

OKLAHOMA HEALTH CARE AUTHORITY
SPECIAL BOARD MEETING
July 1, 2014 at 1:00 P.M.
Oklahoma Health Care Authority
Charles Ed McFall Boardroom
4345 N. Lincoln Blvd.
Oklahoma City, OK

AGENDA

Items to be presented by Ed McFall, Chairman

1. Call to Order / Determination of Quorum

Item to be presented by Sharon Hsieh, Deputy General Counsel

2. Discussion Item – Public Comment on this meeting's agenda items by attendees who gave 24 hour prior written notice

Item to be presented by Sharon Hsieh, Deputy General Counsel

3. Announcements of Conflicts of Interest Panel Recommendations for All Action Items Regarding This Board Meeting.

Item to be presented by Cindy Roberts, Chairperson of State Plan Amendment Rate Committee

4. Action Item – Consideration and Vote Upon the Recommendations of the State Plan Amendment Rate Committee.
 - a) Consideration and vote to convert blood glucose supplies to the competitive bid national rate. These changes have an estimated total dollar savings of \$797,964, of which \$297,401 is state savings.
 - b) Consideration and vote to reduce payment for co-insurance from 100% to 83.75% of the Medicare fee schedule. These changes have an estimated total dollar savings of \$29,693,982, of which \$11,194,631 is state savings.
 - c) Consideration and vote to implement a rate reduction in the amount of 7.75% to providers reimbursed on the Medicaid physician fee schedule and other payment methodologies. These changes have an estimated total dollar savings of \$128,916,969, of which \$48,047,354 is state savings.
 - d) Consideration and vote to amend the state plan to remove specific dollar pool amounts or amend the pool amounts for "Other" and "Direct Care" Components from \$162,205,189 to \$158,391,182.

Item to be presented by Vickie Kersey, Director, Fiscal Planning and Procurement

5. Action Item – Consideration and Vote of the State Fiscal Year 2015 Budget Work Program.

Item to be presented by Ed McFall, Chairman

6. ADJOURNMENT

NEXT BOARD MEETING
August 13, 2014
Strategic Planning Conference
August 14 & 15, 2014
OUHSC, Samis Education Center
1200 Children's Avenue.
Oklahoma City, OK 73104

** Board meeting will be in Conference Room B-3 (level B) and the Strategic Planning Conference in the Rainbolt Auditorium (main level).

State Plan Amendment Rate Committee (SPARC)
June 24, 2014
Blood Glucose Supplies

1. Is this a “Rate Change” or a “Method Change”?

Methodology Change

1b. Is this change an increase, decrease, or no impact?

Decrease

2. Presentation of issue – Why is change being made?

The Oklahoma Health Care Authority (OHCA) recommends a revision to the current rates and reimbursement structure for blood glucose supplies. Our current State Plan requires OHCA to follow Medicare’s rates / methodology. Medicare went to a competitive bid rate July 1, 2013. OHCA could elect to change the State Plan to no longer follow Medicare’s methodology however this change also coincides with a time that OHCA has a budget shortfall and changes are necessary to reduce the Agency's spending to balance the state budget in accordance with Article 10, Section 23 of the Oklahoma Constitution, which prohibits a state agency from spending more money than is allocated.

Federal Requirements

State Medicaid programs generally have considerable flexibility in determining the reimbursement methodology and resulting rate for services, within federally-imposed upper limits and specific restrictions. Section 1902(a)(30)(A) of the Social Security Act requires that State Medicaid programs must assure that payment rates:

- Be consistent with efficiency, economy and quality of care;
- Are sufficient to enlist enough providers so that Medicaid care and services are available under the state plan at least to the extent that such care and services are available to the general population in that geographic area.

3. Current methodology and/or rate structure.

Currently, OHCA pays 60% of the 2010 Medicare rate; the rate is \$19.96 for over the counter and \$16.97 for mail order. With 91% of supplies being provided over the counter and 9% being provided through mail order the average rate is \$19.69.

4. New methodology or rate.

July 1, 2013 Medicare implemented a competitive bid rate of \$10.41. OHCA seeks to implement this rate.

5. Budget estimate.

The estimated annual change is a decrease in the amount of \$797,964; \$297,401 state share.

6. Agency estimated impact on access to care.

A reduction of the per unit blood glucose supply rate should not negatively impact access and quality of care to SoonerCare members.

7. Rate or Method change in the form of a motion.

The agency requests the State Plan Amendment Rate Committee to approve reducing payment for blood glucose supplies to the competitive bid national rate of \$10.41 per unit.

