ARKANSAS DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL SERVICES
Program Overview SFY99

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Medicaid Program Overview

Medicaid is a joint federal-state program of medical assistance for eligible individuals based on financial need and/or health status.

Legal Structure and History

Title XIX of the Social Security Act created grant programs popularly called “Medicaid” in 1965.

Medicaid furnishes medical assistance to those who have insufficient incomes and resources to meet the costs of necessary medical services.

Medicaid provides rehabilitation and other services to help families and individuals become or remain independent and able to care for themselves.

Section 7 of Arkansas Act 280 (1939) and Act 416(1977) authorized the State of Arkansas to establish and maintain a medical care program for the indigent and vested responsibility for regulating and administering the program in the Department of Human Services (DHS).

Administration

Arkansas Medicaid was implemented on January 1, 1970.

- DHS administers the Medicaid Program through the Division of Medical Services (DMS).
- Arkansas Medicaid is detailed in the Arkansas Medicaid State Plan and through Provider Manuals.
- The Health Care Financing Administration (HCFA) administers the Medicaid Program for the federal government. HCFA authorizes funding levels and approves each state’s State Plan, ensuring compliance with federal regulations.

Eligibility

Individuals are certified as eligible for Medicaid Services by DHS Field Staff located in County Offices or by District Social Security Offices.

Funding

Funding is shared between the federal government and the states, with the federal government matching the state share at an authorized rate between 50 and 90 percent, depending on the program. The federal participation rate is adjusted each year to compensate for changes in the per capita income of each state relative to the nation as a whole.

- Arkansas funds approximately 27% of Arkansas Medicaid Program-related Costs; the federal government funds approximately 73%. State funds are drawn from directly appropriated state general revenues, license fees, drug rebates, recoveries and the Medicaid Trust Fund.
- Administrative Costs for Arkansas Medicaid are generally funded 50% by Arkansas and 50% by the federal government; some specialized enhancements are funded 90% by the federal government.

Services

Services may be rendered by both private and public providers.

Mandatory Services are required by the federal government.

Optional Services are those which the state has elected to provide. Many of these optional services enable 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>1995</td>
<td>$1,285</td>
<td>349,072</td>
<td>$3,452</td>
</tr>
<tr>
<td>1996</td>
<td>$1,284</td>
<td>365,650</td>
<td>$3,512</td>
</tr>
<tr>
<td>1997</td>
<td>$1,347</td>
<td>363,881</td>
<td>$3,702</td>
</tr>
<tr>
<td>1998</td>
<td>$1,458</td>
<td>415,605</td>
<td>$3,508</td>
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<tr>
<td>1999</td>
<td>$1,522</td>
<td>459,782</td>
<td>$3,310</td>
</tr>
<tr>
<td>2000 (prj)</td>
<td>$1,643</td>
<td>489,208</td>
<td>$3,360</td>
</tr>
</tbody>
</table>

Average Cost per prescription in SFY99 was $36.92

Arkansas Economics (SFY99)

<table>
<thead>
<tr>
<th>Medicaid Represents</th>
<th>Arkansas Medical Economy $ 6.69 billion</th>
<th>22.8%</th>
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<tbody>
<tr>
<td></td>
<td>State of Arkansas Budget (est) $       11.70 billion</td>
<td>19.4%</td>
</tr>
<tr>
<td></td>
<td>State General Revenue Funded Budget $   3.20 billion</td>
<td>12.0%</td>
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Arkansas Population*  

<table>
<thead>
<tr>
<th>% population served by Medicaid</th>
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<tbody>
<tr>
<td>All Ages 2,522,819 18%</td>
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<tr>
<td>Elderly 359,909 18%</td>
</tr>
<tr>
<td>Adult (20-64) 1,425,406 9%</td>
</tr>
<tr>
<td>Children (19 and under) 737,504 35%</td>
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</tbody>
</table>

*Source: Institute for Economic Advancement at UALR

73.63% of all Nursing Home residents in SFY98 were Medicaid Eligible

Provider Communications handled approximately 158,000 telephone inquiries in SFY99.

SFY00 Medicaid Operating Budget (millions)

- General Revenue $339.2
- Other Revenue $64.1
- Trust Fund $44.4
- Federal Revenue $1,194.9
Total Program $1,642.6

The medical cost for 44.22% of all babies born to Arkansas residents is paid for by Medicaid

Medicaid has approx. 23,400 actively ENROLLED providers; approx. 8,600 are PARTICIPATING Providers

20,297,419 claims were processed in SFY99. Average processing time was 3.3 days

Innovations

Automated Eligibility Verification & Claims Submission System (AEVCS) enables providers to electronically confirm each patient's eligibility & submit claims

Non-Emergency Transportation Services regionalized transportation services at capitated rates to reduce costs and control fraud and abuse

ConnectCare Managed Care Program an award-winning primary care physician program that has accomplished cost containment goals while maintaining provider and recipient satisfaction

Independent Choices:

