



South Dakota Medicaid Overview

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What is Medicaid?

- Federal / State Partnership in healthcare since 1965.
- Mandates healthcare coverage to certain categories of individuals and allows states to cover optional categories and services at their discretion.
- When you've seen one Medicaid program, you've seen one Medicaid program. All 50 states and many U.S. territories have a Medicaid program – all have different eligibility criteria, covered services, and methods of administering the program.
- Prior to Medicare Part D implementation on January 1, 2006, federal expenditures on Medicaid were larger than Medicare.
- Largest healthcare insurer in South Dakota with 125,000 unduplicated individuals participating in the program during FY06.

South Dakota Medicaid Covered Services

- Inpatient and outpatient hospital
- Physician services
- Prescription drugs
- Nursing facility services for individuals age 21 or older
- Medical and surgical dental services
- Home health care
- Rural health clinic services
- Laboratory and radiology services
- Medical transportation services
- Adult optometric services and eyeglasses
- Durable medical equipment and prosthetic devices
- Hospice care
- Personal care services
- Chiropractic services
- Mental health and chemical dependency services

South Dakota Medicaid Optional Services

- Prescription drugs for adults
- Medical care or remedial care:
 - Psychologists – adults only
 - Independent mental health practitioners – adults only
 - Podiatrists – adults only
 - Optometrists – adults only
 - Chiropractors and physician assistants
- Adult dental services
- Physical, occupational, speech therapy, audiology for adults
- Prosthetic devices and eyeglasses for adults
- Hospice care, nursing services for adults
- Personal care services and home health aides
- Chiropractic services
- Durable medical equipment for adults

Federal Medical Assistance Percentage (FMAP)

- FMAP is determined by formula using last 3 years personal income from each state.
- South Dakota's current FMAP for Medicaid is 62.92% federal, with the remaining 37.08% state matching funds.
- Enhanced FMAP for the Children's Health Insurance Program is 74.04% federal and 25.96% state general funds.
- Our FMAP will decrease to 60.03% for FFY08 – each 1% swing in FMAP equals \$6 – 7 million in state general funds.
- In 2001, our FMAP was 68.72% federal.
- Federal participation in administrative costs are either 50/50, 75/25, or 90/10 depending upon the administrative service provided.

Who does South Dakota Medicaid cover?

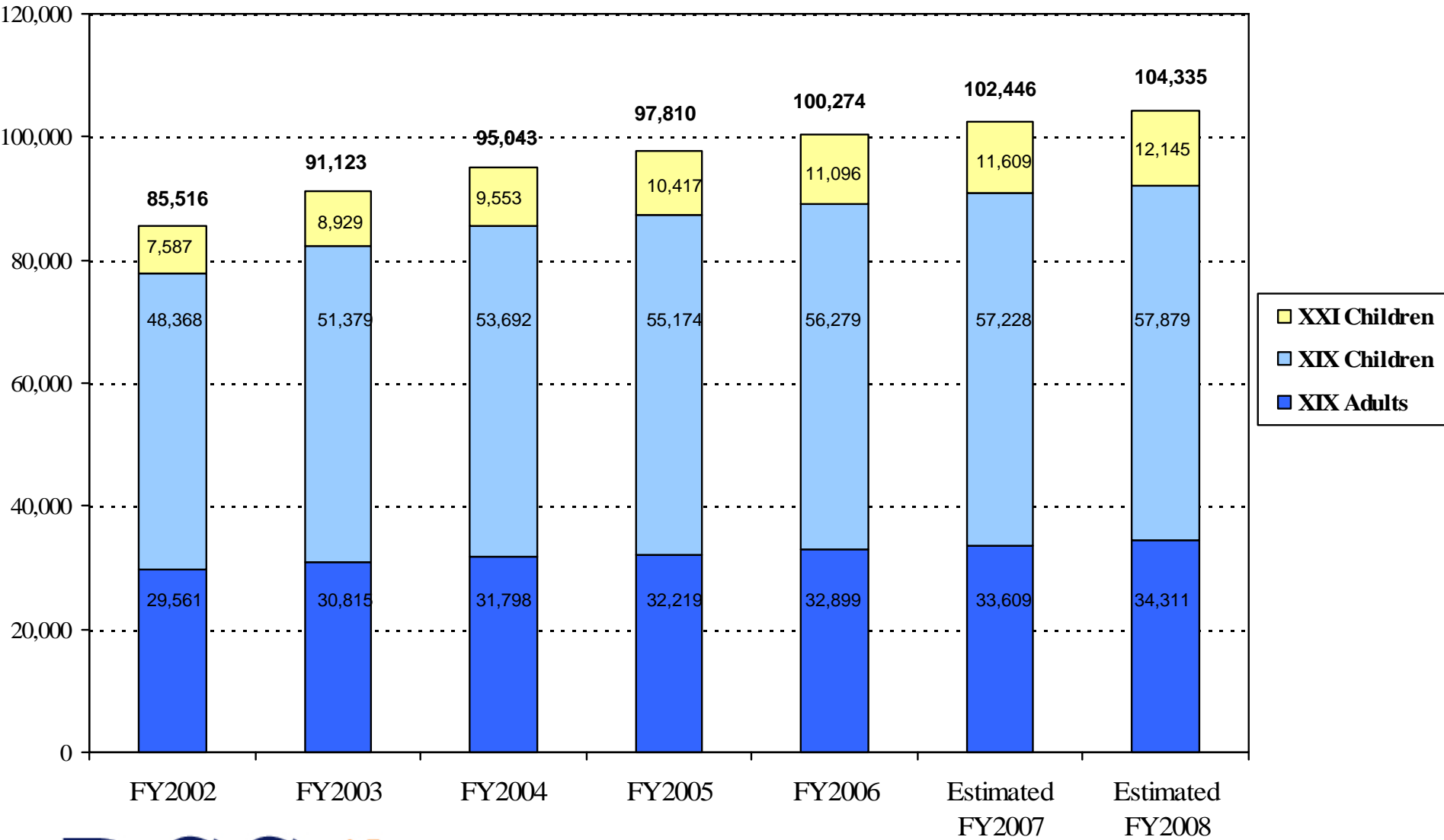
Medicaid provides coverage for the elderly, low-income families (children and individuals), low-income pregnant women, and people with disabilities.

