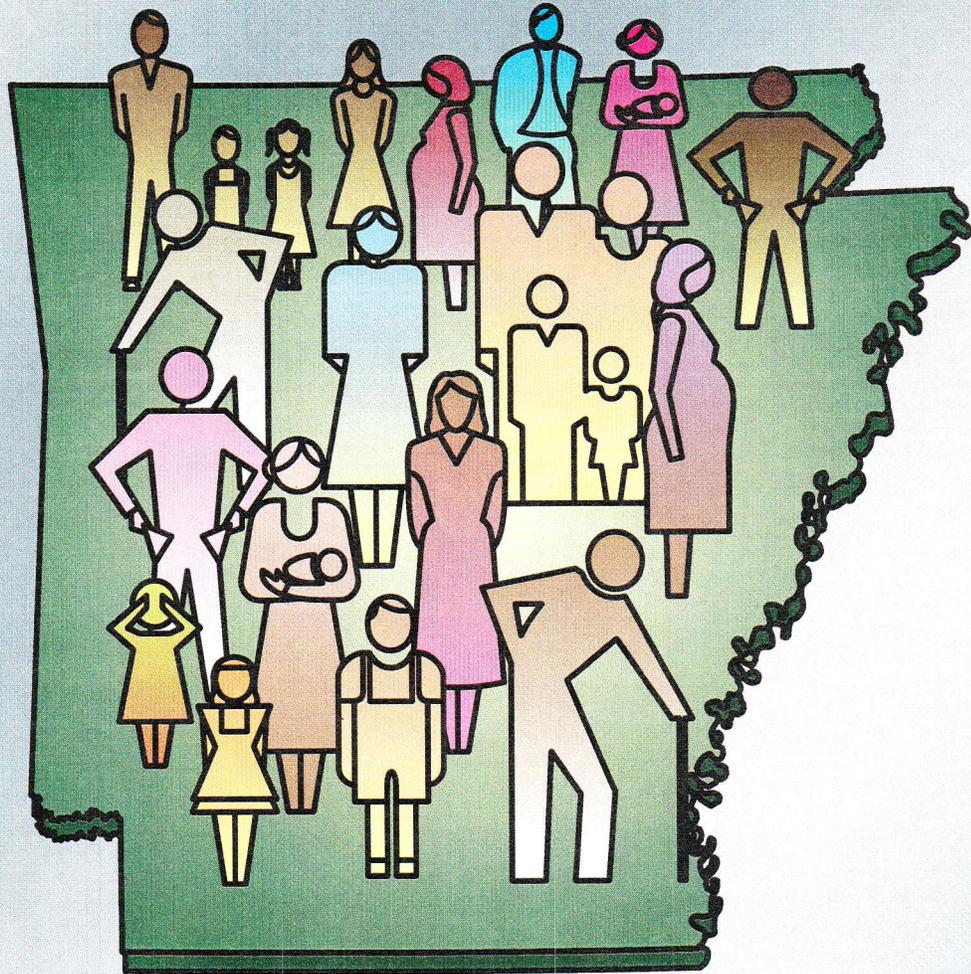


Department of Human Services
Division of Medical Services

Medicaid Overview



Tom Dalton, Director
Department of Human Services

Ray Hanley, Director
Division of Medical Services

Medicaid Program Overview

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.

ARKANSAS MEDICAID

Program Costs

SFY	Total (in mill)	Unduplicated Recipients	Average Cost
1991	\$705	299,057	\$2,357
1992	\$910	311,015	\$2,926
1993	\$1,027	341,786	\$3,005
1994	\$1,092	342,264	\$3,191
1995	\$1,204	349,072	\$3,449
1996	\$1,284	365,650	\$3,512
1997 (Proj)	\$1,384	372,963	\$3,711
1998 (Proj)	\$1,502	380,422	\$3,948
1999 (Proj)	\$1,641	388,031	\$4,229

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)

		% population served by Medicaid:
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

