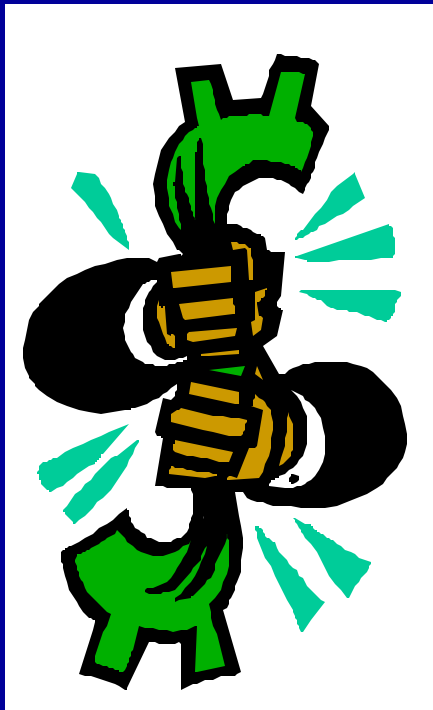


Medicaid and Medicare Data that Point Way to Reduce Health Care Costs



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This Presentation

- Data from Study on Use of Chiropractic Services by Medicare Beneficiaries
 - Shows cost-effective benefits of chiropractic care
- Medicaid Data Study in 17 states
 - Examples of areas of high expenditures with potential for reduced costs through disease management

Data from Study on Use of Chiropractic Services by Medicare Beneficiaries



The Study

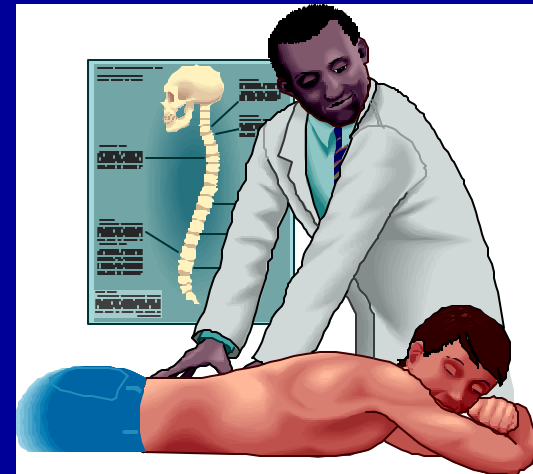
- Study examined cost-effectiveness of Chiropractic care
 - Retrospective look at data for Medicare beneficiaries*
 - Comparison of utilization of services and payments for those who received Chiropractic care versus similar patients who did not, selecting diagnosis codes for specific medical conditions most typically treated by chiropractors

1999 Baseline Data

- 15 percent of all Medicare beneficiaries had at least one medical claim with a primary diagnosis in the selected medical conditions
- These beneficiaries generated 216 million claims, for a total of \$41 billion in payments out of a total of \$210 billion
- Average payment per beneficiary was \$7,117, and payment per claim averaged \$191

Baseline Data for Beneficiaries

- 26.8 percent of the Medicare patients studied received treatment from chiropractors
- Of those 26.8 percent, 24.1 percent of their claims were for chiropractic services



Significant Findings on Claims for all Medical Services

- Although comprising 26.8% of beneficiaries studied, the patients who received chiropractic services generated only 16.7% of payments
- They averaged five fewer claims per beneficiary (33.4 versus 38.6)
- Their average per capita payment (\$4,426) was significantly lower than those patients who received no chiropractic help (\$8,103)