- ARKids First
- enables providers to electronically confirm each patient's eligibility & submit claims
- regionalized transportation services at capitated rates to reduce costs and control fraud and abuse
- an award-winning primary care physician program that has accomplished cost containment goals while maintaining provider and recipient satisfaction
- allows uninsured children of working families to access health insurance by providing primary-care coverage in Medicaid with slightly fewer benefits and copayments for most services
- provides mental health managed care services to recipients under age 21

DHS; Division of Medical Services
Arkansas Medicaid Services

**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 & pediatric)
- Physician
- Rural Health Clinics

**Optional Services Chosen by Arkansas:**
- Ambulatory Surgical Center
- Audiology (for EPSDT, under age 21)*
- Certified Registered Nurse Anesthetist
- Child Health Management Services (EPSDT, under age 21)*
- Chiropractor
- 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 the 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
- Rehabilitative Services for Persons with Physical Disabilities
- Respiratory Care (EPSDT, under age 21)*
- Targeted Case Management (pregnant women, recipients age 60 and over, under age 21 EPSDT* recipients, recipients age 21 and younger and adults age 22 and older with a developmental disability)
- Transportation (Non-Emergency)
- Ventilator Equipment
- Vision Services

*Note: These services are limited to individuals under 21, in the EPSDT program.

**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); extensions will be considered up to a maximum of six prescriptions per month for recipients at risk of institutionalization.
- Inpatient hospital days limited to 20 per state fiscal year. Exceptions for EPSDT recipients and organ transplant patients
- Co-Pay: Recipients must pay 22% of first day of hospital stay, $1 - $3 of every prescription

Any and all exceptions to benefit limits are based on medical necessity.

DHS; Division of Medical Services
MEDICAID ELIGIBLES

FAMILY CASELOAD BY AID TYPE COMPARISON

Aid Categories
- SSI  Supplemental Security Income
- PW  Pregnant Women, Infants and Children
- AFDC  Aid to Families with Dependent Children
- AABD  Aid to the Aged, Blind and Disabled
- MN  Medically Needy
- QMB  Qualified Medicare Beneficiary
- U-18  Under Age 18
- FC  Foster Care
- FP  Family Planning
- ARKids  ARKids Group

Eligible Refugees were an average of 9 per month in SFY96 and SFY99.

Source: Division of County Operations
Aces IM 2414

DHS; Division of Medical Services
Enrollees by County
SFY 1999

Source: DHS; Division of Medical Services
Medicaid Decision Support
State of Arkansas
SFY99

Provider Types of Paid Claims

- Physician Services: $6,878,323, 31%
- Dental: $3,229,970, 14%
- Pharmacy: $3,228,614, 14%
- Hospital: $6,413,756, 29%
- Other: $2,704,711, 12%

Median Age for Arkids Eligibles in Arkansas was 8 years 3 months.

Eligibles by Age for Arkansas

Monthly Expenditures per Eligible for Arkansas

- Jul-98: $56.72
- Aug-98: $53.77
- Sep-98: $53.53
- Oct-98: $55.35
- Nov-98: $51.80
- Dec-98: $52.49
- Jan-99: $57.50
- Feb-99: $53.89
- Mar-99: $51.81
- Apr-99: $43.24
- May-99: $31.96
- Jun-99: $18.25
OFFICE OF LONG TERM CARE

The Office of Long Term Care authorizes nursing facility services, reimburses providers, and inspects facilities to ensure resident care standards are met as required by Federal Medicare, State Medicaid, and State Licensure Programs. Long Term Care facilities include Nursing Facilities, Skilled Nursing Facilities, Intermediate Care Facilities for the Mentally Retarded, Residential Care Facilities, and Adult Day Care Facilities.

CHILDREN'S MEDICAL SERVICES

Children's Medical Services (CMS) is the Title V Program for Children with Special Health Care Needs (CSHCN). The number of clients and families served has grown from 5157 active clients in SFY 97 to 19,914 active CSHCN in SFY 99. This dramatic increase is due to CMS Prior Approval of Specialty services for children on Medicaid, CMS meeting the unmet needs of families and collaborative "Child Find" activities with the Division of County Operations.
FIELD AUDIT UNIT:

The Field Audit Unit is responsible for performing on-site/in-house audits of Medicaid providers to insure compliance with federal and state regulations and policy. Staff of the Field Audit Unit also monitor and conduct surveys of Transportation Brokers.

The goal of the Unit is to verify the nature and extent of services paid for by the Medicaid program, while insuring quality medical care for recipients and protecting the integrity of both state and federal funds. The total amount identified in overpayments for the State Fiscal Year 1999 was $1,224,558.

UTILIZATION REVIEW:

Utilization Review identifies possible fraud and abuse, monitors the quality of services delivered, and authorizes necessary medical services. This section assures both quality and efficiency in Medicaid care through competent providers. Utilization review is constantly trying new methods to eliminate waste and unnecessary services from the Medicaid Program while assuring that the quality of care is equal to that of privately insured Arkansans. In SFY99, $3,065,881 was identified and $3,085,278 was recouped.

