



Medicaid Cost Containment Strategies in North Carolina and Other States

Convened by

Center for Child and Family Policy, Duke University

School of Government, University of North Carolina at Chapel Hill

North Carolina Family Impact Seminar

**Medicaid Cost Containment Strategies
in North Carolina and Other States**

Edited by

Jenni Owen

Center for Child and Family Policy
Terry Sanford Institute of Public Policy
Duke University

Lisa J. Berlin

Center for Child and Family Policy
Terry Sanford Institute of Public Policy
Duke University

Aimee Wall

School of Government
University of North Carolina at Chapel Hill

Linda Attarian

Division of Medical Assistance
North Carolina Department of
Health and Human Services

Layout and Production by

Geelea Seaford

Center for Child and Family Policy
Terry Sanford Institute of Public Policy
Duke University

May 24, 2005

Purpose and Presenters

M*edicaid Cost Containment Strategies in North Carolina and Other States* is the first North Carolina Family Impact Seminar in a series designed to connect research and state policymaking.

Family Impact Seminars analyze the impact an issue, policy, or program may have on families. Family Impact Seminars started on a national level over 20 years ago. They have since transitioned into a network of state-level seminar series supported in part by the Policy Institute for Family Impact Seminars at the University of Wisconsin-Madison. The seminars and supporting materials are designed to bring together research, practice, and policy experts from a range of disciplines to share information and help bring research to policymaking. The seminars deliberately take an educational, nonadvocacy approach. They are a forum for providing objective, nonpartisan, solution oriented research to state policymakers, including legislators, legislative and gubernatorial staff, and state agency officials.

This seminar featured the following speakers:

Brian Burwell

Vice President, Chronic Care and Disability
Medstat
125 Cambridge Park Drive
Cambridge, MA 02140
Phone (617) 492-9302
brian.burwell@thomson.com

Sybil M. Richard, J.D., M.H.A., R.Ph.

Assistant Deputy Secretary for Medicaid Operations
Florida Agency for Health Care Administration
2727 Mahan Drive, Mail Stop 8
Tallahassee, FL 32308
Phone (850) 414-7332
richards@ahca.myflorida.com

Vernon K. Smith, Jr., Ph.D., Principal

Health Management Associates
120 North Washington Square, Suite 705
Lansing, MI 48933
Direct office phone (517) 318-4819
HMA office general (517) 482-9236
vsmith@healthmanagement.com

For further information on the North Carolina Family Impact Seminar series, see the North Carolina Family Impact Seminar website: <http://www.childandfamilypolicy.duke.edu>; or contact:

Jenni Owen

Center for Child and Family Policy
Terry Sanford Institute of Public Policy
Duke University
Box 90264
Durham, NC 27708-0264
Phone: (919) 613-7300
Fax: (919) 681-1533
jwowen@duke.edu

Selected Family Impact Seminar Briefing Reports

Each seminar is accompanied by a briefing report that summarizes research on a topic and identifies policy options from across the political spectrum. Copies of this and future briefing reports are available at: www.childandfamilypolicy.duke.edu/fisindex.html

Other Family Impact Seminar Briefing Reports on Health Issues

<u>State</u>	<u>Seminar Title</u>
CA	Health Care Reform and California's Vulnerable Families http://www.library.ca.gov/CAFIS/reports/94-02/94-02.pdf
DC	Sign'em Up: Strategies to Enroll Eligible Children in DC Healthy Families http://www.ncemch.org/dcfps/pdf/05_2000.pdf
DC	Do School-based Mental Health Services Make Sense? http://www.ncemch.org/dcfps/pdf/11_1999.pdf
DC	HIV/AIDS: Helping Families Cope http://www.ncemch.org/dcfps/pdf/04_1995.pdf
DC	Substance Abuse Prevention and Treatment Programs: A Family Approach http://www.ncemch.org/dcfps/pdf/02_1995.pdf
IN	Healthy Environments for Young Children http://www.cfs.purdue.edu/CFF/pages/publications/familyimpactseminar1999.pdf
MI	Innovative State and Local Approaches to Health Care Coverage for Children http://icyf-ftpwebsvr.icyf.msu.edu/icyf/pdf/familyimpact20105.pdf
NE	Rising Health Care Costs
NE	Public Children's Health Insurance: Implications of Shifting Regulations
NY	Healthy Communities: Concepts and Collaboration Tools http://www.human.cornell.edu/faculty/summrpt_s98.html

Table of Contents

Executive Summary	vii
Four Questions to Guide Policymakers	viii
Acknowledgments	ix
An Overview of Medicaid in North Carolina Lisa J. Berlin, Duke University	1
A National Challenge: How States Try to Control Medicaid Costs and Why It Is So Hard Vernon K. Smith, Jr., Health Management Associates	14
State Experiences with Managed Long-term Care in Medicaid Brian Burwell, Medstat	32
Overview of Selected Cost Containment Strategies for Medicaid Prescription Drug Spending Sybil M. Richard, Florida Agency for Medical Operations	41
Acronyms and Glossary of Terms Related to Medicaid	52
Internet Sites with Relevant Medicaid Information	54

Executive Summary

In FY 2004, North Carolina's Medicaid Program spent nearly \$8.5 billion on health coverage for 1.5 million citizens. The state's Medicaid spending grew at a rate of 11.9%. In North Carolina, as in other states, the continued growth in Medicaid spending is an increasingly pressing concern.

