.

Ms. Bella reviewed OMPP's administrative costs. The administrative costs can be divided in two groups: (1) OMPP administration (Medicaid personnel salary of approximately 70 people); and (2) Medicaid administration (contractor services costs). The OMPP administrative costs are approximately .12% of the total Medicaid budget. State fiscal year (SFY) 2001 costs increased by \$500,000 as a result of the Hoosier Rx program, Olmstead decision, two additional employees, and federal mandates for authorized overtime for the medical review team to process the state's disability cases. The Medicaid administrative costs are approximately 2% of the total Medicaid budget. In a 1999 state comparison on Medicaid administrative costs, Indiana spent 4% of its Medicaid budget on these expenses while Michigan spent 8%, Illinois spent 7% and Ohio spent 3%. OMPP feels that it is keeping costs down in this area and a lot of the costs result from federal mandates. The total amount of money spent for Medicaid contractors in SFY 2001

was \$63.6 million (which includes both federal and state money).

In response to a question concerning a health care provider's comment that people in the state who have private insurance are also receiving Medicaid, Ms. Bella stated that this should not be happening and that OMPP contracts with EDS to detect fraud in the Medicaid program. Ms. Bella stated that OMPP is trying to close some of the loopholes that exist in the Medicaid program in order to reduce fraud and to address issues surrounding asset protection and estate recovery.

Responding to a question concerning changing eligibility percentages to reduce Medicaid costs, Ms. Bella stated that the optional group covered, children, is not a very expensive group. In response to a question concerning whether OMPP was considering adding premiums or co-pays to the Medicaid program, Ms. Bella commented that the Package C program in the children's health insurance program (CHIP) charges families a modest premium to participate in the program but that there are federal restrictions on the co-payments that can be charged to participate in Medicaid.

Senator Miller distributed a list of the mandatory and optional Medicaid services and asked the Commission to review the list and look at possible areas where cuts can be made. (See Exhibit 2.) Ms. Bella stated that OMPP would gather some information and cost figures on the money spent and the populations served on the optional Medicaid services. Ms. Bella informed the Commission that the Governor has requested OMPP to balance the Medicaid budget by the end of the biennium which is approximately a \$250 million target.

Preliminary drafts were distributed to the Commission to review for a vote at the next meeting. (See Exhibit 3.) After setting the next Commission meeting for December 11, 2001, at 1:00 P.M., Senator Miller adjourned the meeting at approximately 11:20 A.M.