

**MEDICAID REPORTS AND DATA DO NOT  
DOCUMENT SAVINGS OR PROGRESS**

**DECEMBER 2007- PERFORMANCE AUDIT**

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The Auditor Of Public Accounts Ensures That Public Resources Are Protected, Accurately Valued, Properly Accounted For, And Effectively Employed To Raise The Quality Of Life Of Kentuckians.

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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

December 7, 2007

Tom Emberton Jr., Acting Secretary  
Cabinet for Health and Family Services  
Office of the Secretary  
275 E. Main Street, 5W-A  
Frankfort, KY 40621

**Re: Performance Audit of Kentucky's Medicaid program, KyHealth Choices**

Dear Acting Secretary Emberton,

Enclosed is our report on Kentucky's Medicaid program, KyHealth Choices, that offers specific recommendations to improve the monitoring and reporting of Medicaid's costs and services. Our Division of Performance Audit conducted this audit and it is our hope that it will enhance the program's progress and its cost containment efforts.

We will be distributing the final version of this report in accordance with the mandates of KRS 43.090. Additionally, we distribute copies to members of the General Assembly committees with oversight authority for Medicaid, as well as other interested parties.

In accordance with Kentucky Revised Statute 43.090(1), the Cabinet for Health and Family Services must notify the Legislative Research Commission and the Auditor of the audit recommendations it has implemented and of the recommendations it has not implemented, and reasons therefore, within sixty (60) days of the completion of the final audit.

Our Division of Performance Audit evaluates the effectiveness and efficiency of government programs as well as risk assessments and benchmarking of state operations. We will be happy to discuss with you at any time this audit or the services offered by our office. If you have any questions, please call Jettie Sparks, Acting Director of the Division of Performance Audit, or me.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

c: Shawn Crouch, Commissioner  
Department for Medicaid Services





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# Executive Summary

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## **Introduction and Background**

The Medicaid program pays for health services for the poor and disabled with state and federal funds. Since the beginning of the program 40 years ago, the number of Medicaid recipients in Kentucky has more than doubled. In FY 2007, Medicaid covered an average of 711,000 persons, or approximately 17% of Kentucky's population. The cost has gone from \$56 million in 1970 to \$4.6 billion in 2007. Based on Kentucky's population of 4.2 million, this means the annual price tag for the Medicaid program was more than \$1,000 per Kentuckian.

The Department for Medicaid Services (DMS) deserves credit for its efforts to control the growth in Medicaid spending through its new program, KyHealth Choices. Change does not come easy to an entitlement program the magnitude of Medicaid. Although program changes have been made, the Cabinet's advertised savings of \$120 million cannot be substantiated. According to DMS reports, total expenditures increased more than \$42 million in FY 2007.

## **Audit Objective**

The overall objective of this audit was to discover if Kentucky's Medicaid transformation under KyHealth Choices resulted in proposed cost savings. An analytical review was conducted on the reports and financial data provided by DMS, but this was not a financial audit of Medicaid expenditures. We included the Kentucky State Children's Health Insurance Program (KCHIP) in our work because it is closely linked to the Medicaid program and is often included in other Medicaid reports and cost analyses.

The scope of our work primarily focused on Medicaid and KCHIP services for the past two fiscal years. While we did not audit the financial information but we concentrated on this period because new Medicaid reforms were available to states under the Federal Deficit Reduction Act (DRA) and these federal reforms helped to form KyHealth Choices. For informational purposes, we have also included historical costs before KyHealth Choices and an overview of program changes and significant events occurring throughout the new program.

## **Finding 1**

### **No clear determination of cost savings under KyHealth Choices is possible.**

- KRS 205.6336 calls for Medicaid savings certification under certain conditions, yet no certifications have ever occurred;
- Medicaid savings were reported by the Cabinet for Health and Family Services prior to the end of fiscal year 2007 but were not representative of available data or end of year results; and
- Quarterly Medicaid Cost Containment Reports do not contain sufficient information to fully determine fiscal performance of KyHealth Choices reform initiatives and annual costs savings under KyHealth Choices reforms is unknown.

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## Executive Summary

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### Finding 2

#### **Kentucky's Medicaid expenditure reports issued by the Department for Medicaid Services do not provide necessary information to chart the progress of KyHealth Choices.**

- There is no statutory requirement for periodic reports that fully account for Medicaid and KCHIP program successes and areas needing improvement;
- Current reports are not sufficient to enable evaluation of Medicaid and KCHIP program implementation plans;
- Medicaid Quarterly Budget Analysis Reports issued by DMS provide detailed services expenditure data but lack narrative explanations of programs and performance;
- Medicaid Quarterly Budget Analysis Reports have no relationship to the expenditures actually incurred (cash basis only) and are not audited by an external entity; and
- Medicaid contract monitoring has been outsourced to a private contractor.

### Recommendations

The Auditor of Public Accounts recommends the Cabinet for Health and Family Services compile Medicaid and KCHIP data and periodically report program progress and cost containment in a consistent, user-friendly, and comprehensive package. The Cabinet should:

- Develop a method for calculating and certifying savings;
- Fully consider all costs when reporting cost containment and savings;
- Form a new entity or use the existing Medicaid Oversight and Advisory Committee and the Advisory Council for Medical Assistance to further investigate reporting practices of other states and arrive at a method that is truly representative of a national model for achieving excellence in Medicaid;
- Consider its own reporting requirements for the Passport Managed Care Medicaid Contract and Waiver when developing new Medicaid reports;
- Consider the needs of all Medicaid and KCHIP stakeholders including consumers and providers of services;
- Consider practices of other states undertaking Medicaid reform;
- Follow proposed Government Accountability Standards Board recommendations for reporting service efforts and accomplishments including:
  - Purpose and scope
  - Statements of major goals and objectives

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## Executive Summary

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- Involvement in establishing goals and objectives
  - Multiple levels of reporting
  - Analysis of results and challenges
  - Focus on key measures
  - Reliable information
- 
- Where helpful, include charts and graphs to supplement raw data expenditures reports;
  - Carefully monitor important Medicaid contracts and report results;
  - Periodically audit Medicaid's methods and results for reporting expenditures data and perform reconciliations; and
  - Update its Strategic Plan Progress Reports to include adequate Medicaid and KCHIP program descriptions and analyses of program changes and strategic plan progress.

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## Medicaid Glossary

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**Consumer Directed Option** – This is a new option for Kentucky Medicaid Waiver members who are currently receiving or become eligible to receive services through Kentucky’s Medicaid Waiver programs. The option allows recipients to choose who provides their non-medical waiver services and allows greater freedom of choice, flexibility, and control over their supports and services.

**Centers for Medicare and Medicaid Services (CMS)** – The federal agency that administers Medicare, Medicaid, and the State Children’s Health Insurance Program (SCHIP) under the United States Department of Health and Human Services (HHS).

**Deficit Reduction Act (DRA)** – On February 8, 2006, the President signed the Deficit Reduction Act of 2005. This sweeping legislation affects many aspects of domestic entitlement programs, including both Medicare and Medicaid. The DRA provides states with much of the flexibility states have been seeking over the years to make significant reforms to their Medicaid programs. As planned, combined with other options in Medicaid, states will be able to reconnect their healthy populations to the larger health insurance system, transform long-term care from an institutionally-based, provider-driven system to a person-centered and consumer-controlled model.

**Eligible** – This is an alternative term for beneficiary or recipient – a person that is eligible to receive Medicaid or KCHIP services.

**Medicaid** – Title XIX of the Social Security Act is a Federal/State entitlement program that pays for medical assistance for certain individuals and families with low incomes and resources. Medicaid became law in 1965 as a cooperative venture jointly funded by the Federal and State governments (including the District of Columbia and the Territories) to assist States in furnishing medical assistance to eligible needy persons. Medicaid is the largest source of funding for medical and health-related services for America’s poorest people. Kentucky’s **Department for Medicaid Services (DMS)** is within the **Cabinet for Health and Family Services (CHFS)**.

**Medicaid Management Information System (MMIS)** – The claims processing and information retrieval system which states are required to have, unless this requirement is waived by the Secretary, is the Medicaid Management Information System (MMIS). Contractual services may be used to perform work for the design, development, installation, or enhancement of a mechanized claims processing and information retrieval system. A fiscal agent who is a private contractor to the state, normally selected through a competitive procurement process, may operate the state’s MMIS.

**Mandatory Services** – These are the services beneficiaries are entitled to receive if the state has determined a medical necessity for Medicaid or a managed care organization. Services include: physician, hospital, nursing facility, laboratory and x-ray, early and periodic screening, medical and surgical dental, family planning, pediatric and nurse practitioner, nurse midwife, home health care for persons eligible for nursing facility services.

**Optional Services** – States choose to cover certain services and are entitled to federal matching funds. These services commonly include: prescription drugs, clinic, prescription drugs, dental and vision, prosthetics, physical therapy, TB-related, primary care case management, nursing facility for individuals under 21, intermediate care facilities for persons with mental retardation (ICF/MR), home and community based care, respiratory care, personal care services, and hospice care.

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## Medicaid Glossary

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**Managed Care** – Kentucky did not enact the legislation required to implement this Medicaid demonstration project when it was originally awarded in 1993. As an alternative, Kentucky submitted an amendment to the demonstration project entitled the “Kentucky Health Care Partnership.” The Partnership (Waiver) demonstration project was implemented on November 1, 1997. This Partnership, a private non-profit entity, currently manages the Medicaid delivery system that includes the city of Louisville in Jefferson County and fifteen surrounding counties, comprising approximately 20 percent of the state’s Medicaid population.

**State Plan / State Plan Amendment (SPA)** – The state Medicaid plan is the document that defines how each state will operate its Medicaid program. The State Plan addresses the areas of state program administration, Medicaid eligibility criteria, service coverage, and provider reimbursement. The official plan is a hard-copy document that includes a range of materials in different formats, ranging from federally defined "preprint" pages on which states check program options, to free-form narrative describing detailed aspects of state Medicaid policy. Kentucky’s Medicaid transformation under KyHealth Choices was undertaken with multiple SPAs.

**State Children’s Health Insurance Plan (SCHIP)** – As part of the Balanced Budget Act of 1997, Congress created title XXI, the State Children’s Health Insurance Program (SCHIP), to address the growing problem of children without health insurance. SCHIP was designed as a Federal/State partnership, similar to Medicaid, with the goal of expanding health insurance to children whose families earn too much money to be eligible for Medicaid, but not enough money to purchase private insurance. Kentucky’s SCHIP program is called KCHIP.

**Waiver** – This is a variation or “waiver” of the Medicaid state plan. The Social Security Act authorizes multiple Waiver and demonstration authorities to allow states flexibility in operating Medicaid programs. Each authority has a distinct purpose, and distinct requirements. Waivers operate for set time periods, generally for five years, but may be extended. Periodic reports are required by CMS. There are three types of Waivers:

- **Section 1115 Research & Demonstration Projects:** This section provides the Secretary of Health and Human Services broad authority to approve projects that test policy innovations likely to further the objectives of the Medicaid program. Kentucky has one 1115 Waiver, Kentucky Health Care Partnership, a managed care program approved by CMS in 1993.
- **Section 1915(b) Managed Care/Freedom of Choice Waivers:** This section provides the Secretary authority to grant Waivers that allow states to implement managed care delivery systems, or otherwise limit individuals' choice of provider under Medicaid. Kentucky’s has no 1915(b) Waivers.
- **Section 1915(c) Home and Community-Based Services Waivers:** This section provides the Secretary authority to waive Medicaid provisions in order to allow long-term care services to be delivered in community settings. This program is the Medicaid alternative to providing comprehensive long-term services in institutional settings. Kentucky’s current 1915(c) Waivers include Home and Community Based Services, Supports for Community Living, Brain Injuries, and Model II Nursing and Respiratory services.

# Introduction

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## **Medicaid – Background and History**

Medicaid was enacted in 1965 under Title XIX of the Social Security Act and is jointly financed and operated by the states and federal government. Medicaid is the nation's largest health care program covering over 55 million individuals. The program provides health care for children and adults in low-income families, as well as the elderly and disabled.

Medicaid does not provide health care services to persons unless they meet income and asset requirements and fall into one of the designated eligibility groups. Mandatory populations include pregnant women and children under certain conditions and most elderly and persons with disabilities receiving Supplemental Security Income. Optional groups vary widely from state to state. Low income is not a designated eligibility group, so not all poor persons are covered.

The State Children's Health Insurance Program (SCHIP) was created in 1997 to address the issue of children without health insurance. SCHIP provides federal funds to states for coverage of children and some parents with incomes too high to qualify for Medicaid, but not high enough to purchase private health insurance. SCHIP covers over 6 million children and over 600,000 adults. A bill to reauthorize SCHIP was vetoed by President Bush on October 3, 2007 due to concerns that it would expand SCHIP to children in higher income populations. For fiscal year 2007, Kentucky's SCHIP program, called KCHIP, covered an average of 51,108 eligible children. KCHIP does not provide coverage for adults.

At the federal level, Medicaid and SCHIP are administered by the Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS). In Kentucky, the Cabinet for Health and Family Services (the Cabinet) and its Department of Medicaid Services (DMS) manage the Medicaid program and the Kentucky Children's Health Insurance Program (KCHIP).

## **National Medicaid Policy Changes – Deficit Reduction Act of 2005**

The Deficit Reduction Act (DRA) of 2005, signed into law on February 8, 2006, contains a number of Medicaid policy changes considered necessary to control growth in spending and reduce fraud, waste, and abuse. Upon approval of the DRA, the White House indicated a leaner and more flexible Medicaid would be the result.

**White House Goals for Medicaid under the DRA**

The Deficit Reduction Act will also reduce the growth in Medicaid spending by nearly \$5 billion over the next five years. The bill helps restrain Medicaid spending by reducing federal overpayment for prescription drugs. Taxpayers should not have to pay inflated markups for the medicine that the people on Medicaid depend. The bill gives governors more flexibility to design Medicaid benefits that meet the needs of their states efficiently and affordably. The bill tightens the loopholes that allowed people to game the system by transferring assets to their children so they can qualify for Medicaid benefits. Along with governors of both parties, we are sending a clear message: Medicaid will always provide help for those in need, but we will never tolerate waste, fraud, or abuse.

**President Bush, upon signing S.1932, Deficit Reduction Act of 2005,  
February 8, 2006**

The DRA granted states options to create Medicaid benefit packages tailored to specific populations, to provide access to private health insurance, and to expand ways to provide long-term care. Nationally, the Congressional Budget Office estimated 13 million Medicaid enrollees would be impacted by cost sharing for services.

The DRA includes increased documentation requirements for enrollees, tightening qualifications for targeted case management programs and restrictions on provider taxes for managed care organizations, third-party recovery enhancement, changes in premiums, cost sharing, and increased monitoring of fraud, waste, and abuse.

**KyHealth Choices  
Is Kentucky's New  
Medicaid Program**

Through a series of State Plan Amendments in May 2006, Kentucky was one of the first states to obtain federal approval for significant Medicaid changes under the DRA. Kentucky's reformed Medicaid program is referred to as KyHealth Choices. Currently, CMS lists seven states undertaking Medicaid reforms through State Plan Amendments that are built around the Deficit Reduction Act. These include Kentucky, West Virginia, Idaho, Kansas, Virginia, South Carolina, and Washington.

Under KyHealth Choices, most of Kentucky's Medicaid population is enrolled into four targeted benefit plans, new options to increase cost sharing are being used (recipients paying copayments or premiums), and there is expanded access to community-based long-term care services. According to the Cabinet, Kentucky's new program was designed after a 19-month assessment of every program and service provided by Kentucky Medicaid. The Cabinet also reported that KyHealth Choices will save between \$120 million and \$130 million each year and \$1 billion over 7 years.

KyHealth Choices' goals and general platform were announced by the Cabinet in its May 2006 report, as follows:

**Kentucky's Major Goals for Medicaid Reform**

- (1) Stretch resources to most appropriately meet the needs of members; and
- (2) Encourage Medicaid members to be personally responsible for their own health care.

**Platform for KyHealth Choices**

- Provide four population-specific benefit packages to meet specific needs;
- Require beneficiaries to share in the cost of covered services;
- Promote private health insurance coverage to all beneficiaries;
- Improve coordination of mental health, mental retardation/developmental disabilities, substance abuse and physical health services;
- Develop disease management programs to assist those with chronic illnesses; and
- Provide "Get Healthy" benefits as incentives to Medicaid recipients practicing healthy behaviors.

**Cabinet for Health and Family Services  
Kentucky's Medicaid Transformation Initiative  
May 2, 2006**

KYHealth Choices allows the Commonwealth to provide four benefit delivery packages.

**KyHealth Choices Benefit Plans**

*Global Choices* – Covers the general Medicaid Population

*Optimum Choices* – Covers the ICF/MR Level of Care for persons with mental retardation and developmental disabilities in need of long-term care

*Comprehensive Choices* – Covers Nursing Facility Level of Care for elderly

*Family Choices* – KCHIP children's program

**Cabinet for Health and Family Services  
Kentucky's Medicaid Transformation Initiative  
May 2, 2006**

The following contract-based initiatives are major components of Medicaid administration under KyHealth Choices:

**Major Medicaid Administration Contracts**

- **Medicaid Management Information System (MMIS)** – A fiscal agent operates a data warehouse including claims processing, and Management and Administrative Reporting/Surveillance Utilization Review (MAR/SUR) under a \$284,145,517 contract with Electronic Data Systems (EDS).
- **Utilization Management** – EDS, along with its subcontractor, SHPS, Inc. manages prior authorization, level of care determinations, prospective reviews, concurrent reviews, and Resource Utilization Group (RUG) audits.
- **Call Center and Provider Credentialing/Management** – First Health Services Corporation operates as the Kentucky Medicaid Management Agent, responsible for operating a call center for providers and members, enrollment and credentialing providers, and education and outreach under a contract with an estimated cost of \$8,100,000.
- **Pharmacy Benefits Management (PBM)** – First Health Services Corporation provides Point of Sale (POS) pharmacy claims processing with prospective drug utilization review (Pro-DRU) reporting and adjudication capabilities under a contract with an estimated cost of \$7,200,000.

**Kentucky Finance and Administration Cabinet Strategic  
Alliance Services Request for Medicaid Operational Support  
April 12, 2007**

The Cabinet recently outsourced the monitoring of these four contracts through a \$6.7 million three-year personal service contract for Medicaid Operational Support Services (MOSS). This contract requires operational support and management services, as well as monthly progress reports on the performance of the four administration contracts. The monthly progress reports are a new requirement that could provide valuable information on contract performance and program oversight.

**History of Growth  
in Kentucky’s  
Medicaid Program**

Initially, Kentucky attempted to transform its Medicaid program through program Waivers from CMS, the federal Medicaid agency. Waivers are used to customize Medicaid coverage and services for set time periods, subject to renewal. Based on CMS’s recommendations, Kentucky eventually shifted to a State Plan Amendment (SPA) format. A notable distinction of State Plan Amendments is that, unlike Waivers, renewal on a periodic basis is not required and reporting requirements are less stringent.

Medicaid Waivers, medical program grants, and contracts supplement Kentucky’s State Plan Amendments. A timeline tracking the key events in KyHealth Choices throughout the past two fiscal years is included at Appendix B.

According to DMS reports, Kentucky’s Medicaid program cost \$4.6 billion dollars in FY 2007. Based on Kentucky’s estimated population of 4.2 million, this expense represents over \$1000 per person for Medicaid benefits and administration.

The federal government provides funding to match state funds based on each state’s Federal Medical Assistance Percentage, or FMAP. The FMAP is the share of Medicaid costs paid by the federal government. It is based on state per capita personal income as compared to the national average. Based on Kentucky’s relatively low per capita income, the state receives 69.58% of federal funds for every dollar spent in Medicaid benefits in fiscal year 2007. The remainder comes from the state’s general fund dollars. This means that a Medicaid expenditure of \$100 will be funded with \$69.58 in federal dollars and \$30.42 in state funding.