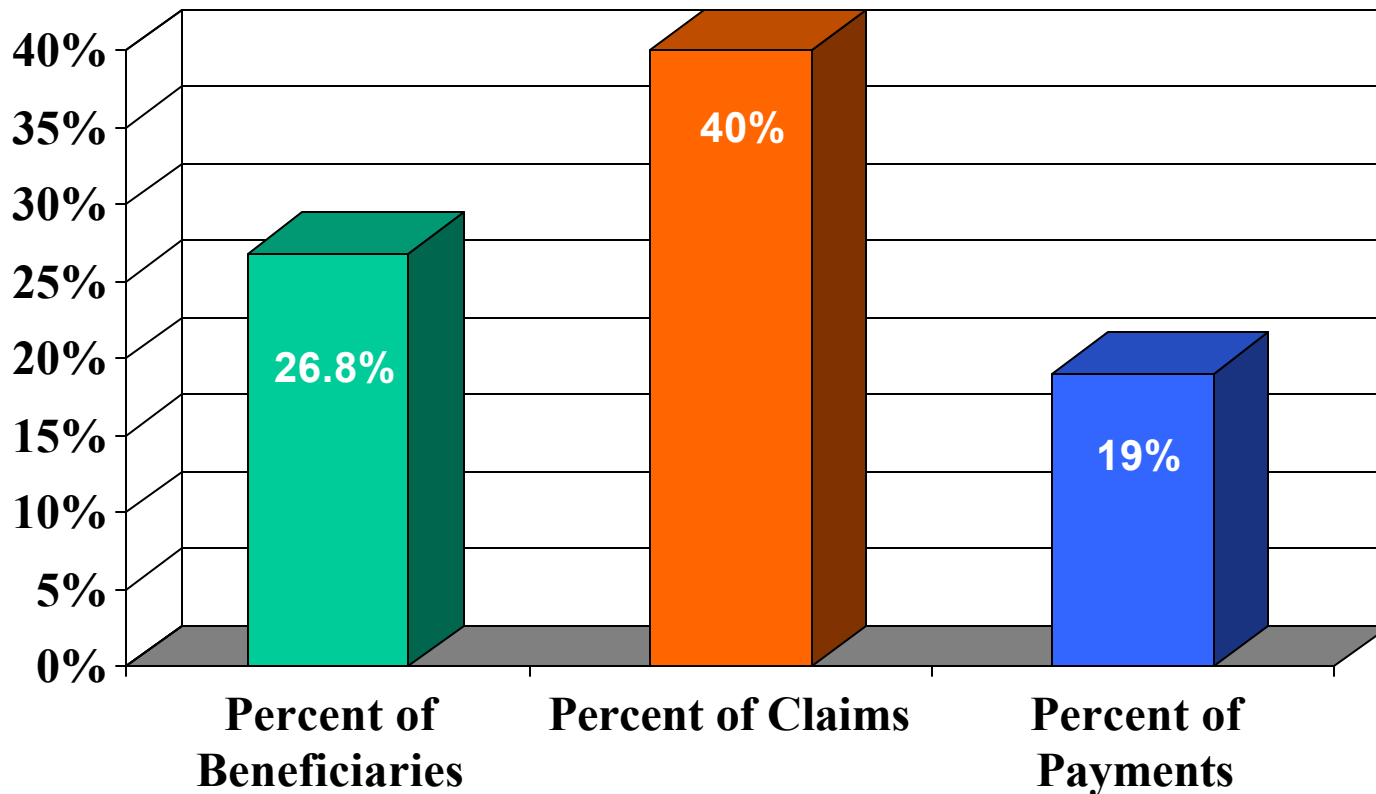
Data for All Claims

| | Without Chiro Care | With Chiro Care |
|---------------------------------------|-----------------------|--------------------|
| Average Number of Claims | 38.6 | 33.4 |
| Average Payment per Capita | \$8,103 | \$4,426 |
| Average Payment per Claim | \$210 | \$133 |

