Efficiency is Medicaid’s Next Evolutionary Frontier

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Last year, Medicaid consumed 25 percent of states’ budgets and yet costs are still expected to rise 12 percent by year’s end. Why? Because demand for healthcare services continues to increase while the current Medicaid system is riddled with inefficiencies as it serves more than 53 million Americans and spends over $330 billion a year.However, huge portions of the population visit doctors’ offices, hospitals and emergency rooms and are treated as if they have no medical history – in many cases because they do not. There is no record of medications they take, visits to the hospital or previous tests administered that could be applied to provide better, more efficient care.

Each of the millions of Medicaid enrollees consumes services from several different divisions within state Medicaid agencies – medical care, mental health long term care and others. However, Medicaid is not administered in a way that makes it easy for these different divisions to communicate with each other – every time a patient is seen by a different

provider offering services for a different division, they create new patient information and keep it separate from the other divisions. This is not only extremely inefficient – exacerbating the fact that less than 25 percent of the Medicaid population is spending more than 70 percent of the program's budget – but it also fails to leverage existing health data to improve processes, increase efficiencies and ultimately provide better care.

Since the 1965 inception of the Medicaid program, the most common mechanisms for reducing costs have been: 1) cutting eligibility, 2) cutting reimbursement and/or 3) cutting benefits. However, none of these options has ever been an effective long-term approach because cost cutting deprives people of care they need, which is not a very good move for an organization whose mission is to focus on the wellbeing of citizens, not just the bottom line.

A fourth and too often overlooked option to empower Medicaid reform is leveraging technology to increase efficiency. Information technology can have a significant impact on Medicaid reform, but it must become a useful tool for the provider community in a way that does not take more effort than it is going to be worth.

Medicaid Revolution through IT EvolutionCurrently, only a few states are thinking about ways to improve the utility of their Medicaid IT systems. Why? In order to convince Medicaid CIOs to implement a more integrated system that treats patients holistically, there must be a change in mindset. This represents a new risk: paying claims is a necessity, but keeping electronic patient records is optional.With relatively minimal effort, administrative, claims, eligibility and other existing data sets can be used to make the patient the unit of analysis, rather than segmented programs. Electronic Medicaid health records can then be developed and, in nearly real-time, this data can create a dashboard giving administrators a detailed look at the system, patient by patient. What is

Medicaid spending the most money on? Who is it spending the most money on? How much money is wasted on duplication? How much money is wasted on less than optimal care settings? What would the impact be if existing care was simply managed better?

This data exists, just not in a way that is shared among Medicaid departments or organized in a meaningful manner. Since we know that 25 percent of Medicaid enrollees spend more that 70 percent of total costs, we could start with that population – focusing on the patients who need the most care.

By incorporating predictive modeling technology and clinical decision support derived from evidence-based medicine, states can turn existing claims payment data into valuable information that tells a story about a patient past in order to improve their future. But it is not good enough to keep this information within Medicaid walls. Patients, providers and medical institutions need access to this information so they can become part of the solution.Interim stepsBy presenting this information to providers in an easy-to-use Web portal, physicians, hospitals, labs and other providers could more easily identify patients who cost a lot to manage as well as garner a better idea of their patients' needs and how they can solve their healthcare problems. Everybody wins in this scenario: patients receive better care and Medicaid runs more efficiently and more effectively.

Transforming Medicaid management information systems into more than sophisticated claims payment systems is a long term goal that has the potential to revolutionize Medicaid and enable reform. And, because this is a complex move, intermediary steps can be taken; we may be years away from ubiquitous electronic Medicaid records, but the information needed to make these basic IT changes exists today. Ultimately it comes down to aligning objectives and better communication within health and human services agencies. Technology is the platform for this change and until it comes, Medicaid patients,

providers and taxpayers will continue to suffer.

CNSI Vice President of Healthcare, Bruce Greenstein helps states achieve increased efficiency through creating leading-edge IT infrastructure. Before joining CNSI, Greenstein was the Associate Regional Administrator for Medicaid and Children’s Health in the Boston Regional Office of Centers for Medicare and Medicaid Services (CMS).