

Health Care Funding Priorities

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In Today's Presentation

- Overview of DHMH
- Health Care Priorities
- Facing Fiscal Challenges

Overview of DHMH

- DHMH consists of 3 program areas:
 - 1. Health Care Financing:** Purchasing direct health care services for vulnerable individuals
 - 2. Community Health:** Improving the health of whole populations, which is broader than targeting services to individuals
 - 3. Regulating Quality:** monitoring the quality of health care facilities, health care professionals, and food supplies

Overview of Health Care Financing

- Purchase of direct services for individuals:

Medical Assistance

- HealthChoice (80%)
 - through MCO's
 - families and children (including MCHP)
 - non-Medicare disabled
- Fee for Service (20%)
 - seniors
 - Medicare disabled
- Pharmacy

Special Populations

- mentally ill or developmentally disabled
- comprehensive range of residential, rehabilitative, and medical services
- serves Medicaid and non-Medicaid clients

Targeted Services

- serves vulnerable individuals who are ineligible for Medicaid
- primary care
- addictions treatment
- family planning
- HIV+/AIDS services
- cancer screening and treatment

Health Care Financing Programs

- Positive outcomes include:
 - Each Medicaid MCO has an immunization rate above 80%.
 - AIDS mortality rate declined 63%.
 - Teen birth rate declined from 53.2/1,000 in 1990 to 41.2/1,000 in 2000.

Overview of Community Health

- Improving the health of whole populations

Prevention

- tobacco use prevention
- cancer prevention
- substance abuse prevention
- HIV prevention
- immunizations
- injury prevention

Ensuring Access to Care

- maintain effective local health departments
- build strong network of maternal and child health providers
- recruit primary care providers to underserved areas

Emergency Preparedness

- planning and coordination at local, State, and regional levels
- identification of disease outbreaks
- lab tests of individuals and environmental samples

Community Health Programs

- Positive outcomes include:
 - Infant mortality rate in 2000 is lowest ever in Maryland 7.4/1,000 live births.
 - Adults attempting to quit smoking jumped from 47.5% in 2000 to 63.7% in 2002 in Baltimore City
 - Cancer incidence rates decreased an average of 1.6% per year from 1995 to 1999.

Overview of Regulating Quality

- Monitoring the quality of services and care

Health Care Facilities

- regular inspections and investigation of complaints at facilities, including:
 - nursing homes
 - assisted living
 - group homes
 - hospitals
 - HMOs

Health Care Professionals

- license and investigate complaints about health care professionals, including:
 - physicians
 - nurses
 - nursing assistants
 - dentists
 - pharmacists

Public Products and Facilities

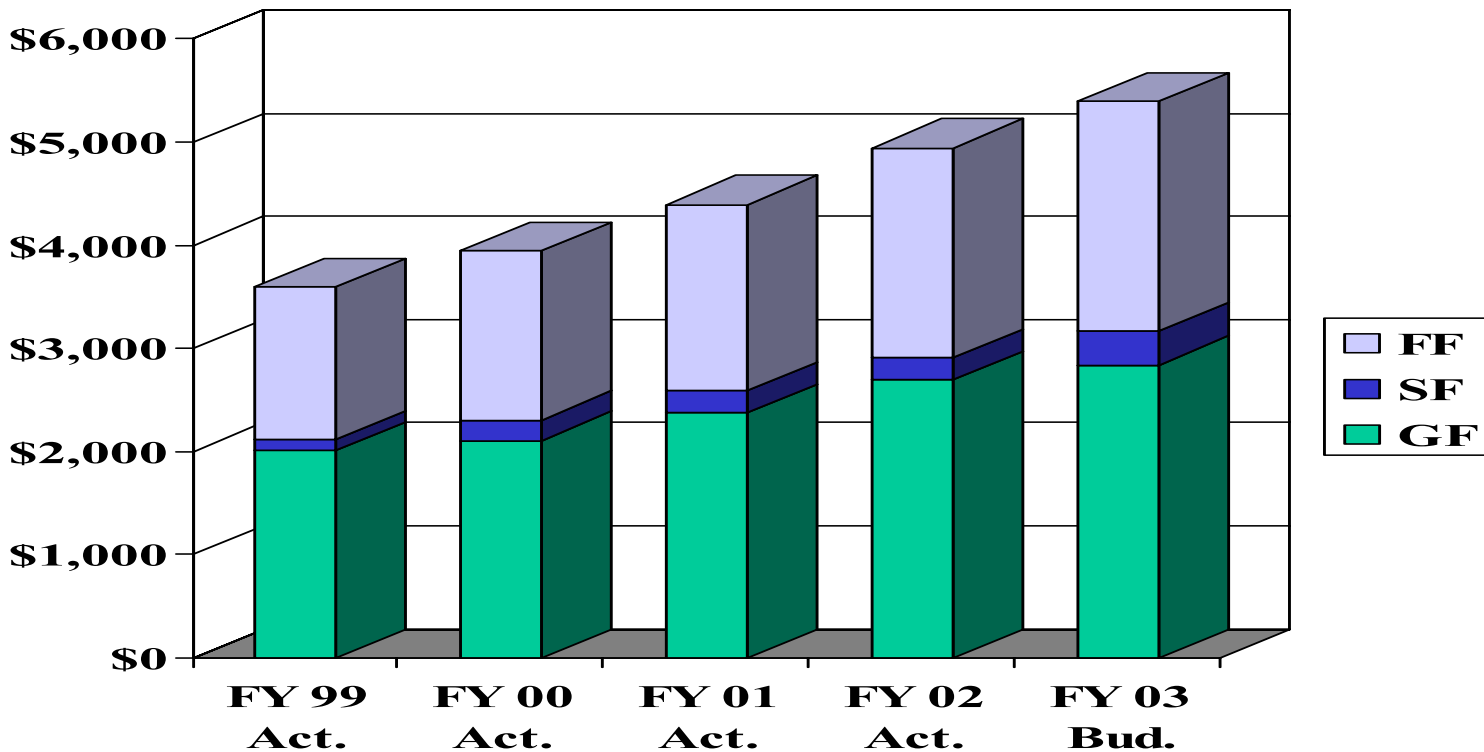
- regular inspections and investigations at the local and State level for:
 - milk and food processing
 - restaurants