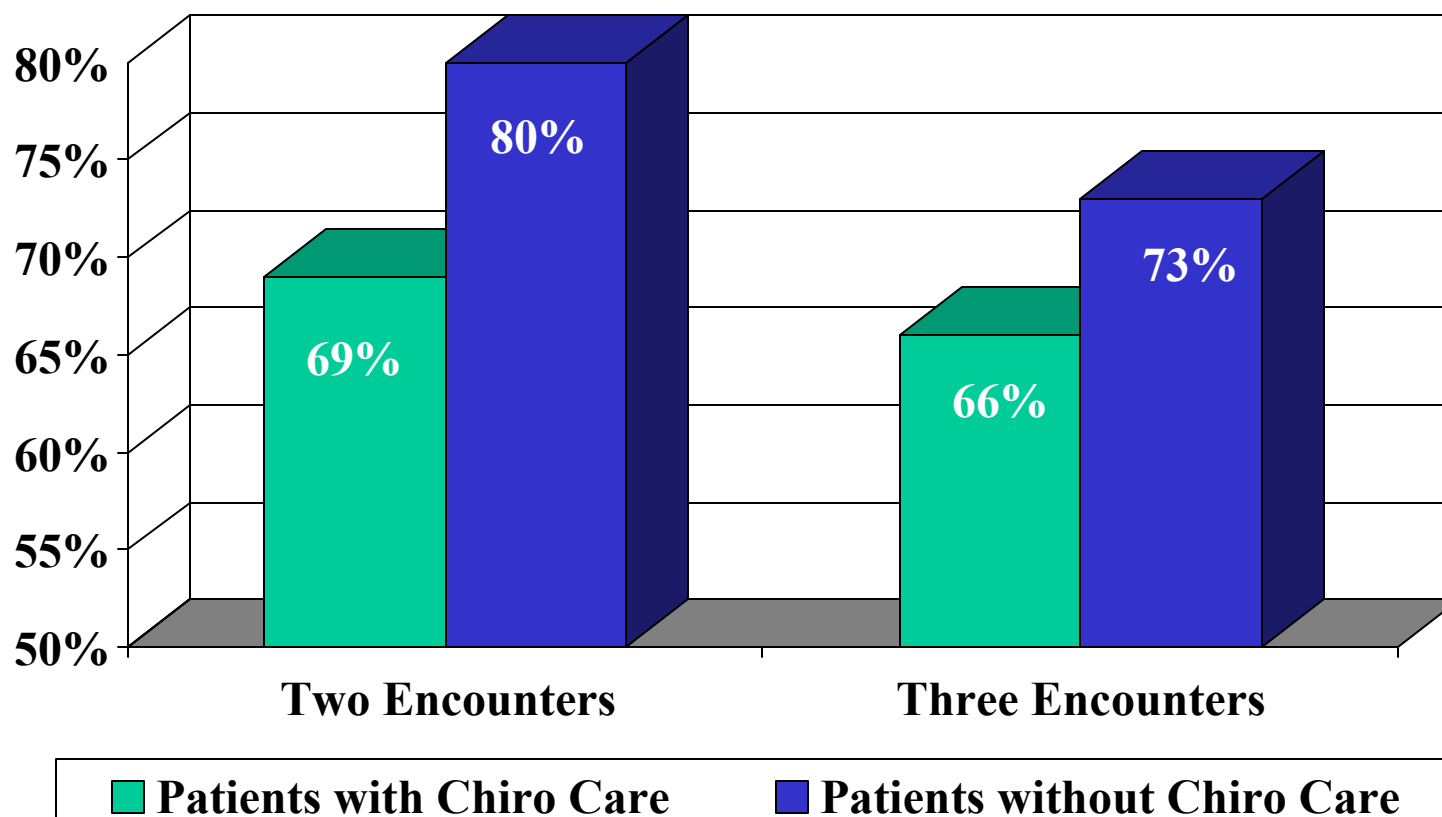
Significant Finding for All Claims

- While representing over 26.8% of beneficiaries, and more than 40% of claims, this group of patients who received chiropractic services account for only 19% of Medicare payments for the treatment of these conditions

Data for All Claims for Patients with Selected Medical Conditions who Received Chiropractic Care



