LEGISLATIVE AUDIT COUNCIL

FOLLOW-UP

May 2005

Options for Medicaid Cost Containment

BACKGROUND

This report was the third in a series of three reports which reviewed the South Carolina Medicaid program. The state Medicaid program is administered by the S.C. Department of Health and Human Services (DHHS) and provides health care for eligible recipients. The department is jointly funded by federal and state dollars.

Members of the General Assembly requested the audit due to concern over the increase in Medicaid expenditures and the number of recipients. The report focused on Medicaid enrollment and how DHHS ensures that only eligible people receive Medicaid and that the recipients use those benefits appropriately. The audit also included strategies that the department could use to improve the cost-effectiveness of the Medicaid program including a state preferred prescription drug list, a focus on community long term care, recipient cost sharing, estate recovery, and debt collection.

In our January 2003 audit, we made recommendations to the Department of Health and Human Services and the General Assembly. In our follow-up, we found that the department has implemented many but not all of the recommendations.

MEDICAID ENROLLMENT: CONTROLLING ELIGIBILITY

DHHS has not eliminated the second year of transitional Medicaid that is available to some welfare recipients. The department estimated that the elimination of this category could save approximately $7 million in FY 04-05. The Department of Social Services no longer has the federal waiver which the statute requires for the second year of transitional Medicaid. A state plan amendment would be required to eliminate the second year of transitional Medicaid.

DHHS also has not eliminated the $50 income disregard for child support as recommended and allowed by the federal Centers for Medicare and Medicaid Services. Families seeking eligibility for Medicaid under the low income family category can exclude $50 of child support from their income. Although it is difficult to estimate the savings, if the number of adult recipients in the low-income family category was reduced by 10%, the potential savings in state funds could be $3.4 million.

The Department of Health and Human Services has improved identification of private health insurance and communication between the eligibility division and the Medicaid eligibility quality assurance division. We recommended ways that eligibility criteria for low-income groups could be strengthened to reduce Medicaid enrollments and expenditures. DHHS has implemented some of these recommendations by:

- Requiring more frequent reviews of eligibility for some groups;
- Eliminating assumptive eligibility for all groups except pregnant women; and
- Continuing to review eligibility criteria for Medicaid.

RECIPIENT FRAUD

The division of program integrity is responsible for detecting, investigating, and prosecuting recipient fraud. In September 2004, the Department of Health and Human Services entered into a five-year agreement with the Attorney General's office to investigate Medicaid beneficiaries suspected of fraud and abuse. DHHS pays the AG's office $250,423 each year for these services and transferred investigative staff and equipment. DHHS has also changed its policy on collection of overpayments from beneficiaries. Funds collected from recipients have increased 118% from $100,000 in FY 03-04 to $233,000 in the first seven months of FY 04-05. However, DHHS has not increased its recipient education efforts or required communication with other state agencies on recipient fraud.

Methodology

We received information from the Department of Health and Human Services regarding the implementation of the audit's recommendations. We reviewed this and other information, interviewed officials, and verified evidence supporting DHHS's information as appropriate.

For More Information

Our January 2003 full report, its summary, and this document are published on the Internet at

www.state.sc.us/sclac

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Making Medicaid Services More Cost-Effective

Prescription Drugs

DHHS has proceeded with implementing a state preferred drug list as recommended. We estimated savings of $12.8 million in state funds once the state preferred drug list is fully implemented. In May 2004, providers received notice that DHHS was beginning a gradual implementation of the South Carolina Medicaid's Preferred Drug List. Implementation will consist of a number of phases, each adding additional therapeutic classes every other month. The first eight therapeutic classes became effective on July 21, 2004.

While DHHS has conducted a study to improve utilization controls for OxyContin, it has not considered placing all OxyContin prescriptions on a prior approval list or the preferred drug list, as recommended in the audit. OxyContin is a prescription painkiller that contains a very strong narcotic pain reliever similar to morphine. DHHS previously required prior approval of OxyContin, which resulted in reduced prescriptions and a nearly $400,000 decrease in expenditures for all narcotics. After prior authorization was relaxed, use of and expenditures for OxyContin again increased.

In May 2004, DHHS completed a study of the costs and utilization of OxyContin in the state. Only 1 of the 12 recommendations in the study addressed prior authorization. It recommended that prior authorization be required for amounts that exceed 120 tablets for a 30-day period (4 per day) rather than 180 tablets that is currently in place. The recommendations are under review by DHHS executive staff.

Costs for Long Term Care

Recommendations concerning long term care and nursing homes have generally not been implemented. The General Assembly has not authorized more slots for the community long term care (CLTC) program or given DHHS flexibility in funding CLTC and nursing home programs. The waiting list for nursing homes has remained unchanged from 281 in October 2002 to 285 in May 2004. However, the waiting list for CLTC has decreased from 3,600 in November 2002 to 2,805 in June 2004. DHHS has not implemented a system which allows funding to follow patients from a nursing home into a home or community-based setting. DHHS does have a three-year grant from the federal Centers for Medicare and Medicaid Services to identify and transition nursing home residents to community living.

Other Cost-Saving Strategies

DHHS has not charged an enrollment fee for enrollees in the Partners for Healthy Children program, as recommended. The agency has implemented our recommendation for cost sharing with recipients:

- A co-payment is charged to recipients ranging from $1 to $3 for certain types of services such as podiatry and dentistry.
- A $25 co-payment is also charged for each admission for inpatient hospital services.

The co-payments became effective on March 31, 2004, but DHHS does not have data to show the cost savings. The General Assembly has not made any recommended changes to the estate recovery program. DHHS has not used the Department of Revenue for debt collection but has submitted a request to change the system to allow for debt collection through regular deductions from Medicaid reimbursements.