The Medicaid Program is a joint federal-state program that provides for necessary medical services to eligible persons who would not be able to pay for such services.

Legal Structure and History

- Title XIX of the Social Security Act created grant programs popularly called “Medicaid” in 1965.
  - Medicaid enables the provision of medical assistance to families with dependent children and to the aged, blind or permanently and totally disabled, the Medically Needy, and children under 18 whose income and resources are insufficient to meet the costs of necessary medical services.
  - Medicaid enables the provision of rehabilitation and other services to help these families and individuals attain or retain the capability for independence or self-care.
- Section 7 of Arkansas Act 280 (1939) and Act 416 (1977) give authority to the State of Arkansas to establish and maintain a medical care program for the indigent.
- The Department of Human Services is given authority to set forth and administer the rules and regulations necessary to carry out such a program.

Administration

- Arkansas Medicaid was implemented on January 1, 1970.
  - DHS administers the Medicaid Program through the Division of Medical Services (DMS). In addition to Medicaid, DMS consists of Children’s Medical Services and the Office of Long Term Care.
  - The program is described in detail in the Arkansas Medicaid State Plan and through forty different provider manuals.
- The Health Care Financing Administration (HCFA) administers the Medicaid program for the federal government. HCFA provides federal funding and approves the state plan, ensuring compliance with extensive federal regulations.
- Funding for Arkansas Medicaid Program
  - Program costs are funded approximately 74% by federal grant and approximately 26% by state matching funds provided through directly appropriated state general revenues, license fees, rebates, recoveries and the Medicaid Trust Fund.
  - Administration costs are funded at a 50% rate, with some specialized enhancements funded with 90% federal funds. Administration costs for Arkansas Medicaid as a percentage of the total costs for Arkansas Medicaid are at a low 3.9%, compared to 5% for the national average and 10% to 20% for the average private insurance company.
- Recipient eligibility is very narrow and is determined by the DHS Division of County Operations or District Social Security Offices.
- Services provided by private and public providers are in two categories.
  - Mandatory Services are those required by the federal government.
  - Optional services are those that the state has chosen to provide. Many of these services allow for recipients to receive care in less costly home or community-based settings. Optional services are approved in advance by HCFA and are funded at the same level as mandatory services.
**Program Costs**

<table>
<thead>
<tr>
<th>SFY</th>
<th>Total (in mill)</th>
<th>Unduplicated Recipients</th>
<th>Average Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>$705</td>
<td>298,057</td>
<td>$2,357</td>
</tr>
<tr>
<td>1992</td>
<td>$910</td>
<td>311,015</td>
<td>$2,926</td>
</tr>
<tr>
<td>1993</td>
<td>$1,027</td>
<td>341,786</td>
<td>$3,005</td>
</tr>
<tr>
<td>1994</td>
<td>$1,092</td>
<td>342,264</td>
<td>$3,191</td>
</tr>
<tr>
<td>1995</td>
<td>$1,204</td>
<td>349,072</td>
<td>$3,449</td>
</tr>
<tr>
<td>1996</td>
<td>$1,284</td>
<td>365,650</td>
<td>$3,512</td>
</tr>
<tr>
<td>1997 (Pro)</td>
<td>$1,384</td>
<td>372,963</td>
<td>$3,711</td>
</tr>
<tr>
<td>1998 (Pro)</td>
<td>$1,502</td>
<td>380,422</td>
<td>$3,948</td>
</tr>
<tr>
<td>1999 (Pro)</td>
<td>$1,641</td>
<td>388,031</td>
<td>$4,229</td>
</tr>
</tbody>
</table>

**Arkansas Economics (SFY97):**
- Arkansas Medical Economy: $7.5 billion (Medicaid represents 18.5%)
- State of Arkansas Budget (est): $10.1 billion (Medicaid represents 13.7%)
- State General Revenue Funded Budget (includes trust fund): $2.7 billion (Medicaid represents 13.8%)

**Arkansas Population (as of 7-1-95):**
- All Ages: 2,483,769 (15%)
- Elderly 65+: 359,274 (19%)
- Adult 21-64: 1,364,975 (8%)
- Children U-21: 759,520 (26%)

Population figures are estimates from U.S. Bureau of the Census.