This report discusses Medicaid cost containment strategies in North Carolina and other states. A "family impact perspective" on policymaking informs this report. Specifically, policymakers routinely consider environmental or economic impacts of programs. Family Impact Seminars aim to help policymakers examine the impacts of policies on families. Family Impact Seminars provide objective, nonpartisan, solution-oriented research to state policymakers.

This report consists of four briefs:

The first brief describes **the Medicaid Program in North Carolina**. The brief illustrates eligibility criteria, expenditures for different population groups of recipients, available benefits, and their costs. The brief also discusses changes to North Carolina's Medicaid program in the past 15 years, including expansions in eligibility criteria and programmatic changes in managed care, prescription drugs, provider rates, recipients, and recipient services.

The second brief addresses **how states are trying to control Medicaid costs**. This brief first provides a view of the national Medicaid program, highlighting how Medicaid enrollment and expenditures continue to rise in all 50 states. The brief then reviews an array of measures states have enacted in the past two years, highlighting North Carolina's recent activities within each of these strategies. The brief concludes with a forecast of what states might expect regarding spending trends and other challenges in the years to come.

The third brief addresses **state experiences with Medicaid managed long-term care**. This brief examines the current status of the Medicaid managed long-term care market on a national level, discusses the potential benefits and challenges of implementing new managed long-term care programs, and describes North Carolina Medicaid's preliminary ventures into the managed long-term care arena. It concludes with a short discussion of the potential impact of managed long-term care on families.

The fourth brief describes **selected cost containment strategies for Medicaid prescription drug spending**. This brief reviews Medicaid prescription drug spending and cost containment strategies that have been implemented across the country, highlighting approaches in Florida and North Carolina. It focuses some attention on several emerging strategies not yet implemented in North Carolina: preferred drug lists, supplemental rebates, and multi-state purchasing pools.

In North Carolina, as in other states, the continued growth in Medicaid spending is an increasingly pressing concern.

Four Questions to Guide Policymakers' Consideration of North Carolina's Medicaid Cost Containment Strategies

- How do North Carolina families contribute to the challenges of growing Medicaid costs and the state's ability to contain these costs?
- How are North Carolina families affected by rising Medicaid costs?
- How are North Carolina families affected by current cost containment policies?
- To what extent can North Carolina families help to generate solutions to the state's cost containment difficulties, and how might Medicaid services be more cost effective if they do?

Acknowledgments

We are grateful to the following individuals for their contributions to this briefing report:

- **Charlene Allred**, Department of Psychiatry, Duke University
- **Laura Bates** and **Esther Onaga**, Michigan Family Impact Seminar, Institute for Children, Youth, and Families, Michigan State University
- **Mark Benton**, North Carolina Division of Medical Assistance, North Carolina Department of Health and Human Services
- **Karen Bogenschneider**, **Heidi Normandin**, and **Meg Wall-Wild**, Wisconsin Family Impact Seminar
- **Beth Gifford**, **Lynda Harrison**, and **Erika Layko**, Center for Child and Family Policy, Duke University
- **Monica Glover** and **Kerstin Lindgren**, School of Government, University of North Carolina at Chapel Hill
- **Carol Shaw**, Fiscal Research Division, North Carolina General Assembly
- **Pam Silberman**, Sheps Center for Health Services Research
- Staff from the North Carolina Division of Medical Assistance
- Staff of the Speaker of the North Carolina House of Representatives

We appreciate the invaluable input of the North Carolina Family Impact Seminars Legislative Advisory Committee and Planning Committee:

Legislative Advisory Committee:

Rep. Jeff Barnhart
Rep. Bob England
Rep. Rick Glazier
Sen. Fletcher Hartsell

Rep. Carolyn Justice
Sen. Vernon Malone
Rep. Jean Preston
Rep. William Wainwright

Planning Committee:

Charlene Allred	Department of Psychiatry, Duke University
Linda Attarian	North Carolina Division of Medical Assistance
Lacey Barnes	North Carolina Division of Medical Assistance
Lisa J. Berlin	Center for Child and Family Policy, Duke University
Lanier Cansler	Cansler Fuquay Solutions, Inc.
Gary Fuquay	Cansler Fuquay Solutions, Inc.

Jim Johnson	Fiscal Research Division, NC General Assembly
Erika Layko	Center for Child and Family Policy, Duke University
Jenni Owen	Center for Child and Family Policy, Duke University
Benjamin Popkin	Research Division, NC General Assembly
Terry Sullivan	Research Division, Legislative Services, NC General Assembly
Aimee Wall	Assistant Professor of Public Law and Government, School of Government, University of North Carolina at Chapel Hill
Gann Watson	Bill Drafting Division, Legislative Services, NC General Assembly