Subsequent Encounters for all Claims



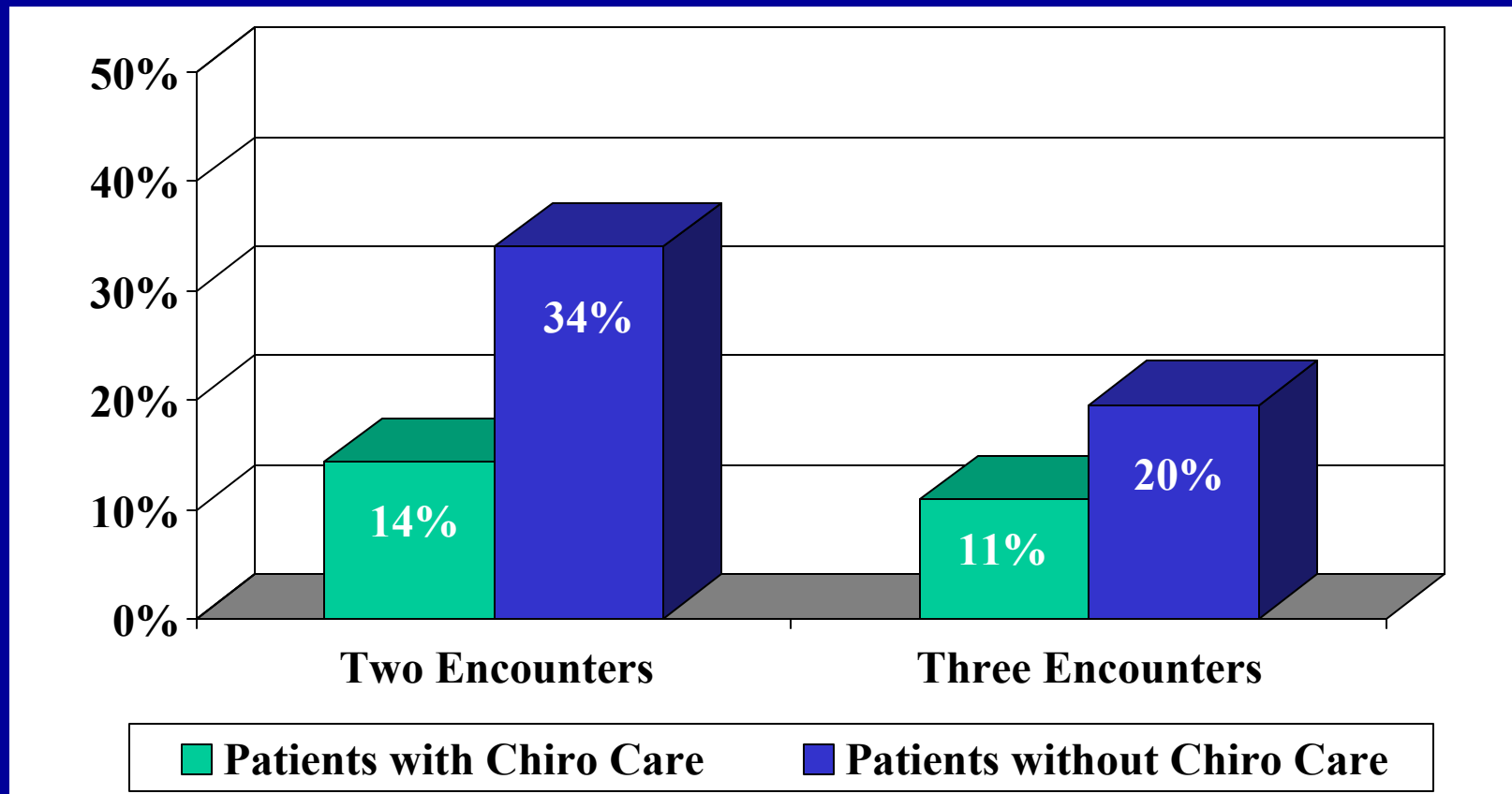
Data for Musculoskeletal and Related Claims Only

- While comprising 26.8% of beneficiaries, the patients with the selected medical conditions treated by a chiropractor,
 - Accounted for 42.3% of the claims
 - Averaged 8 claims per capita versus 4 for those recipients without chiropractic services
- Despite higher number of claims, accounted for
 - Lower average payment per capita (\$380 versus \$594)
 - Lower average payment per claim (\$48 versus \$149)

Data for Musculoskeletal and Related Claims Only

| | Without Chiro Care | With Chiro Care |
|-------------------------------|-----------------------|--------------------|
| Average Number of Claims | 4 | 8 |
| Average Payment per Capita | \$594 | \$380 |
| Average Payment per Claim | \$149 | \$48 |

