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.
Arkansas Medicaid

Program Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (in mill)</th>
<th>Unduplicated Recipients</th>
<th>Average Cost (in mill)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$1,205</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>
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<td>1997</td>
<td>$1,347</td>
<td>363,881</td>
<td>$3,702</td>
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<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</td>
<td>$1,631</td>
<td>498,669</td>
<td>$3,271</td>
</tr>
<tr>
<td>2001 (proj)</td>
<td>$1,759</td>
<td>536,136</td>
<td>$3,281</td>
</tr>
</tbody>
</table>

Average Cost per prescription in SFY00 was $41.87

73.68% of all Nursing Home residents in SFY99 were Medicaid Eligible

Provider Communications handled approximately 162,040 telephone inquiries in SFY00.

Arkansas Economics (SFY00)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Medicaid Represents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas Medical Economy</td>
<td>$6.90 billion</td>
<td>22.1%</td>
</tr>
<tr>
<td>State of Arkansas Budget (est)</td>
<td>$11.8 billion</td>
<td>15.1%</td>
</tr>
<tr>
<td>State General Revenue Funded Budget</td>
<td>$3.37 billion</td>
<td>12.2%</td>
</tr>
</tbody>
</table>

Arkansas Population:

- All Ages: 2,551,373 (19%)
- Elderly: 361,342 (18%)
- Adult (20-64): 1,451,818 (10%)
- Children (19 and under): 738,213 (38%)

*Source: Institute for Economic Advancement at UALR

The medical cost for 43.54% of all babies born to Arkansas residents is paid for by Medicaid

Medicaid has approx. 20,300 actively ENROLLED providers, approx. 9,400 (46.3%) are PARTICIPATING Providers

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
Waiver program allowing recipients to make decisions regarding their personal care by offering a cash allowance and counseling service

Arkids First
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

DHS Division of Medical Services

Total Medicaid Expenditures SFY 2000

- Physician: 8.0%
- Public NH: 7.7%
- ICF, Easter Seals: 1.0%
- Hosp. Inpt/Outpt: 15.2%
- Special Care: 5.3%
- Mental Health: 8.2%
- Transp: 0.7%
- Drugs: 12.1%
- Private NH: 17.4%
- Buy-in: 3.5%
- Other: 2.9%

20,475,628 claims were processed in SFY00
Average processing time was 2.9 days
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
- Laboratory and X-Ray
- Nursing Facility (Over Age 21)
- Nurse Midwife
- Nurse Practitioner (Family and Pediatric)
- Physician
- Rural Health Clinics

Optional Services Chosen by Arkansas:

- Ambulatory Surgical Center Services
- Audiology Services (EPSDT, Under Age 21)
- Certified Registered Nurse Anesthetist (CRNA)
- Child Health Management Services (EPSDT, Under Age 21)
- Chiropractic Services
- Dental Services (EPSDT, Under Age 21)
- Developmental Day Treatment Clinical Services (DDTCS)
- Domiciliary Care Services
- Durable Medical Equipment
- End-Stage Renal Disease (ESRD) Facility Services
- Hospice Services
- Hyperalimentation Services
- Inpatient Psychiatric Services Under Age 21
- Inpatient Rehabilitative Hospital Services
- Intermediate Care Facility Services for Mentally Retarded
- Licensed Mental Health Practitioner Services (Under Age 21)
- Medical Supplies
- Nursing Facility Services (Under Age 21)
- Occupational, Physical, Speech Therapy Services, Orthotic Appliances (Under Age 21)
- Personal Care Services
- Podiatrist Services
- Portable X-Ray Services
- Prescription Drugs
- Private Duty Nursing Services (for Ventilator-Dependent All Ages and High-Tech Non-Ventilator Dependent Persons (EPSDT, Under 21))
- Rehabilitative Services for Persons with Mental Illness (RSPMI)
- Rehabilitative Services for Persons with Physical Disabilities (RSPD)
- Respiratory Care Services (EPSDT, Under Age 21)
- Targeted Case Management for Pregnant Women
- Targeted Case Management for Recipients Age 21 and over
- Targeted Case Management for Recipients Under Age 21 with a Developmental Disability
- Targeted Case Management Services for Recipients (EPSDT, Under Age 21)
- Targeted Case Management Services for Recipients Age 60 and Older
- Transportation Services (Ambulance, Non-Emergency)
- Ventilator Equipment
- Visual Services

Major Benefit Limitations on Services:

- Twelve visits to physicians, clinics and/or hospital outpatient departments allowed per state fiscal year.
- Lab and x-ray services limited to total benefit payment of $500 per state fiscal year, except for EPSDT recipients.
- Three pharmaceutical prescriptions, including refills, allowed 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, except for EPSDT recipients and organ transplant patients.
- Co-Pay, some recipients must pay 22% of first Medicaid covered day of hospital stay and $1 - $3 of every prescription.

