

Issue Brief

October 2003

“...1% of Medicaid Members Generate 23% of Expenditures...”

AN ARGUMENT FOR CASE MANAGEMENT

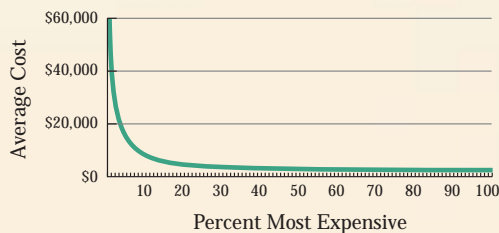
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In this era of belt-tightening, Georgia must find ways to reduce Medicaid expenditures without denying essential care to those in need. Case management offers a strategy to meet this goal. Case management of high-cost Medicaid members may improve their health status and promote a more cost-effective use of the health care system. Better health and better use of the health care system will substantially reduce the cost of care for these individuals.

There are four reasons why case management can be an effective tool to control Medicaid costs:

1. Only a small number of Medicaid members need to receive case management to achieve potentially large cost savings.
2. Since hospital inpatient and emergency departments are much more expensive settings for care, redirecting members to lower cost outpatient settings can substantially reduce cost.
3. It is feasible to identify potentially high-cost Medicaid members using readily available information.
4. Case management has already been successfully implemented in some Georgia communities.

Figure 1: A Small Percentage of Medicaid Members Are High Cost



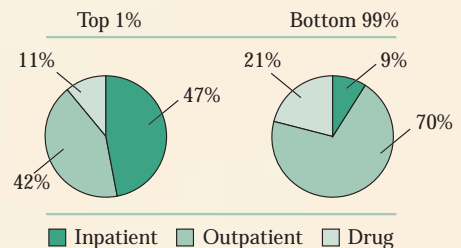
During 2001, the most expensive 1% of Medicaid members generated 23% of acute expenditures (not including long-term care). This group consists of 14,610 members whose average annual cost was over \$51,000 (figure 2). All other Medicaid members cost an average of just \$1,700 each for the year. Thus, even modest reductions in cost for this relatively small group of members will significantly reduce overall Medicaid costs.

Figure 2: 2001 Medicaid Costs by Cost Group

	Top 1%	Bottom 99%
Number of Members	14,610	1,446,345
Average Member Cost	\$51,008	\$1,718
Percent of Total Cost	23%	77%

Hospital inpatient costs make up a much larger share of costs for the most expensive Medicaid members (figure 3). They are less than 10% of all costs for the Medicaid population but are 47% of total costs for the high-cost members. These figures suggest that interventions which reduce hospital inpatient care will have a substantial impact on Medicaid costs.

Figure 3: For High-Cost Members, Inpatient Costs Make Up a Much Larger Share of Total Cost



Simple statistics begin to suggest potential groups and conditions to target for case management. Adults ages 40 to 64 make up less than 11% of the Medicaid population, but comprise 42% of the most expensive members. The disabled make up less than 15% of the Medicaid population, but comprise 67% of the most expensive members. Some of the most frequent diagnoses for hospital admission of high-cost members are:

- ▶ low birth weight baby
- ▶ heart failure
- ▶ pneumonia
- ▶ psychoses

A thorough analysis is needed to identify conditions which both lead to substantial cost and which can be mitigated or averted by early intervention.

Case management is not a new idea in Georgia. In fact, it has proven successful in a number of communities throughout the state. The following three examples demonstrate how local communities are using this strategy to improve health status and reduce their health care costs. In each of these examples, programs received funding as part of hospitals' Indigent Care Trust Fund primary care projects.

Example 1: Community Health Works

Community Health Works (CHW) is a health care management system serving low-income uninsured adults with serious health problems in Macon and the surrounding area. Community Health Works targets four diseases: diabetes, hypertension, heart disease, and depression.

In the two years since its inception, CHW has enrolled 1,740 members. The program appears to successfully reduce hospital inpatient and emergency room use. When member admission and emergency room use rates are compared with those of a similar control group, the **members of CHW have 20% fewer hospital admissions and 37% fewer emergency room visits.** These reductions in hospital inpatient and emergency room use generate an estimated **annual cost savings of \$348,505.**

Example 2: Habersham County, Georgia

To serve different segments of the community that are at risk, Habersham County has developed three separate programs: the Community Care Program, the Maternal and Child Health Program, and the Health Institute.

The **Community Care Program** provides case management to under-insured and uninsured adults with risk factors for one of three chronic conditions: diabetes, cardiovascular disease, and pulmonary disease.

The program has decreased hospital costs. **Care provided to members during the first six months of the program resulted in an estimated cost savings of \$675,000. In the first two years of the program, the number of hospital visits per patient per year decreased by 53%, and the charges per hospital visit for target diagnoses decreased by 70%.**

The **Maternal and Child Health Program** initially focused on high-risk pregnant teenagers. It now serves women of all ages. The program provides case management to women with a high-risk pregnancy.

In the program's first two years, the teenage repeat pregnancy rate has dropped by 89%. The teenage Caesarian delivery rate has declined by 29%. Infant transfers to facilities that provide care to the sickest infants have dropped by 60%. The ratio of teen prenatal outpatient emergency room visits to deliveries has decreased by 75%.

The **Health Institute** developed from a collaboration between the Habersham Community Medical Center and the State Health Benefit Plan. The Institute provides case management to employees with risk factors for diabetes, asthma, cardiovascular disease, and cancer. **In the program's first six months, almost 2,400 individuals were screened. Of these, almost 60% exhibited at least one risk factor for targeted diseases.**

Example 3: Emanuel County, Georgia

Since its creation in March 2000, the **Access Emanuel Program** has enrolled 1,780 low-income uninsured adults in Emanuel County. Every health care provider in the community has agreed to adopt a sliding fee scale for members of the program. As a result, uninsured adults in Emanuel County can now make better use of outpatient facilities, thereby avoiding costly trips to emergency departments and hospital admissions.

In addition, Emanuel County residents with more complex health problems also receive case management. To date, 195 residents have participated in the case management program. **Among participants, there has been a 40% reduction in emergency room visits and a 36% decrease in hospital admissions. In the program's first year alone, there was an estimated cost savings of \$368,337.**

An investment in the case management of Medicaid's high-cost members may indeed return considerable cost-savings through better health and better use of the health care system.

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