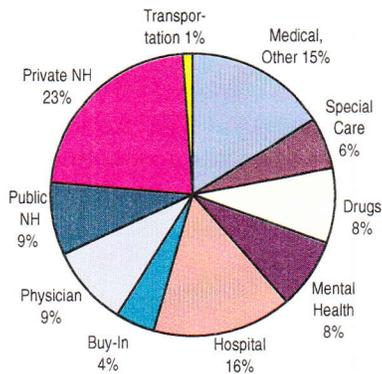
15,194,661 claims processed SFY96
Average processing time was 3.6 days

Medicaid has over
16,000 Enrolled Providers;
7,000 are ACTIVE Providers

Eligibles by Age and Vendor Payments, SFY96

	SFY96 Eligibles	\$ (in mill) Vendor Pay	Avg Pay Per Elig
Under 1	16,938	\$54.0	\$3,188
1-5 yrs	72,476	\$117.3	\$1,618
6-14 yrs	76,210	\$117.6	\$1,543
15-20 yrs	34,936	\$96.1	\$2,751
21-44 yrs	76,299	\$239.4	\$3,138
45-64 yrs	33,788	\$157.5	\$4,661
65-75 yrs	24,818	\$92.0	\$3,707
75-84 yrs	25,314	\$153.4	\$6,060
85 & over	18,564	\$172.5	\$9,292
Total	379,343	\$1,199.8	\$3,163

EXPENDITURES SFY96



Special Care includes Home Health, Private Duty Nursing,

Personal Care and Hospice Services

Transportation includes emergency and non-emergency

SFY97 Medicaid Operating Budget

	(mill)
General Revenue	\$267.1
Other Revenue	\$48.5
Trust Fund	\$56.9
Federal Revenue	\$1,013.9
Total Program	\$1,386.4

Every state program dollar is matched with
approximately three federal dollars.

Medicaid Trust Fund Analysis

	(mill)
SFY97 Est Receipts	\$39.7
SFY96 Carryover	\$17.2
Available	\$56.9
SFY97 Est Needed	\$56.9
SFY98 Est Carryover	\$0.0

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

Average cost per prescription in SFY 96 was \$29.41

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 Transplants, 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