**Provider Communications handles almost 95,000 telephone inquiries annually**

**Eligibles by Age and Vendor Payments, SFY96**

<table>
<thead>
<tr>
<th>Under 1</th>
<th>SFY96 Eligibles</th>
<th>$ (in mill)</th>
<th>Avg Pay Per Elig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 yrs</td>
<td>16,938</td>
<td>$54.0</td>
<td>$3,188</td>
</tr>
<tr>
<td>6-14 yrs</td>
<td>72,476</td>
<td>$117.3</td>
<td>$1,618</td>
</tr>
<tr>
<td>15-20 yrs</td>
<td>76,210</td>
<td>$117.6</td>
<td>$1,543</td>
</tr>
<tr>
<td>21-44 yrs</td>
<td>76,299</td>
<td>$139.4</td>
<td>$3,138</td>
</tr>
<tr>
<td>45-64 yrs</td>
<td>35,783</td>
<td>$157.5</td>
<td>$4,661</td>
</tr>
<tr>
<td>65-75 yrs</td>
<td>24,818</td>
<td>$92.0</td>
<td>$3,707</td>
</tr>
<tr>
<td>75-84 yrs</td>
<td>25,314</td>
<td>$135.4</td>
<td>$6,060</td>
</tr>
<tr>
<td>85 &amp; over</td>
<td>18,564</td>
<td>$172.5</td>
<td>$9,292</td>
</tr>
<tr>
<td>Total</td>
<td>379,343</td>
<td>$1,199.8</td>
<td>$3,163</td>
</tr>
</tbody>
</table>

**Medicaid Eligibility:**
1. AFDC - Parents & Children
2. Children to 12 yrs - 100% poverty
3. SOBRA - Pregnant Women and Children to 6 yrs - 133% poverty
4. SSI - Aged, Blind, Disabled
5. Medically Needy
6. Qualified Medicare Beneficiaries
7. Nursing Home Eligibility - 300% SSI

**76% of all Nursing Home Residents are Medicaid Eligible**

46% of all babies born to Arkansas residents are paid for by Medicaid

**Arkansas Medicaid Covered Services:**
- Ambulatory Surgical Center, Early and Periodic Screening, Diagnosis and Treatment (EPSDT), Developmental Day Treatment Clinic Services (DDTCS), Dev Disability Community Based Services, Domiciliary Care, Durable Medical Equipment, Elder Choices Services, Emergency Services, Family Planning Services, Federally Qualified Health Center, Home Health Care, Hospice, Inpatient Hospital Services, Outpatient Hospital Services, Hyperalimentation Services, Injections, Laboratory & X-Ray, Nursing Home Care.
- Nurse Midwife Service, Nurse Practitioner, Organ Transplanted, Personal Care Services, Physician Services, Podiatrist Services, Prescription Drugs, Private Duty Nursing Services, Prosthetics, Rehabilitative Hospital Services, Rural Health Clinic Services, Rehabilitative Services For Persons with Mental Illness, Targeted Case Management, Transportation, Ventilator Equipment, Vision Care Services, For Children under 21 only: Chiropractic Services, Dental Services, Hearing Services, Inpatient Psychiatric, Psychology Services, Therapy Services.

**INITIATIVES**

**Primary Care Case Management Waiver**
- Creates a Medical Home for Medicaid Recipients
- Statewide, Mandatory Enrollment
- 180,000 Eligible Recipients
- Arkansas Physicians have agreed to care for 1.1 million patients
- AEVCS - Award Winning Electronic Claims System
- Family Planning Waiver - Will cover all women up to 133% of poverty

**Obstetrics Waiver Contracted Care**
- Saves $7.5 million annually

**Elder Choices**
- Stabilizes nursing home population

**Photo Identification**
- Computerized recipient information

**AIDS Management**
- Will provide cost effective and coordinated care & services

**Nursing Home Rates**
- Acuity Based Rate Methodology

**Transportation Waiver**
- Will regionalize Transportation Dispatching and Service
Services Covered by Arkansas Medicaid

Services Mandated by Federal Government:

- Child Health Services (EPSDT - Early and Periodic Screening, Diagnosis and Treatment)
- Family Planning
- Federally Qualified Health Centers (FQHC)
- Home Health
- Hospital, Inpatient and Outpatient
- Lab and x-ray
- Nursing Facility (for over age 21)
- Nurse Midwife
- Nurse Practitioner (family planning & pediatric)
- Physician
- Rural Health Clinics

Optional Services Chosen by Arkansas:

