

Memorandum

To: Lois Steinbeck  
Legislative Fiscal Division

From: Mary Dalton, Administrator  
Health Resources Division

Re: Cost-Savings in Medicaid and Out of State Hospital Information:

The Health Resources Division has implemented various cost savings opportunities in Medicaid with the additional staff that was approved by the legislature.

First, the Pharmacy Program Officer was hired on September 5, 2005 to implement cost-saving measures for the pharmacy program. Some of the current projects include:

- Change in Early Refill Grace Period: Controlled substances (Class II, III and IV) may not be refilled until 90% of the estimated days supply has elapsed. This increase from 75% will reinforce proper administration and compliance by clients, while also decreasing abuse and diversion and early refills. This change will avoid between two to three unnecessary refills annually.
- 15-day Initial Atypical Script: Atypical anti-psychotics are the most costly class of medications covered by Montana Medicaid. The class is also one of the most frequently failed or switched medications (typically within the first 7 – 14 days) when initiating therapy. Limiting the number of days supply dispensed on new prescriptions will ensure the client tolerates and benefits from the medication and decrease the amount of unused medication paid by the Medicaid program.
- Dose Optimization/Consolidation: The purpose of this program is to change multiple dose medications to a single daily dose or more cost effective dosage regimen. By facilitating the most efficient combination of dosages to achieve the desired strength, patient compliance and cost savings can both be achieved.

<b>Current Programs:</b>	<b>Estimated Cost Savings</b>
Change in Early Refill Grace Period	<b>\$309,306</b>
15-day Initial Atypical Script	<b>\$24,126</b>
Dose Optimization/Consolidation	<b>\$141,366</b>
<b>Total Projected Cost Savings SFY 2006</b>	<b>\$474,798</b>

The Passport Officer was hired August 31, 2005 to find additional savings through the Passport Program

- Currently, implementing an Emergency Room Use Call Back program for Passport clients who overuse the emergency room. This time-intensive program of calling members soon after inappropriate visits to the emergency room has been effective in other states. The phone call lets clients know that the visit(s) was inappropriate and has been noted, and educates them about what to do in similar circumstances in the future. Potential savings are

unknown, but will be monitored closely as the program launches. Since this is client-specific, client behavior changes will be monitored and quantified on an individual basis. If the program proves successful it will be expanded and continued.

- Currently, implementing Client Utilization Reports for Passport primary care providers (PCPs). These have been designed and are being programmed. First reports will be going to providers in the spring. Potential savings are unknown, but will be tracked closely as the program launches. Because these reports contain client-specific actionable information for PCPs, HRD will track savings on an individual client basis.
- Developing a program of Self-Care Guides for Passport clients. This demand-management tool has been shown to have a higher return on investment than most interventions. This program will be introduced in a pilot project to determine effectiveness. Launch date should be early in FY07.

The Team Care Program Officer was hired September 26, 2005 to expand Team Care by 300 members. The additional items that the program officer has performed:

- 150 additional clients enrolled in Team Care as of November 30, with additional 150 to be enrolled by January 31, 2006 bringing total enrollment to 600.
- Expected savings for the current fiscal year: \$150,000 total funds for one half year of operation at expanded level.

The Physician Program Officer was hired October 24, 2005 to implement cost-saving measures for the physician program

- Collect rebates on physician administered drugs. This position has researched methods to collect rebates; established a direction HRD will take regarding the program; has drafted an amendment to our fiscal intermediary contract to develop the crosswalk and changes to the drug-rebate data system necessary for this project. HRD expects to implement the crosswalk and systems changes by spring and expects to invoice drug manufacturers for an estimated amount of \$750,000 total funds during this fiscal year. This amount does include retroactive billing for prior years.
- Implement super-edits in claims adjudication process. The position has identified the product to be installed in MMIS; reviewed potential savings and has identified edits to be installed. Currently, the program officer will be meeting with ACS (fiscal intermediary) to begin the implementation process, which should take six months or more.
- Additional projects for future years include audits of evaluation and management codes and reduction in overuse of diagnostic services.

This Hospital Program Officer position was established by the 2005 Legislature to provide work on cost saving measures opportunities, increased efficiencies, refine existing work products, and implement new cost saving measures within the Medicaid Hospital Program. This position would also be in charge with increased over site of MMIS claims processing. This position has not been filled due to recruitment problems. HRD is currently re-advertising this position. Items that have been done to-date are:  
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- Meetings and analysis have been completed to move forward on neonate and catastrophic care case management. A request for proposal will be written as soon as new position is hired.
- Provider based clinic analysis has been completed and presented to Medicaid director. Medicaid director has approved further analysis. Recommendation will be presented to director when new position is hired to develop a department payment policy.

Out of State Hospital Contract information:

The Department contracts with Mountain Pacific Quality Health Foundation (MPQHF) to do utilization reviews for hospital and private duty nursing services. These reviews include prior authorization requests for inpatient services out of state.

Last year (SFY 05) the Department reimbursed MPQHF a total of \$132,000 (\$33,000 per quarter) and received cost savings of \$546,529.21 (\$136,632.30 per quarter). This fiscal year the Department has added more services to the contract and increased reimbursement to \$161,639.00 per year (\$40,409.75 per quarter). For the first quarter SFY 06 the Department has reimbursed MPQHF \$40,409.75 and received \$327,947.69 in savings. From the first quarter savings, money saved on the Out of State services was \$160,475.61.

Examples of cases retained instate for services include an adult with seizure disorder requesting services in Spokane that were eventually done in Great Falls; an adult with Hodgkin's disease requested bone marrow transplant in Denver that was instead done in Billings; an adult with occluded carotid artery disease requesting service in Bismarck whose services were done in Billings and a child with a chromosome defect whose surgeries can be performed in Missoula.