8. Effective date of change.

July 1, 2014

State Plan Amendment Rate Committee (SPARC)
June 24, 2014
Physician and Other Medicare Part B Crossovers Co-Insurance Claims

1. Is this a “Rate Change” or a “Method Change”?

Methodology change

1b. Is this change an increase, decrease, or no impact?

Decrease

2. Presentation of issue – Why is change being made?

The Oklahoma Health Care Authority (OHCA) recommends a revision to the current rates and reimbursement structure for physician and other Part B crossover claims. Changes are necessary to reduce the Agency's spending to balance the state budget in accordance with Article 10, Section 23 of the Oklahoma Constitution , which prohibits a state agency from spending more money than is allocated.

Federal Requirements

State Medicaid programs generally have considerable flexibility in determining the reimbursement methodology and resulting rate for services, within federally-imposed upper limits and specific restrictions. Section 1902(a)(30)(A) of the Social Security Act requires that State Medicaid programs must assure that payment rates :

- Be consistent with efficiency, economy and quality of care;
- Are sufficient to enlist enough providers so that Medicaid care and services are available under the state plan at least to the extent that such care and services are available to the general population in that geographic area.

3. Current methodology and/or rate structure.

Currently physician and other Medicare Part B crossover claims are reimbursed 100% of the deductible and co-insurance amounts.

4. New methodology or rate.

Federal regulations require State’s payments for crossover claims, when combined with Medicare’s payment, to at least equal the Medicaid allowed amount. Currently the Medicaid allowed amount is 96.75% of Medicare; that would translate to a payment of 83.75% of the co-insurance amount. Since OHCA plans to reduce payments further to 89.25% of Medicare (an additional 7.75%) the cumulative effect would be a payment of 46.25% of Medicare co-insurance amount. We do not seek to make any changes in the deductible amount; OHCA will continue to pay 100% of the deductible.

Examples of co-insurance payments based on the % of Medicare			
Percent of Medicare	100%	96.75%	89.25%
Allowed Amount	100	100	100
Medicare Pays	80	80	80
Co-insurance	20	20	20
OHCA Pays	20	16.75	9.25
% of co-insurance	100%	83.75%	46.25%

5. **Budget estimate.**

The estimated annual change is a decrease in the amount of \$29,693,982; \$11,194,631 state share.

6. **Agency estimated impact on access to care.**

A reduction in payment of the co-insurance amount should not negatively impact access and quality of care to SoonerCare members.

7. **Rate or Method change in the form of a motion.**

The agency requests the State Plan Amendment Rate Committee to approve a rate change for physician and other part B crossover claims from 100% to 46.25% of co-insurance amount.

8. **Effective date of change.**

July 1, 2014

State Plan Amendment Rate Committee (SPARC)
June 24, 2014
Providers 7.75% Rate Reduction

1. Is this a “Rate Change” or a “Method Change”?

Rate change

1b. Is this change an increase, decrease, or no impact?

Decrease

2. Presentation of issue – Why is change being made?

The Oklahoma Health Care Authority (OHCA) recommends a revision, in the amount of a 7.75% reduction, to the current rates and reimbursement structure in the SoonerCare program. Changes are necessary to reduce the Agency's spending to balance the state budget in accordance with Article 10, Section 23 of the Oklahoma Constitution, which prohibits a state agency from spending more money than is allocated.

Federal Requirements

State Medicaid programs generally have considerable flexibility in determining the reimbursement methodology and resulting rate for services, within federally-imposed upper limits and specific restrictions. Section 1902(a)(30)(A) of the Social Security Act requires that State Medicaid programs must assure that payment rates :

- Be consistent with efficiency, economy and quality of care;
- Are sufficient to enlist enough providers so that Medicaid care and services are available under the state plan at least to the extent that such care and services are available to the general population in that geographic area.

3. Current methodology and/or rate structure.

Oklahoma currently reimburses under a variety of different rate structures; diagnostic related group (DRG), per diem, max fee, percent of Medicare and a percent of costs are some examples. Our current rates reflect a 3.25% reduction from the applicable rate structure; this was implemented in 2010.

4. New methodology or rate.

We seek to decrease the current rates by 7.75%; an effective rate of 89.25% of the applicable rate structure.

The proposed rate reduction excludes services financed through appropriations to other state agencies, services provided under a waiver and services where a reduction could severely limit access or not cover costs (in the aggregate). Below are examples of the exclusions. While the list below is fairly comprehensive it is not exhaustive.