- Ambulatory Surgical Center
- Audiology (for EPSDT, under age 21)
- Certified Registered Nurse Anesthetist
- Chiropractor (EPSDT, under age 21)
- Dental (EPSDT, under age 21)
- Developmental Day Treatment Clinic Services
- Domiciliary Care
- Durable Medical Equipment
- End Stage Renal Disease Services
- Hospice
- Hyperalimentation
- Inpatient Psychiatric (under age 21)
- Inpatient Rehabilitative Hospital
- Intermediate Care Facility for Mentally Retarded
- Medical Supplies
- Nursing Facility (under age 21)
- Occupational Therapy, Physical Therapy, Speech Pathology (EPSDT, under age 21)
- Orthotic Appliances and Prosthetic Devices (EPSDT, under age 21)
- Personal Care
- Podiatry
- Portable x-ray Services
- Prescription Drugs
- Private Duty Nursing (for ventilator dependent, all ages, and high technology non-ventilator dependent, under age 21)
- Psychology Services (EPSDT, under age 21)
- Rehabilitative Services for Persons with Mental Illness and/or Physical Disabilities
- Respiratory Care (EPSDT, under age 21)
- Targeted Case Management (for pregnant women, recipients age 60 and over, under age 21 EPSDT recipients, recipients age 21 and younger and adults age 22 and older with developmental disability)
- Transportation (public, private/non-profit, ambulance)
- Visual Service
- Ventilator Equipment

Major Benefit Limitations on Services:

- Twelve visits to physicians, clinics and/or hospital outpatient departments per state fiscal year
- Lab and x-ray services limited to total benefit payment of $500 per state fiscal year. Exceptions for EPSDT recipients
- Three pharmaceutical prescriptions, including refills, per month (family planning prescriptions not counted against benefit limit; unlimited prescriptions for nursing facility recipients and EPSDT recipients under age 21)
- Inpatient hospital days limited to 20 per state fiscal year. Exceptions for EPSDT recipients and organ transplant patients
- Co-Pay: Recipients must pay 20% of first day of hospital stay, $1 - $3 of every prescription

Any and all exceptions to benefit limits are based on medical necessity.
**Arkansas Medicaid Program Benefit Expenditures, SFY96**

<table>
<thead>
<tr>
<th>Service</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital/Inpatient &amp; Outpatient</td>
<td>$204,499,931</td>
</tr>
<tr>
<td>Psychiatric Services</td>
<td>$102,262,043</td>
</tr>
<tr>
<td>Rural/Community Health Centers</td>
<td>$5,548,666</td>
</tr>
<tr>
<td>Specialized Care Services</td>
<td>$77,215,593</td>
</tr>
<tr>
<td>Physician Services</td>
<td>$116,455,419</td>
</tr>
<tr>
<td>Dental Services</td>
<td>$8,640,550</td>
</tr>
<tr>
<td>Other Practitioners</td>
<td>$16,094,535</td>
</tr>
<tr>
<td>Lab &amp; X-Ray</td>
<td>$9,845,505</td>
</tr>
<tr>
<td>EPSDT</td>
<td>$24,087,283</td>
</tr>
<tr>
<td>Clinical Programs</td>
<td>$6,429,832</td>
</tr>
<tr>
<td>Emergency Transportation</td>
<td>$3,982,312</td>
</tr>
<tr>
<td>Non-Emergency Transportation</td>
<td>$10,497,536</td>
</tr>
<tr>
<td>Case Management</td>
<td>$17,461,934</td>
</tr>
<tr>
<td>Other Care Services*</td>
<td>$87,815,184</td>
</tr>
<tr>
<td>Other **</td>
<td>$67,183,676</td>
</tr>
<tr>
<td>Contracts</td>
<td>$20,133,846</td>
</tr>
<tr>
<td><strong>Total Hospital/Medical</strong></td>
<td>$778,153,845</td>
</tr>
</tbody>
</table>

| Prescription Drug                   | $108,874,326    |

| Long Term Care                      | $397,046,741    |

**TOTAL** $1,284,074,912

* "Other Care Services" includes Eyeglasses, Hearing Aids, Ventilator, Hyperalimentation, Hemodialysis, Durable Medical Equipment/ Oxygen, Elderchoices Waiver, Developmental Day Clinic Treatment Services, DDS-Non-institutionalization Waiver

**"Other" includes Medicare Crossovers, Medicare Premiums, Adjustments, Program Administration, Third Party Liability Refunds

Department of Human Services
Division of Medical Services

Reports and Analysis
7/18/96
(SFY96Exp,Charts,7-8-96)
Arkansas Medicaid Program Benefit Expenditures, SFY96

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</tr>
<tr>
<td>Other Practitioners</td>
<td>$24,735,085</td>
</tr>
<tr>
<td>Clinics/Programs</td>
<td>$63,373,220</td>
</tr>
<tr>
<td>Transportation</td>
<td>$14,479,848</td>
</tr>
<tr>
<td>Other Care Services</td>
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</tr>
</tbody>
</table>