Family Planning Waiver

Will cover all women up to 133% of poverty

AEVCS

Award Winning Electronic Claims System

Elder Choices

Stabilizes nursing home population

Photo Identification

Computerized recipient information

Transportation Waiver

Will regionalize Transportation Dispatching and Service

Obstetrics Waiver Contracted Care

Saves \$7.5 million annually

Nursing Home Rates

Acuity Based Rate Methodology

AIDS Management

Will provide cost effective and coordinated care & services

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

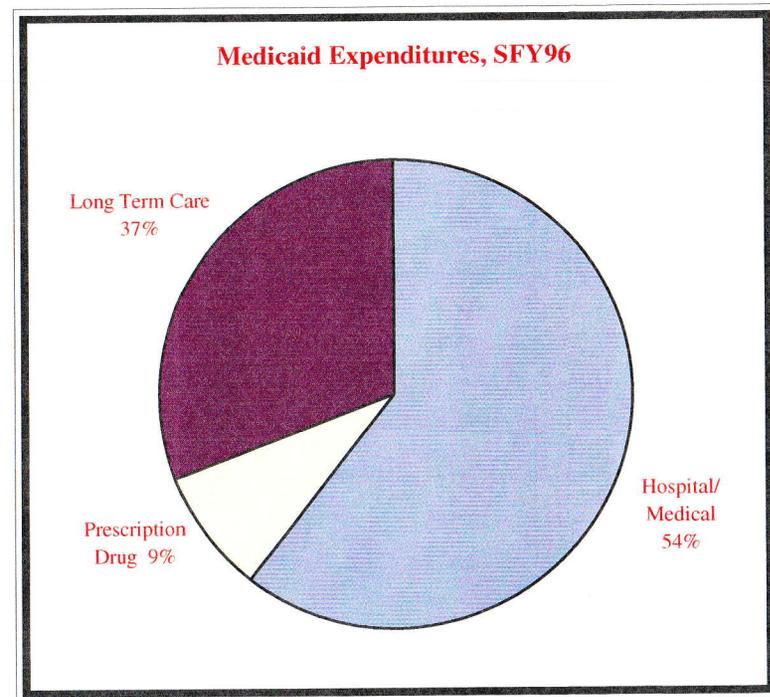
Hospital/Medical

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

Prescription Drug **\$108,874,326**

Long Term Care **\$397,046,741**

TOTAL	\$1,284,074,912
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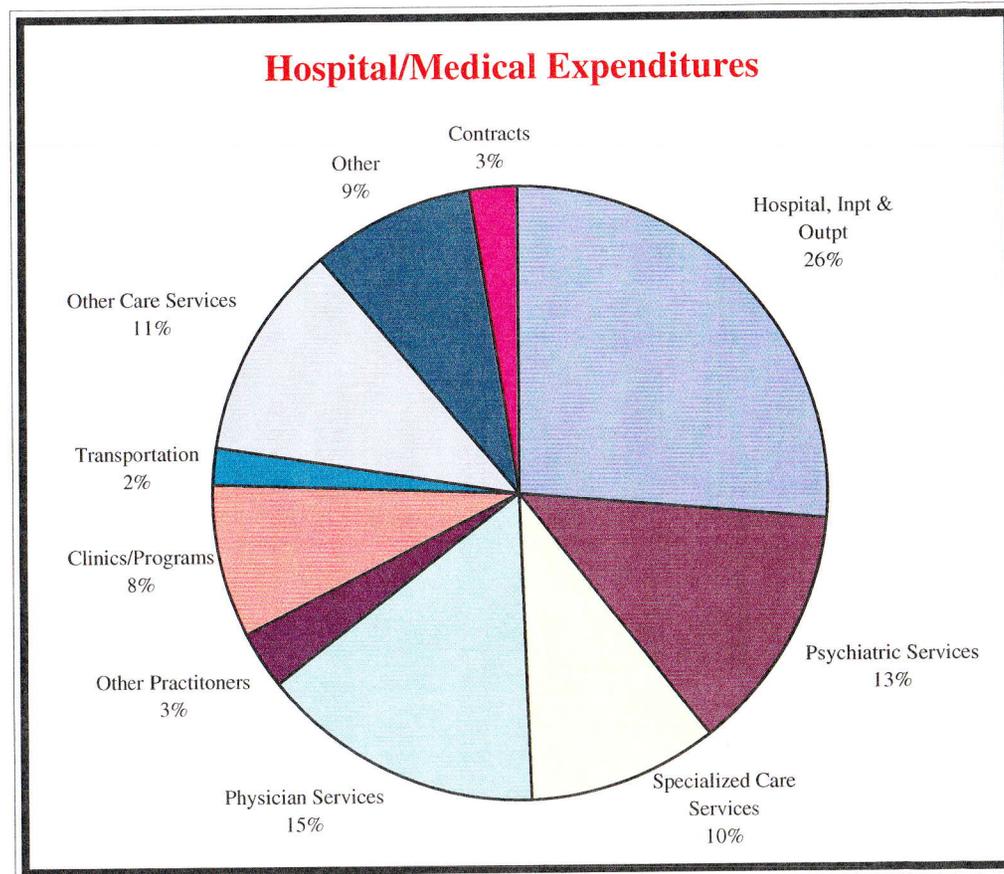
* "Other Care Services" includes *Eyeglasses, Hearing Aids, Ventilator, Hyperalimentation, Hemodialysis, Durable Medical Equipment/ Oxygen, Elderchoices Waiver, Developmental Day Clinic Treatment Services, DDS-Non-institutionalization Waiver*