Monitoring Quality of Care

- Positive outcomes include:
 - More timely investigation of nursing home complaints. Average investigation time of level II complaints dropped from 23 days in 2001 to 17 days in 2002.
 - Implementation of new certification requirements for nursing home assistants. 55,000 nursing assistants certified since fiscal 2000.
 - Worked with food firms to ensure licensing regulations were met. 98% of about 1,000 firms met requirements in fiscal 2002.

Overview of DHMH Budget

\$(in millions)



- Growth is the result of enrollment, rising medical costs, and new mandates.
- Despite program expansion, administrative resources have remained the same.

Health Care Priorities

- DHMH's ability to continue its operations depends on funding for the base budget.
- The priority funding areas:
 - Meeting the needs of the mentally ill
 - Maintaining financial stability of Medicaid
 - Preserving public health services for the most vulnerable individuals
 - Supporting emergency preparedness
 - Monitoring quality in long-term care

Meeting the Needs of the Mentally Ill

- The need for publicly-funded mental health services has increased.
- DHMH provides high-quality mental health services to over 80,000 people, twice as many as five years ago.
- Much of MHA's growth has been driven by the expansion of MCHP.

Meeting the Needs of the Mentally Ill

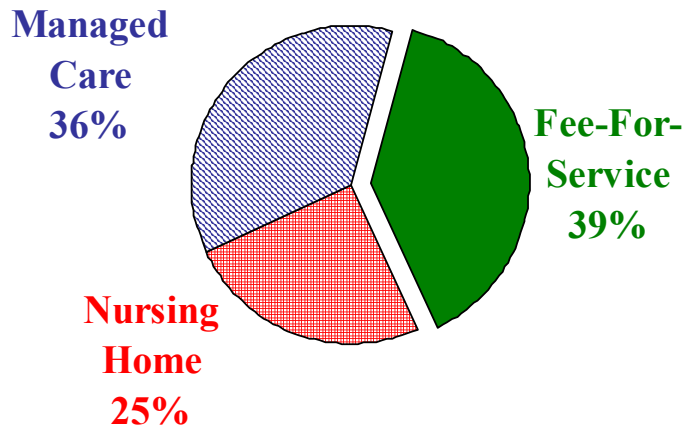
- Meeting the needs of the mentally ill helps Maryland because of:
 - reduced risk of homelessness and unemployment
 - reduced fiscal pressure on social services and criminal justice system.

Maintaining Financial Stability in Medicaid

- There has been significant fiscal pressure on Medicaid because of:
 - enrollment growth in MCHP
 - rising medical costs and utilization, especially for pharmaceuticals
- In fiscal 2003, the Governor and General Assembly fixed Medicaid's base budget. Funding should be sufficient, unless pharmacy cost-containment cannot be implemented.
- Medicaid's administrative resources are stretched.