Subsequent Encounters for Musculoskeletal and Related Claims Only



Conclusions

- **Our study of 1999 Medicare data suggests that Chiropractic care significantly reduces per beneficiary costs to the Medicare program for selected musculoskeletal and related medical conditions**
- **When claims for all services are examined, patients with Chiropractic care had fewer claims per capita, and lower average Medicare payments for all medical services**
- **When only claims with primary diagnoses of selected musculoskeletal and related claims are analyzed, patients with Chiropractic care averaged twice as many claims per capita, but generated substantially lower payments than patients treated by other providers**

Medicaid Data Study

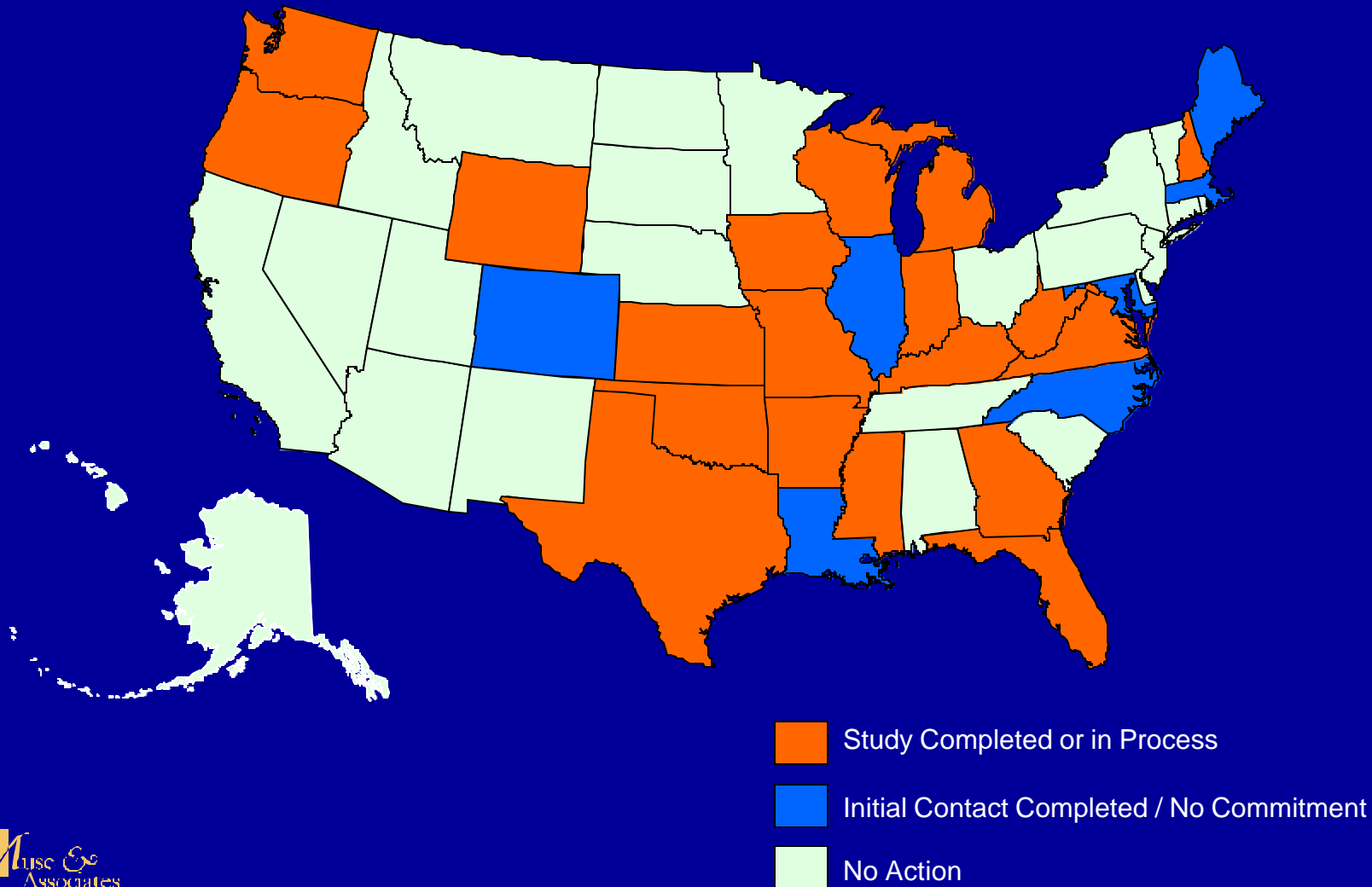


The Message from the Medicaid Study

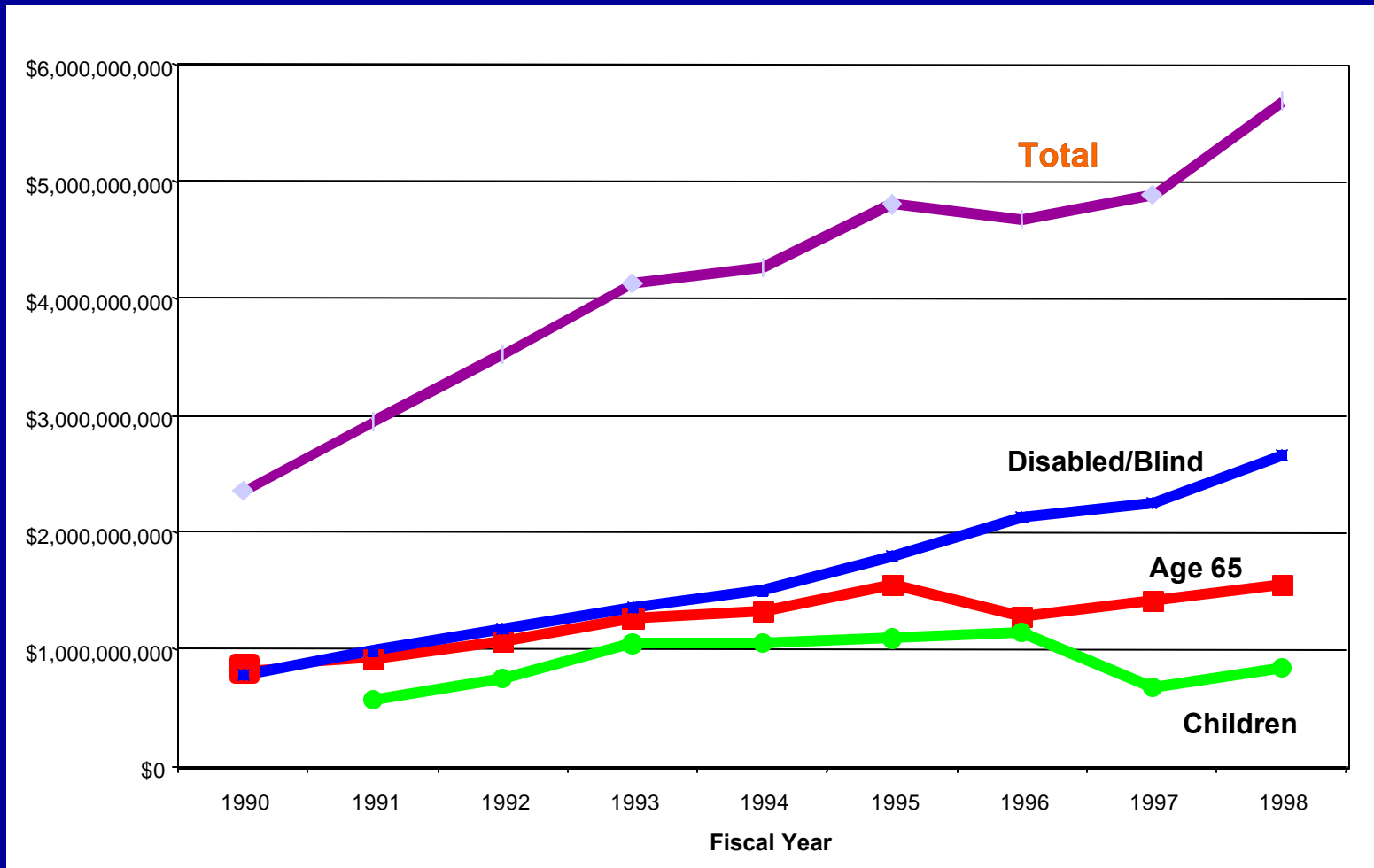
- There are more than 30 policy options that reduce Medicaid expenditures by making Medicaid recipients healthier.
- This presentation provides a sample of such options.
- Expanded presentation available from elizsegall@muse-associates.com