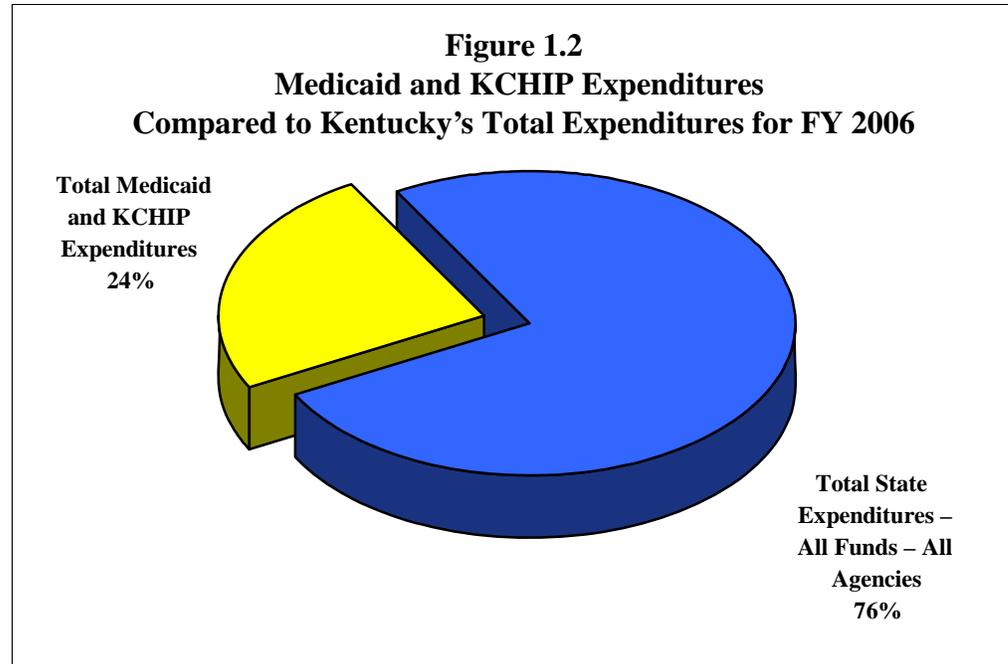
In FY 2007, 710,763 persons, representing approximately 17% of Kentucky’s population, were eligible to receive Medicaid services. Since 2000, the number of eligibles increased by 154,062 persons with nearly \$1.5 billion in additional costs. Table 1.1 shows Kentucky’s Medicaid growth over the past 37 years.

**Table 1.1: Kentucky Medicaid Growth 1970 – 2007 (Benefits Only)**

Period	FY 1970	FY 1980	FY 1990	FY 2000	FY 2007
<b>Cost</b>	\$56,323,958	\$302,610,809	\$945,982,021	\$3,149,075,624	\$4,632,388,037
<b>Eligibles</b>	297,431	320,320	369,564	556,701	710,763
<b>Annual Cost Per Eligible</b>	\$189	\$945	\$2,560	\$5,657	\$6,517

Sources: For 1970 and 1980, Legislative Research Commission Research Reports Nos. 124 and 183 (based on MMIS data and DMS reports prepared for the LRC). 1990, 2000, and 2007 totals come from DMS reports prepared for the LRC. Some variance in reporting may occur since certain costs may be included or excluded depending on source. All fund sources, general and federal, are included in each year. KCHIP is included in 2000 and 2007 periods; it started in 1998.

Figure 1.2 illustrates that Kentucky’s Medicaid spending is 24.4% of the Commonwealth’s total expenditures for 2006 – the last complete accounting cycle. KCHIP is included in Medicaid expenditures.



Source: Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2006. Supplementary Information prepared by the Finance and Administration Cabinet’s Division of Statewide Accounting, Office of the Controller and audited by the Auditor of Public Accounts.

Medicaid and KCHIP expenditures have nearly doubled over the past ten years (not adjusted for inflation). Table 1.2 illustrates Medicaid expenditures by fund source and is percentage of Kentucky’s total expenditures. The General Fund contribution, which is strictly Kentucky dollars, has gone from approximately \$564 million to over \$1 billion in ten years.

**Table 1.2: Ten-Year Funding Source Comparison for Medicaid & KCHIP Expenditures – Includes Benefits and Administration (In \$Thousands)**

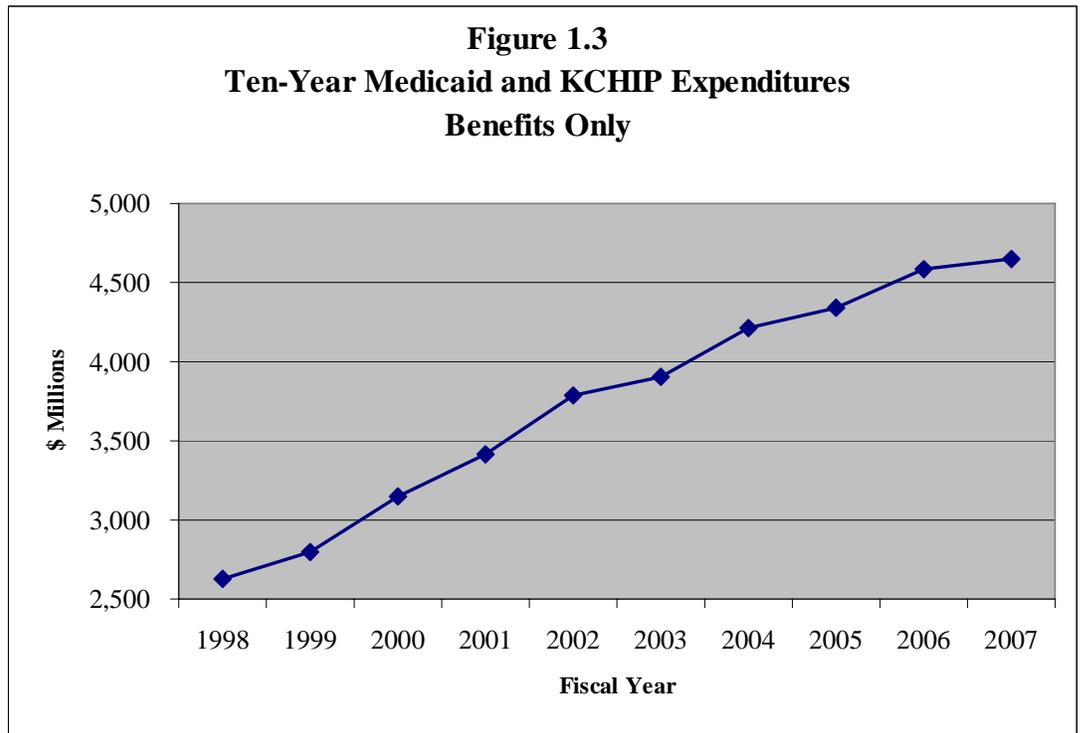
Medicaid Fund Source	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Funds	563,756	628,801	635,014	658,586	725,070	765,784	762,534	778,275	868,137	1,015,865
Federal Funds	1,790,087	1,845,665	1,964,929	2,260,547	2,447,482	2,702,292	2,800,480	3,113,529	3,074,161	3,264,220
Agency Funds	215,888	162,006	211,515	283,603	291,910	378,605	401,494	379,520	453,708	409,475
<b>Total Medicaid Expenditures</b>	<b>2,569,733</b>	<b>2,636,552</b>	<b>2,811,462</b>	<b>3,202,754</b>	<b>3,464,462</b>	<b>3,846,680</b>	<b>3,964,508</b>	<b>4,271,324</b>	<b>4,396,006</b>	<b>4,689,560</b>
<b>Percent (%) of Kentucky’s Total Expenditures</b>	<b>21.8%</b>	<b>21.3%</b>	<b>20.1%</b>	<b>22.4%</b>	<b>23.1%</b>	<b>24.2%</b>	<b>24.3%</b>	<b>25.2%</b>	<b>25.6%</b>	<b>24.3%</b>

Source: Audited Comprehensive Annual Financial Reports (CAFR) Supplementary Information classified as Net Expenditures by Department for Operating Funds Statements for Medicaid Services Benefits for the Department for Medicaid Services (administrative costs) and total expenditures, all funds, for fiscal years ending 1997 through 2006. Note: Agency funds include provider taxes, third-party recoveries, and other funds coming into the programs. “Special Fund” expenditures occurred in years 1997 through 2000 but were very small (less than .01%) and were excluded from the data.

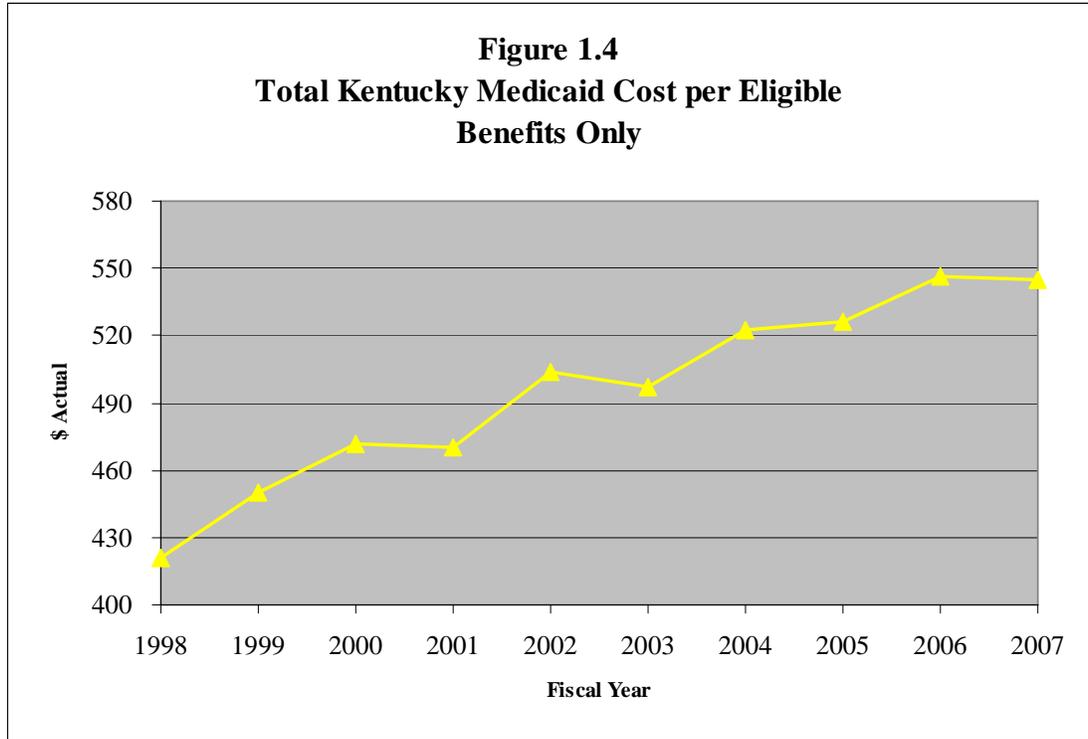
Figures 1.3 and 1.4 chart Kentucky’s Medicaid and KCHIP expenditures and cost per eligible recipient. Figure 1.5 illustrates Medicaid expenditures by service categories for Medicaid and aggregate amounts for Managed Care and KCHIP. An expanded set of data including benefit service types is included in the Appendices, as follows:

- Appendix C – Two-Year Monthly Medicaid and KCHIP expenditures
- Appendix D – Two-Year Monthly Graphs of Medicaid and KCHIP Expenditures
- Appendix E – Ten-Year Annual Medicaid and KCHIP Expenditures

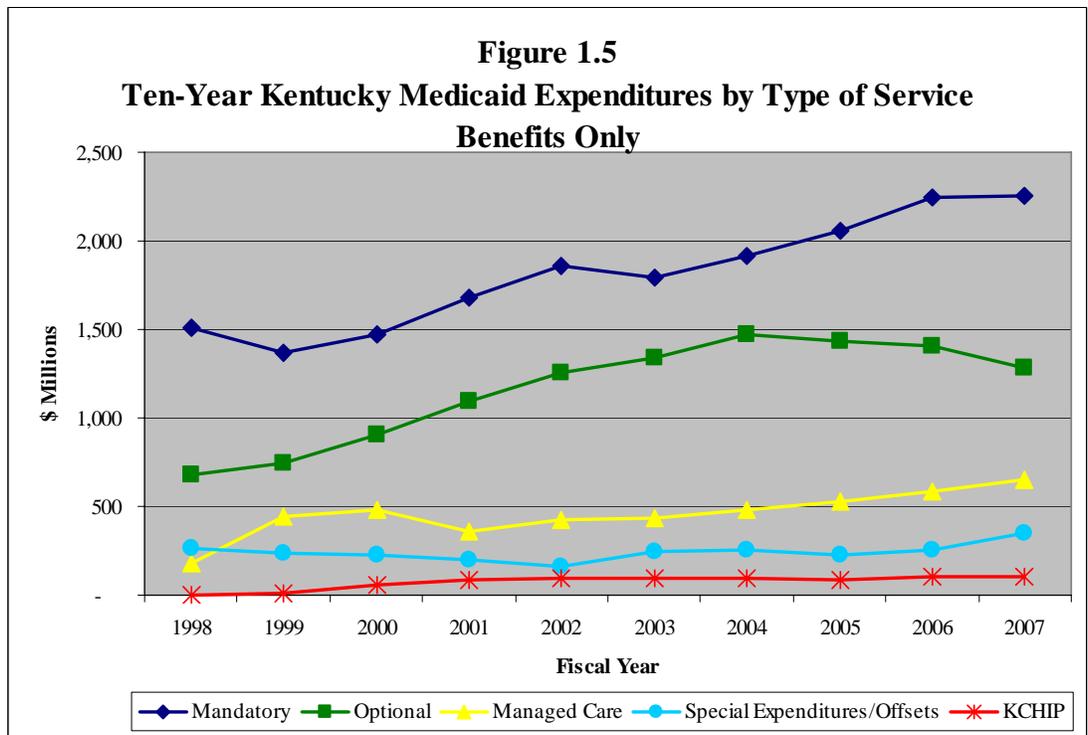
The data used in these graphs is based on periodic reports produced by DMS for the Kentucky Legislature. A cash basis system of accounting is used to track expenditures for each category and subcategory, usually 45 days after the close of each quarter. However, unlike the CAFR data used for Table 1.2, the DMS data is not audited and, according to DMS, is not representative of actual incurred expenditures.



Source: Kentucky Department for Medicaid Services unaudited reports to the LRC using cash basis accounting.



Source: Kentucky Department for Medicaid Services unaudited reports to the LRC using cash basis accounting.



Source: Kentucky Department for Medicaid Services unaudited reports to the LRC using cash basis accounting.

Note: In FY 2001, Managed Care for Region 5 went back to fee-for-service, which decreased Managed Care costs and increased Mandatory and Optional costs.

## Medicaid Savings and Reporting

**Finding #1: No clear determination of savings or cost avoidance under KyHealth Choices is possible using existing reports and data.**

Accurately charting the progress of Kentucky’s Medicaid and KCHIP transformation is not possible using existing reports and data. The Cabinet’s assertions that KyHealth Choices has produced savings were not supported. Medicaid expenditures increased \$42.4 million from fiscal year 2006 to fiscal year 2007.

The Cabinet’s asserted Medicaid savings are not based on the Medicaid cost containment reports that DMS is required to submit to the Legislative Research Commission (LRC). The cost containment reports track expenditures for individual initiatives but do not provide any aggregate information or state actual savings.

Source documentation for any of the Cabinet’s reported Medicaid savings was requested during the audit, but only weekly cycle reports were provided. DMS officials stated that weekly cycle reports were used for Medicaid PowerPoint presentations made by the Cabinet in June 2007. The weekly cycle reports, however, do not contain all expenditure categories and are not formatted the same as the Medicaid Quarterly Cost Containment Reports.

**Statute Requires Savings Certifications**

If Medicaid does achieve savings, KRS 205.6336 requires that the secretary of the Finance and Administration Cabinet, after consultation with the secretary of the Cabinet, certify these savings and transfer this amount into a trust fund to provide health care coverage to additional citizens. KRS 205.6336 reads as follows, in pertinent part:

- (1) The secretary of the Finance and Administration Cabinet, after consultation with the secretary for the Cabinet for Health and Family Services, shall on a quarterly basis, certify to the Interim Committee on Appropriations and Revenue the general fund savings realized from the procedures required by KRS 205.6310 to 205.6332 and any other procedures adopted by the Cabinet for Health and Family Services to control the cost of health care.
- (2) The certification shall indicate the following:
  - (a) The means by which savings were achieved, including a description of the discrete procedure used to achieve the savings; and
  - (b) The amount saved as a result of the specific procedure, including an explanation as to the calculations and assumptions used in determining the amount.
- (3) The amount certified by the secretary under this section shall be transferred to a trust account to be utilized by the secretary of the Cabinet for Health and Family Services to provide health-care coverage for additional categories of citizens, but the funds in the trust account shall not be spent until appropriated by the General Assembly. The funds in the trust account shall not lapse. The secretary shall give priority in utilizing any appropriated trust account funds to matching available federal funds in the Medicaid program.

**Medicaid Savings and Reporting**

- (4) Savings in the general fund appropriation for the Medicaid program shall be determined as follows:
  - (a) To the extent that the average cost per month per eligible actually experienced by the Medicaid program is less than the average cost per month per eligible reflected in the enacted budget, the savings attributable to that difference shall be deemed to be eligible for certification under this section.
  - (b) To the extent that the number of eligibles actually participating in the Medicaid program is less than the number reflected in the enacted budget, the savings attributable to that difference shall be deemed not eligible for certification under this section.
- .....
- (8) Only those savings that can be certified as being recurring shall be transferred to the trust fund.

According to DMS, savings per the budget have never occurred or been certified. The targets established by the Cabinet and tracked by its Department of Medicaid Services are based on forecasted expenditures, not the enacted budget (as required by KRS 205.6336 (4)). Documentation of any processes or actual calculations used to determine savings under this statute were requested but none were provided.

**Cabinet’s Assertions of Savings**

There have been several published reports that KyHealth Choices will save between \$120 million and \$130 million each year and \$1 billion over 7 years – a goal the Cabinet claims is on target. Additional documentation substantiating how the Cabinet developed these savings amounts was requested by the APA. The Cabinet provided documents that show cost containment actions – Medicaid Quarterly Cost Containment Reports, but these lacked support for the cost containments and statements of actual savings and were not linked to the \$120 to \$130 million reported.

Table 2.1 provides a list of proposed savings reported to the public. The reports include repeated estimates of savings for FY 2007 and claims of being on target.

**Table 2.1: Kentucky’s Public Announcements on KyHealth Choices Savings for FY 2006 and 2007**

<b>Date</b>	<b>Reported Cost Containment Action and Data Source</b>
July 2006	<p><b>KyHealth Choices Medicaid Reform: Key Program Changes and Questions</b>                      (Source: Kaiser Commission on Medicaid and the Uninsured, Medicaid Facts)</p> <p><i>The state also is seeking to save about \$120 million in the first year and up to \$1 billion over the next seven years. The individuals enrolled in global choices and family choices are already relatively low cost populations, so the ability to achieve savings is likely to come more from the populations utilizing long-term care services. Evaluation will be needed to ensure that saving money does not come at the expense of individuals losing access to needed care and services.</i></p>
October 16, 2006	<p><b>KyHealth Choices: Presentation to National Association of State Chief Information Officers</b>                      (Source: Secretary, Cabinet for Health and Family Services)</p> <ul style="list-style-type: none"> <li>• <i>KyHealth Choices is expected to save \$130 million dollars in the next fiscal year and \$1 billion over the next seven years</i></li> </ul>
November 28, 2006	<p><b>KyHealth Choices: Presentation to Kentucky Rural Health Association</b></p>

**Medicaid Savings and Reporting**

	<p align="center"><b>(Source: Commissioner, Department for Medicaid Services)</b></p> <ul style="list-style-type: none"> <li>• <i>KyHealth Choices is expected to save \$130 million dollars during the next fiscal year and one billion dollars over 7 years</i></li> <li>• <i>Savings will be funneled back into the system of care and will include increased rates for providers and expansion of community based services</i></li> </ul>												
<p><b>June 7, 2007</b></p>	<p align="center"><b>Elements in State Health Reform: Prevention and Wellness as Covered Benefits, Kaiser Family Foundation and the National Governors Association for Best Practices, Washington, DC</b>  <b>(Source: Kaiser Family Foundation)</b></p> <p><i>LARRY LEVITT: And do you have any estimates or projections of what you think you might save here?</i></p> <p><i>MARK BIRDWHISTELL: Well, the whole reform initiative, we're saying we think we'll save a \$1 billion over seven years. Our initial estimates for the first year, we began the program a year ago, this is our first year anniversary, we're right on target with where we projected to be. We went a different path. It has evolved as we've implemented, but we feel very comfortable that what we're accomplishing is in line with what we expected.</i></p>												
<p><b>June 15, 2007 and June 21, 2007</b></p>	<p align="center"><b>Slide used in KyHealth Choices PowerPoint report presentations to the Medicaid Congress and Kentucky Medicaid Oversight and Advisory Committee</b>  <b>(Source: Cabinet for Health and Family Services)</b></p> <div data-bbox="506 926 1549 1549" style="border: 1px solid black; padding: 10px;"> <p align="center"><i>Signs Ky's Efforts are Working</i></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th></th> <th>Enrollees</th> <th>Cost Per Member Per Week</th> <th>Weekly Cycle Cost</th> </tr> </thead> <tbody> <tr> <td>July 2005 - Jan 2006</td> <td align="center">608779</td> <td align="right">\$119.00</td> <td align="right">\$82,002,370</td> </tr> <tr> <td>July 2006 - Jan 2007</td> <td align="center">700384</td> <td align="right">\$115.04</td> <td align="right">\$81,004,001</td> </tr> </tbody> </table> <p align="left">Slide 33 Cabinet for Health and Family Services</p> </div>		Enrollees	Cost Per Member Per Week	Weekly Cycle Cost	July 2005 - Jan 2006	608779	\$119.00	\$82,002,370	July 2006 - Jan 2007	700384	\$115.04	\$81,004,001
	Enrollees	Cost Per Member Per Week	Weekly Cycle Cost										
July 2005 - Jan 2006	608779	\$119.00	\$82,002,370										
July 2006 - Jan 2007	700384	\$115.04	\$81,004,001										

In June 2007 the Cabinet presented a Medicaid PowerPoint report that included the “Signs Ky’s Efforts are Working” slide (See Table 2.1). This graph did not fully account for all periods of data available at the time the presentation was made. Selecting only certain months of data does not provide an accurate or consistent method for calculating savings. Depending on the months selected during the two-year period, the results could have shown both increased costs and savings per member.

