State Audit Finds KanCare Data Unreliable and Inconsistent Makes Evaluation Impossible to Determine Impact on Health Outcomes

As the first phase of the KanCare demonstration project came to a close with years of ongoing complaints from consumers and providers, the Kansas legislature requested a review of the state's Medicaid program. The Legislature requested a performance audit by the Legislative Division of Post Audit/LPA in April 2017. The LPA conducted a year-long study, to determine "what effect did transitioning to KanCare have on the state's Medicaid costs, the services provided, and client health outcomes."

Legislators were interested in the impact of the change to a managed care model on the program's costs, services and beneficiaries' overall health. State researchers reviewed an estimated 200 million records related to who received services, the cost to process and resolve financial claims, what services were used by those participating in the Medicaid program, and what health outcomes resulted for those in KanCare. The performance audit report, "Medicaid: Evaluating KanCare's Effect on the State's Medicaid Program" was released in April. The full LPA report can be found online at: http://www.kslpa.org/media/files/reports/r-18-006.pdf

KanCare is jointly administered by the Kansas Department of Health & Environment (KDHE) and the Kansas Department for Aging and Disability Services (KDADS). KanCare offers health care and long-term support and services for people with limited income such as older adults, persons with disabilities, pregnant women, children, and low-income families with children. In 2013 the State began contracting with three for-profit managed care organizations (MCOs): Amerigroup of Kansas, Sunflower Health Plan, and United Healthcare Community Plan of Kansas. The State also contracts with a separate company, Maximus, to process Medicaid applications and provide support services during the eligibility process.

Audit Findings

Overall, the audit found that data reliability issues and state policy changes limited researchers' ability to fully evaluate KanCare's effect on claims costs and service use. The report concludes that data reliability issues "entirely prevented us from evaluating KanCare's effect on beneficiaries' health outcomes." Contributing factors to the unreliability of data include: inconsistencies in how Medicaid data is coded and reported; the large and complex amount of Medicaid data maintained; and challenges related to retaining employees who have a clear understanding of both how Medicaid works and how to appropriately summarize Medicaid data.

Contrary to the goals of KanCare, the report found the use of nursing facility care increased by 16%, this is confounding since State data shows that 2,000 fewer persons are being served in nursing homes under KanCare. The unreliable and inconsistent data affected the evaluation of KanCare on older adults who rely on Medicaid whether at home or in nursing homes.

Of concern to older adults and advocates is that in addition to the 2,000 fewer older adults served in nursing facilities, another 1,000 fewer older adults are being served by the Home & Community Based Services/HCBS Frail Elderly waiver. This drop in older adults served makes little sense as the number of older adults in Kansas is steadily rising.

Did KanCare Achieve Financial Savings

The State estimated KanCare would save $1 billion over its first five years by improving care coordination and beneficiary outcomes, and currently claims KanCare has slowed the rate of Medicaid spending by $2.1 billion. However, details about how those savings were achieved are few. Verifying that claim is complicated by the fact that researchers weren't able to evaluate six Medicaid services due to data limitations. Reliable data was not available to evaluate prescription drug costs, transportation, federally qualified health centers, vision, outpatient emergency room services, and non-emergency room services.

The report notes factors such as age, race, and gender of Medicaid beneficiaries could affect the program's costs. For example, a decreased enrollment of high-cost Medicaid populations, such as older adults (KanCare is serving 2,000 fewer elders), or changes in program policies could cause Medicaid costs to decline.

Did Medicaid Savings Result from Improvements as the State Predicted

1) Increased use of preventive services would avoid Emergency Room visits and improve health outcomes

The report found:

- Significant data reliability issues prevented an evaluation of KanCare's effect on health outcomes. Data was unreliable for 5 of the 7 health datasets reviewed by the LPA.
- KanCare had little to no effect on inpatient care use, implying its emphasis on preventative care did not reduce the need for inpatient care as intended.
- Consistent with expectations, KanCare increased the use of 3 preventative services – primary care, dental and behavioral health.

2) Enhanced care coordination to reduce unnecessary medical services

The report found:

- Prior to KanCare, targeted case management (TCM) was available to persons who relied on mental health, aging, or disability services. Targeted case management helped persons and their families evaluate services needed and the impact of services received. KanCare replaced TCM with care coordinators assigned by the MCO (except for the Medicaid waivers which serves persons with intellectual/developmental disability and severe and persistent mental illness). Change of long-standing relationships with targeted case managers - knowledgeable about specific programs and services - caused confusion and disruption in services for older adults and persons with physical disabilities.
- Researchers were unable to evaluate Home and Community Based Services (HCBS), including the Frail Elderly waiver, because of billing policy changes. Without reliable data to verify what services were used and in what amount, the auditors could not make a meaningful comparison of services pre- and post-KanCare.

3) Improved health outcomes and reduce Medicaid costs

The report found:

- Costs for reimbursement for services have remained stable under KanCare, although the per-person costs have decreased approximately 9%.
- Increased enrollment did not increase Medicaid claims costs because the majority of enrollment growth came from those less expensive to serve, such as children.
- In 2013, State payments to the MCOs were about $400 million *less* than provider claims. By 2015, State payments to the MCOs were about 20% or $400 million *more* than what the 3 companies paid in provider claims.
- Researchers were unable to evaluate six Medicaid services because of data limitations. Reliable data was not available to evaluate prescription drug costs, transportation, federally qualified health centers, vision and outpatient emergency room services and non-emergency room services.

4) Increased Network Capacity to assure Access to Services

The report found:

- The LPA report could not analyze providers' actual capacity to serve beneficiaries because the State does not require the Managed Care Organizations/ MCOs to report that information. The data that was submitted was found to have duplicative, missing and outdated information.
- With few exceptions, it appears network coverage was not increased for Medicaid services under KanCare.

More State Oversight Is Needed

The report cited a lack of oversight by the Kansas Dept. for Health & Environment (KDHE) in reviewing Managed Care Organizations/ MCOs reports, to little onsite review of MCO performance, and failure to establish clear roles and responsibilities for State employees responsible for administering/overseeing KanCare. The report further found KDHE lacked a process to ensure the accuracy of MCO data used to calculate State payments.

Following the audit report, the State has increased its discussions with advocates and providers. Kansas Health Institute is working with the State and stakeholders in an effort they call KanCare Meaningful Measures Collaborative to identify metrics to measure quality, performance, and outcomes for KanCare consumers. KABC actively participates in the workgroup to assure that evaluation metrics measure the effect KanCare has on older adults.