CHCS Center for Health Care Strategies, Inc.

Rising Rates of Chronic Health Conditions: What Can Be Done in the Public Sector?

Center for Studying Health System Change Conference
July 31, 2008

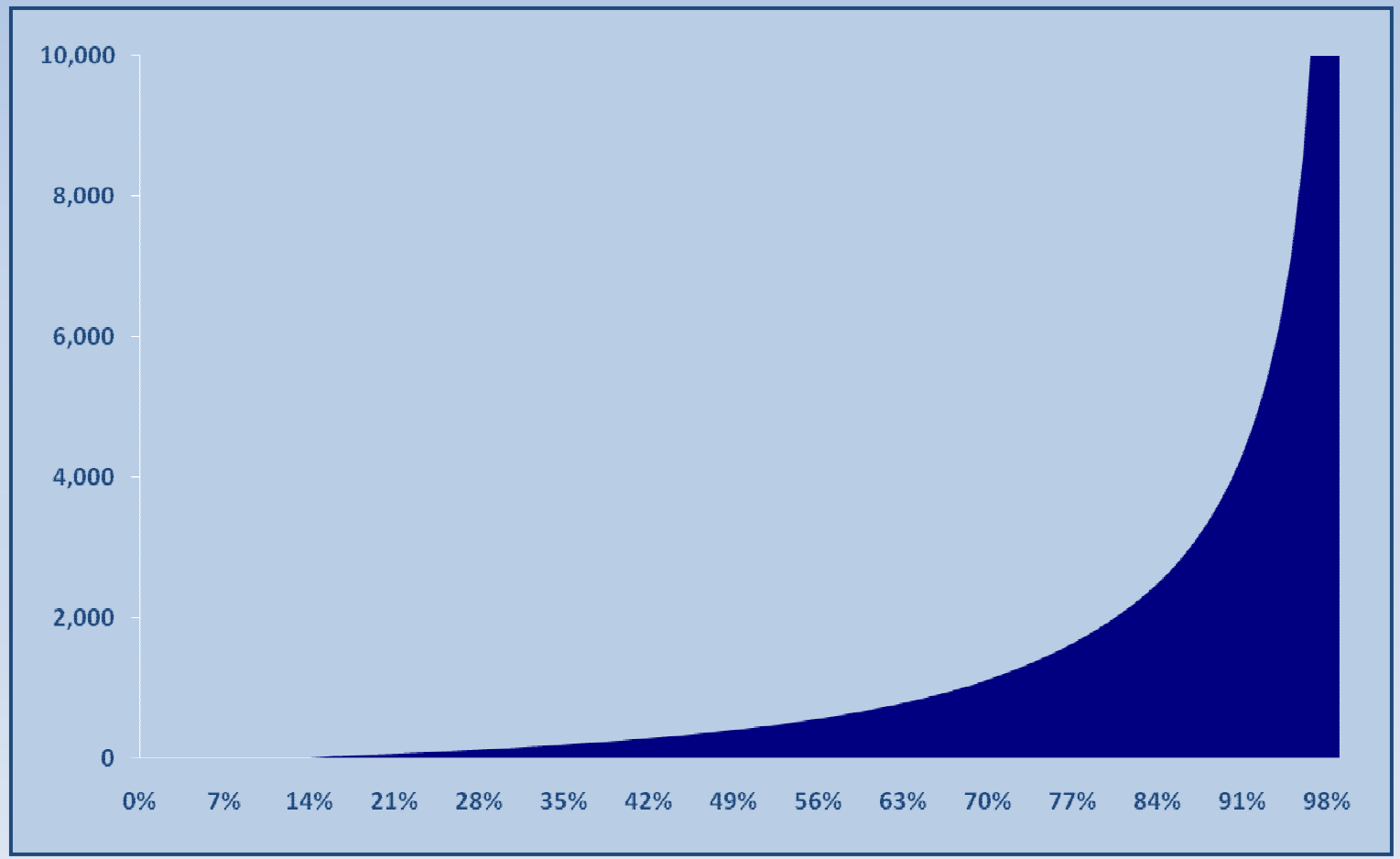
Melanie Bella
Center for Health Care Strategies