**Medicaid  
Quarterly Cost  
Containment  
Reports Do Not  
Support  
Assertions of  
Savings**

The Medicaid Quarterly Cost Containment Reports submitted to LRC do not support the Cabinet’s assertions of savings or track the cost saving initiatives reported in the Cabinet’s Biennial Budget Request for 2006-2008 (discussed further on page 28). According to DMS, its cost containment reports are based on estimated savings, not actual budgeted amounts.

Language contained in the last two budget bills requires the Department for Medicaid Services to prepare Quarterly Cost Containment Reports for the LRC’s Interim Joint Committee on Appropriations and Revenue. Following, is the budget language, taken from House Bills 267 and 380, specifying requirements for savings projections and actual experience.

**Quarterly Cost Containment Reporting**

*The Cabinet for Health and Family Services shall submit a quarterly report to the Interim Joint Committee on Appropriations and Revenue on cost-containment initiatives implemented to reduce costs in the Medicaid Program, including the actual experience compared to projected savings for each initiative. In addition, this report shall include any anticipated initiatives to be implemented to reduce Medicaid costs, including a projection for savings from each initiative and implementation date. If applicable, the report shall also include a list of anticipated Medicaid Program expansions, including projected costs and implementation dates.*

**House Bill 267, 2005 Regular Session  
House Bill 380, 2006 Regular Session**

According to DMS, the first three quarterly reports issued for fiscal year 2006 were identical because the Cabinet’s initiatives did not change. Any initiatives that resulted in additional costs were not tracked. DMS does not maintain any records for its cost containment projections, although it did provide a record of sequential query language used to check pharmacy data expenditures for the 3<sup>rd</sup> quarter of FY 2007.

DMS began issuing the quarterly cost containment reports during the last quarter of FY 2005 but failed to issue two reports for FY 2007. No additional supporting documentation or narratives were provided with these reports. Although marked “tentative” or “working draft – not for distribution”, these were the reports filed with the General Assembly.

## Medicaid Savings and Reporting

FY 2006 and FY 2007 Medicaid Quarterly Cost Containment Reports are summarized in Table 2.2. Figures 2.1 through 2.4, on the following pages, are actual scanned images of the quarterly cost containment reports.

**Table 2.2: Summary of Kentucky Medicaid Quarterly Cost Containment Reports**

<b>Quarter/ State Fiscal Year</b>	<b>Projected Annualized Savings</b>	<b>Actual Savings</b>	<b>Savings Projected but Not Realized</b>	<b>Supporting Documentation Available</b>
<b>1<sup>st</sup> /2006 (Figure 2.1)</b>	\$292,660,000	\$73,770,000	\$218,890,000	No
<b>2<sup>nd</sup> /2006 (Figure 2.1)</b>	\$292,660,000	\$73,770,000	\$218,890,000	No
<b>3<sup>rd</sup> / 2006 (Figure 2.1)</b>	\$292,660,000	\$73,770,000	\$218,890,000	No
<b>4<sup>th</sup> / 2006 (Figure 2.2)</b>	\$292,660,000	\$117,770,000	\$174,890,000	No
<b>1<sup>st</sup> / 2007</b>	No Report Issued	No Report Issued	No Report Issued	No
<b>2<sup>nd</sup> / 2007</b>	No Report Issued	No Report Issued	No Report Issued	No
<b>3<sup>rd</sup> / 2007 (Figure 2.3)</b>	\$23,400,000	\$19,000,000	\$4,400,000	Limited
<b>4<sup>th</sup> / 2007 (Figure 2.4)</b>	\$23,400,000	\$12,700,000	\$10,700,000	Limited

Source: Medicaid quarterly cost containment reports produced by the Department of Medicaid Services.

**Figure 2.1**  
**DMS Quarterly Cost Containment Report 1<sup>st</sup> through 3<sup>rd</sup> Quarters FY 2006**

LRC Cost Containment Update in \$Millions

Tenatative Draft SFY06 Initiative Description	Projected Annualized Cost Avoidance	Projected Annualized Cost Avoidance SFY06 as of 11/17/05	Date Implemented	Comment (As a general comment, price increases by pharmaceutical manufacturers offset approximately \$40-45M in savings.)
Care & Disease Management	\$24M	\$0M	TBD	Delayed start up of initiative. Vendor selected (1st Health) and project commenced.
Recipient/Provider Management	\$25M	\$5M	1/1/05 - 6/30/05	Magnitude of project significantly overestimated by consultant.
Pharmacy Management (PBA actions)	\$96M	\$26M	12/4/04	More aggressive State Maximum Allowable Cost for generics constituted most significant component of savings to date. Multi-state purchasing pool will generate additional supplemental rebate (offset to expenditure) in the second half of SFY06.
Implement a 3 brand prescription limit (unlimited generics); incorporated into 4 RX limit	\$90M	\$20M; TBD	4/19/2005; 3/1/06	3 brand limit had been implemented as a provider collaboration (physician & pharmacist) option. The four (4) script limit is now in effect.
Implement a 90 day maintenance drug prescription period (as opposed to 30 day period)	\$18M	\$2M	4/19/05	Prescription period is being phased in, with the initial phase being voluntary on the part of the member.
Implement a discount of Average Wholesale Price minus 15/14 (brand/generic)	\$26M	\$17M	4/19/05	The advent of Part D decreases the value of this initiative in January 2006. All pharmacy cost containment interventions will be affected by Part D.
Physician Rx Interventions	\$6M	\$0M		Problem physicians not yet identified because of license number multiplicity problem.
Limit LTC Repackaging Fee	\$2M	TBD	5/10/05	Part D will make this intervention void as almost all LTC recipients are dual eligible
Inpatient Co-Pay (\$50 per admission)	\$3.72M	\$2.48M	8/1/05	
Outpatient visit (\$3 per visit)	\$1.94M	\$1.29M	8/1/05	
<b>Total</b>		<b>\$73.77M</b>		Total is not a reduction in announced deficit as some cost containment interventions have already been accounted for in the most recent forecast.

Interventions implemented		
Annualized	Change	
Increased Admin Costs	\$ (33,023,926)	Contracted expertise & systems
Decreased Benefit Costs	\$ 73,770,000	Benefits expenditures
Diminished Revenue	\$ (65,000,000)	Disallowance of IGT funding
Enhanced Revenue	\$ 122,000,000	Provider tax based
<b>Total Change</b>	<b>\$ 97,746,074</b>	

**Figure 2.2**  
**DMS Quarterly Cost Containment Report 4<sup>th</sup> Quarter FY 2006**

LRC Cost Containment Update in \$Millions

Tentative Draft SFY06 Initiative Description	Projected Annualized Cost Avoidance	Projected Annualized Cost Avoidance SFY06 as of 6/30/06	Date Implemented	Comment (As a general comment, price increases by pharmaceutical manufacturers offset approximately \$40-45M in savings.)
Care & Disease Management	\$24M	\$0M	TBD	Delayed start up of initiative. Vendor selected (1st Health) and project commenced.
Recipient/Provider Management	\$25M	\$5M	1/1/05 - 6/30/05	Magnitude of project significantly overestimated by consultant.
Pharmacy Management (PBA actions)	\$96M	\$26M	12/4/04	More aggressive State Maximum Allowable Cost for generics constituted most significant component of savings to date. Multi-state purchasing pool will generate additional supplemental rebate (offset to expenditure) in the second half of SFY06.
Implement a 3 brand prescription limit (unlimited generics); incorporated into 4 RX limit	\$90M	\$20M; \$44M.	4/19/2005; 3/1/06	3 brand limit had been implemented as a provider collaboration (physician & pharmacist) option. The four (4) script limit was implemented in March. Early results indicate a \$44M savings.
Implement a 90 day maintenance drug prescription period (as opposed to 30 day period)	\$18M	\$2M	4/19/05	Prescription period is being phased in, with the initial phase being voluntary on the part of the member.
Implement a discount of Average Wholesale Price minus 15/14 (brand/generic)	\$26M	\$17M	4/19/05	The advent of Part D decreases the value of this initiative in January 2006. All pharmacy cost containment interventions will be affected by Part D.
Physician Rx Interventions	\$6M	\$0M		Problem physicians not yet identified because of license number multiplicity problem.
Limit LTC Repackaging Fee	\$2M	TBD	5/10/05	Part D will make this intervention void as almost all LTC recipients are dual eligible
Inpatient Co-Pay (\$50 per admission)	\$3.72M	\$2.48M	8/1/05	
Outpatient visit (\$3 per visit)	\$1.94M	\$1.29M	8/1/05	
<b>Total</b>		<b>\$117.77M</b>		Total is not a reduction in announced deficit as some cost containment interventions have already been accounted for in the most recent forecast.

Interventions implemented	
Annualized	Change
Increased Admin Costs (SFY05 to SFY06)	\$ (44,744,277) Contracted expertise & systems
Decreased Benefit Costs	\$ 80,475,000 Benefits expenditures
Diminished Revenue	\$ (65,000,000) Disallowance of IGT funding
Enhanced Revenue	\$122,000,000 Provider tax based
<b>Total Change</b>	<b><u>\$ 92,730,723</u></b>

**Figure 2.3**  
**DMS Quarterly Cost Containment Report 3<sup>rd</sup> Quarter 2007**

SFY07 Initiative Description	Projected Annualized Cost Avoidance	Projected Annualized Cost Avoidance SFY07 as of 6/15/07	Change	Date Implemented	Comment
Inpatient Co-pay	\$3.72M	\$2.5M	(\$1.22M)	Ongoing	
Pharmacy Co-pay & Rx Limits	\$15M	\$7.8M	(\$7.2M)	Ongoing	
Ambulatory Surgical Center Co-pay	\$40k	\$21k	(\$19k)	8/1/06	
Preventive Care Co-pay	\$0.00	\$10k	\$10k	8/1/06	
Chiropractor Co-pay & Service Limits	\$130k	\$87k	(\$43k)	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time
X-Ray/Misc Supplier Co-pay	\$60k	\$13k	(\$47k)	8/1/06	
DME Supplier	\$1.4M	\$546k	(\$854k)	8/1/06	
Physician/Primary Care Center/Rural Healthcare Center Co-pay	\$1.7M	\$7M	\$5.3M	8/1/06	
Independent Lab Co-pay	\$800k	\$375k	(425k)	8/1/06	
Vision Care Co-pay	\$223k	\$26k	(\$197k)	8/1/06	
Dental Co-pay	0	\$226k	\$226k	8/1/06	
Certified Nurse Practitioner Co-pay	0	\$66k	\$66k	8/1/06	
Audiology Co-pay, Service, and Expenditure Limits	0	0	0	8/1/06	Expenditure & service limits affect the end of the calendar year claims and cannot be determined at this time
Podiatrist Co-pay	\$91k	\$28k	(63k)	8/1/06	
Physical Therapist Co-pay & Service Limits	\$10k	0	(\$10k)	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time
Occupational Therapist Co-pay & Service Limits	NA	NA	0	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time
Vision Care Expenditure Limit	\$223k	\$0.00	0	8/1/06	Expenditure limits affect the end of the calendar year claims and cannot be determined at this time
<b>Total</b>	<b>\$23.4M</b>	<b>\$19M</b>	<b>(\$4.7M)</b>		

Note: A comprehensive recap of the cost containment interventions effects will be a retrospective available in the first quarter of calendar year 2008. The reasons for the delay are:

- 1) There is a delay between an claim being incurred and being reflected in accounting data. Providers have 12 months to file a claim.
- 2) There is a delay subsequent to a claim being filed and being paid.. Medicaid currently waits 21 days before paying a received claim.
- 3) There is a delay subsequent to a claim being paid, before it is posted to the accounting system. The accounting system is updated monthly, while claims are paid weekly.

**Working Draft - Not for Distribution**

2:28 PM 8/21/2007 Paul Cooper]

**Figure 2.4**  
**DMS Quarterly Cost Containment Report 4<sup>th</sup> Quarter 2007**

Cost Containment Illustration

SFY07 Initiative Description	Annualized		Date Implemented	Comment	Fiscal Year Impact	
	Pre Implementation Projected Annualized Cost Avoidance	Post Implementation Current Projected Annualized Cost Avoidance SFY07 as of 8/15/07			Pre Implementation Projected Fiscal year Cost Avoidance	Post Implementation Current Fiscal Year Cost Avoidance SFY07 as of 8/15/07
Inpatient Co-pay	\$3.7M	\$1.7M	Ongoing		\$3.7M	\$1.7M
Pharmacy Co-pay & Rx Limits	\$15M	\$7.7M	Ongoing		\$15M	\$7.7M
Ambulatory Surgical Center Co-pay	\$40k	\$19.4k	8/1/06		\$33.3k	\$16k
Preventive Care Co-pay	\$0.00	\$7k	8/1/06		\$0k	\$6k
Chiropractor Co-pay & Service Limits	\$130k	\$79k	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time	\$106k	\$73k
X-Ray/Misc Supplier Co-pay	\$60k	\$13k	8/1/06		\$50k	\$12k
DME Supplier	\$1.4M	\$531k	8/1/06		\$1.2M	\$487k
Physician/Primary Care Center/Rural Healthcare Center Co-pay	\$1.7M	\$2M	8/1/06		\$1.4M	\$1.9M
Independent Lab Co-pay	\$800k	\$358k	8/1/06		\$666k	\$328k
Vision Care Co-pay	\$223k	\$23k	8/1/06		\$186k	\$22k
Dental Co-pay	0	\$208k	8/1/06			0 \$190k
Certified Nurse Practitioner Co-pay	0	\$64k	8/1/06			0 \$59k
Audiology Co-pay, Service, and Expenditure Limits	0	0	8/1/06	Expenditure & service limits affect the end of the calendar year claims and cannot be determined at this time		0 0
Podiatrist Co-pay	\$91k	\$24k	8/1/06		\$76k	\$22k
Physical Therapist Co-pay & Service Limits	\$10k	0	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time	\$8k	0
Occupational Therapist Co-pay & Service Limits	NA	NA	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time		0 0
Vision Care Expenditure Limit	\$223k	\$23k	8/1/06	Expenditure limits affect the end of the calendar year claims and cannot be determined at this time	\$186k	0
<b>Total</b>	<b>\$23.4M</b>	<b>\$12.7M</b>			<b>\$22.9M</b>	<b>\$12.4M</b>

Note: A comprehensive recap of the cost containment interventions effects will be a retrospective available in the first quarter of calendar year 2008. The reasons for the delay are:  
 1) There is a delay between an claim being incurred and being reflected in accounting data. Providers have 12 months to file a claim.  
 2) There is a delay subsequent to a claim being filed and being paid.. Medicaid currently waits 21 days before paying a received claim.  
 3) There is a delay subsequent to a claim being paid, before it is posted to the DMS accounting system. The DMS accounting system is

**Finding #2:  
Kentucky's  
Medicaid reports  
do not provide the  
necessary  
information to  
chart the progress  
of KyHealth  
Choices.**

Kentucky Medicaid reports provide little documentation of program performance. Information distributed by DMS concerning its Medicaid and KCHIP reform efforts has been sparse, incomplete, potentially inaccurate, and limited to select audiences.

Currently, there are no laws, regulations, or policies requiring the Department of Medicaid Services to issue comprehensive periodic reports of its full body of work and program reforms. The past two budget bills (HB267 and HB380) have included Medicaid reporting requirements, but these requirements are only binding while an enacted budget is in effect.

Except for incomplete strategic plan progress reports, a method of assessing the overall success or failure of Medicaid reforms has not been established. Without any goals or indicators to results, the Cabinet cannot be certain that the benefits and administration changes are on target.

In an effort to improve Medicaid contract administration, the Cabinet recently contracted with Accenture, LLP to provide Medicaid Operational Support Services (MOSS). The contract contains reporting requirements that include weekly status reports and monthly management reports that appear to improve past contract performance reporting. However, the past performance of the MOSS contractor in Texas, with other Medicaid contracts, has not proven positive.

**Summaries of  
Available Medicaid  
Reports**

The reports produced by the Cabinet and DMS for KyHealth Choices include strategic plan progress reports required by law, data reports required by the federal government, and legislative reports required in two recent Budget Bills. Table 2.3 provides a comparison of these reports grouped into four types: Strategic Plans and Progress Reports, Biennial Budget Requests, Federal Data Reports, and Quarterly Medicaid Analysis Reports. Appendix F presents the Cabinet's Strategic Plans Progress Report and Appendix G presents Medicaid's Quarterly Budget Analysis Reports for fiscal year ending June 30, 2007. Following the table, a brief synopsis of each report is provided.

**Table 2.3: Comparison of Medicaid and KCHIP Reports Produced By the Cabinet for Health and Family Services**

	Report Type			
	Strategic Plans and Progress Reports	Biennial Budget Requests	Federal Data Reports (CMS-37 and CMS-64)	Medicaid Quarterly Budget Analysis Reports
<b>Required By:</b>	KRS. 48.810	KRS Chapter 48	45 CFR 250.90, 42 CFR 433, subpart C. Definitions in 42 CFR 433.111	Budget language HB267 & HB380
<b>Produced By:</b>	Cabinet for Health and Family Services	Cabinet for Health and Family Services	Cabinet for Health and Family Services	Cabinet for Health and Family Services Department for Medicaid Services
<b>Distributed to the public?</b>	Yes	No	Yes, but information may be limited and not up-to-date	No
<b>Targeted users:</b>	Governor's Office, Office of State Budget Director General Assembly, and other interested parties	Office of State Budget Director and General Assembly	Federal and State Medicaid Agencies	General Assembly's Interim Committee on Appropriations & Revenue
<b>Independently audited or examined?</b>	No	No	SAS 70 audits are recommended by OMB but not required	No
<b>Program and/or Service Information Provided?</b>	Limited	Limited	No	No
<b>Detailed Administrative Costs Information Available?</b>	No	Yes	Yes	No
<b>Cost reduction efforts and results reported?</b>	No	No	No	No

Source: Auditor of Public Accounts based on a review of the specified reports and requirements.

### Medicaid Strategic Plans and Progress Reports

The Cabinet's latest Medicaid Strategic Plan Progress Report dated August 28, 2006 has many blank responses for its Medicaid goal-level performance indicators. This leaves many unanswered questions about the status of Medicaid reforms. The next progress report is not due until September 1, 2008. An explanation of the blank responses was requested from the Cabinet but no additional information was provided. KRS 48.810 spells out the strategic plan requirements.

**Strategic Plan Requirements Per KRS 48.810**

*Each program Cabinet, the Governor's Office for Local Development, the Department of Military Affairs, and the Commonwealth Office of Technology shall develop and submit a four (4) year strategic plan to meet the broad goals outlined by the Governor and shall submit an electronic copy of the full plan and an electronic copy of a brief summary of that plan to the state budget director, the secretary of the Executive Cabinet, and the Legislative Research Commission with each biennial budget request.*

Updates to strategic plans, called progress reports, include data and information regarding program performance and are reported to the Office of State Budget Director on or before September 1 of each even-numbered fiscal year are also required by the statute. The progress report is to contain "data and information regarding the progress the program cabinet or entity has made toward meeting its goals as measured by the performance indicators set forth in the cabinet's or entity's most recent strategic plan."

Table 2.4 provides a summary of the Medicaid reform goals and results taken verbatim from the strategic plan progress report. The complete progress report is available at Appendix F, including other performance measures that affect Medicaid such as fraud, waste, and abuse detection and prevention.

**Table 2.4: FY 2006 Medicaid Strategic Plan Progress Report Summary**

<b>53.1: Modernize Medicaid by increasing the quality of benefit services, transforming care management, and updating relevant technology</b>	
<b>Goal</b>	<b>Cabinet's Reported Results</b>
53.1 Redesign KCHIP	No response
53.1.1.1 Increase cost savings by 2% and improve care strategies by redesigning KCHIP	This project has not yet begun.
53.1 Modernize Medicaid by increasing the quality of benefit services, transforming care management, and updating relevant technology	No response
53.1.2 Increase the use of Health Insurance Purchasing Program	No response
53.1.2.1 Increase the number of members in the Health Insurance Purchasing Program (HIPP) by 25%	This project has not yet begun.
53.1.3 Implement credentialing process for Medicaid providers	No response
53.1.3.1 Implement provider credentialing process for 60% of Medicaid providers	48% as of June 2006
53.1.3.2 Complete Medicaid provider profiles for 75% of providers who perform a statistically significant number of services	This project has not yet begun.
53.1.4 Streamline access to information through use of KMAA system	No response
53.1.4.1 Utilize the KMAA system to improve coordination and streamline access to information by 95% of the providers and recipients.	50% as of June 2006

Source: Kentucky Office for Employee and Organizational Development, Cabinet for Health and Family Services Strategic Plan – FY06 Progress Report, August 28, 2006.