**Hospital/Medical Expenditures**

- Hospital, Inpt & Outpt: $204,499,931 (26%)
- Psychiatric Services: $102,262,043 (13%)
- Specialized Care Services: $77,215,593 (10%)
- Physician Services: $116,455,419 (15%)
- Other Practitioners: $24,735,085 (3%)
- Clinics/Programs: $63,373,220 (8%)
- Transportation: $14,479,848 (2%)
- Other Care Services: $87,815,184 (11%)
- Other: $67,183,676 (9%)
- Contracts: $20,133,846 (3%)

**Notes:**
- **Specialized Care Services** includes Home Health Services, Private Duty Nursing, Personal Care Services, Hospice Services
- **Other Practitioners** includes Dental Services; expenditures for dental services comprise 82% of the total expenditures for Other Practitioners
- **Clinics/Programs** includes Maternity Clinics, Family Planning, Ambulatory Surgical Center, Other Clinic Services, Health Department
- Communicable Diseases, EPSDT, Case Management, Lab & X-Ray, Rural/Community Health Centers
- **Other Care Services** includes Eyeglasses, Hearing Aids, Ventilator, Hyperalimentation, Hemodialysis, Durable Medical Equipment/Oxygen, Elderchoices Waiver, Developmental Day Clinic Treatment Services, DDS-Non-Institutionalization Waiver
- **Other** includes Medicare Crossovers, Medicare Premiums, Adjustments, Program Administration, Third Party Liability Refunds
**MEDICAID ELIGIBLES**

*Explanation of Aid Categories:*

**SSI**  
Supplemental Security Income - growth is due to relaxed disability criteria for children and an increase in the number of disabled adults.

**AFDC**  
Aid to Families with Dependent Children - decrease in caseload is due to improved economic conditions and reduced unemployment rates.

**PW**  
Pregnant Women - children born to mothers under this aid category remain eligible under this category from birth to age 19 (although the mother's eligibility status may change), accounting for steady increase in total number of eligibles.

**MN**  
Medically Needy - primary reason for growth in this aid category is the AFDC-EC program (EC = "Exceptional Category"). As the AFDC grant program has been decreasing, more clients have been eligible for the AFDC-EC program, which falls under the Medically Needy category. AFDC-EC income limit is 133.33% of the regular AFDC program income limit.

**AABD**  
Aid to the Aged, Blind and Disabled - increase in this category is due to TEFRA and ElderChoices programs.

**U-18**  
Under Age 18 - this category has experienced both increases and decreases due to newborns changing categories after one year of eligibility as SOBRA Newborn.

**FC**  
Foster Care - increasing caseload is due to emphasis on establishing Title IV-E eligibility.

**QMB**  
Qualified Medicare Beneficiary - individuals who are eligible for both Medicare and Medicaid benefits - benefits limited to coverage of Medicare co-payments, premiums and deductibles - growth in this category is due to outreach efforts by HCFA and SSA.

*Note: "Refugees" is another aid category; however, there was only 1 individual in this category in SFY 1996.*

*Source: Division of County Operations*
Medicaid Eligibles and Recipients in Arkansas as of April, 1996

State Totals:
Eligible Individuals: 277,348
Recipients (Users): 238,538

Source: ACES IM-2414 and HMGR980J
MEDICAID FRAUD & ABUSE DETECTION
Aggressive & Targeted

• Recipient Fraud - Detection and Prosecution
  ⇒ DCO - Special Investigation Unit (24 employees) conducts field investigations of "suspicious" cases. (Note: Corresponding Medicaid cases are investigated when AFDC and Food Stamp cases are referred for review.)
  ⇒ OCC - Fraud Unit (10 employees) processes fraud referrals and prepare cases for prosecution
  ⇒ Photo Identification Cards with magnetic coding ensures the identity of the client as well as proper coding and correct application of benefit limits.

• Provider Fraud & Abuse Detection
  • DMS Utilization Review & Field Audit Units, Office of Chief Counsel, Attorney General

  ⇒ On-site Audits, Random sampling, Referrals, Targeted reviews
    • $2 million annually identified in utilization reviews
    • 67 open audit cases, $3.4 million identified this year
    • Black & White Cab - $2.5 million in fraudulent claims
      - 17 convictions to date by Attorney General's Office

• Fraud Prevention
  ⇒ Extensive edits on AEVCS when claims are submitted
  ⇒ Special new software identifies fraudulent billing

THIRD PARTY LIABILITY RECOVERIES
Identifies Medicaid recipients with other medical insurance or payment sources that must pay first, including child support enforcement

• Tort Casualty - Recovery through the court system
  • 950 active cases, $1.1 million collections this year

• Health Insurance & Child Support Recoveries
  • 14,000 cases, $6 million annual recoveries

• Cost Avoidance, $8.5 million claims reduced (before payment) or denied