PHARMACY:

In SFY99 the Arkansas Medicaid Pharmacy Unit managed a $170,097,455 prescription drug program. Over 750 pharmacy providers were reimbursed for 4.6 million prescriptions provided to Medicaid recipients. Additionally, the Pharmacy Program oversees the collection of drug rebates from pharmaceutical manufacturers.

Collections in SFY99 totaled $31,241,546.

MEDICAL ASSISTANCE UNIT:

Medicaid Provider Enrollment Section - Enrolls and maintains credential and demographic files on all Medicaid/ARKids providers.

Medicaid Communications Section - Receives telephone and written contacts from Medicaid/ARKids providers and recipients. Appropriately responds to the request received with information or assistance.

Dental and Visual Program Sections - Provide technical and claims support for the Medicaid/ARKids programs. Perform professional consultant reviews of claims requiring prior authorization.

EPSDT and ARkids Outreach Section - Provides technical support for the EPSDT program. The unit also sponsors community outreach activities for the ARKids program.

ARKids Information Hotline - Staffed by the Medical Assistance Unit employees who provide information and applications to interested parties. The unit also supplies community groups with large quantities of enrollment materials.
PROGRAM PLANNING AND DEVELOPMENT:

Program Planning and Development (PPD) develops and maintains the Medicaid State Plan and Child Health Insurance Program State Plan. This section writes separate provider policy manuals for each of the thirty-eight (38) different Medicaid Programs, such as: Physician, Pharmacy, Hospital, Dental, Prosthetics, Podiatrist, Hearing, Visual Care, Chiropractic, and EPSDT (Early, Periodic, Screening, Diagnosis, and Treatment). Provider manuals contain such information as covered services, benefit limits, benefit extension procedures, prior approval requirements, and billing procedures. PPD also develops new waiver programs and the resulting provider manuals for initiatives such as ARKids First.

THIRD PARTY LIABILITY:

Third Party Liability identifies Medicaid recipients who have other medical insurance or payment sources that must pay first. These sources include health and liability insurance, court settlements, and absent parents. Federal and State statutes require Medicaid agencies to pursue Third Party Liability to reduce Medical Assistance payments. Collections for State Fiscal Year 1999 were $16,637,644.87.

REIMBURSEMENT:

Provider Reimbursement develops reimbursement methodologies, identifies budget impacts for changes in reimbursement methodologies, develops reimbursement rates, coordinates payments with the Medicaid Fiscal Agent and provides reimbursement technical assistance for the following Medicaid providers:

Institutional – Hospital, Residential Treatment Unit (RTU), Rural Health Clinic (RHC), Federally Qualified Health Center (FQHC), Residential Treatment Center (RTC), Other. The Institutional Section is also responsible for processing all necessary cost settlements for these providers.

Non-Institutional – Physician, Dental, Durable Medical Equipment, ARKids, Nurse Practitioner, Nurse Midwife, CHMS, DDTCS, Other. The Non-Institutional Section is also responsible for the maintenance of reimbursement rates and assigning all billing codes for both institutional and non-institutional per diems, services, supplies, equipment purchases and equipment rental.

Long Term Care – This Section reviews Nursing Facility and Intermediate Care Facilities for the Mentally Retarded (ICFs/MR) submitted annual and semi-annual cost reports. The cost reports are reviewed for compliance with applicable State and Federal requirements and regulations. The Long Term Care Section maintains a database of the cost report information, which is used to evaluate cost and develop reimbursement methodologies and rates. The Long Term Care Section is also responsible for processing all necessary cost settlements for these providers.

DHS: Division of Medical Services
Arkansas Medicaid’s ConnectCare program enables every eligible recipient to have his or her own primary care physician. The primary care physician is an advocate for the patient, coordinating care, making referrals when necessary, and minimizing the need to go to a hospital emergency department for treatment. Added benefits of ConnectCare are consolidation of medical records, wellness education and 24 hour access to care.

An analysis by the Arkansas Foundation for Medical Care illustrated a cost/benefit of the ConnectCare Program as the nominal increase in "less costly" physician office visits, while a marked decrease of approximately 60% in more expensive non-emergency visits to Hospital.

Source: AFMC; ER Treatment Trends

DHS; Division of Medical Services
Unduplicated Recipient Counts and Vendor Payments by Age SFY99

Recipients

- Ages 20 and Under: 263,309
- Ages 21-64: 132,567
- Ages 65 and up: 63,906

Total Vendor Payments

- Ages 20 and Under: $467,070,341
- Ages 21-64: $498,135,286
- Ages 65 and up: $451,994,689

Average Vendor Payment Per Recipient

- Ages 20 and Under: $7,073
- Ages 21-64: $3,758
- Ages 65 and up: $7,073

Source: HCFA2082

DHS; Division of Medical Services
MEDICAID STAFFING COMPARED TO EXPENDITURES

MEDICAID UNDUPPLICATED RECIPIENTS COMPARED TO EXPENDITURES

Source: HCFA2082; Medicaid Budget Reports
DHS; Division of Medical Services