**Medicaid Biennial Budget Requests**

Biennial Budget Requests detail budget plans and form the foundation for each agency’s contribution to the official Budget of the Commonwealth. Budget requests include personnel costs, operating expenses, grants, loans, benefits costs, and other expenses for each functional unit.

The Department for Medicaid Services’ *2006-2008 Operating Budget Report A-4* provides an overview of Medicaid and KCHIP with descriptions of strategic planning, logistical planning, and its information systems operations. The report discusses plans for improved collection and analyses of data for eligibility and disease management are also noted along with logistical steps to ensure a “modernized and relational database” with tools that will enable users to build better reports. The savings mentioned in this report include:

***Eligibility Oversight** – Through contracted efforts on data accumulation and reporting by EDS, and eligibility/payment review by PCG, Medicaid benefits costs are projected to decrease by \$90 million (state & federal), or \$27 million in state funds annually. The cost of the contract was less than \$2 million (state and federal), or only \$1 million state funds.*

***Disease Management** – The savings projected for disease management are \$48 million per year (state & federal); or \$14.4 million in state funds. This savings cannot be realized without specific detailed information about recipients, services, and providers not currently available either in the data collected, or if collected, capable of being stored and accessed in the information system. The contract awarded to implement Disease Management (Kentucky Medicaid Administrative Agent) was for \$15 million (state & federal), or \$7.5 million in state funds.*

***Pharmacy Benefits Administrator** – The savings actually acquired to date emerging from the pharmacy cost management has totaled \$99 million (state and federal), or \$29.7 million in state dollars. The cost of the contract is \$3.6 million in state dollars annually. This constraint on pharmacy expenditures will become even more critical in the future as the Medicare Drug Program removes a large segment of pharmacy costs from state management interventions.*

**Federal Data Reports**

The Centers for Medicare and Medicaid Services (CMS) require the submission of standardized reports within 30 days after the close of a quarter. CMS-37 and CMS-64 reports are two of these required reports that are designed to track and report expenditures, utilizations, eligibles, and other raw measures. However, these reports do not contain any detailed narrative descriptions of states’ Medicaid programs.

The data for the federal reports comes from the Medicaid Management Information System (MMIS). The MMIS system accumulates the needed data and populates preset forms or reports for CMS. In Kentucky the MMIS is operated under contract with a fiscal agent.

**CMS-37** is a quarterly financial report submitted by the State which provides a statement of the state’s Medicaid funding requirements for a certified quarter and estimates and underlying assumptions for two fiscal years (FYs) – the current FY and the budget FY. In order to receive Federal financial participation, the state must certify that matching state and local funds are, or will be, available for the certified quarter.

**CMS-64** is a statement of expenditures for which states are entitled to Federal reimbursement under Title XIX. The amount claimed on Form CMS-64 is a summary of actual expenditures for which all supporting documentation has been compiled and is available for review.

**Medicaid Quarterly Budget Analysis Reports**

DMS’s Quarterly Budget Analysis Reports are not based on accrued expenditures (only cash) and do not provide any narrative on program reforms or explanations of any cost fluctuations. These reports were required by Kentucky’s budget bills from the 2005 and 2006 Regular Sessions. The reports are submitted to LRC’s Interim Joint Committee on Appropriations and Revenue. The reporting requirement follows:

**Medicaid Quarterly Budget Analysis Reports**

*The Department for Medicaid Services shall submit a quarterly budget analysis report to the Interim Joint Committee on Appropriations and Revenue. The report shall provide monthly detail of actual expenditures, eligibles, and average monthly cost per eligible by eligibility category along with current trailing 12-month averages for each of these figures. The report shall compare the actual expenditure experience with those underlying the enacted or revised enacted budget and explain any significant variances which may occur.*

**Budget Bill 267, 2005 Regular Session  
Budget Bill 380, 2006 Regular Session**

While the Medicaid Quarterly Budget Analysis Reports are of value in comparing monthly and yearly trends within each service category, calculating actual savings is problematic because actual expenditures could differ from reported amounts and the data has not been independently reviewed or audited. The following is a list of limitations associated with the Quarterly Budget Analysis report.

- Negative Aspects of Medicaid’s Quarterly Budget Analysis Reports**
- ✘ Targeted at limited audience – LRC
  - ✘ Not audited by external entity
  - ✘ Due to cash basis accounting, monthly totals have “no relationship to the expenditures actually incurred” according to DMS
  - ✘ Data is input manually from MMIS, allowing human error
  - ✘ Federal funds are not reconciled to Kentucky’s Statewide Single Audits
  - ✘ Cost per eligible excludes administrative costs in the summary
  - ✘ No narrative explanations of programs or performance
  - ✘ Available only by special request - not issued to the public

Table 2.5 provides a summary analysis of monthly Medicaid expenditure totals for the most recent two-year period. This analysis indicated an unusual drop in total expenditures for June 2007. For comparison purposes, June 2006 expenditures are included to illustrate that June 2007 expenditures were over \$118 million less than the previous June totals. The explanation for the variance provided by DMS follows this table.

**Table 2.5: High-Low Analysis of Medicaid’s Monthly Expenditures (FY 2006 – FY2007)**

<b>Average Monthly Expenditure</b>	<b>Highest Monthly Expenditure (October 2005)</b>	<b>Lowest Monthly Expenditure (June 2007)</b>	<b>Prior Year’s Monthly Expenditures (June 2006)</b>
\$348,250,646	\$537,989,384	\$227,799,305	\$346,188,577

Source: Auditor of Public Accounts based on Medicaid’s Budget Analysis Reports for FY 2006 and 2007.

**DMS Explanation of the Decrease in Monthly Expenditures in June 2007 per Medicaid’s Quarterly Budget Analysis Report**

We are on a cash accounting basis, not accrual, so the monthly totals have no relationship to the expenditures actually incurred in any given month.

May was extraordinarily high, because we eliminated the claims payment delay (called cash management) prior to the new system switch. This added 21 days of claims to the May expenditure total. Most of the 21 day delay category (approximately \$120M) would have been normally paid out in June.

July will be another extraordinarily high month, because it will include not only the expenditures, which normally would have been paid in July, but also the claims that were unintentionally delayed in June.

For forecasting purposes for SFY2008-2010, we are ignoring May and June of SFY2007 because of the non-recurring and abnormal flow of expenditures.

**DMS August 30, 2007 response to APA**

## Medicaid Savings and Reporting

According to the Medicaid Quarterly Budget Analysis Reports, total Medicaid and KCHIP benefit expenditures increased by \$42,445,374 in FY 2007, and now total over \$4.6 billion. Although costs increased, so did the average number of eligibles, resulting in a 0.67% decrease in the average cost per eligible for FY 2007. When administrative expenditures are combined with benefit expenditures, the cost per eligible savings decreased 0.40% in FY 2007. The service category totals for fiscal years 2006 and 2007 are summarized in Table 2.6. The Medicaid Quarterly Budget Analysis Reports for fiscal year 2007 is provided at Appendix G.

**Table 2.6: Summary of Medicaid’s Budget Analysis Reports for Fiscal Years 2006 and 2007**

Service	FY 2006	Percent of Benefit Expenditures	FY 2007	Percent of Benefit Expenditures
<b>Mandatory Services (21 categories)</b>	\$2,356,571,878	51.3%	\$2,415,984,049	52.2%
<b>Optional Services (26 categories)</b>	\$1,516,202,995	33.0%	\$1,317,524,481	28.4%
<b>Managed Care Expenditures Total</b>	\$587,066,293	12.8%	\$653,278,507	14.1%
<b>Special Expenditures/Offsets</b>	\$30,508,052	.67%	\$142,616,635	3.07%
<b>KCHIP Expenditures Total</b>	\$99,593,445	2.2%	\$102,984,365	2.2%
<b>Total Medicaid &amp; KCHIP Benefit Expenditures</b>	\$4,589,942,663	100%	\$4,632,388,037	100%
<b>Average Number of Eligibles</b>	699,595		710,763	
<b>Monthly Average Cost Per Eligible (Benefits Only)</b>	\$546.74		\$543.12	
<b>Administrative Expenditures (Medicaid &amp; KCHIP)</b>	\$119,193,257		\$133,146,625	
<b>Monthly Average Cost Per Eligible (Including Administration) APA Calculation</b>	\$560.94		\$558.73	

Source: Auditor of Public Accounts based on Medicaid’s Budget Analysis Reports from FY 2006 and FY 2007 provided by the Department of Medicaid Services.

Medicaid administration expenditures include personnel costs, operating expenses, grants and loans, and capital outlay. DMS includes personal service contracts with personnel costs in its quarterly budget analysis reports. These contracts represented over 90 percent Medicaid personnel expenses for fiscal year 2007. Total Medicaid administrative expenses were \$133,146,625 in FY 2007, representing an increase of \$13,953,368 from the \$119,193,257 in FY 2006.

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**Medicaid Savings and Reporting**

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**Kentucky’s Medicaid Operational Support Services (MOSS) Reports**

In July 2007, the Cabinet for Health and Family Services entered into a new contract for Medicaid Operational Support Services (MOSS). The MOSS management contract was awarded to Accenture, LLP for a three-year period at an amount of \$6,734,810. This contract privatizes the Cabinet’s monitoring of its most important contracts totaling nearly \$300 million.

The MOSS contract applies to the major contracted services within KyHealth Choices, including:

- Medicaid Management Information System (MMIS) contract with EDS
- Utilization Management contract with EDS (included above)
- Call Center and Provider Credentialing/Management contract with First Health Services Corporation
- Pharmacy Benefits Management (PBM) contract with First Health Services

There are new contract reporting requirements including weekly status reports, and monthly management reports containing the following information:

- Executive Steering Team presentation
- Weekly cross-project team minutes
- Initiative vendor project notes as appropriate
- Updated consolidated project work plan
- Change control report
- Defect tracking report
- Issue/Risks logs
- Action team log
- Vendor Performance Measure report
- Master Deliverable status report
- Recommendations as needed

**Texas’ Experience with Accenture**

The Auditor of Public Accounts’ October 19, 2006 report *Assessment of Kentucky’s Privatization Efforts* noted significant problems with Accenture’s contract performance in Texas. This report cautioned that Kentucky’s program administrators should take notice of poor contract monitoring and performance.

On March 13, 2007 Accenture’s Medicaid contract was cancelled by the Texas Health and Human Services Cabinet. In an October 25, 2006 letter and 161-page report to the Texas Legislature, Comptroller Carol Keeton Strayhorn listed many performance failings, including major Medicaid and SCHIP problems:

**Texas Comptroller's Comments**

As of August 31, 2006, HHSC has paid Accenture more than \$123 million to process eligibility for a fraction of Texas' applicants, and the project that was intended to save the state's budget will end up costing the budget \$100 million more. This project is over budget and under performing.

To understand the full range of HHSC's mismanagement and Accenture's substandard performance, one must address the complex, 6,000-plus page contract between HHSC and Accenture. Despite its length, the contract is vague and misdirected, leaving taxpayers to pay millions of dollars for inadequate work.

This is certainly not the impression received from the public statements of HHSC and Accenture. Taxpayers and legislators have been told that Accenture is subject to strong performance standards; that the state pays the company only when it performs well; and that the contract guarantees Texas will be reimbursed for Accenture's failures to date. These statements are unsupported by the evidence.

**Excerpt from October 25, 2006 letter to Texas Legislature from Texas Comptroller,  
Carole Keeton Strayhorn**

On July 13, 2007, Accenture began its contract with Kentucky to oversee Medicaid contracts – the basis of its alleged failures in Texas. Due to the many exemptions in Kentucky's privatization statute, KRS 45A.550, this contract is not considered privatization and not subject to additional contract oversight such as an annual performance evaluation.

## Conclusions and Recommendations

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Without changes in laws or, at a minimum, new policies and procedures requiring a comprehensive quarterly or annual report of Kentucky's Medicaid operations, stakeholders have only a fragmented and incomplete set of information on Medicaid.

The Department for Medicaid Services operates with an administrative budget of less than 3% of its benefits. Kentucky's Medicaid administrative cost has been historically in the lowest three of all states. The Cabinet's own budget request notes the Centers for Medicare and Medicaid Services has expressed concern that Kentucky's administrative costs may be "too low to provide adequate oversight and monitoring" of this program. The Cabinet for Health and Family Services has contracted with Accenture, LLP to monitor and report on its four most important contracts, but not all contracts.

Without reforms in reporting KyHealth Choices results, incomplete and potentially inaccurate reports will continue to be used to make decisions affecting Medicaid programs and budgets. A fully reformed Medicaid program will not be possible until significant improvements in reporting occur.

### **Kentucky Requires Extensive Reporting by Its Managed Care Contractor**

Since 1997, DMS has had a prepaid, capitated managed care system through a Medicaid Waiver approved by CMS. The managed care system provides services for Louisville and its surrounding counties and is operated through a personal service contract with University Health Care, Inc., operating as Passport.

More thorough reporting is required of Kentucky's Medicaid Managed Care contractor than is required of KyHealth Choices. It would be beneficial for the overall Medicaid program to consider similar standards. Since the managed care program is a Medicaid Waiver, the provider's contract is held to higher reporting standards than are required of KyHealth Choices under its State Plan Amendments. Passport Managed Care quarterly reports include the following types of information, much of which could be included in a periodic public report of KyHealth Choices:

- Executive Summary
- Eligibility statistics
- Access and delivery network information
- Quality assurance and improvement
- Grievances and appeals
- Budget neutrality and fiscal issues
- Utilization
- Systems and data processing
- Other activities including
  - Organizational changes
  - Administration changes
  - Innovations and solutions

- Prompt pay claims
- Coordination of Benefits (COB) savings
- Cost avoidance summary
- Potential subrogation
- Claims processing summaries by provider types and denials
- Claims inventory
- Encounter data
- Monthly benefit payments

**Florida’s Reformation of Medicaid Requires Extended Reporting at the Federal and State Levels**

Florida is an example of a state that elected to use Medicaid Waiver reform rather than State Plan Amendments. CMS requires quarterly and annual reports of progress for states that exercised Medicaid Waivers as part of their reform packages. State Plan Amendments do not require reports to CMS. Florida has also gone a step further by including Medicaid reporting provisions in its law:

**Florida Medicaid Reform Quarterly Reports**

**409.91213, Florida Statutes, Quarterly progress reports and annual reports.--**

(1) The agency shall submit to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate, the Minority Leader of the House of Representatives, and the Office of Program Policy Analysis and Government Accountability the following reports:

(a) The quarterly progress report submitted to the United States Centers for Medicare and Medicaid Services no later than 60 days following the end of each quarter. The intent of this report is to present the agency’s analysis and the status of various operational areas. The quarterly progress report must include, but need not be limited to:

1. Events occurring during the quarter or anticipated to occur in the near future which affect health care delivery, including, but not limited to, the approval of and contracts for new plans, which report must specify the coverage area, phase-in period, populations served, and benefits; the enrollment; grievances; and other operational issues.
2. Action plans for addressing any policy and administrative issues.
3. Agency efforts related to collecting and verifying encounter data and utilization data.
4. Enrollment data disaggregated by plan and by eligibility category, such as Temporary Assistance for Needy Families or Supplemental Security Income; the total number of enrollees; market share; and the percentage change in enrollment by plan. In addition, the agency shall provide a summary of voluntary and mandatory selection rates and disenrollment data.
5. For purposes of monitoring budget neutrality, enrollment data, member-month data, and expenditures in the format for monitoring budget neutrality which is provided by the federal Centers for Medicare and Medicaid Services.
6. Activities and associated expenditures of the low-income pool.
7. Activities related to the implementation of choice counseling, including efforts to improve health literacy and the methods used to obtain public input, such as recipient focus groups.
8. Participation rates in the enhanced benefit accounts program, including participation levels; a summary of activities and associated expenditures; the number of accounts established, including active participants and individuals who continue to retain access to funds in an account but who no longer actively participate; an estimate of quarterly deposits in the accounts; and expenditures from the accounts.

9. Enrollment data concerning employer-sponsored insurance which document the number of individuals selecting to opt out when employer-sponsored insurance is available. The agency shall include data that identify enrollee characteristics, including the eligibility category, type of employer-sponsored insurance, and type of coverage, such as individual or family coverage. The agency shall develop and maintain disenrollment reports specifying the reason for disenrollment in an employer-sponsored insurance program. The agency shall also track and report on those enrollees who elect the option to reenroll in the Medicaid reform demonstration.

10. Progress toward meeting the demonstration goals.

11. Evaluation activities.

(b) An annual report documenting accomplishments, project status, quantitative and case-study findings, utilization data, and policy and administrative difficulties in the operation of the Medicaid waiver demonstration program. The agency shall submit the draft annual report no later than October 1 after the end of each fiscal year.

(2) Beginning with the annual report for demonstration year two, the agency shall include a section concerning the administration of enhanced benefit accounts, the participation rates, an assessment of expenditures, and an assessment of potential cost savings.

(3) Beginning with the annual report for demonstration year four, the agency shall include a section that provides qualitative and quantitative data describing the impact the low-income pool has had on the rate of uninsured people in this state, beginning with the implementation of the demonstration program.

**Florida's reports are available through its Medicaid program at:**

[4th Medicaid Reform Quarterly Report, April 1, 2007 through June 30, 2007 \[1.72MB PDF\]](#) **NEW** 8/30/07

## Recommendations

The Auditor of Public Accounts recommends the Cabinet for Health and Family Services compile Medicaid and KCHIP data and periodically report program progress and cost containment in a consistent, user-friendly, and comprehensive package. The Cabinet should:

- Develop a method for calculating and certifying savings;
- Fully consider all costs when reporting cost containment and savings;
- Form a new entity or use the existing Medicaid Oversight and Advisory Committee and the Advisory Council for Medical Assistance to further investigate reporting practices of other states and arrive at a method that is truly representative of a national model for achieving excellence in Medicaid;
- Consider its own reporting requirements for the Passport Managed Care Medicaid Contract and Waiver when developing new Medicaid reports;
- Consider the needs of all Medicaid and KCHIP stakeholders including consumers and providers of services;
- Consider practices of other states undertaking Medicaid reform;

- Follow proposed Government Accountability Standards Board recommendations for reporting service efforts and accomplishments including:
  - Purpose and scope
  - Statements of major goals and objectives
  - Involvement in establishing goals and objectives
  - Multiple levels of reporting
  - Analysis of results and challenges
  - Focus on key measures
  - Reliable information
  
- Where helpful, include charts and graphs to supplement raw data expenditures reports;
  
- Carefully monitor important Medicaid contracts and report results;
  
- Periodically audit Medicaid's methods and results for reporting expenditures data and perform reconciliations; and
  
- Update its Strategic Plan Progress Reports to include adequate Medicaid and KCHIP program descriptions and analyses of program changes and strategic plan progress.

## **Appendix A**

### **Scope and Methodology**



## Scope

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The overall objective of the audit was to discover if Kentucky's Medicaid transformation under KyHealth Choices has resulted in planned implementations and cost savings. This performance audit charts the development of KyHealth Choices, provides costs reported by the Department of Medicaid Services (DMS), and evaluates Medicaid reporting requirements and available reports for relevance, understandability, comparability, timeliness, consistency, and reliability. Kentucky State Children's Health Insurance Program (KCHIP) was included in the analysis because it is closely linked to the Medicaid program and is often included in Medicaid reports and cost analyses. The scope of our work primarily focused on Medicaid and KCHIP services and costs for FY 2006 and FY 2007. Historical costs prior to Medicaid's reform to KyHealth Choices are also included, as well as an overview of program changes and significant events.

**Methodology** Our analysis included comparing the Cabinet for Health and Family Services (CHFS) assertions of Medicaid savings to reports provided by DMS. Kentucky Medicaid and KCHIP reports reviewed included:

- CHFS and DMS Strategic Plans, Progress Reports and Mission Statements
- DMS Agency Biennial Budget Requests, Budgets of the Commonwealth, and Interim Budget Allotment Adjustments
- Medicaid budget forecast data (related reports were requested from DMS but not provided to the APA)
- DMS Medicaid Budget Analysis Reports and Cost Containment Reports
- CHFS PowerPoint presentation provided by the CHFS to the Kentucky General Assembly and Medicaid professionals
- DMS Medicaid Management Information System (MMIS) reports for the Centers for Medicare and Medicaid Services

The financial data used in this report was provided by DMS. Evidence that this data was valid or reliable was not obtained. The limitations of this data are presented in the report's findings and recommendations.

