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

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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

Per Capita Medicaid Spending

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

<table>
<thead>
<tr>
<th>Triad</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiovascular–Pulmonary–Gastrointestinal</td>
<td>17.5%</td>
</tr>
<tr>
<td>Cardiovascular–Central Nervous System–Pulmonary</td>
<td>16.0%</td>
</tr>
<tr>
<td>Central Nervous System–Pulmonary–Gastrointestinal</td>
<td>13.9%</td>
</tr>
<tr>
<td>Cardiovascular–Central Nervous System–Gastrointestinal</td>
<td>13.4%</td>
</tr>
<tr>
<td>Cardiovascular–Pulmonary–Psychiatric</td>
<td>13.3%</td>
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</tbody>
</table>

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
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