

Agency Overview

The Department of Health and Hospitals' (DHH) mission is "to protect and promote health and to ensure access to medical, preventive, and rehabilitative services for all citizens of the State of Louisiana." The leadership of DHH is committed to enhancing regulatory and monitoring functions to mitigate fraud and abuse; creating coordinated systems of health and long-term care; providing choice in a competitive market; and employing health data information and policy analysis to improve health care outcomes, manage growth in future health care costs and create a more sustainable model of state financing for health care that is quality-driven.

DHH is the largest agency of state government, with five statutorily created program offices and the Medicaid program under its direction. DHH has a State Fiscal Year (SFY) 2010 budget of over \$8 billion and more than 11,000 employees. This year's budget calls for the lowest number of T.O. positions in ten years. (*Appendix A*)

Current Streamlining Initiatives

Since January 2008, DHH has proposed, or is in the process of implementing, numerous efficiencies and streamlining efforts such as significant reforms to the Medicaid program, of the New Orleans Adolescent Hospital with Southeast Louisiana Hospital while enhancing and expanding community-based services, the proposed closure of inpatient services at one public hospital, and other significant improvements implemented or under way (*Appendix B*).

- Make Fundamental Changes to the Louisiana Medicaid Program.
- Implement a Medicaid Disease Management Program.
- Establish a New Medicaid Fiscal Intermediary Service.
- Manage Medicaid Funded Mental Health Services.
- Implement a Behavioral Pharmacy Management Program.
- Implement a Radiology Utilization Management Program.
- Update InterQual Medicaid Criteria.
- Consolidate and/or Close Medicaid Eligibility Offices.
- Create the Office of Behavioral Health.
- Implement Resource Allocation.
- Transfer the Adult Residential Care Program from DSS to DHH.
- Consolidate DHH-operated inpatient services in the Greater New Orleans area.
- Assume Responsibility of the DEQ laboratory.
- Implement Vital Records Re-engineering.
- Privatize DHH-operated Community Homes.

Appendix A

DEPARTMENT OF HEALTH AND HOSPITALS FY 2009-2010 INITIAL APPROPRIATIONS

AGY	Agency Name	State	Self-Gen	IAT	Federal	Stat Ded	Total	T.O	Non T.O
300	Jefferson Parish Human Services Authority	21,020,994		5,729,514			\$26,750,508	-	250
301	Florida Parishes Human Services Authority	11,419,548	104,428	9,953,803	11,100		\$21,488,879	-	192
302	Capital Area Human Services Districts	18,586,702	107,269	13,615,558	159,135		\$32,468,664	-	275
303	Developmental Disabilities Council	\$640,367			\$1,499,894		\$2,140,261	9	
304	Metropolitan Human Services Districts	\$19,760,526	\$651,133	\$11,885,424	\$1,326,876		\$33,623,959	-	190
305	Medicaid Administration	\$81,525,379	\$2,416,223	\$2,005,000	\$159,325,434	\$6,373,391	\$251,645,427	1,263	
306	Medicaid Provider Payments	\$1,031,364,758	\$10,000,000	\$12,012,091	\$5,122,077,172	\$324,772,519	\$6,500,226,540*		
307	Office of the Secretary	\$57,810,055	\$6,739,899	\$54,433,872	\$63,618,240	\$2,900,000	\$185,502,066	381	
320	Office of Aging and Adult Services	\$13,298,689	\$1,618,265	\$33,650,014	\$2,013,627		\$50,580,595	573	
324	Louisiana Emergency Response Network	\$3,671,437					\$3,671,437	10	
326	Office of Public Health	\$53,107,884	\$26,225,724	\$25,265,229	\$218,159,888	\$7,377,054	\$330,135,779	1,663	
330	Office of Mental Health	\$87,111,388	\$4,229,891	\$200,660,119	\$23,335,993		\$315,337,391	2,960	
340	Office for Citizens with Developmental Disabilities	\$20,011,047	\$10,701,662	\$253,630,852	\$6,933,609	\$1,391,480	\$292,668,650	4,044	
351	Office of Addictive Orders	\$30,061,270	\$598,132	\$16,246,661	\$47,470,745	\$6,090,013	\$100,466,821	419	
		\$1,449,390,044	\$63,392,626	\$639,088,137	\$5,645,931,713	\$348,904,457	\$8,146,706,977	11,322	907

*This appropriation includes \$213 million in funds for hospitals in accordance with Act 228 of the 2009 Legislative Session.