In order to supplement our research and review reporting standards and best practices, related reports from the following external sources were reviewed:

- The Centers for Medicare and Medicaid Services
- The United States Government Accountability Office
- Government Accounting Standards Board
- The Kaiser Family Foundation
- Kentucky Long-Term Policy Research Center
- Foundation for a Healthy Kentucky
- The Council on State Governments
- The Kentucky Finance and Administration Cabinet
- University Health Care, Inc. Managed Care contract and Waiver requirements

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## **Appendix B**

### **Timeline of Significant Events in KyHealth Choices Transformation**



# Timeline of Significant Events in KyHealth Choices Transformation

Action	JUL 05	AUG 05	SEP 05	OCT 05	NOV 05	DEC 05	JAN 06	FEB 06	MAR 06	APR 06	MAY 06	JUN 06	JUL 06	AUG 06	SEPT 06	OCT 06	NOV 06	DEC 06	JAN 07	FEB 07	MAR 07	APR 07	MAY 07	JUN 07	JUL 07	AUG 07	SEP 07		
<b>Federal Deficit Reduction Act of 2005</b>																													
Deficit Reduction Act	The President signed the bill, the Deficit Reduction Act of 2005 (S. 1932), on February 8, 2006, and it has since been designated Public Law 109-171.																												
						Extension of Transitional Medicaid (6084)	Third Party Liability (6035) Case Mgmt. & Targeted Case Mgmt. (6052)	President Signs Deficit Reduction Act	Premiums and Cost Sharing (6041-43) Benchmark Benefit Packages (6044)					Proof of Citizenship Required (6036)			Medicaid Transformation Grants (6081)			Managed Care Org. Provider Tax Reform Expires (6051) Extension of Transitional Medicaid Expires (6084)	Fraud & Integrity (6031-34) Emerg. Room Co-pays (6041-43) Family Opportunity Act (6061-62) Family-to-Family Health Info. Cntrs (6064) Money Follows the Person (6071) Health Opp. Accts (6082) Emergency Svc. by Non MCO Providers (6085) HCB for the Elderly & Disabled (6086) Cash & Counseling (6087)								
	<b>Building Blocks Leading Up to the State Plan Amendments</b>																												
	1115 "Super Waiver" submitted then pulled back																												
	CMS Advises Kentucky to submit three separate 1915(c) Waivers based on DRA changes to Medicaid																												
	CMS retracts the three 1915(c) approach and suggests Kentucky use State Plan Amendments																												
	Kentucky submits three 1915(c) State Plan Amendments forming KyHealth Choices																												
	New provisions of the DRA became effective and CMS advises Kentucky that the KyHealth Choices Waivers need to be 1915(i) type Waivers																												
	Additional Waiver Amendments submitted to CMS for HCB, SCL, ABI Waivers for CDO; DMS commits to a 1915(c) LTC ABI Waiver																												
	<b>Kentucky Medicaid State Plan Amendment (Transmittal Numbers)</b>																												
Four-Prescription Per Month Limit (06-001)																													
Medicaid Buy-In (06-003)																													
DRG Supplemental Payments (06-005)																													
KyHealth Choices Global Choices (06-006)																													
KyHealth Choices Global Choices (06-007)																													
KyHealth Choices Transportation (06-008)																													
Treatment of Medical Expenses During a Period of Ineligibility (06-009)																													
KyHealth Choices Family, Comprehensive, and Optimum Choices (06-010)																													
Change in Commissioner Signature Authority (06-011)																													
Transfer of Assets (06-014)																													
Home Care (06-015)																													
Eli Lilly Zyprexa Behavioral Pharmacy Management Program (06-016)																													
Ky Health Choices Clarification (07-001)																													
Employee Education About False Claims Recovery (07-002)																													
Parent Choices (07-003)																													
Nursing Facility Brain Injury Unit Rate Change (07-004)																													
State Governor Review Opt-Out Designation (07-005)																													
<b>Medicaid Grants Awarded to Kentucky</b>																													
Money Follows the Person Grant																													
Medicaid Transformation Grant																													
Robert Wood Johnson (Consumer Directed Option Study)																													
<b>Other Significant Program Activities and Actions</b>																													
State Fiscal Agent MMIS Upgrade (EDS Contract) Goes Live																													
Third-Party Liability contract with Health Management Systems																													
Kentucky Medicaid Administrative Agent contract with First Health																													
Pharmacy Benefits Management contract with First Health																													
MOSS contract with Accenture for KyHealth Choices performance measurement and reporting																													
Quarterly Cost Containment Reports and cost savings projections required by Budget HB267 and HB380																													

## **Appendix C**

### **Two-Year Monthly Medicaid and KCHIP Expenditures**

DEPARTMENT FOR MEDICAID SERVICES  
EXPENDITURES BY CATEGORY OF SERVICES  
STATE FISCAL YEARS 2006 AND 2007

Type of Service	JUL 05	AUG 05	SEPT 05	OCT 05	NOV 05	DEC 05
<b>Mandatory</b>						
Inpatient Hospital	45,684,520.86	42,946,428.47	38,613,997.50	28,265,201.35	29,797,611.60	34,555,046.09
DSH - Acute Care Hospitals	20,437,554.00	-	-	86,608,772.00	-	-
* Psych Distinct Part Unit - Acute Care Hospitals	2,146,150.17	1,899,091.99	2,283,072.70	1,488,519.18	1,537,194.62	1,949,999.52
* Rehab Distinct Part Unit - Acute Care Hospitals	219,889.03	305,580.97	475,297.46	266,590.97	187,340.53	240,356.32
* Supplemental Payments (IOA)	-	-	-	8,902,741.00	4,776,471.67	-
Outpatient Hospital	25,671,472.33	21,392,449.80	26,125,946.91	21,359,874.12	19,221,918.79	25,966,974.69
Physicians	24,534,740.83	20,057,001.38	24,968,151.79	21,246,661.63	20,235,445.27	24,183,066.30
Nursing Facilities	114,445,816.00	61,566,221.97	63,082,173.53	59,378,562.40	59,541,813.42	62,784,802.98
Home Health	5,114,547.60	4,432,644.63	5,543,928.01	6,966,229.22	4,059,017.25	5,613,284.07
Durable Medical Equipment (DME)	4,863,270.14	4,098,381.81	5,169,872.84	3,938,664.28	4,083,020.47	4,793,014.57
Family Planning	315.00	-	-	-	487.25	-
EPSTD - Screens	-	-	-	-	-	-
EPSTD - Related	4,598,518.32	3,800,831.37	3,750,357.91	3,428,453.26	3,555,187.90	4,053,440.97
Laboratories	1,422,128.75	1,195,478.53	1,456,774.20	1,225,871.33	1,102,246.19	1,302,375.20
Dental	4,764,648.96	3,900,966.36	4,947,847.25	4,483,680.28	4,288,700.06	4,844,562.15
Non-Emergency Transportation	278,428.55	255,046.34	260,578.78	231,730.05	273,367.35	311,263.17
Ambulance	1,292,348.55	1,046,242.72	1,176,920.82	1,287,058.86	1,056,891.75	1,143,659.41
Vision	941,530.33	1,047,579.17	1,532,520.86	1,063,275.57	1,071,070.67	1,094,258.14
Hearing	12,682.80	3,237.33	11,267.37	8,872.53	7,628.59	2,767.64
Primary Care (FQHC)	3,232,820.63	3,942,299.59	4,444,537.96	3,645,336.09	3,692,995.23	4,802,008.95
Rural Health	2,976,961.53	2,656,706.31	3,625,365.47	3,345,352.82	3,207,922.35	3,884,009.70
Qualified Medicare Beneficiaries (QMBs)*	51,939.45	30,814.48	36,620.84	32,299.02	30,228.27	28,473.97
Nurse Practitioner/Midwife	508,844.58	497,456.04	458,941.46	452,386.47	440,560.70	591,934.09
<b>Subtotal:</b>	<b>263,199,128.41</b>	<b>175,074,459.26</b>	<b>187,964,173.66</b>	<b>257,626,132.43</b>	<b>162,167,119.93</b>	<b>182,145,297.93</b>

<b>Optional</b>						
ICF-MR	13,424,087.98	6,635,769.56	6,253,317.46	3,452,814.53	22,909,362.02	7,590,225.12
Pharmacy	82,691,753.21	56,804,929.07	89,395,341.75	60,585,334.00	57,580,827.02	62,730,563.63
Community Mental Health Centers	9,224,662.69	5,645,224.46	7,217,668.25	6,553,516.00	5,778,804.75	8,677,514.91
Mental Hospital	2,401,909.17	1,689,214.87	1,933,410.83	1,543,086.24	1,634,236.94	1,949,339.99
DSH - Mental Hospital	4,818,773.00	-	-	75,272,943.34	34,776,476.00	-
Psychiatric Residential Treatment Facilities (PRTF)	989,567.51	1,011,044.31	1,359,341.61	850,231.10	933,196.64	1,300,102.53
Renal Dialysis	1,736,681.93	1,359,163.99	1,350,418.40	914,829.09	1,121,587.69	1,177,226.99
Podiatry	123,243.46	100,148.29	124,010.99	98,289.29	98,923.82	125,262.45
Support for Community Living	16,112,622.76	13,193,795.82	17,116,547.53	11,321,792.14	13,010,216.86	19,293,846.48
Ambulatory Surgical	974,117.95	781,021.15	868,563.74	763,962.10	771,980.82	825,837.50
Home & Community Based Services	3,262,604.91	2,480,794.53	3,305,937.87	2,712,057.95	2,133,589.62	3,354,776.56
Adult Day Care	1,917,611.82	1,732,525.31	2,308,796.30	1,783,803.76	1,410,158.73	2,313,745.44
Model Waivers	340,743.93	557,722.82	453,102.70	637,357.06	445,284.12	309,395.07
Hospice	1,688,470.17	1,419,352.45	2,493,013.14	1,609,264.21	1,437,906.65	1,728,439.93
Preventive	1,063,159.64	27,697.49	1,233,417.50	4,122,581.87	2,902,015.85	2,229,974.46
Children with Special Health Care Needs	373,528.38	90,581.61	129,248.00	78,450.63	33,080.00	93,167.17
Targeted Case Mgmt. - Emotionally Disturbed Child	1,490,909.09	908,305.75	1,165,920.72	894,497.31	964,797.28	1,126,927.07
Targeted Case Mgmt. - Mentally Ill Adults	1,086,547.75	790,423.18	839,691.16	743,677.20	660,153.08	927,248.65
Other Lab/X-Ray	182,298.74	162,410.52	197,423.98	139,180.10	149,718.35	131,047.94
Nurse Anesthetist	445,565.32	380,770.01	471,001.64	394,048.24	403,373.48	457,073.99
Title V/DCBS	10,139,715.21	14,062,789.70	3,011,809.06	20,963,180.56	6,910,962.16	11,332,249.11
School-Based Services	334,767.45	295,455.22	269,275.65	197,986.40	123,875.16	285,985.51
Early Intervention - First Steps	696,387.95	787,681.95	1,067,996.42	561,896.80	1,168,905.86	655,211.72
Brain Injury	643,156.31	490,576.30	586,817.06	615,962.41	381,872.05	814,336.24
HANDS	1,291,860.00	1,393,690.00	1,337,160.00	1,310,380.00	1,506,170.00	1,159,120.00
Home Care Waiver	-	-	-	-	-	-
Personal Care Assistance	-	-	-	-	-	-
Chiropractic	224,289.37	183,669.98	226,368.67	195,241.12	196,413.56	219,424.25
Specialized Children's Service Clinics	46,806.00	47,882.00	54,338.00	43,040.00	39,274.00	38,198.00
Impact Plus	1,852,170.97	1,344,510.38	1,681,784.78	1,588,271.09	1,429,006.85	1,884,583.47
<b>Subtotal:</b>	<b>159,578,012.67</b>	<b>114,157,150.72</b>	<b>146,451,723.21</b>	<b>199,947,674.54</b>	<b>160,903,169.36</b>	<b>132,730,824.18</b>

<b>Managed Care</b>						
Managed Care - Physical Health	40,466,941.17	41,556,047.31	40,993,043.69	48,357,079.84	47,530,966.70	47,217,756.81
Managed Care - Behavioral Health	-	-	-	-	-	-
Empower Transportation	4,025,737.48	3,990,703.58	4,059,673.32	4,024,074.37	3,987,252.97	4,017,642.24
<b>Subtotal:</b>	<b>44,492,678.65</b>	<b>45,546,750.89</b>	<b>45,052,717.01</b>	<b>52,381,154.21</b>	<b>51,518,219.67</b>	<b>51,235,399.05</b>

<b>Special Expenditures/Offsets</b>						
KenPAC	1,232,084.00	1,180,312.00	1,262,900.00	1,191,512.00	1,204,316.00	1,201,568.00
Intergovernmental Transfer Payments (IGT's)	-	-	-	18,750,363.14	-	8,337,869.13
Cost Settlements	-	-	-	-	-	-
Insurance Premiums	130.72	130.72	106.04	65.36	252.76	65.36
Supplementary Medical Insurance (SMI)	12,002,153.40	11,496,891.40	11,255,047.90	15,331,752.60	11,833,905.70	11,784,774.60
Part D Medicare Clawback	-	-	-	-	-	-
Consumer Directed Options	-	-	-	-	-	-
Non-Provider Payments	3,570.27	6,951.55	3,126.09	36,815.88	12,503.19	3,309.70
Drug Rebate	(34,349,024.44)	(2,883,119.39)	(36,536,977.82)	(15,704,445.90)	(2,366,345.08)	(34,055,118.74)
QI1 Payments	99,861.40	111,435.00	63,029.20	93,761.80	78,356.40	-
QI2 Payments	-	-	-	-	-	-
Redeposits and Other Adjustments	(24,665.23)	(173,715.13)	(102,256.12)	(37,929.00)	(12,351.13)	(15,903.21)
<b>Subtotal:</b>	<b>(21,035,889.88)</b>	<b>9,738,886.15</b>	<b>(24,055,024.71)</b>	<b>19,661,895.88</b>	<b>10,750,637.84</b>	<b>(12,743,435.16)</b>

<b>KCHIP:</b>	<b>9,013,475.31</b>	<b>7,187,341.52</b>	<b>8,501,629.32</b>	<b>8,372,526.52</b>	<b>8,043,842.87</b>	<b>8,357,441.07</b>
<b>TOTAL:</b>	<b>455,247,405.16</b>	<b>351,704,588.54</b>	<b>363,915,218.49</b>	<b>537,989,383.58</b>	<b>393,382,989.67</b>	<b>361,725,527.07</b>

<b>AVERAGE MONTHLY ELIGIBLES:</b>	<b>691,190</b>	<b>697,507</b>	<b>699,054</b>	<b>699,410</b>	<b>696,751</b>	<b>695,715</b>
<b>AVERAGE MONTHLY MEDICAID:</b>	<b>642,062</b>	<b>647,714</b>	<b>648,936</b>	<b>649,148</b>	<b>646,397</b>	<b>645,032</b>
<b>AVERAGE MONTHLY KCHIP:</b>	<b>49,128</b>	<b>49,793</b>	<b>50,118</b>	<b>50,262</b>	<b>50,354</b>	<b>50,683</b>

<b>COST PER ELIGIBLE PER MONTH:</b>	<b>\$ 658.64</b>	<b>\$ 504.23</b>	<b>\$ 520.58</b>	<b>\$ 769.20</b>	<b>\$ 564.60</b>	<b>\$ 519.93</b>
<b>COST PER ELIGIBLE PER MONTH MEDICAID:</b>	<b>\$ 695.00</b>	<b>\$ 531.90</b>	<b>\$ 547.69</b>	<b>\$ 815.86</b>	<b>\$ 596.13</b>	<b>\$ 547.83</b>
<b>COST PER ELIGIBLE PER MONTH KCHIP:</b>	<b>\$ 183.47</b>	<b>\$ 144.34</b>	<b>\$ 169.63</b>	<b>\$ 166.58</b>	<b>\$ 159.75</b>	<b>\$ 164.90</b>

JAN 06	FEB 06	MAR 06	APR 06	MAY 06	JUNE 06	FY 2006 TOTAL
27,839,347.02	37,592,637.95	45,689,002.51	43,641,631.17	67,593,503.47	47,820,843.54	490,039,771.53
-	-	-	-	-	-	107,046,326.00
1,684,770.78	1,536,688.94	2,013,178.91	1,688,062.31	1,572,774.53	2,139,448.27	21,938,951.92
366,097.83	240,407.79	309,231.32	296,284.19	236,701.56	305,929.69	3,449,707.66
8,902,741.00	-	-	8,902,741.00	-	-	31,484,694.67
21,048,562.34	22,131,232.60	28,710,069.75	24,231,019.50	23,359,758.03	26,875,935.59	286,095,214.45
18,077,076.43	22,380,176.75	27,927,500.81	22,976,948.48	21,887,972.06	25,421,174.38	273,895,916.11
62,256,383.41	61,355,286.45	58,468,483.72	59,936,414.90	58,577,909.93	59,981,685.71	781,375,554.42
3,610,742.07	4,576,081.07	5,721,479.98	4,156,025.60	4,589,432.13	6,038,952.92	60,422,364.55
4,266,849.09	4,858,997.15	5,561,677.68	3,752,033.18	4,191,016.07	5,220,250.84	54,797,048.12
-	-	-	549.25	26.00	-	1,377.50
-	-	-	-	-	-	-
3,426,274.45	3,777,651.27	5,217,483.90	3,575,446.20	4,027,473.88	5,132,521.61	48,343,641.04
1,081,402.48	1,284,021.18	1,677,757.40	1,335,494.59	1,261,000.04	1,618,164.01	15,962,713.90
3,170,525.87	4,203,064.58	5,183,761.45	4,562,701.37	3,979,031.27	5,082,726.15	53,412,215.75
243,543.67	261,666.93	363,611.63	251,532.18	243,811.78	299,291.85	3,273,872.28
1,016,301.54	1,057,087.24	1,379,757.90	1,203,214.94	1,141,830.81	1,226,055.48	14,027,370.02
675,965.40	973,058.37	1,244,439.52	1,000,341.02	924,116.58	1,052,515.89	12,620,671.52
11,021.50	10,415.14	10,319.92	7,602.80	8,458.20	4,991.34	99,265.16
4,220,012.55	4,380,229.53	5,304,435.75	4,549,050.28	4,087,156.70	4,551,485.26	50,852,368.52
2,856,045.15	3,563,056.91	4,494,313.43	3,634,376.61	3,262,399.85	3,478,887.21	40,985,397.34
32,484.00	50,668.66	53,965.65	39,993.39	41,195.41	41,492.33	470,175.47
407,821.99	484,413.26	670,082.35	515,870.98	458,710.02	490,237.74	5,977,259.68
<b>165,193,968.57</b>	<b>174,716,841.77</b>	<b>200,000,553.58</b>	<b>190,257,333.94</b>	<b>201,444,278.32</b>	<b>196,782,589.81</b>	<b>2,356,571,877.61</b>

11,104,273.17	13,546,371.21	10,349,793.42	10,809,375.82	10,661,357.50	2,649,656.78	119,386,404.57
46,819,900.36	37,894,956.66	54,824,567.06	34,686,325.00	33,588,330.03	24,430,576.75	641,833,404.54
4,184,099.66	6,359,380.99	9,619,505.29	7,372,546.39	5,180,249.60	8,400,728.23	84,213,901.22
1,315,574.05	1,561,288.32	2,405,599.73	2,380,643.95	1,588,916.25	2,089,685.12	22,472,905.46
-	547,461.00	-	-	-	-	115,406,653.34
788,348.01	811,190.66	1,100,425.51	868,254.47	905,641.42	1,781,839.95	12,699,183.72
1,714,615.71	1,387,130.26	1,949,328.48	1,822,014.71	1,743,027.96	1,584,109.07	17,860,134.28
76,807.51	121,944.59	151,960.66	115,311.70	101,624.90	142,462.82	1,379,990.48
9,579,615.36	13,584,874.34	19,320,997.36	11,738,617.53	13,789,765.24	19,813,697.23	177,876,388.65
742,831.57	934,091.45	1,125,461.83	829,960.17	782,172.41	1,155,643.15	10,555,643.84
2,131,764.46	2,849,258.17	3,309,877.26	2,565,718.33	2,203,313.35	3,250,479.06	33,560,172.07
1,591,426.10	1,787,789.94	2,060,208.87	1,897,952.35	1,857,655.79	2,099,581.57	22,761,255.98
217,984.97	794,392.47	360,121.76	628,714.31	348,110.66	589,843.00	5,682,772.87
1,548,464.50	2,126,680.16	2,357,213.18	1,580,347.70	1,718,301.37	2,033,116.71	21,740,570.17
1,601,060.26	2,348,932.02	2,978,960.78	1,950,497.68	2,612,337.16	1,798,414.13	24,869,048.84
49,437.29	59,966.37	3,024,450.29	58,664.57	61,939.57	68,751.00	4,121,264.88
861,894.19	568,221.89	1,762,832.47	942,530.20	867,895.37	1,285,169.97	12,839,901.31
543,628.29	454,971.91	1,251,965.92	723,718.82	551,548.42	953,298.51	9,526,872.89
148,191.96	149,533.48	179,246.71	166,467.95	183,875.36	163,779.55	1,953,174.64
329,671.88	394,692.67	480,919.98	491,569.79	457,779.56	481,007.39	5,187,473.95
6,310,185.23	7,900,440.66	5,375,093.86	5,303,760.08	5,275,728.76	13,205,725.23	109,791,639.62
220,358.27	238,721.05	351,167.10	268,662.05	270,513.58	323,648.89	3,180,416.33
1,265,595.75	1,233,585.92	1,158,222.92	1,192,291.41	566,327.53	555,859.68	10,909,963.91
444,459.92	442,694.27	1,043,056.65	673,550.88	396,976.42	881,562.05	7,415,020.56
1,079,370.00	1,452,540.00	1,312,470.00	1,317,240.00	1,554,180.00	1,303,010.00	16,017,190.00
-	-	-	-	-	-	-
-	-	-	-	-	-	-
173,963.97	225,337.93	287,507.51	253,389.25	253,136.54	242,459.29	2,681,201.44
35,902.59	41,426.00	62,946.00	45,192.00	44,654.00	30,128.00	529,786.59
1,224,151.94	1,391,281.66	2,029,973.06	1,389,515.56	1,877,607.57	2,057,800.92	19,750,658.25
<b>96,103,576.97</b>	<b>101,209,156.05</b>	<b>130,233,873.66</b>	<b>92,072,832.67</b>	<b>89,442,966.32</b>	<b>93,372,034.05</b>	<b>1,516,202,994.40</b>