- Capitation / Care Coordination payments and incentive payments
- Child abuse exams
- Emergency and non-emergency transportation
- Insure Oklahoma
- Long term care facilities
- Payments for drug ingredients / physician supplied drugs
- Private duty nursing
- Services provided under a waiver
- Services paid for by other state agencies, excluding school based services
- Services provided to Native Americans through Indian Health Services / Indian/Tribal/Urban Clinics

5. **Budget estimate.**

The estimated annual change is a decrease in the amount of \$128,916,969; \$48,047,354 state share.

6. **Agency estimated impact on access to care.**

A 7.75% decrease to the rates should not negatively impact access and quality of care to SoonerCare members.

7. **Rate or Method change in the form of a motion.**

The agency requests the State Plan Amendment Rate Committee to approve the 7.75% rate reduction for all providers excluding those providers/services that have an exception provision.

8. **Effective date of change.**

July 1, 2014

State Plan Amendment Rate Committee (SPARC)
June 24, 2014
Regular Nursing Facilities

1. Is this a rate change or a method change?

Rate Change – The statewide average rate will remain the same (\$143.52). Individual Nursing Facility rates are modified due to a change in the pool amount consisting of the Direct Care Cost Component and Other Cost Component.

1b. Is this change an increase, decrease or no impact?

No Impact

2. Presentation of Issue:

The change is made to reflect adherence to the State Plan methodology for reallocation of Direct Care Costs and changes to the Direct Care Cost Component Pool as a result in the decline in Medicaid days.

3. Current Methodology/Rate Structure:

The current rate methodology calls for the establishment of a prospective rate which consists of the following four components:

- (A) A Base Rate Component defined as \$107.24 per day.
- (B) A Focus on Excellence (FOE) Component defined by the points earned under this performance program as defined in the state plan. The bonus component paid may be from \$1.00 to \$5.00 per day based on points earned.
- (C) An Other Component which is defined as the per day amount derived from dividing 30% of the pool of funds available after meeting the needs of the Base and FOE Components by the total estimated Medicaid days for the rate period.
- (D) A Direct Care Component which is defined as the per day amount derived from allocating 70% of the pool of funds available after meeting the needs of the Base and FOE Components to the facilities. This component is determined separately and is different for each facility. The method (as approved in the State Plan) allocates the 70% pool funds to each facility (on a per day basis) based on their relative expenditures for direct care.

4. Budget Estimate:

This has no impact on the budget.

5. Estimated impact on access to care:

The agency does not anticipate this change will impact access to care.

6. Requested changes:

The agency requests an amendment to remove specific dollar pool amounts from the State Plan. If this request cannot be accomplished, the agency further request the pool amounts be revised as indicated below:

- **Pool Amount** – decrease the pool amount in the state plan for the “Other” and “Direct Care” Components from \$162,205,189 to \$158,391,182.