Maintaining Financial Stability in Medicaid

Fiscal 2003 Budget

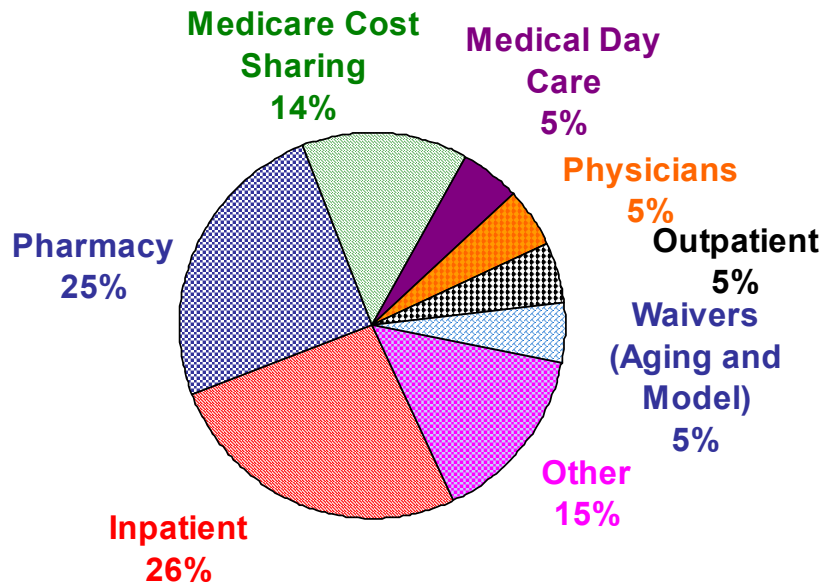


•Budget components:

- managed care costs based on rates and number of enrollees
- nursing home costs based on rates and number of days

Maintaining Financial Stability in Medicaid

Fiscal 2003 Fee-for Service Budget



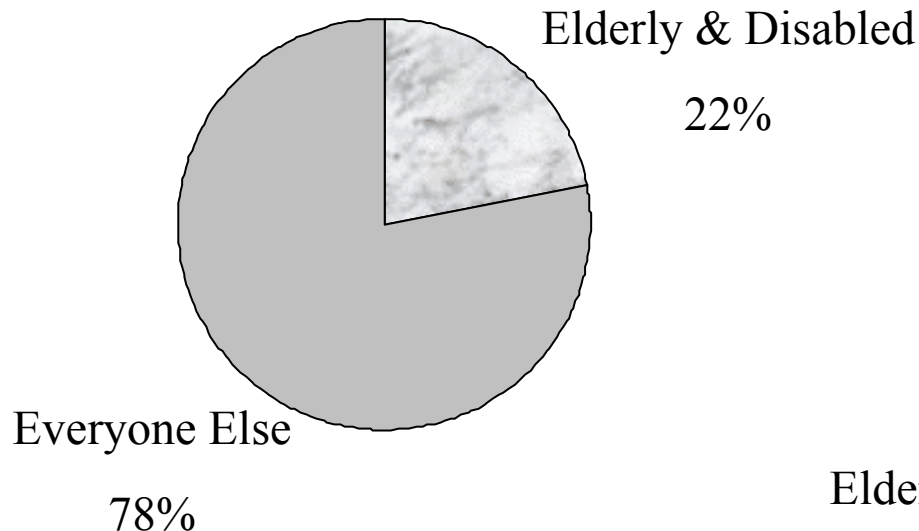
•Budget components:

- Inpatient costs based on regulated hospital rates
- Physician fees need to be sufficient to ensure an adequate provider network

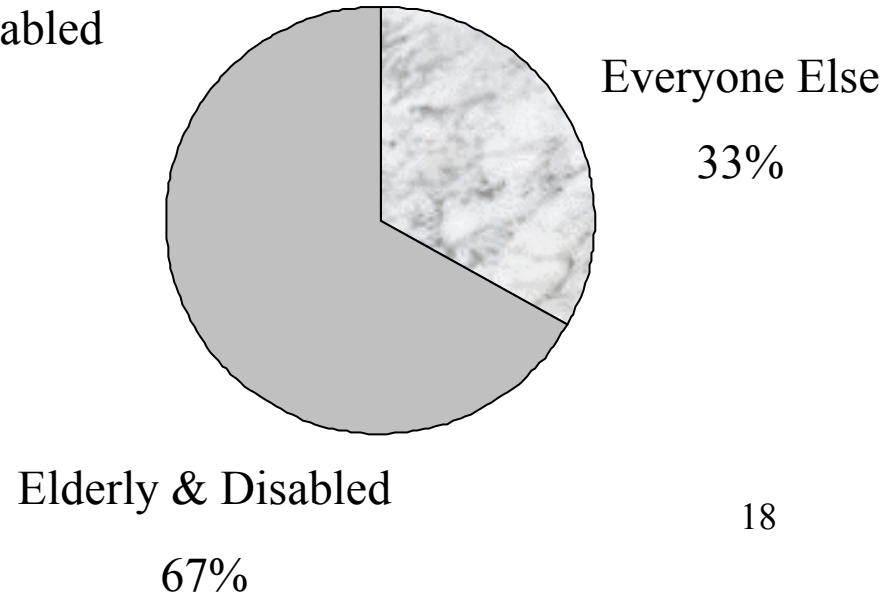
Maintaining Financial Stability in Medicaid