						<b>266,121,836</b>
45,733,570.43	44,065,500.69	45,583,563.17	46,646,133.67	45,424,947.86	45,215,876.95	272,669,592.77
3,964,321.69	4,008,531.42	4,065,076.16	4,028,575.72	4,032,274.87	4,071,000.70	48,274,864.52
<b>49,697,892.12</b>	<b>48,074,032.11</b>	<b>49,648,639.33</b>	<b>50,674,709.39</b>	<b>49,457,222.73</b>	<b>49,286,877.65</b>	<b>587,066,292.81</b>

1,176,896.00	1,220,948.00	1,210,428.00	1,209,924.00	1,192,660.00	1,217,776.00	14,501,324.00
-	3,517,146.12	21,677,742.03	-	8,516,624.08	-	60,799,744.50
65.36	238.08	246.76	-	163.40	130.72	1,595.28
13,094,831.50	12,890,668.30	12,581,519.00	13,872,230.00	13,819,351.60	13,444,539.80	153,407,665.80
-	-	-	-	7,547,254.64	1,484,572.04	9,031,826.68
-	-	-	-	-	-	-
1,802.77	9,207.84	3,928.84	4,604.66	5,347.76	5,465.74	96,634.29
(8,029,684.78)	(1,699,128.94)	(29,068,448.62)	(19,106,038.68)	(5,832,813.32)	(22,894,158.82)	(212,525,304.53)
-	-	-	-	-	-	446,443.80
-	-	-	-	-	-	-
(37,057.64)	(76,660.32)	(46,961.59)	(55,741.83)	(33,361.25)	5,155,248.21	4,748,122.24
<b>6,206,853.21</b>	<b>15,862,419.08</b>	<b>6,358,454.42</b>	<b>(4,075,021.85)</b>	<b>25,215,226.91</b>	<b>(1,586,426.31)</b>	<b>30,508,052.06</b>

<b>7,275,017.44</b>	<b>8,635,831.60</b>	<b>11,287,621.74</b>	<b>8,428,424.60</b>	<b>6,156,791.95</b>	<b>8,333,501.40</b>	<b>99,593,445.34</b>
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<b>324,477,308.31</b>	<b>348,498,280.61</b>	<b>397,529,142.73</b>	<b>337,358,278.75</b>	<b>371,716,486.23</b>	<b>346,188,576.60</b>	<b>4,589,942,662.88</b>
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<b>697,826</b>	<b>698,404</b>	<b>703,946</b>	<b>702,517</b>	<b>705,921</b>	<b>706,903</b>	<b>699,595</b>
<b>646,677</b>	<b>647,484</b>	<b>652,351</b>	<b>651,713</b>	<b>655,287</b>	<b>656,614</b>	<b>649,118</b>
<b>51,149</b>	<b>50,920</b>	<b>51,595</b>	<b>50,804</b>	<b>50,634</b>	<b>50,289</b>	<b>50,477</b>

\$ 464.98	\$ 498.99	\$ 564.72	\$ 480.21	\$ 526.57	\$ 489.73	\$ 546.74
\$ 490.51	\$ 524.90	\$ 592.08	\$ 504.72	\$ 557.86	\$ 514.54	\$ 576.47
\$ 142.23	\$ 169.60	\$ 218.77	\$ 165.90	\$ 121.59	\$ 165.71	\$ 164.42

DEPARTMENT FOR MEDICAID SERVICES  
EXPENDITURES BY CATEGORY OF SERVICES  
STATE FISCAL YEARS 2006 AND 2007

Type of Service	JUL 06	AUG 06	SEPT 06	OCT 06	NOV 06	DEC 06
<b>Mandatory</b>						
Inpatient Hospital	43,394,808.72	40,299,038.37	44,462,881.76	41,829,014.26	35,682,198.28	38,767,695.14
DSH - Acute Care Hospitals	-	-	-	86,210,452.00	71,157,022.00	-
* Psych Distinct Part Unit - Acute Care Hospitals	1,838,556.30	1,793,559.39	1,920,281.49	1,667,673.37	1,738,721.08	1,531,982.59
* Rehab Distinct Part Unit - Acute Care Hospitals	209,944.21	175,447.61	322,016.64	251,586.85	152,838.26	207,279.65
* Supplemental Payments (IOA)	-	10,018,430.23	-	8,519,987.00	-	-
Outpatient Hospital	21,270,401.59	22,182,897.26	26,430,022.47	22,831,381.77	21,211,734.60	28,133,267.31
Physicians	19,192,752.52	19,800,028.94	24,666,339.89	20,633,483.85	20,501,929.80	25,023,673.91
Nursing Facilities	59,037,831.37	65,972,286.50	66,621,533.41	62,815,963.81	62,443,851.27	63,725,704.20
Home Health	6,825,556.96	4,373,942.93	5,095,496.26	4,766,647.88	3,928,538.44	5,282,333.55
Durable Medical Equipment (DME)	4,103,573.66	3,484,267.22	4,125,557.92	4,347,902.80	3,793,406.09	4,787,877.07
Family Planning	-	-	-	-	-	-
EPSTD - Screens	-	-	-	-	-	-
EPSTD - Related	4,091,211.94	3,954,815.15	4,615,470.83	3,724,248.55	4,068,826.28	4,804,401.22
Laboratories	1,391,915.19	1,249,244.42	1,755,085.27	1,403,701.10	1,301,834.20	1,666,166.52
Dental	3,766,779.16	4,068,487.11	5,617,975.87	5,080,418.26	4,700,547.69	5,571,682.11
Non-Emergency Transportation	237,219.53	255,449.89	359,484.66	295,140.61	284,411.57	327,175.09
Ambulance	1,118,034.76	1,094,790.65	1,294,816.42	1,083,339.93	1,273,477.45	1,192,091.55
Vision	763,433.83	1,164,381.20	1,636,900.74	1,161,744.17	1,132,782.62	1,239,654.74
Hearing	12,082.04	3,839.30	5,159.56	5,207.02	5,063.92	13,540.04
Primary Care (FQHC)	3,516,628.93	3,911,533.40	4,537,102.63	4,093,909.33	4,810,966.05	5,665,408.45
Rural Health	2,424,797.22	2,822,507.68	3,992,113.34	3,570,768.36	3,207,464.09	4,468,155.67
Qualified Medicare Beneficiaries (QMBs)*	19,827.36	17,060.01	35,132.04	42,743.88	36,833.82	45,068.84
Nurse Practitioner/Midwife	381,729.87	372,294.57	497,958.39	406,743.23	421,283.84	493,390.53
<b>Subtotal:</b>	<b>173,597,085.16</b>	<b>187,014,301.83</b>	<b>197,991,329.59</b>	<b>274,742,058.03</b>	<b>241,853,731.35</b>	<b>192,946,548.18</b>

<b>Optional</b>						
ICF-MR	17,064,650.64	8,130,994.40	10,481,692.11	7,451,943.92	7,716,895.61	18,724,549.76
Pharmacy	39,198,245.87	31,935,147.78	50,799,135.36	35,623,669.05	36,581,507.18	36,834,998.61
Community Mental Health Centers	5,030,488.08	5,314,573.10	7,991,752.76	5,682,747.11	4,643,059.91	8,827,362.93
Mental Hospital	3,224,774.51	1,951,049.66	1,862,800.12	1,439,475.63	2,846,631.62	1,442,263.76
DSH - Mental Hospital	-	-	-	-	37,451,040.00	-
Psychiatric Residential Treatment Facilities (PRTF)	1,137,786.97	989,593.39	1,357,263.19	1,336,315.48	963,322.38	1,553,453.88
Renal Dialysis	852,980.01	1,414,057.06	1,704,097.78	1,013,509.61	767,191.63	1,701,773.76
Podiatry	99,438.52	95,718.86	111,556.86	100,726.43	109,023.03	122,272.71
Support for Community Living	10,517,124.92	14,562,759.81	17,118,013.79	14,717,060.32	14,838,024.76	18,822,375.04
Ambulatory Surgical	729,494.64	740,282.24	933,827.10	565,765.78	752,473.41	874,161.29
Home & Community Based Services	2,283,359.63	2,720,747.76	3,133,324.83	2,464,394.75	2,394,020.63	3,208,358.27
Adult Day Care	2,088,967.30	2,070,682.04	2,291,390.19	2,438,872.56	2,081,706.20	2,846,373.40
Model Waivers	386,060.97	257,249.84	697,406.07	396,902.55	242,879.10	931,351.43
Hospice	1,257,445.54	2,386,111.38	2,437,536.40	1,464,610.20	1,731,960.24	2,249,213.43
Preventive	689,395.77	2,579,630.45	2,224,797.44	2,126,259.49	2,189,228.51	2,824,232.78
Children with Special Health Care Needs	15,156.95	3,861.57	5,723,525.21	6,431.02	1,812.84	16,751.97
Targeted Case Mgmt. - Emotionally Disturbed Child	551,012.89	936,592.82	1,281,817.81	910,608.51	614,563.94	1,569,329.67
Targeted Case Mgmt. - Mentally Ill Adults	324,959.53	706,787.47	962,155.75	670,509.77	514,385.32	1,217,754.86
Other Lab/X-Ray	106,936.23	219,341.95	170,101.40	115,620.98	107,911.83	161,048.03
Nurse Anesthetist	384,817.12	378,749.54	469,803.98	390,355.87	523,910.52	534,654.75
Title V/DCBS	7,055,272.06	6,925,439.85	11,461,878.06	4,951,184.50	10,112,295.33	11,210,471.84
School-Based Services	327,049.59	317,213.16	127,153.11	77,144.53	180,419.69	143,215.79
Early Intervention - First Steps	1,090,418.27	504,082.97	1,058,186.04	517,216.28	1,061,288.27	481,093.79
Brain Injury	417,306.03	662,106.18	642,354.21	615,981.62	768,105.42	781,317.82
HANDS	1,365,930.00	1,414,650.00	1,279,180.00	1,260,690.00	1,460,170.00	1,216,830.00
Home Care Waiver	-	-	-	-	-	-
Personal Care Assistance	-	-	-	-	-	-
Chiropractic	189,083.38	190,179.70	178,999.08	165,677.14	292,757.77	349,222.28
Specialized Children's Service Clinics	37,122.00	32,280.00	51,110.00	40,350.00	40,888.00	33,894.00
Impact Plus	1,430,119.22	1,458,661.76	2,145,152.71	1,669,712.02	1,656,628.20	2,028,102.11
<b>Subtotal:</b>	<b>97,855,396.64</b>	<b>88,898,544.74</b>	<b>128,696,011.36</b>	<b>88,213,735.12</b>	<b>132,644,101.34</b>	<b>120,706,427.96</b>

<b>Managed Care</b>						
Managed Care - Physical Health	49,266,348.06	48,366,743.89	51,858,740.24	50,196,345.02	38,414,898.35	65,647,006.21
Managed Care - Behavioral Health	-	-	-	-	-	-
Empower Transportation	4,200,077.28	4,232,357.40	4,307,656.85	4,240,732.16	4,236,729.39	4,270,106.21
<b>Subtotal:</b>	<b>53,466,425.34</b>	<b>52,599,101.29</b>	<b>56,166,397.09</b>	<b>54,437,077.18</b>	<b>42,651,627.74</b>	<b>69,917,112.42</b>

<b>Special Expenditures/Offsets</b>						
KenPAC	1,191,332.00	1,144,012.00	1,265,576.00	1,194,964.00	1,150,700.00	1,254,684.00
Intergovernmental Transfer Payments (IGT's)	1,637,500.00	-	-	-	-	-
Cost Settlements	-	-	-	-	-	-
Insurance Premiums	130.72	326.80	130.72	65.36	98.04	312.08
Supplementary Medical Insurance (SMI)	14,462,910.20	13,663,639.70	13,557,826.70	13,228,520.60	12,906,549.30	13,527,724.10
Part D Medicare Clawback	7,797,377.24	13,818,361.04	7,949,219.84	7,836,408.44	7,946,521.44	7,891,237.96
Consumer Directed Options	-	-	-	-	-	115,492.69
Non-Provider Payments	5,601.56	8,568.23	4,782.67	3,179.99	2,110.78	9,712.06
Drug Rebate	(10,305,230.57)	(3,143,194.30)	(5,304,451.30)	(25,943,873.03)	(758,024.57)	(13,272,658.91)
QI1 Payments	-	-	-	683,751.00	706,947.70	752,572.00
QI2 Payments	-	-	-	-	-	-
Redeposits and Other Adjustments	(46,807.83)	(40,132.93)	(4,646.47)	(40,622.19)	(108,690.04)	(44,410.03)
<b>Subtotal:</b>	<b>14,742,813.32</b>	<b>25,451,580.54</b>	<b>17,468,438.16</b>	<b>(3,037,605.83)</b>	<b>21,846,212.65</b>	<b>9,413,260.76</b>

<b>KCHIP:</b>	<b>7,248,076.24</b>	<b>7,400,925.31</b>	<b>9,251,008.85</b>	<b>8,158,573.32</b>	<b>8,416,643.69</b>	<b>8,822,336.60</b>
<b>TOTAL:</b>	<b>346,909,796.70</b>	<b>361,364,453.71</b>	<b>409,573,185.05</b>	<b>422,513,837.82</b>	<b>447,412,316.77</b>	<b>401,805,086.92</b>

<b>AVERAGE MONTHLY ELIGIBLES:</b>	<b>704,422</b>	<b>710,096</b>	<b>710,269</b>	<b>710,864</b>	<b>710,092</b>	<b>708,837</b>
<b>AVERAGE MONTHLY MEDICAID:</b>	<b>654,452</b>	<b>659,763</b>	<b>659,704</b>	<b>660,028</b>	<b>659,153</b>	<b>657,756</b>
<b>AVERAGE MONTHLY KCHIP:</b>	<b>49,970</b>	<b>50,333</b>	<b>50,565</b>	<b>50,836</b>	<b>50,939</b>	<b>51,081</b>

<b>COST PER ELIGIBLE PER MONTH:</b>	<b>\$ 492.47</b>	<b>\$ 508.90</b>	<b>\$ 576.65</b>	<b>\$ 594.37</b>	<b>\$ 630.08</b>	<b>\$ 566.85</b>
<b>COST PER ELIGIBLE PER MONTH MEDICAID:</b>	<b>\$ 519.00</b>	<b>\$ 536.50</b>	<b>\$ 606.82</b>	<b>\$ 627.78</b>	<b>\$ 666.00</b>	<b>\$ 597.62</b>
<b>COST PER ELIGIBLE PER MONTH KCHIP:</b>	<b>\$ 145.05</b>	<b>\$ 147.04</b>	<b>\$ 182.95</b>	<b>\$ 160.49</b>	<b>\$ 165.23</b>	<b>\$ 172.71</b>

JAN 07	FEB 07	MAR 07	APR 07	MAY 07	JUNE 07	FY 2007 TOTAL
34,749,246.66	46,041,154.80	59,071,173.94	57,406,565.59	67,625,081.85	4,956,468.63	514,285,328.00
-	-	-	-	-	-	157,367,474.00
1,448,114.47	2,045,436.15	2,323,976.18	1,656,150.66	2,697,938.91	221,013.29	20,883,403.88
176,023.59	170,514.89	416,568.16	362,058.35	384,078.91	-	2,828,357.12
-	15,353,942.92	8,519,987.00	-	2,593,192.00	8,519,987.00	53,525,526.15
20,354,320.90	25,705,841.04	29,805,736.51	24,358,580.69	40,593,243.88	10,490,850.42	293,368,378.44
17,412,393.40	24,303,388.38	27,479,141.60	22,394,828.27	35,911,968.28	37,598,675.88	294,918,604.72
63,965,598.54	66,840,996.42	59,935,824.67	63,582,307.12	58,921,846.57	1,986,869.40	695,850,613.28
3,653,122.82	4,315,993.04	5,310,424.41	3,852,143.09	7,591,040.81	5,810,042.78	60,805,282.97
3,787,437.97	4,745,776.99	5,843,661.20	4,418,151.29	6,861,891.33	2,760,945.54	53,060,449.08
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,430,834.30	3,976,642.58	5,424,204.16	4,295,567.05	9,250,048.44	2,702,649.19	54,338,919.69
1,158,345.18	1,274,442.50	1,811,273.77	1,517,134.00	2,522,589.02	1,108,694.71	18,160,425.88
4,076,599.42	4,820,328.13	6,065,323.18	4,567,202.87	8,213,518.88	2,297,622.51	58,846,485.19
295,601.95	278,542.75	375,413.65	283,785.32	433,051.36	6,340.50	3,431,616.88
883,158.51	1,228,019.32	1,414,099.18	1,155,863.42	1,615,173.89	26,097.99	13,378,963.07
784,798.55	1,067,917.22	1,276,003.98	1,076,196.78	1,705,297.51	626,303.71	13,635,415.05
13,717.54	5,442.92	6,588.23	4,506.55	32,483.36	403.35	108,033.83
3,970,410.37	5,060,539.20	5,810,708.47	5,009,562.90	8,472,709.28	2,718,803.33	57,578,282.34
3,077,406.76	3,987,123.86	4,575,817.82	3,917,387.79	6,390,808.77	1,253,788.40	43,688,139.76
28,756.87	45,617.77	61,114.00	33,403.63	55,569.65	32,666.96	453,794.83
349,282.19	440,097.75	674,696.34	431,750.51	762,938.41	238,388.80	5,470,554.43
<b>163,615,169.99</b>	<b>211,707,858.63</b>	<b>226,201,736.45</b>	<b>200,323,145.88</b>	<b>262,634,471.11</b>	<b>83,356,612.39</b>	<b>2,415,984,048.59</b>