Any and all exceptions to benefit limits are based on medical necessity.
Adjusted Paid Claims By County
SFY 2000

Source: DHS; Division of Medical Services
Medicaid Decision Support System

*Doesn’t include $77,181 attributed to unspecified counties or non-claim related payments
Medicaid totals include $1,587,625 in CHIP payments
MEDICAID ENROLLEES

FAMILY CASELOAD BY AID TYPE

<table>
<thead>
<tr>
<th>Aid Categories</th>
<th>SFY96</th>
<th>SFY00</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSI</td>
<td>96,359</td>
<td>89,871</td>
</tr>
<tr>
<td>PW</td>
<td>70,388</td>
<td>63,385</td>
</tr>
<tr>
<td>AFDC</td>
<td>45,726</td>
<td>39,475</td>
</tr>
<tr>
<td>AABD</td>
<td>21,707</td>
<td>23,615</td>
</tr>
<tr>
<td>MN</td>
<td>11,032</td>
<td>16,992</td>
</tr>
<tr>
<td>QMB</td>
<td>14,513</td>
<td>21,031</td>
</tr>
<tr>
<td>U-IS</td>
<td>10,573</td>
<td>13,403</td>
</tr>
<tr>
<td>FC</td>
<td>2,374</td>
<td>4,139</td>
</tr>
<tr>
<td>FP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARKids</td>
<td></td>
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</tr>
</tbody>
</table>

Average Enrollees SFY96: 96,359
Average Enrollees SFY00: 89,871

There were an average of 9 enrolled refugees per month in SFY96 and 1 per month in SFY00.

Source: Division of County Operations
Aces IM 2414

DHS; Division of Medical Services
Enrollees by County
SFY 2000

Source: DHS; Division of Medical Services
Medicaid Decision Support

*Unduplicated Count for the SFY
Median Age for ARKIDS Enrollees in Arkansas was 8 years 0 months.

Enrollees by Age for Arkansas

Monthly Expenditures per Enrollee for Arkansas
The Office of Long Term Care prior 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 (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 20,095 active CSHCN in SFY 00. 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 2000 was $757,359.

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 SFY00, $5,764,250 was identified and $5,077,851 was recouped.

PHARMACY:

In SFY00 the Arkansas Medicaid Pharmacy Unit managed a $198 million prescription drug program. Over 765 pharmacy providers were reimbursed for more than 4.7 million prescriptions provided to Medicaid recipients. Additionally, the Pharmacy Program oversees the collection of drug rebates from pharmaceutical manufacturers. Collections in SFY00 totaled $43,287,929.

MEDICAL ASSISTANCE UNIT:

The Medical Assistance Section is responsible for enrolling providers in Medicaid and the ARKids First program. At the end of the State Fiscal Year 2000 there were over 17,000 enrolled providers in the above programs. More than 8,000 of these providers were physicians and physician groups. Two new provider types were added in State Fiscal Year 2000. They were Therapist Assistants and Licensed Mental Health Practitioners. The Medical Assistance Section also responds to the concerns and questions of providers and recipients of Medicaid and ARKids services. In state Fiscal Year 2000, approximately 54,000 telephone inquiries were handled in the Program Communications Unit. The Medical Assistance Section, Program Communication Unit identified in excess of $800,000 in overpayments to providers that have been recouped or currently in the process of being recouped. These errors were identified as a result of research. In addition, over 30,000 ARKids First participants' telephone contacts in State Fiscal Year 2000 in the Medical Assistance Section. Other areas administered by the Medical Assistance Sections are the Early Periodic, Screening, Diagnosis and Treatment (EPSDT) program and the outreach activities of the very successful ARKids First health insurance program started in September 1997. Also, the Dental and Visual programs are administered by Medical Assistance. The ARKids program as of the end of State Fiscal Year 2000 had over 53,000 enrolled participants. The growth of this innovative program for Arkansas children has become a model for outreach activities for similar programs in other states.

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<tr>
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<tbody>
<tr>
<td>Telephone Inquiries</td>
<td>53,753</td>
<td>54,272</td>
<td>53,673</td>
</tr>
<tr>
<td>Written Correspondence</td>
<td>2,933</td>
<td>3,425</td>
<td>2,677</td>
</tr>
<tr>
<td>Recipient Denial Letters</td>
<td>320</td>
<td>313</td>
<td>391</td>
</tr>
<tr>
<td>Worksheets</td>
<td>853</td>
<td>531</td>
<td>436</td>
</tr>
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</table>
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 2000 were $15,921,113.35.

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.
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.

ARKANSAS MEDICAID TREATMENT TRENDS

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 Emergency Rooms.

Source: AFMC; ER Treatment Trends  
DHS; Division of Medical Services
Unduplicated Recipient Counts and Vendor Payments by Age SFY00

Source: HCFA2082
DHS; Division of Medical Services