Current Streamlining Initiatives

1. Fundamental Changes to the Louisiana Medicaid Program. Louisiana's Medicaid program has significant challenges, led most importantly by the chronically poor outcomes produced despite the best efforts of our providers—providers who struggle to provide services in a fragmented system with little coordination of care. Our rates of hospitalization have been shown to be among the highest in the nation, and our quality metrics are poor by most measures. The financial challenges we face over the next several years are profound, and without significant structural changes to our program, the state is not in a position to manage this challenge. To put it in perspective, the state is currently facing a shortfall in Medicaid with an annualized impact of \$1.2 billion beginning in July, 2011. In the year that begins July 2010, the shortfall could be as high as \$700 million, depending upon how much stimulus is drawn during the next year, and depending upon whether we face a shortfall in the current year.

Current Medicaid services are primarily delivered by private providers reimbursed under a fee-for-service method that virtually every national health policy expert covering the entire political spectrum has decried as a failed system that incentivizes waste and overspending. Most recently, the Congressional Budget Office has said the fee-for-service system has contributed to the cost growth in health care nationally. This has been echoed by the Medicare Payment Advisory Commission, the Heritage Foundation, President Obama's health care advisors and even groups like the American Diabetes Association. We agree. Add to the fact that they cost more, fee-for-service programs have been shown in multiple states, from California to New York and throughout the nation, to have poor outcomes relative to systems of coordinated care, where consumers have the choice of choosing their plan. A recent review of 24 different studies by the Lewin Group demonstrates with hard data that managed Medicaid programs have saved states anywhere from 2 to 19 percent of their Medicaid costs for medical services. We believe the heart of any reform should be consumer choice, transparency in results, and incentives for improved management of chronic disease. While the Administration has advanced this concept, some elements must be approved by the federal government. DHH recommends moving forward as rapidly as possible toward a Medicaid system of care that is more organized, less fragmented, and grants consumers, for the first time, the ability to make choices about which healthcare network they wish to receive their services from.

With the discussion of national health care reform, all estimates are that a substantial expansion of eligibility for Medicaid could occur. With Louisiana's current eligibility levels for adults at 12 percent of the Federal Policy Level, and given the expansion proposals by Congress

to increase eligibility to 133 percent of the Federal Poverty Level, the percentage of Louisiana residents covered by Medicaid could reasonably be estimated to exceed 40 percent. With the potential for substantial expansion of an ailing system, DHH is focused on strategies to move toward a more coordinated delivery system.

In this model, DHH will transform from its current role of simply paying for services to one where its role would be to monitor the various systems of care, set benchmarks for improved performance, provide transparent results for each system of care, and hold the systems of care accountable for results.

A coordinated delivery system is of interest to several provider organizations that agree Louisiana must fundamentally reform its Medicaid program. DHH is in discussion with these groups to develop ways to enhance the existing CommunityCARE program through the potential creation of integrated networks to reduce unnecessary or duplicative care, increase access and improve health outcomes. *(Projected Savings: 2 to 19 percent of Medicaid costs for medical services, excluding eligibles exempt from managed care)*

2. Medicaid Disease Management Program. DHH, in the midst of a competitive bid process for a disease management program, focused on Medicaid patients with asthma, diabetes, and congestive heart failure. This statewide quality improvement initiative is expected to begin in January 2010, and will better control illnesses, resulting in improved health outcomes and cost containment throughout the system. *(Projected Savings: \$700 per member/per month)*

3. Medicaid Fiscal Intermediary Services. Medicaid is in the process of modernizing its fiscal intermediary services to operate more efficiently. Louisiana's information system is antiquated, resulting in expensive maintenance costs and limitations in our ability to use technology for efficiencies. A competitive contract bid process is underway for a new fiscal intermediary that will move the Medicaid fiscal intermediary to a relational database and reduce or eliminate redundant contracts for such things as prior authorizations. The ability to consolidate contracts alone could save approximately \$8 million per year, a number that does not reflect the efficiencies gained through the upgrade. The legislature appropriated funding to carry out this action this state fiscal year. *(Projected Savings: approximately \$8 million per year on contracts alone)*

4. Medicaid Funded Mental Health Services. Additionally, Medicaid is in the process of developing a request for proposals for a coordinated approach to managing Medicaid-funded mental health services through the implementation of an Administrative Services Organization (ASO). This is an entity that oversees the operation of a system of care for an entire population with services that are defined and identified to be provided with allocated funding, such as mental and behavioral health services. Some of the main goals of the ASO contract include, but

are not limited to: increasing access to quality mental health care, reduce duplicative services, decrease over utilization of emergency rooms and psychiatric hospitals, improve outcomes and serve more individuals at current funding levels. The competitive bid process is expected to begin January 2010. (*Projected Savings: anticipated*)