Average monthly eligibility for FY06:

- Elderly – 7,082
- Disabled – 14,976
- Children of low-income families – 53,848
- Pregnant women – 2,529*
- Low-income adults – 10,743
- Children's Health Insurance Program – 11,096

*Women eligible in this category receive pregnancy-related services only.

Medicaid Eligible Totals



Eligibility Criteria

2007 Poverty Guidelines

Annual Amount at Various Percentage Levels

Family Size	100%	130%	133%	140%	160%	185%	200%
1	\$10,210	\$13,273	\$13,579	\$14,294	\$16,336	\$18,889	\$20,420
2	\$13,690	\$17,797	\$18,208	\$19,166	\$21,904	\$25,327	\$27,380
3	\$17,170	\$22,321	\$22,836	\$24,038	\$27,472	\$31,765	\$34,340
4	\$20,650	\$26,845	\$27,465	\$28,910	\$33,040	\$38,203	\$41,300
5	\$24,130	\$31,369	\$32,093	\$33,782	\$38,608	\$44,641	\$48,260
6	\$27,610	\$35,893	\$36,721	\$38,654	\$44,176	\$51,079	\$55,220
7	\$31,090	\$40,417	\$41,350	\$43,526	\$49,744	\$57,517	\$62,180
8	\$34,570	\$44,941	\$45,978	\$48,398	\$55,312	\$63,955	\$69,140
Each Additional	\$3,480	\$4,524	\$4,628	\$4,872	\$5,568	\$6,438	\$6,960

Program Eligibility:

Medicaid (pregnant women) - 133%

Medicaid - 140%

CHIP Children's Health Insurance Program - 200%

South Dakota Medicaid – Promoting Healthy Families

- As of March 2007, South Dakota Medicaid had 101,546 individuals enrolled on the program, with 67,732 of them being children.
- Nearly 1 of every 8 persons in any given month will have health coverage by Medicaid or CHIP.
- 1 of every 3 persons under the age of 19 in South Dakota has health coverage by Medicaid or CHIP.
- Fifty percent of the children born in South Dakota will be on Medicaid or CHIP during the first year of their life.
- Continued growth in Medicaid eligibles is expected.

Home and Community Based Services

Four HCBS waivers extend Medicaid eligibility, and additional services, to individuals who may not otherwise qualify for Medicaid.

- **Mentally Retarded/Developmentally Disabled Waiver** – Provides supports to MR/DD persons who meet ICF/MR level of care requirements to remain at home or in the community. Services include: service coordination; residential and day habilitation; supported employment; specialized medical equipment and supplies; and nursing.
- **Elderly Waiver** – Allows persons age 19+ who meet nursing facility level of care to remain living at home and in the community. Services include: assisted living services; homemaker services, nursing; home delivered meals; emergency response; and adult day care.

HCBS Services Continued

- **Family Support Waiver** – Allows persons age 22 and younger who meet the ICF/MR level of care to remain living at home and in the community. Services offered: service coordination, specialized equipment, and respite.
- **Assistive Daily Living Services Waiver** – Allows persons with physical disabilities aged 18+ who meet the nursing facility level of care and who are able to manage and direct their own services to remain living at home and in the community. Services offered: case management; personal attendant services; consumer preparation services; nursing; and emergency response.