10,118,920.59	10,039,976.64	11,753,306.04	23,981,910.52	13,449,278.74	8,285,227.66	147,199,346.63
36,039,776.96	39,317,652.33	60,410,130.91	37,817,811.98	37,494,592.75	26,222,241.76	468,274,910.54
3,787,319.83	5,406,714.87	9,043,258.90	5,518,196.84	10,920,725.07	2,315,006.87	74,481,206.27
1,113,974.26	1,839,178.49	2,752,520.01	2,087,356.98	2,905,443.48	1,401,604.20	24,867,072.72
-	-	-	-	-	-	37,451,040.00
580,064.75	945,446.43	1,146,431.98	1,008,557.88	2,052,136.97	529,680.37	13,600,053.67
1,067,211.26	1,288,790.22	1,519,788.21	1,554,486.45	2,437,145.38	232,923.49	15,553,954.86
105,855.81	133,457.99	157,167.40	110,033.01	207,384.60	80,261.87	1,432,897.09
13,946,849.08	15,353,442.72	23,227,515.12	11,162,009.22	29,540,387.26	7,459,716.99	191,265,279.03
624,239.43	756,111.05	919,126.14	842,465.62	1,276,970.67	345,666.71	9,360,584.08
2,011,283.09	2,248,937.63	2,861,239.49	1,943,026.77	4,126,451.03	1,475,397.03	30,870,540.91
1,974,798.89	2,266,162.64	2,704,016.48	2,392,862.73	4,395,436.79	1,037,809.90	28,589,079.12
366,021.38	279,123.19	647,767.29	577,698.15	600,042.01	37,258.44	5,419,760.42
1,883,657.70	1,720,724.54	2,618,869.64	1,623,250.58	2,772,088.64	542,536.64	22,688,004.93
2,211,237.44	2,249,271.75	2,836,989.83	2,393,942.45	3,132,462.24	893,033.25	26,350,481.40
68,042.72	3,639,219.23	58,685.90	70,332.82	28,807.65	17,642.11	9,650,269.99
689,924.64	550,872.66	1,791,585.84	737,871.01	1,294,612.54	390,168.35	11,318,960.68
597,947.73	299,511.58	1,348,641.10	604,000.82	1,008,876.24	447,468.89	8,702,999.06
76,702.01	128,710.30	187,284.21	115,523.02	174,732.36	37,810.91	1,601,723.23
357,675.94	503,718.47	582,198.78	423,597.29	694,754.98	210,037.59	5,454,274.83
9,010,706.19	7,290,781.36	8,203,444.63	8,250,789.33	1,350,242.67	27,789,303.16	113,611,808.98
164,974.79	273,058.92	376,850.04	144,085.32	288,273.74	5,149.65	2,424,588.33
566,956.34	6,829,451.00	872,682.88	1,741,063.56	33,964.50	1,627,171.82	16,383,575.72
677,004.08	653,176.59	1,039,299.01	522,260.91	1,500,657.49	175,344.79	8,454,914.15
450,450.00	2,193,810.00	1,417,860.00	1,123,310.00	281,600.00	2,294,170.00	15,758,650.00
-	-	-	-	-	-	-
-	-	-	-	-	-	-
225,321.10	301,576.37	340,481.43	290,760.10	572,749.95	234,943.08	3,331,661.38
26,900.00	41,964.00	27,061.40	50,034.00	54,876.00	8,608.00	445,087.40
1,674,485.29	1,668,000.74	2,581,483.36	1,819,446.28	3,596,281.79	1,253,681.70	22,981,755.18
<b>90,418,301.30</b>	<b>108,218,841.71</b>	<b>141,425,686.02</b>	<b>108,906,593.64</b>	<b>126,190,975.54</b>	<b>85,349,865.23</b>	<b>1,317,524,480.60</b>

49,160,402.62	48,951,991.46	50,592,748.75	50,713,446.11	49,379,765.36	49,481,347.22	602,029,783.29
-	-	-	-	-	-	-
4,206,130.85	4,241,050.92	4,304,493.44	4,246,181.22	4,260,892.76	4,502,315.54	51,248,724.02
<b>53,366,533.47</b>	<b>53,193,042.38</b>	<b>54,897,242.19</b>	<b>54,959,627.33</b>	<b>53,640,658.12</b>	<b>53,983,662.76</b>	<b>653,278,507.31</b>

1,132,424.00	1,208,376.00	1,248,864.00	1,191,576.00	1,192,660.00	1,198,316.00	14,373,484.00
1,500,000.00	2,082,629.64	-	1,500,000.00	-	986,193.29	7,706,322.93
-	-	-	-	-	-	-
257.92	248.79	276.96	69.24	69.24	-	1,985.87
13,409,554.50	13,475,914.50	13,330,994.10	13,539,527.70	13,438,350.70	14,520,338.30	162,355,917.90
6,371,474.52	6,391,503.78	6,473,675.21	6,202,214.38	6,076,725.89	-	84,639,227.05
122,261.43	138,431.35	115,733.07	59,597.14	-	-	551,515.68
5,204.63	3,846.23	4,719.80	3,326.97	7,923.87	-	58,976.79
(19,966,480.52)	(3,186,471.03)	(17,336,444.00)	(14,292,842.80)	(2,178,201.61)	(21,672,812.09)	(137,254,516.65)
763,148.00	652,003.10	672,243.40	709,180.90	710,831.40	-	5,650,677.50
-	-	-	-	-	-	-
(59,722.88)	(29,483.35)	(49,632.13)	(13,741.75)	(236,473.32)	5,207,845.16	4,533,043.95
<b>3,278,121.60</b>	<b>20,736,999.01</b>	<b>4,460,431.00</b>	<b>8,898,907.78</b>	<b>19,011,886.17</b>	<b>239,880.66</b>	<b>142,616,635.02</b>

<b>7,813,506.72</b>	<b>9,905,667.65</b>	<b>10,891,166.83</b>	<b>8,594,320.41</b>	<b>11,612,856.13</b>	<b>4,869,283.50</b>	<b>102,984,365.25</b>
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<b>318,491,633.08</b>	<b>403,762,409.38</b>	<b>437,876,282.00</b>	<b>381,682,595.04</b>	<b>473,090,847.07</b>	<b>227,799,304.54</b>	<b>4,632,388,036.77</b>
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<b>711,111</b>	<b>709,443</b>	<b>712,501</b>	<b>712,520</b>	<b>715,037</b>	<b>713,961</b>	<b>710,763</b>
<b>659,071</b>	<b>657,845</b>	<b>660,618</b>	<b>660,754</b>	<b>663,702</b>	<b>663,010</b>	<b>659,655</b>
<b>52,040</b>	<b>51,598</b>	<b>51,883</b>	<b>51,766</b>	<b>51,335</b>	<b>50,951</b>	<b>51,108</b>

\$ 447.88	\$ 569.13	\$ 614.56	\$ 535.68	\$ 661.63	\$ 319.06	\$ 543.12
\$ 471.39	\$ 598.71	\$ 646.34	\$ 564.64	\$ 695.31	\$ 336.24	\$ 572.19
\$ 150.14	\$ 191.98	\$ 209.92	\$ 166.02	\$ 226.22	\$ 95.57	\$ 167.92

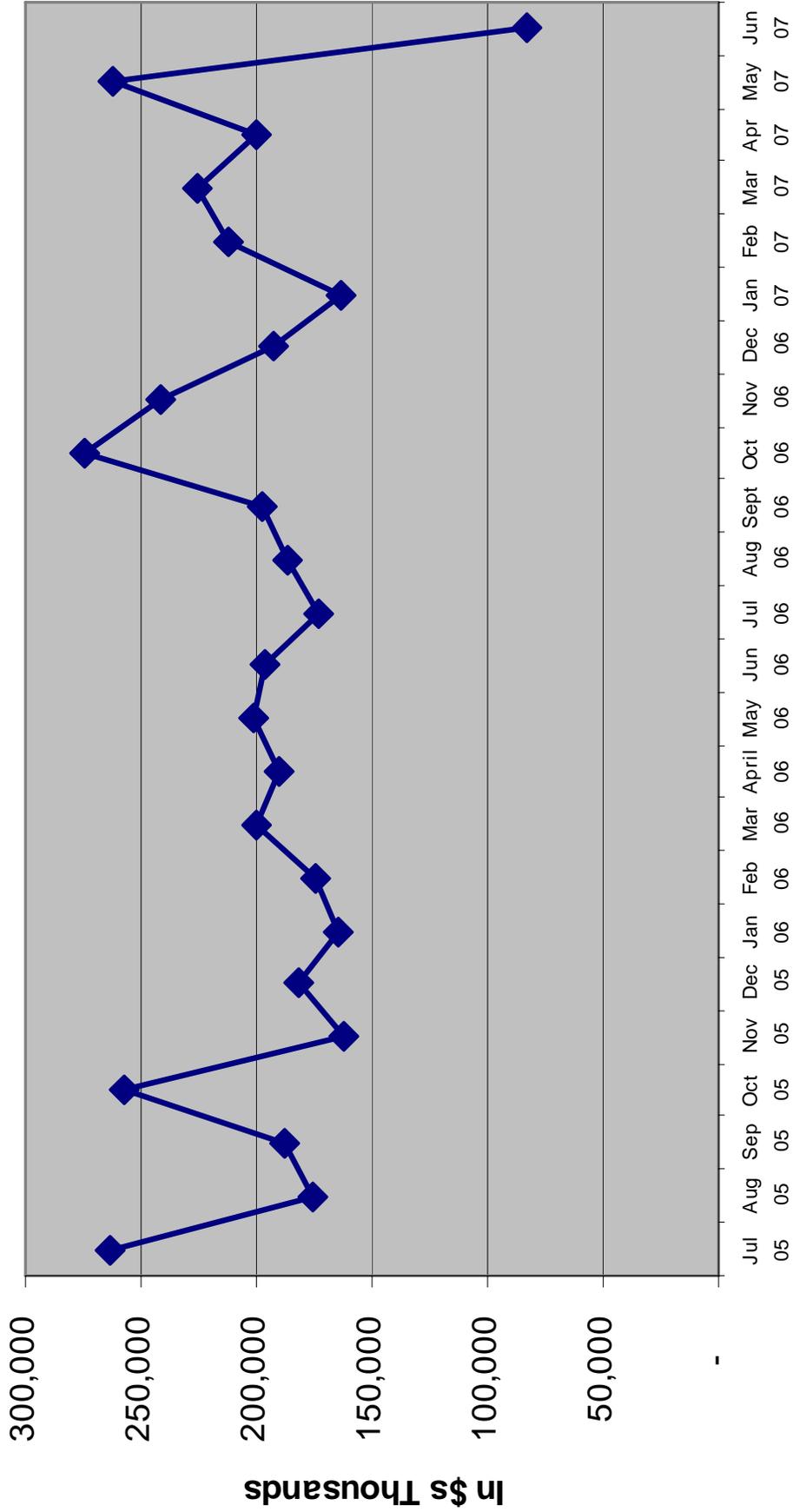
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## **Appendix D**

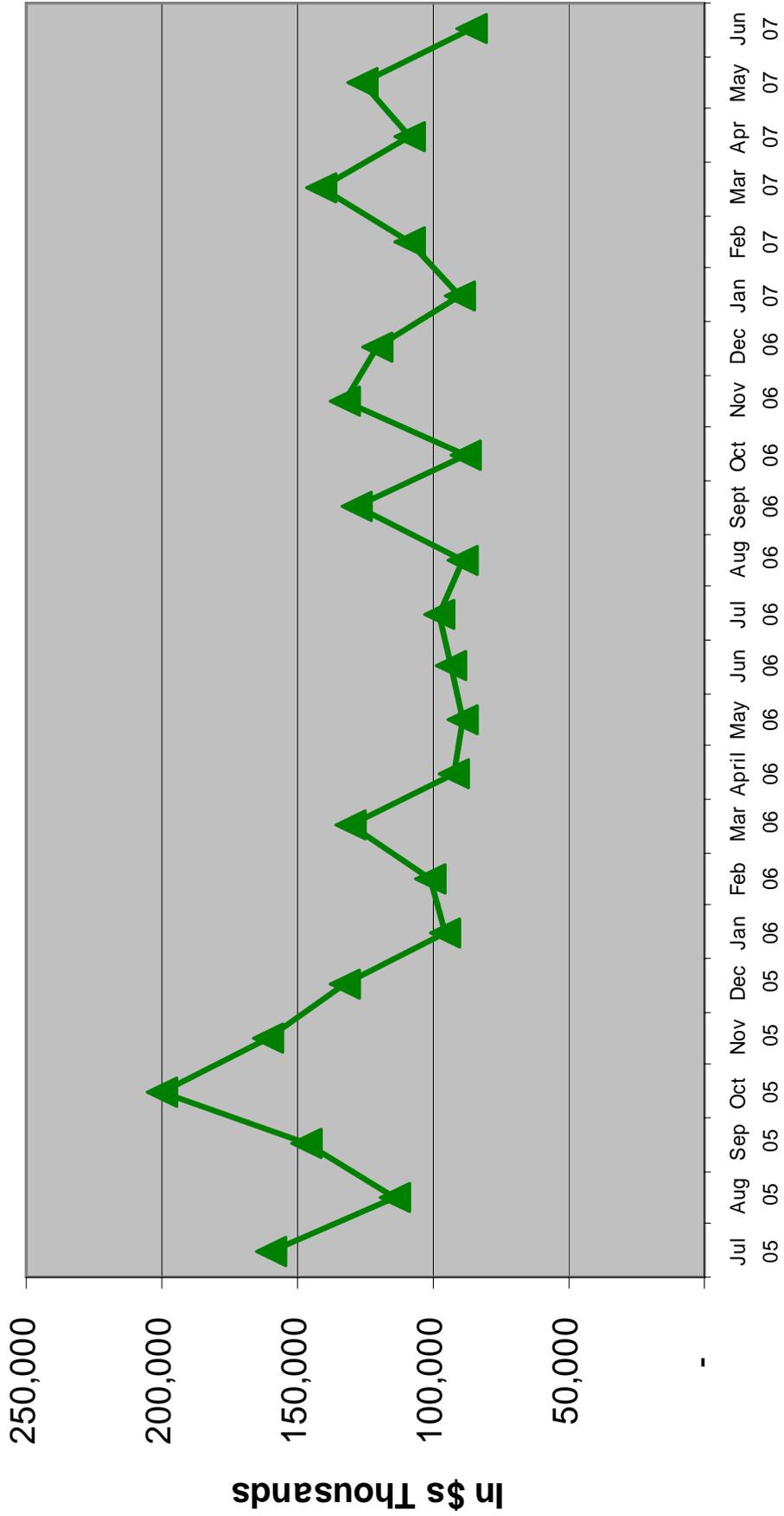
### **Two-Year Monthly Graphs of Medicaid and KCHIP Expenditures**



# Total Mandatory

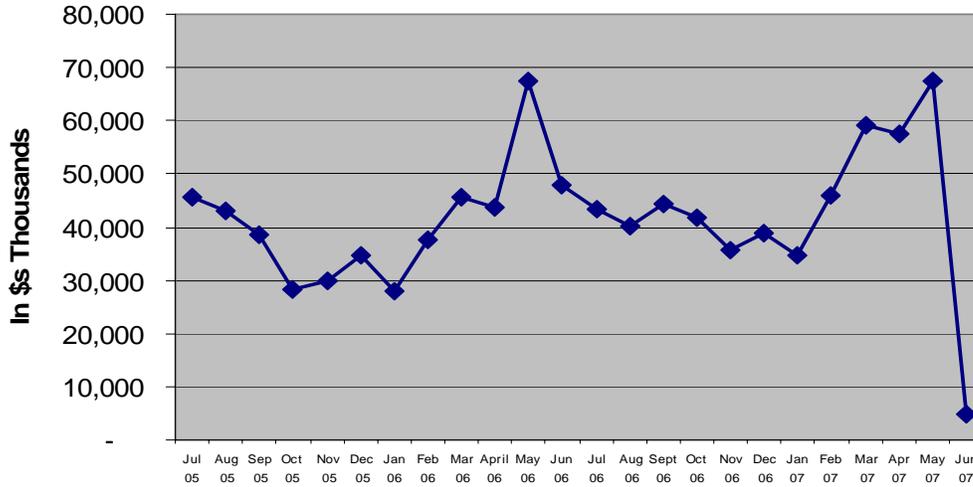


# Total Optional

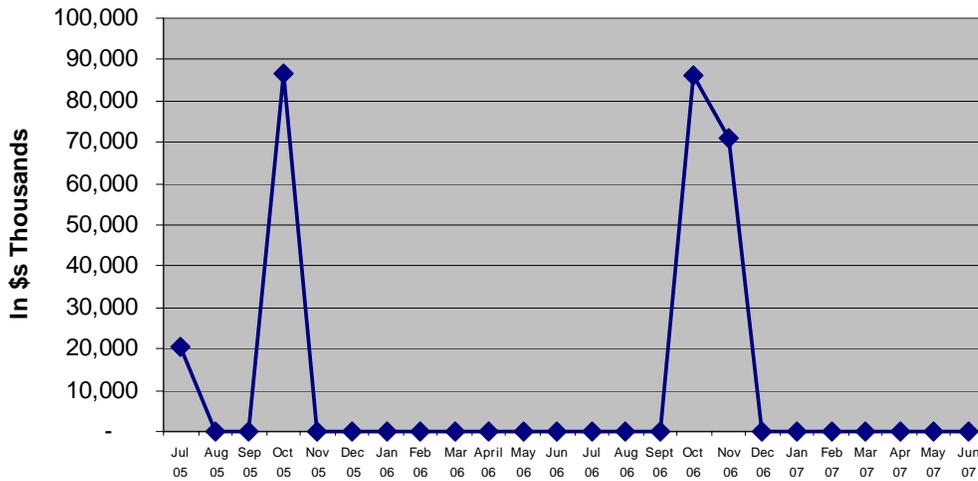




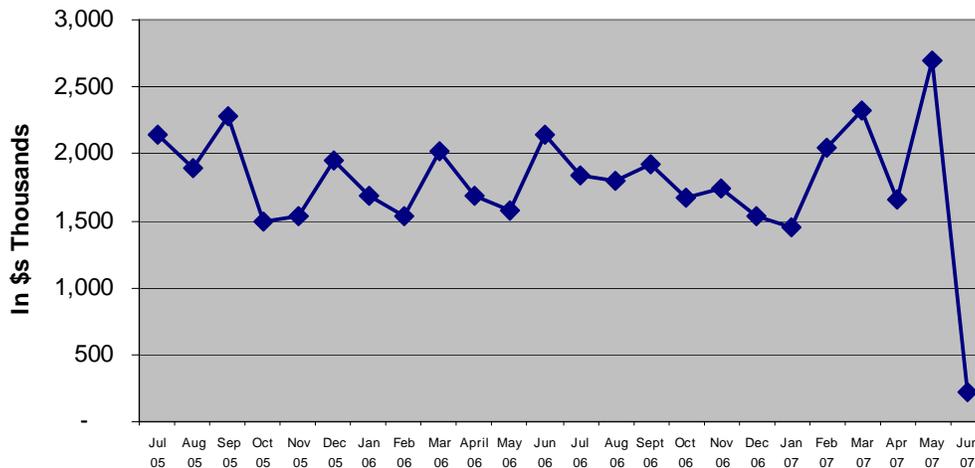
### Inpatient Hospital



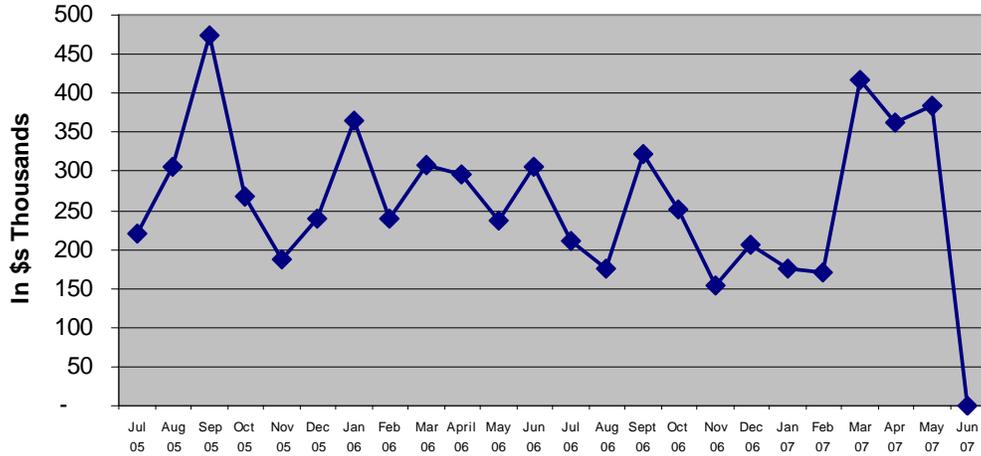
### DSH - Acute Care Hospitals



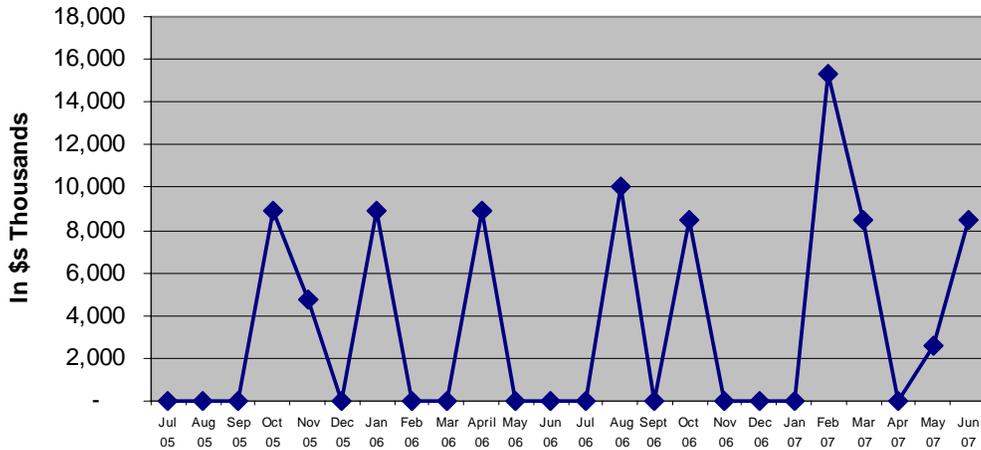
### \* Psych Distinct Part Unit - Acute Care Hospitals