5. Behavioral Pharmacy Management. The legislature allocated funds for the establishment of a behavioral pharmacy management program during the 2009 Regular Session. The Medicaid pharmacy program is in the process of developing strategies to streamline and automate current processes that are labor intensive and inefficient. Special attention will be placed on children as data show that they are prescribed very powerful antipsychotic and other mental health medications at what some consider an alarming rate. While DHH asserts there is medical evidence to support some use of these medications when properly prescribed and administered based on the clinical evidence, there are also studies that have shown the rate of prescribing and dosages may exceed what is in the child's best interest. Successful programs have been implemented that monitor appropriateness of prescribing based on the clinical evidence, and the success of these programs has been based upon collaboration with the child's physician. (*Projected Savings: anticipated*)

6. Radiology Utilization Management. Medicaid is implementing a Radiology Utilization Management program to provide a holistic approach to medical care of the patient through appropriate utilization of Department defined radiology services by Medicaid providers and recipients. The anticipated start date is Feb 1, 2010, with a 60-day implementation phase prior to the launch. The program will consist of the development, implementation and operation of a prior authorization (PA) system for radiology services, as well as the management and monitoring of medical imaging services. This initiative will ensure patient health and safety through reduced exposure to unnecessary radiology and reduce the abuse of radiology services and cost expenditures to the department while maintaining quality of care. (*Projected Savings: anticipated*)

7. Updating InterQual Medicaid Criteria. InterQual criteria identifies the most appropriate level of care during the initial admission, validates the need for continued stay and directs care to a lesser or higher level of care (if needed) and is based on patient specific clinical information. Currently Louisiana Medicaid employs 1995 InterQual clinical criteria along with Medicaid customized clinical criteria when reviewing requests for non-state hospital stay extensions beyond the initial assigned length of stay. This is a limited activity and only occurs when the hospital requests an extension. There is currently no review at the point of admission to determine medical necessity or clinical appropriateness for the inpatient setting for treatment. Subsequent to admission, there is no concurrent review during the hospital stay in place by Louisiana Medicaid to ensure appropriate level of care. The implementation of Phase 1 would utilize the 2008 version of InterQual criteria and would be applied to the length of stay

extensions. Phase 2, which is scheduled for 2010, would also use the updated version of InterQual criteria (2008/2009) and this would be applied to initial inpatient admission approval process. The implementation of this process will improve efficiencies and effectiveness, improve quality of care, decrease the cost of admissions, decrease the number of inappropriate admissions, facilitate appropriate discharge planning, automate manual process and assist in determining medical appropriateness for healthcare with an overall cost reduction expected. We project that Phase 1 will be operational by December 1, 2009. (*Projected Savings: \$60 million annualized with \$40 million this SFY*)

8. Medicaid Eligibility Office Consolidations and/or Closure. The Louisiana Department of Health and Hospitals will close Medicaid Offices in three parishes when the leases expire. All Medicaid staff currently at the offices will be placed in local public agencies or use a telecommuting program to process applications. The office closure is expected to have little impact on Medicaid applicants and enrollees in the area, as the overwhelming majority of interaction with the public is by phone, by mail, or through outreach and out-stationing. In addition, Medicaid outreach staff will remain actively involved in parish communities and DHH will continue to support and enhance the services offered through its contracted Medicaid Application Centers throughout the parishes. This is representative of an overall trend within Medicaid offices to find the most efficient ways to operate and serve the public. In addition to looking at the consolidation of office locations within a geographic region, the Medicaid Program also initiated a telecommuting program, known as Work @ Home in June 2008. The program allows Medicaid eligibility workers to utilize technological advancements by the agency in recent years to work from home, providing a fully functional worksite that is not bound to a central location. (*Projected Savings: \$298,263*)

9. Creation of the Office of Behavioral Health. The Legislature recently passed legislation (ACT 348 of 2009) authorizing the elimination of the Office of Mental Health and the Office for Addictive Disorders as standalone entities, and combining of administrative functions of both areas of care. The two offices within DHH have separate administrators, policies and budgets and operate independently within DHH. This new authority ends the duplication and allows the operation of create a single office that will continue to aggressively pursue best practices for programs that independently serve persons with mental illness and persons with addictive disorders. It will also increase access to the most complete and appropriate care for the significant number of persons with both mental illness and one or more addictive disorders, referred to as co-occurring disorder, which constitute about 50 percent of each of the current two offices' client populations. (*Projected Savings: \$350,000*)