South Dakota Medicaid Expenditures

- In FY06, the state expended \$640.1 million in total on healthcare services and administration of the Medicaid program. The \$208.9 in general funds match represented 20.7% of the entire state budget.
- 5% of the enrolled Medicaid clients account for 50% of the program expenditures.
- The highest cost category of individuals with disabilities – they are 15% of the eligibles, but account for 40% of the expenditures.
- Children are the least costly to cover – approximately \$2,000 per child, per year.
- Medicaid is a safety net for the uninsurable having met their maximum health insurance coverage or for individuals with catastrophic illnesses.

How do we provide services?

- Through a healthcare delivery system of over 11,000 Medicaid providers and processing over 5 million claims annually.
- Primary Care Case Management (PCCM) managed care program where 75% of the Medicaid population is enrolled and have a primary care physician.
- Approximately \$49.5 million is spent providing services to individuals who are eligible for Medicare – paying co-insurance/deductibles; buying them into Part A or B; and the state’s “Clawback” contribution to the Medicare Part D Program.
- Five major areas of healthcare constitute the majority of the Medicaid expenditures – inpatient hospital, outpatient hospital, physician services, prescription drugs, and long term care services.

Inpatient Hospital Services

- \$72.3 million in expenditures
- 23% of expenditures are out-of-state.
- 26 Diagnosis Related Group (DRG) facilities in-state.
- In-state DRG exempt units such as psychiatric, neonatal, and rehabilitation are paid a per diem.
- In-state facilities w/less than 30 Medicaid discharges pay 95% of billed charges.
- Out-of-state facilities paid 55% of billed charges, except ND where we use their DRG payments.
- In FY06, 238 individuals accounted for \$30 million in expenditures.

Outpatient Hospital Services

- \$30.8 million in expenditures
- 8% of expenditures are out-of-state.
- Facilities considered DRG are reimbursed at a percentage of their usual and customary billed charges – except for laboratory services that are paid fee for service.
- Each DRG facility rate is different, based upon their costs.
- Non-DRG facilities are paid at 90% of their usual and customary billed charges.
- Out-of-state facilities are paid at 56.5% of their usual and customary billed charges.

Physician Services

- \$58.2 million in expenditures
- Includes services provided at Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) that are reimbursed at daily rates.
- Most physician services are paid at fee-for-service; however, some are paid a percentage of usual and customary charges.
- Working jointly with the SD Medical Association, we have been able to apply the inflationary increases over the last four years to targeted areas in the hopes of bringing SD Medicaid reimbursement up to Medicare payment rates.

Prescription Drugs

- \$58 million in expenditures
- Collected drug rebates reduce actual expenditures – approximately \$19 million in FY06
- Current reimbursement is the lesser of:
 - Provider's usual and customary charge;
 - Average Wholesale Price (AWP) less 10.5% + \$4.75;
 - The payment amount established by the US Department of Health and Human Services for multi-source drugs + \$4.75; or
 - The payment established by the department for drugs listed on the state's Maximum Allowable Cost (MAC) list + \$4.75
- Future expenditures will be reduced due to implementation of Medicare Part D Program.

Long Term Care Services

- \$140.4 million in expenditures - services include nursing facility services, assisted living waiver, and hospice benefits.
- Many challenges face state and providers of long term care services, including:
 - Facility reimbursement and declining occupancy;
 - Aging infrastructures;
 - Long term funding issues for the state; and
 - Serving specialized populations.
- These issues are being addressed by a long term care study through the Governor's Healthcare Commission.
- Implementation of a Long Term Care Partnership program will encourage purchasing of insurance and reduce future expenditures.

Medicaid Through Dept. of Human Services

- \$124 million in expenditures.
- Services through adjustment training centers to mentally retarded/developmentally disabled individuals.
- Chemical dependency treatment services.
- Community mental health centers.
- Operation of the Human Services Center in Yankton and SD Developmental Center in Redfield.
- Operation of the MR/DD waiver, Family Support waiver, and the Assistive Daily Living Services waiver.

Future of Medicaid

- Many of the same principles and guidelines are still in place from 1965 – the program has not kept up with changes in healthcare delivery systems.
- In its current form, it is unsustainable for states.
- The Deficit Reduction Act of 2005 is the federal government's first attempt at updating the Medicaid program.
- Possibility of using waivers to serve certain populations as long as there is cost neutrality to the federal government.
- Future reform will be needed that allow greater flexibility and less mandates that do not shift costs to the states.