Impact of Chronic Illness on Medicaid

- **High Need**: Most on Medicaid have a chronic condition; nearly half of them (46%) have more than 1
- **"Really" High Need**: 7 million dual eligibles drive 42% of Medicaid spending and 24% of Medicare spending
- **High Cost**: Top 4% beneficiaries = 50% of spending
  - Among the most expensive 1% of Medicaid beneficiaries (acute care only):
  - Almost 83% have 3 or more chronic conditions
  - Over 60% have 5 or more chronic conditions

SOURCE: 2001 data, Kaiser Commission on Medicaid and the Uninsured; Kronick RG, Bella M, Gilmer TP, Somers SA, "The Faces of Medicaid II: Recognizing the Care Needs of People with Multiple Chronic Conditions." Center for Health Care Strategies, Inc., October 2007

Per Capita Medicaid Spending



Source: Sommers A. and Cohen M. *Medicaid's High Cost Enrollees: How Much Do They Drive Program Spending?* Kaiser Commission on Medicaid and the Uninsured, March 2006.

CHCS Center for Health Care Strategies, Inc.

Top Five Diagnostic Triads among the Most Expensive 5% of Patients

Cardiovascular–Pulmonary–Gastrointestinal	17.5%
Cardiovascular–Central Nervous System–Pulmonary	16.0%
Central Nervous System–Pulmonary–Gastrointestinal	13.9%
Cardiovascular–Central Nervous System–Gastrointestinal	13.4%
Cardiovascular–Pulmonary–Psychiatric	13.3%

SOURCE: Kronick RG, Bella M, Gilmer TP, Somers SA, "The Faces of Medicaid II: Recognizing the Care Needs of People with Multiple Chronic Conditions." Center for Health Care Strategies, Inc., October 2007

Public Sector Challenges

- Majority of high-need, high-cost beneficiaries in fragmented fee-for-service
- Reimbursement generally insufficient to support the necessary complex care management
- Medicaid financing structure makes it difficult to invest in long-term solutions (e.g., quality improvement, prevention, HIT, etc.)
- Misaligned incentives between Medicare and Medicaid, resulting in cost shifting and poor quality

What Are States Doing

- Implementing programs for high-need, high-cost beneficiaries
  - Identify and stratify high-opportunity beneficiaries
  - Develop and implement tailored care management interventions
  - Establish appropriate performance and outcome measures
  - Structure financing to support care management
  - Design rigorous evaluations

What Are States Doing *(continued)*

- Testing new delivery system models
  - Focus on transitioning aged, blind, disabled beneficiaries out of fee-for-service
  - Physical health/behavioral health integration
  - Full-risk, partial/no-risk and hybrid models
- Integrating care for dual eligibles
  - Contracts with Medicare Advantage Special Needs Plans (SNPs)
  - Developing non-SNP alternatives
  - Pursuing gainsharing opportunities

CHCS Center for Health Care Strategies, Inc.

Medicaid "Learning Laboratories"

- New York Medicaid
  - 21% of beneficiaries incur 75% of costs
  - High-cost beneficiaries generally fall within six categories: chronically ill, HIV/AIDS, long-term care, alcohol/drug users, chronically mentally ill and MR/DD
  - *New York Chronic Illness Demonstration Projects*
    - Using an integrated network of providers, including community-based social service providers, to assure facilitated access to medical, mental health and substance abuse services
- Colorado Medicaid
  - 22% of beneficiaries incur 66% of costs; of these, 20% incur 77% of costs
  - 41% have multiple chronic conditions
  - *Colorado Regional Integrated Care Collaborative*
    - Providing a multi-faceted care management approach at the plan, practice, and patient levels

Promising New Opportunities

- "Faces of Medicaid 2.5"
  - Identify 'concordant' and 'discordant' conditions
  - Include pharmacy and Medicare data
- National Research Agenda
  - Rigorous evaluations of Medicaid programs
  - Rapid learning networks
  - Performance measurement & payment reform for chronic/complex populations
- Medicaid Purchaser Leverage
  - Multi-payer initiatives
  - Cost-coverage linkage