10. Implementation of Resource Allocation. SR180/HR 190 of the 2008 Regular Session requested DHH to develop and implement cost control mechanisms for the Long-Term Personal Care Services program and the New Opportunities Waiver. The resolution noted that while it is in best interest of the state to operate a cost-effective and high-quality, home- and community-

based services programs for citizens who are elderly or have developmental disabilities, the high cost of the Long-Term Personal Care Services program and the New Opportunities Waiver pose the greatest risk to the financial stability of the state's long-term care services. Without restructuring of these programs, the sustainability of long-term care and home and community-based services is threatened and the ability of the state to meet the growing needs of these citizens is impaired. OCDD and OASS have developed methodology – resource allocation that utilizes a uniform needs based assessment to determine the support needs of individuals that assure resources are allocated fairly. OASS has implemented this process in April 2009 and OCDD received approval from the Centers for Medicaid and Medicare Services on July 30, 2009. (*Projected Savings: \$15.5 million for NOW; \$5 million EDA; LTPCS – anticipated*)

11. Transfer of the Adult Residential Care Program from DSS to DHH. Act 381 of the 2009 Legislative Session provides for the transfer of licensing authority for adult residential care homes from the Department of Social Services to the Department of Health and Hospitals. DSS and DHH are currently working in collaboration with stakeholders to transition residential services so that the process is seamless for the individuals receiving services and manageable for providers to ensure services are not adversely effected during this time frame. The transfer of authority is effective July 1, 2010. This effort is an example of how the two departments have worked together to decrease redundancies and improve administration of services. DHH has responsibility for the licensure and monitoring of nursing facilities, intermediate care facilities for people with developmental disabilities, and home- and community-based service providers. (*Projected Savings: anticipated*)

12. Consolidation of DHH-operated inpatient services in the Greater New Orleans area. In an effort to streamline inpatient mental health services and expand community-based, outpatient mental health services in the Greater New Orleans area, the Department consolidated the inpatient beds at the New Orleans Adolescent Hospital with those at Southeast Louisiana Hospital in Mandeville, La. The consolidation not only generated a savings of \$9 million in the state budget, but also allowed for a city-wide expansion of community-based, outpatient services, which will be offered in two clinics, one each on the East and West Banks. In addition to savings to taxpayers, the new system will be better coordinated, is one step closer to having a complete continuum of mental health care in the city, and will allow the Department to serve triple the number of individuals and families served last year. (*Projected Savings: \$9 million in actual savings in SFY 10*)

13. DHH Assuming Responsibility of the DEQ laboratory. The Department is in the planning process for assuming responsibility of the DEQ lab and consolidating with the DHH lab. In lieu of constructing a new OPH Laboratory building from the ground up, the building previously housing the DEQ Laboratory will be renovated, re-equipped, and expanded to meet the needs of the OPH Laboratory. These renovations and additions are required as the DEQ laboratory building was designed to handle environmental chemistry work only and does not contain

facilities for the safe handling of biological, clinical, or genetics testing. At this time, an architect has been assigned to conduct project planning, including design requirements and construction/renovation needs. Funds for this project were appropriated in capital outlay projects – HB2 of this past legislative session. (*Projected Savings: anticipated*)

14. Vital Records Re-engineering. The Vital Records division of the Office of Public Health is undergoing a re-engineering to expedite collection and dissemination of vital records in the State of Louisiana. The re-engineering entails the development of a web-based integrated vital records application, Louisiana Electronic Event Registration System (LEERS), which will replace the manual OPH processes currently in place for the Louisiana Vital Records Registry, including birth, death, fetal death, marriage, divorce and induced termination of pregnancy data. It includes a business system and also an imaging module to scan and save approximately 10 million archived birth, death and Orleans Parish marriage records onsite at OPH and associate the images with the corresponding data record. The application will be made available statewide to designated users and will be utilized by data providers such as OPH, hospitals, issuance offices, funeral homes, parish Clerks of Court, physicians, coroners and additional remote sites located throughout the State. The re-engineering is geared towards implementing electronic registration of vital events, expanding the number of locations where information is available, allowing remote sites to process and issue certified copies of certificates, integrating various software systems used by Vital Records (Mainframe, Encounter and CARS), reducing request processing time, reducing paperwork and keypunching, and improving reporting capabilities. (*Projected Savings: anticipated*)

15. Community Home Privatization. As part of the FY 2010 budget, DHH is privatizing two community homes serving twelve people. In addition, twenty-one supported independent living clients and six extended family living clients will also be choosing a private provider. These efforts are part of the department's goal of getting out of the business of competing with private providers and decreasing the size of government. The target completion date is September 30, 2009. (*Projected Savings: \$7.1 million*)