- The elderly and disabled are fewer than 1/4 of Medicaid beneficiaries, but over 2/3 of costs

Beneficiaries



Dollars



Preserving the Public Health Safety Net

- There will be the same or increased level of need for DHMH's critical public health services:
 - primary care
 - prevention programs
 - immunizations
 - HIV+/AIDS services
 - cancer screening and treatment
 - family planning
 - lead paint poison prevention
 - addictions treatment

Supporting Emergency Preparedness

- DHMH received start-up federal funding for emergency preparedness at the local, State, and regional levels.
- Ongoing federal funding is needed to maintain a state of readiness.
- Future level of federal funding is unclear.

Monitoring Quality in Long-Term Care

- There is growing public focus on the quality of care in nursing homes and assisted living centers.
- As a result, DHMH's Office of Health Care Quality has expanded responsibilities in:
 - surveying long-term care facilities
 - investigating complaints made by consumers and their families.
- Resources are not sufficient to meet expanded responsibilities.

Facing Fiscal Challenges

- DHMH recognizes the challenges of this fiscal climate.
- The Budget Paradox:
 - If there are not sufficient funds, services will have to be reduced.
 - These reductions would occur at a time when there is a greater need for DHMH services

How Did We Face Fiscal Challenges in the Past?

- During the recession of the early 1990's, DHMH reduced its budget by almost \$370 million, primarily in:
 - Medicaid, including eliminating the State-only program
 - substance abuse treatment
 - infrastructure funding for local health departments
- Reductions had a severe, long-term impact on programs

Lessons from the Past

- Keep as much of the existing client base as possible. It is very difficult to turn away individuals who are already in a program.
- Preserve the benefits structure of the program as much as possible. This will enable the program to recover when the fiscal climate improves.
- Do not cut administrative resources too deeply. Programs cannot function without adequate staff.

Examining Today's Options

- The options must be tailored to two types of programs:
 - Entitlement Programs: Those programs which are mandated by federal and State law. Eligibility and benefits are largely determined by federal statute and regulations.
 - Non-Entitlement Programs: Those programs that provide essential health care services to the most vulnerable individuals. While not mandated by law, such programs have become an essential part of the public health safety net.

Examining Today's Options

Option 1 - Capping Growth:

- For non-entitlement programs, limit enrollment to existing levels.
- Most components of entitlement programs cannot be capped because of federal requirements.
- Advantages:
 - eliminates budget growth.
 - Preserves continuity of care for existing clients
 - maintains effectiveness of services since benefits remain the same
 - preserves structure of the program so it can recover when economy improves
 - allows some flexibility for programs to enroll new clients in crisis situations

Examining Today's Options

Option 2 - Freezing Enrollment:

- For some non-entitlement programs, do not enroll any new clients.
- Most components of entitlement programs cannot be frozen because of federal requirements:
- Advantages:
 - eliminates budget growth. Saves money in the base through attrition of existing clients.
 - Preserves continuity of care for existing clients.
 - maintains effectiveness of services since benefits remain the same
 - preserves structure of the program so it can recover when economy improves

Examining Today's Options

Option 3 - Reduce Number of Current Clients:

- For some non-entitlement programs, remove existing clients from services
- For some entitlement programs, reduce caseload by changing eligibility criteria, to the extent allowed by the federal government
- Disadvantages
 - severe impact on clients, their families, and their communities
 - increase fiscal pressure on other State and local agencies

Examining Today's Options

Option 4: Reduce Benefits:

- For some non-entitlement programs, narrow scope of services offered.
- For entitlement programs, few benefits can be eliminated because of federal requirements.
- Disadvantages:
 - Reduce the effectiveness of programs
 - Increase long-term costs. Many benefits can save money (e.g. pharmacy benefits under Medicaid).
 - Makes it more difficult for program to recover when fiscal climate improves

In Conclusion

- Maryland will need multiple strategies to address its budget problem.
- Preserving DHMH's base budget will minimize the impact on the health of Marylanders:
 - The most vulnerable clients will continue to receive services.
 - Programs can be effective with the right combination of benefits
 - Programs can be well-managed with adequate resources.