State Medicaid Studies

November 1, 2000 through September 1, 2002



State XYZ Medicaid Medical Vendor Payment by Eligibility Status by Year



2001 Summary of Primary Diagnosis Data for Selected Conditions

| | Patient Count | % Patient | Medicaid Paid | % Paid | Average Paid |
|-------------------------|---------------|--------------|-----------------|--------------|--------------|
| Asthma | 109,669 | 4.6% | \$560,363,009 | 7.8% | \$5,109.58 |
| Diabetes | 72,359 | 3.0% | \$722,116,986 | 10.1% | \$9,979.64 |
| CHF/Heart Failure | 33,467 | 1.4% | \$480,113,924 | 6.7% | \$14,345.89 |
| Total 3 Diseases* | 196,286 | 8.2% | \$1,471,502,724 | 20.6% | \$7,496.73 |
| Adjusted Total** | | 10.3% | | 25.0% | |
| Total State | 2,382,165 | | \$7,156,950,165 | | |

* unduplicated

** Adjusted because significant percentage of primary diagnosis codes missing in Long Term Care and Other Claims files

Neonate Case Management

- 200 Neonates
- 98 hospitalized in first year
- 7 had two or more hospitalizations
- Hospitalizations can be prevented

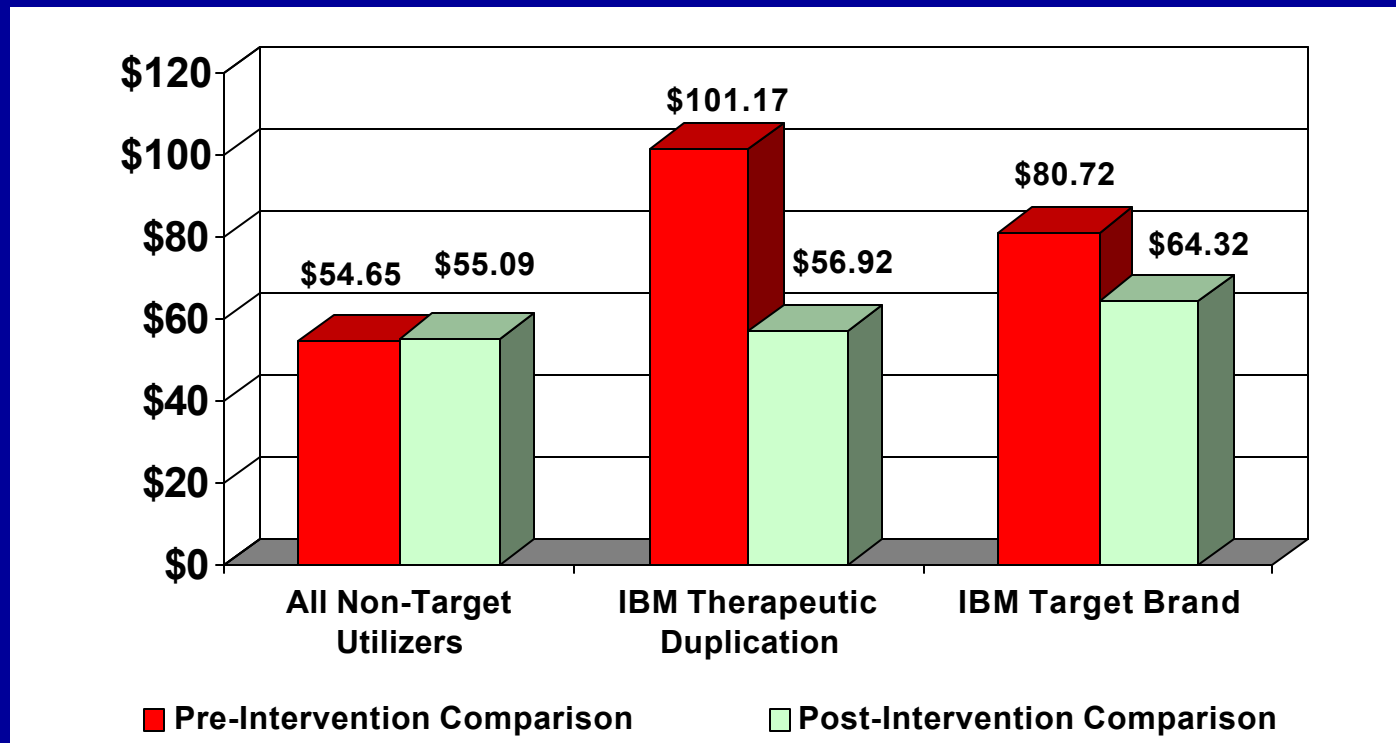


Expenditures for Persons with 20 or More Prescriptions in 180 Days*

- 41,986 total persons with \$784 million in total expenditures
 - \$175 million in prescription drug expenditures
- 28,983 non-institutionalized persons used \$455 million or 16% of total State XYZ Medicaid expenditures
 - These patients represent **5%** of total Fee-for-Service recipients (other states range from **0.3% to 5.2%**)

* Since analysis confined to one year, these are underestimates

Florida Intensified Benefit Management (IBM) Program for Persons with 20 or more Prescriptions in 180 days



“The IBM program was able to produce cost savings for each intervention, including a 44% reduction in the PUPM (per user per month) for therapeutic duplication targeted recipients.” *Medicaid Prescription Drug Spending Control Program*

Annual Report, State of Florida Agency for Health Care Administration, Jan. 2002, p. 23.