7. Effective Date of Change:

July 1, 2014

OKLAHOMA HEALTH CARE AUTHORITY

FY-15 BUDGET WORK PROGRAM

Summary by Program Expenditure

Description	FY-14	FY-15	Inc / (Dec)	% Change
Medical Program				
Managed Care - Choice / HAN / PACE	37,094,628	40,290,236	3,195,608	8.6%
Hospitals	939,755,305	899,543,101	(40,212,204)	-4.3%
Behavioral Health	24,259,956	21,903,406	(2,356,550)	-9.7%
Nursing Homes	580,765,542	579,606,680	(1,158,861)	-0.2%
Physicians	513,293,311	501,771,908	(11,521,403)	-2.2%
Dentists	149,572,592	136,303,094	(13,269,498)	-8.9%
Mid-Level Practitioner	4,045,986	3,418,029	(627,957)	-15.5%
Other Practitioners	42,085,096	36,929,783	(5,155,313)	-12.2%
Home Health	22,091,488	21,020,640	(1,070,848)	-4.8%
Lab & Radiology	67,332,180	66,039,801	(1,292,379)	-1.9%
Medical Supplies	51,277,019	40,846,187	(10,430,832)	-20.3%
Clinic Services	106,361,133	107,500,225	1,139,092	1.1%
Ambulatory Surgery Center	10,416,482	9,148,841	(1,267,641)	-12.2%
Prescription Drugs	425,732,775	499,606,461	73,873,686	17.4%
Miscellaneous	317,855	233,454	(84,401)	-26.6%
ICF-MR Private	59,778,856	60,635,132	856,276	1.4%
Transportation	62,256,454	67,249,355	4,992,901	8.0%
Medicare Buy-in	136,396,322	138,694,125	2,297,803	1.7%
Medicare clawback payment	76,064,816	78,014,633	1,949,817	2.6%
SHOPP - Supplemental Hosp Offset Pymt.	363,024,545	454,602,431	91,577,886	25.2%
Money Follows the Person - Enhanced	1,623,149	1,022,695	(600,454)	-37.0%
Electronic Health Records Incentive Pymts	39,788,361	39,788,361	0	0.0%
Non-Title XIX Medical	89,382	89,382	-	0.0%
TOTAL OHCA MEDICAL PROGRAM	3,713,423,232	3,804,257,959	90,834,727	2.4%
Insure Oklahoma - Premium Assistance				
Employer Sponsored Insurance - ESI	51,954,038	49,330,255	(2,623,783)	-5.1%
Individual Plan - IP	63,857,987	48,031,940	(15,826,047)	-24.8%
TOTAL INSURE OKLAHOMA PROGRAM	115,812,025	97,362,195	(18,449,830)	-15.9%
OHCA Administration				
Operations	54,432,496	51,117,766	(3,314,730)	-6.1%
Contracts	54,136,699	47,860,000	(6,276,699)	-11.6%
Insure Oklahoma Admin	4,068,589	3,661,218	(407,371)	-10.0%
Information Services	86,570,945	86,137,036	(433,908)	-0.5%
Grant Mgmt	2,986,598	3,092,030	105,432	3.5%
TOTAL OHCA ADMIN	202,195,327	191,868,051	(10,327,276)	-5.1%
TOTAL OHCA PROGRAMS	4,031,430,584	4,093,488,205	62,057,621	1.5%
Other State Agency (OSA) Programs				
Department of Human Services (OKDHS)	614,759,006	609,583,188	(5,175,818)	-0.8%
Oklahoma State Dept of Health (OSDH)	25,535,786	24,352,464	(1,183,322)	-4.6%
The Office of Juvenile Affairs (OJA)	7,678,500	8,782,414	1,103,914	14.4%
University Hospitals (Medical Education Pymnts)	294,574,856	302,727,735	8,152,879	2.8%
Physician Manpower Training Commission	5,604,093	5,363,127	(240,966)	-4.3%
Department of Mental Health (DMHSAS)	406,883,941	375,923,824	(30,960,117)	-7.6%
Department of Education (DOE)	6,971,096	6,500,584	(470,512)	-6.7%
OSU Supplemental / DRG	9,000,000	9,000,000	-	0.0%
Non-Indian Payments	9,348,459	7,573,527	(1,774,932)	-19.0%
Department of Corrections (DOC)	1,144,923	2,704,671	1,559,748	136.2%
JD McCarty	7,124,594	7,475,687	351,093	0.0%
OSA Non-Title XIX	101,659,710	101,659,710	-	0.0%
TOTAL OSA PROGRAMS	1,490,284,964	1,461,646,930	(28,638,034)	-1.9%
TOTAL MEDICAID PROGRAM	5,521,715,547	5,555,135,136	33,419,587	0.6%

OKLAHOMA HEALTH CARE AUTHORITY
FY-15 BUDGET WORK PROGRAM
Summary by Program Expenditure

Description	FY-14	FY-15	Inc / (Dec)	% Change
REVENUES				
Federal - program	3,206,006,360	3,152,564,968	(53,441,392)	-1.7%
Federal - admin	133,137,996	126,334,415	(6,803,581)	-5.1%
Drug Rebates	176,208,819	230,190,583	53,981,764	30.6%
Medical Refunds	48,559,263	45,226,096	(3,333,167)	-6.9%
NF Quality of Care Fee	81,359,250	77,471,006	(3,888,244)	-4.8%
OSA Refunds & Reimbursements	616,045,989	621,219,029	5,173,040	0.8%
Tobacco Tax	97,227,315	82,160,489	(15,066,826)	-15.5%
Insurance Premiums	7,144,639	3,373,357	(3,771,282)	-52.8%
Misc Revenue	84,000	132,668	48,668	57.9%
Prior Year Carryover	38,811,007	60,006,318	21,195,310	54.6%
Other Grants	2,595,314	281,992	(2,313,322)	-89.1%
Hospital Provider Fee (SHOPP bill)	160,834,320	202,100,356	41,266,036	25.7%
Insure Oklahoma Fund 245 - Transfer	3,000,000	-	(3,000,000)	-100.0%
State Appropriated	950,701,274	954,073,857	3,372,583	0.4%
TOTAL REVENUES	5,521,715,547	5,555,135,136	33,419,587	0.6%