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

Arkansas Medicaid Program Benefit Expenditures, SFY96

Hospital/Medical

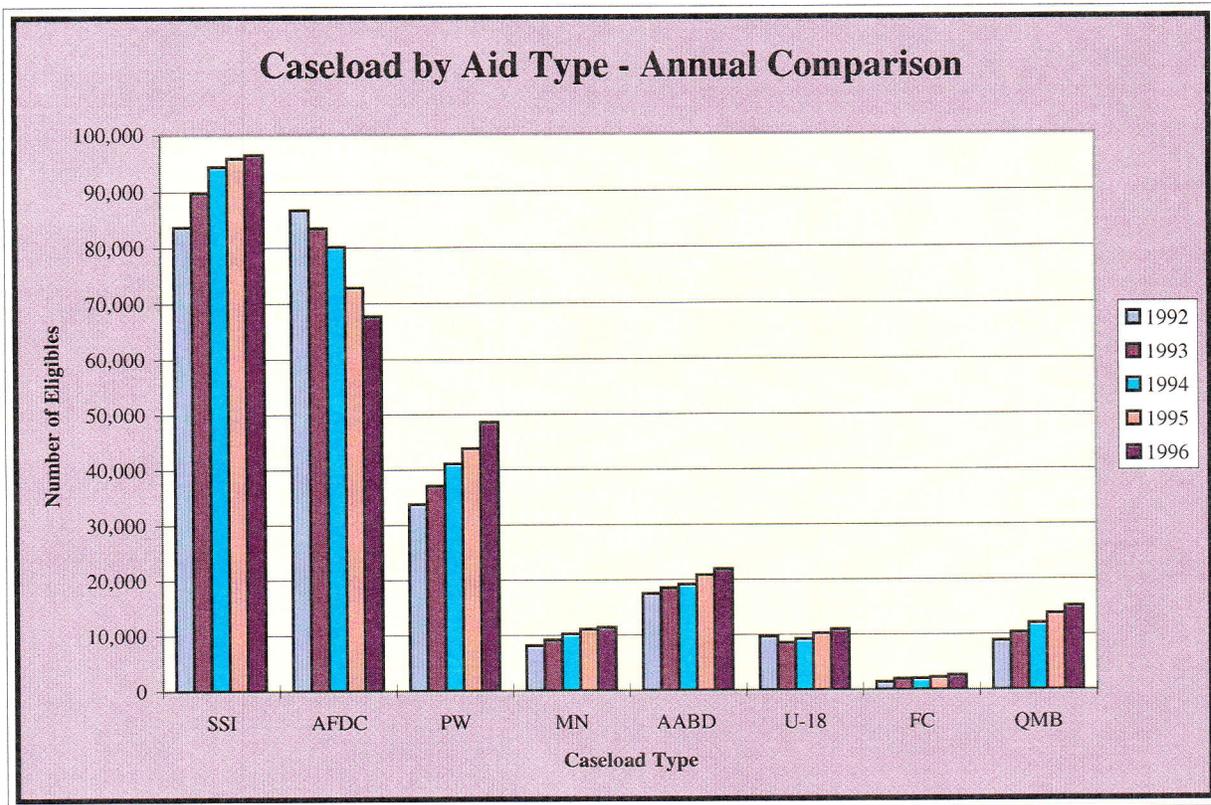
Hospital, Inpt & Outpt	\$204,499,931
Psychiatric Services	\$102,262,043
Specialized Care Services	\$77,215,593
Physician Services	\$116,455,419
Other Practitioners	\$24,735,085
Clinics/Programs	\$63,373,220
Transportation	\$14,479,848
Other Care Services	\$87,815,184
Other	\$67,183,676
Contracts	\$20,133,846
Total Hospital/Medical	\$778,153,845



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 FRAUD & ABUSE DETECTION

Aggressive & Targeted

- **Recipient Fraud - Detection and Prosecution**

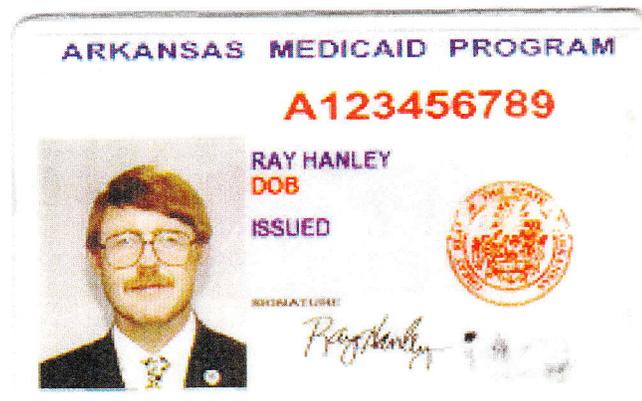
- ⇒ DCO - Special Investigation Unit (24 employees) conducts field investigations of "suspicious" cases. (Note: Corresponding Medicaid cases are investigated when AFDC and Food Stamp cases are referred for review.)
- ⇒ OCC - Fraud Unit (10 employees) processes fraud referrals and prepare cases for prosecution
- ⇒ 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