2001 Prescription Drug Expenditures

(Fee for Service in millions of dollars)

| <u>Group</u> | <u>Dollars</u> | <u>Percent</u> |
|----------------|-----------------|----------------|
| Aged | \$ 310.0 | 22.7% |
| Blind/Disabled | \$ 901.1 | 65.8%* |
| Children | \$ 85.8 | 6.3% |
| Other Adults | \$ 67.3 | 4.9% |
| Unknown | <u>\$ 4.7</u> | <u>0.3%</u> |
| Total | \$1368.9 | 100.0% |

*** Other states ranged from 55.5% to 68.4%**

Relative Costs of Medicaid Recipients with Mental Illness and Selected Chronic Illnesses: Total Annual Expenditures Per Person

| | Mental Illness <u>Diagnosis</u> | No Mental Illness <u>Diagnosis</u> |
|---------------|--|---|
| Asthma | \$23,669 | \$14,252 |
| Diabetes | \$18,051 | \$10,421 |
| Heart Failure | \$27,667 | \$18,354 |

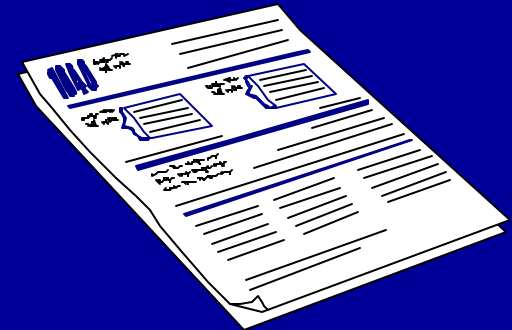
Sample Key Finding

Potential Overlapping Medication

- There were 5,717 patients on 3 or more overlapping behavioral medications during 2000. This represents approximately 4.4 percent of recipients who received a prescription drug with a mental health indication.
- Potential savings could be as high as \$2.0 million

Third Generation Abuse Investigative Tools

- CPT 43239, Upper GI Endoscopy, Biopsy and CPT 00740, Anesthesia, Upper GI Visualize should not be billed separately and should be bundled as part of the endoscopy procedure. Approximately \$79,611 was paid for these codes in 2000
- Thousands of pairs of codes
- Approximately 2.8% of total expenditures for physician services in average state



Analysis of Federal Medicare Prescription Drug Benefit

- Medicare is the primary payer to Medicaid
- Modeled our analysis of an Rx benefit on the Thomas bill
- Approximately 71% of State XYZ prescription drug expenditures are for dual eligibles
- ***Estimated savings of 41.3% of total State XYZ prescription drug expenditures if Thomas bill is enacted (2001) – more if drugs for aged and disabled are carved out from managed care***