

LEGISLATIVE FISCAL OFFICE
Streamlining Commission Analysis



Recommendation No. **RECOMMENDATION 9**
 Streamlining Draft **AGOPRM 9**

Date: November 16, 2009 1:43 PM Dept./Agy.: DHH/Medicaid Subject: Medicaid managed care	Author: Analyst: Shawn Hotstream
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Proposed recommendation transitions Medicaid to an Integrated Delivery System with Healthcare coordination.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Implementing comprehensive pre paid Medicaid managed care in the Louisiana Medicaid program is anticipated to result in a state general fund savings by an unknown amount. A 2009 Lewin Group study (which reviewed and analyzed 24 different Medicaid managed care studies) indicates Medicaid Managed Care has yielded a cost savings from approximately 2% to 19% for various state medicaid programs. Savings in various states were the result of one or a combination of the following: a decrease in average costs (per member per month costs), a decrease in inpatient utilization, or a reduction in pharmacy program expenditures. As an illustrative example, a 2 % reduction in Medicaid expenditures would yield significant savings. However, simply applying a straight percentage reduction from total Louisiana Medicaid expenditures would reflect an overstated savings, as any managed care program is likely to exclude certain populations (carve outs) and or services. However, based on the populations anticipated to be covered under a plan (mandatory women and children, LaChip, non-wavier non-nursing home aged and disabled), a 2% savings in the Medicaid program would result in approximately \$44 M in total savings. The state general fund match savings associated with such a reduction depends on the year in which savings occur. For FY 11, state general fund match is anticipated to be at least 19.25% (80.75% federal) through December of 2010. From January 2011 through FY 2012, the required state match is projected to drop to 36.84% (63.16% federal).

The following will be required to determine any potential savings in FY 11 and future fiscal years.

- 1) specific medicaid managed care plan expected to be implemented (enhanced primary care case management system, or pre paid managed care system, or combination of the two)
- 2) financing model (fee for service, pre paid plan, or combination)
- 3) populations included in the plan
- 4) scope of services
- 5) current Per Member Per Month cost by population covered compared and a projected Per Member Per Month pre paid monthly premium (negotiated fee)
- 6) timeline for statewide rollout (or just a pilot region)
- 7) take up rate (growth in number of Medicaid enrollees who will be mandated into managed care arrangements)

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REVENUE EXPLANATION

To the extent total Medicaid expenditures decrease, federal financial participation will decrease (federal match rate).

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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CONTINUED EXPLANATION from page one:

Note: The Department of Health and Hospitals has indicated that the variables described above have yet to be finalized. The LFO assumes any plan proposed by the department will be a prepaid plan, and not a fee for service model. At this time, the department has indicated that a managed care model is anticipated to be implemented through a State Plan Amendment rather than a waiver.

Note: It is assumed that implementation of Medicaid managed care will require some up front costs that could partially net any savings in the transition year. Such costs include additional administrative capacity to implement and monitor a managed care plan. Administrative funding required is unknown. In addition, there is likely a period in which DHH will be paying premiums to the plan in addition to continued fee for service claims for dates of service before the department transfers over to a prepaid financial model.

Senate
 13.5.1 >= \$500,000 Annual Fiscal Cost
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