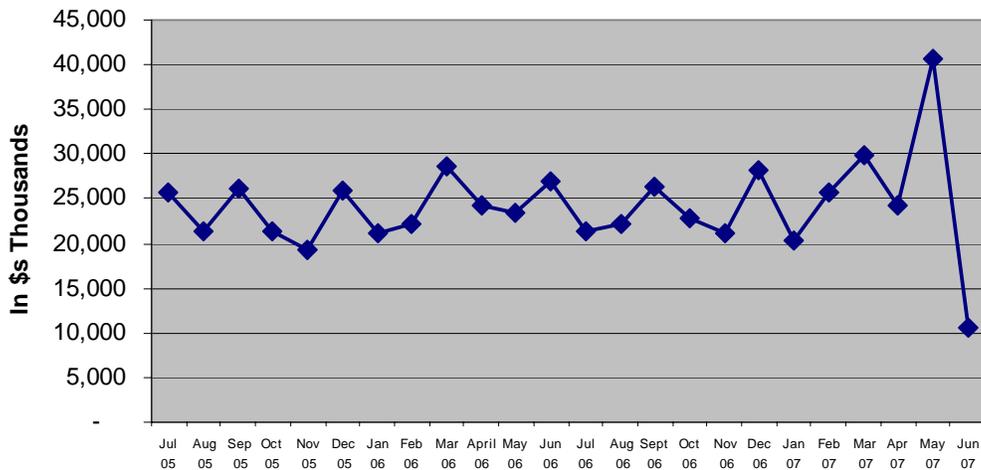
**\* Rehab Distinct Part Unit - Acute Care Hospitals**



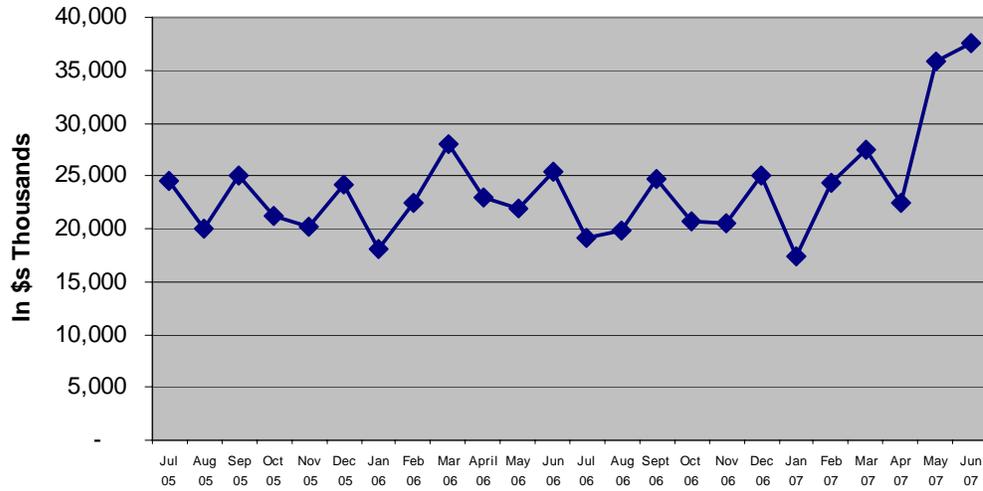
**\* Supplemental Payments (IOA)**



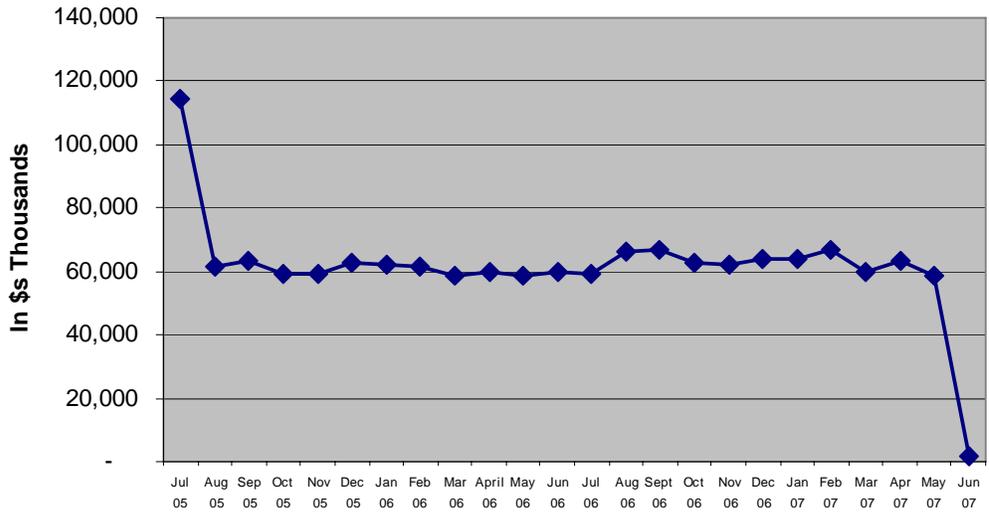
**Outpatient Hospital**



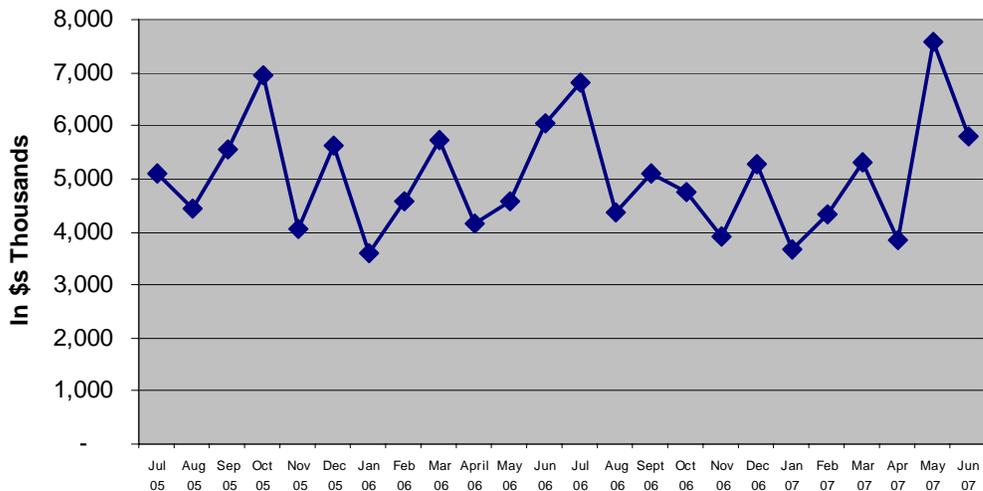
### Physicians



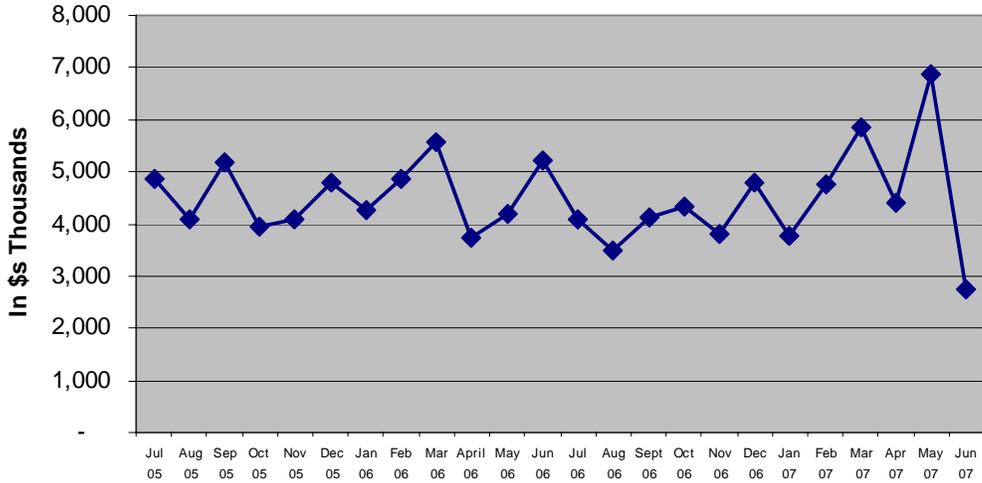
### Nursing Facilities



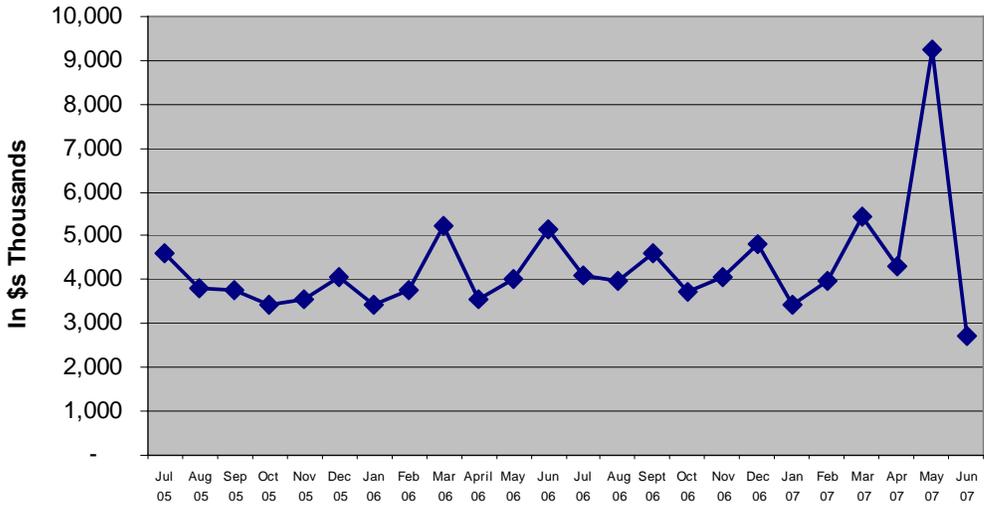
### Home Health



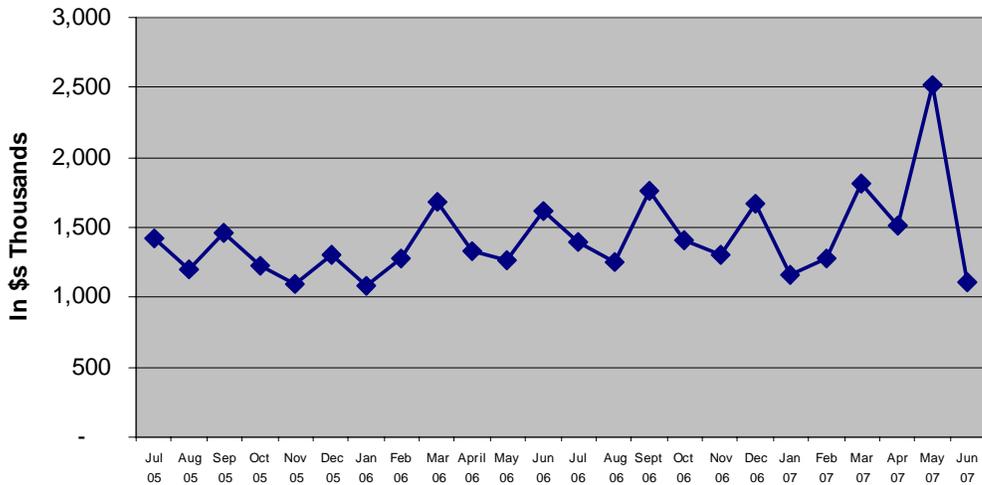
**Durable Medical Equipment (DME)**



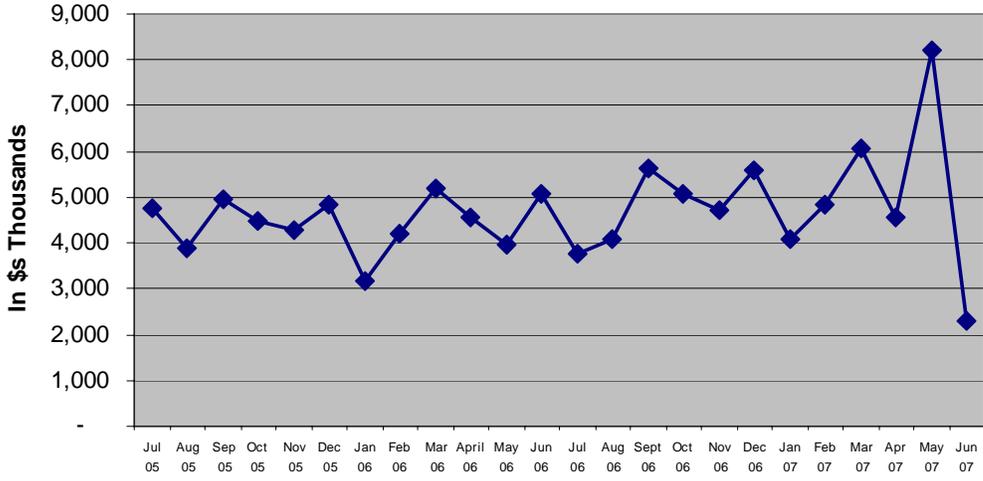
**EPSDT - Related**



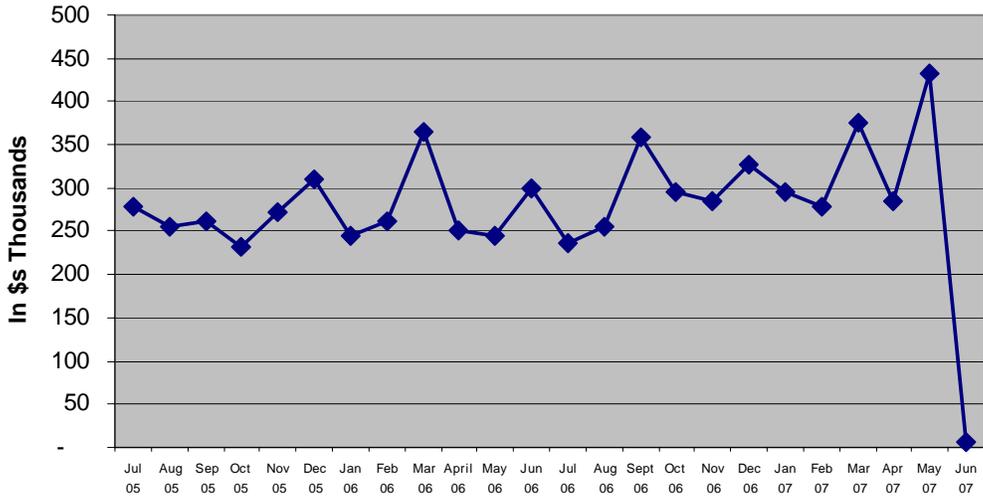
**Laboratories**



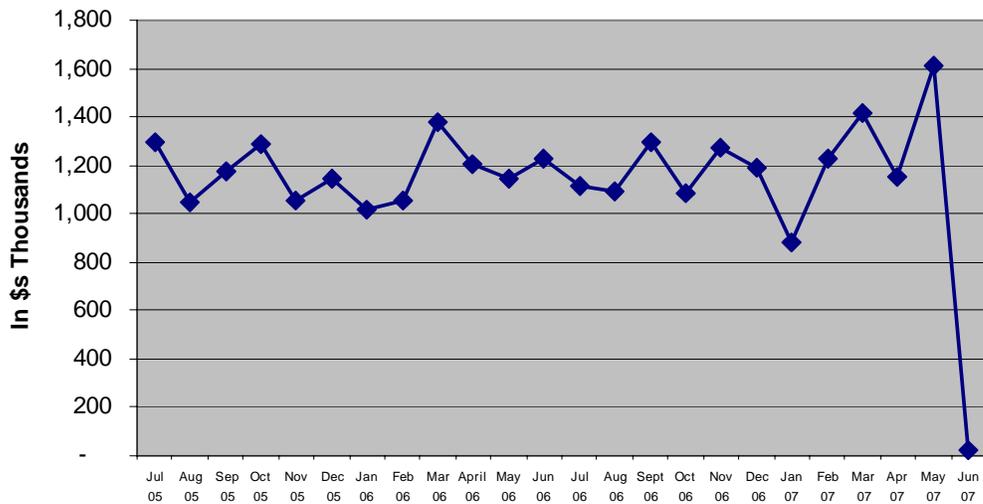
### Dental



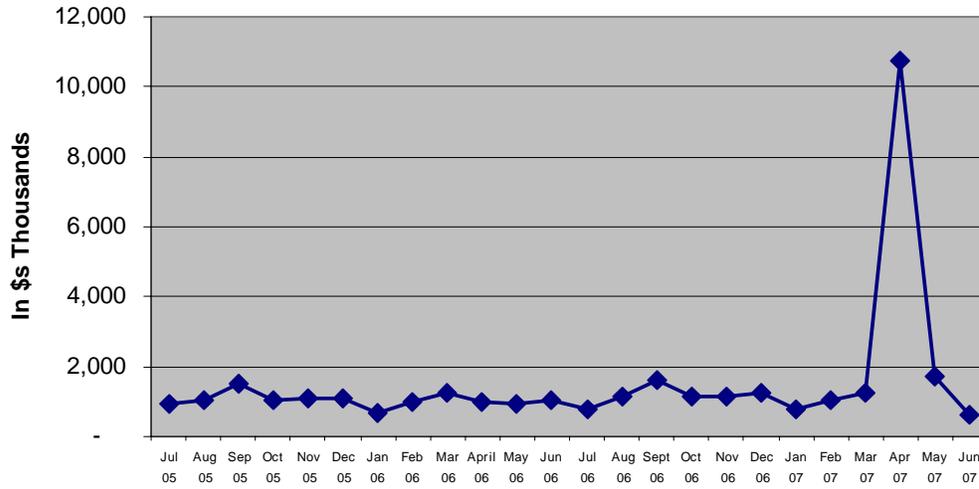
### Non-Emergency Transportation



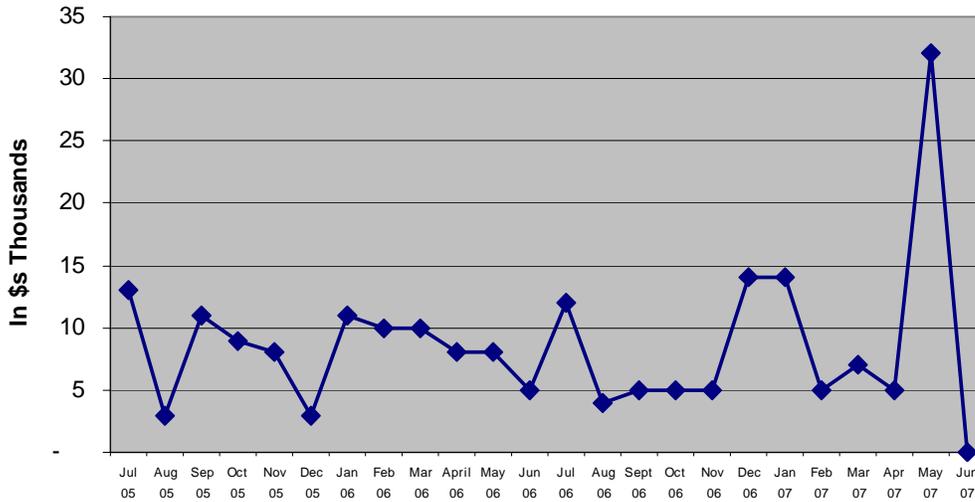
### Ambulance



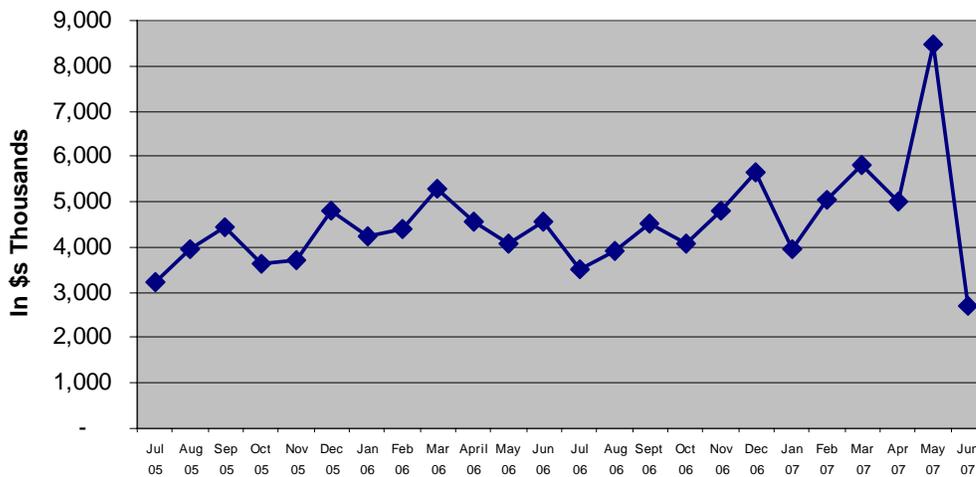
### Vision



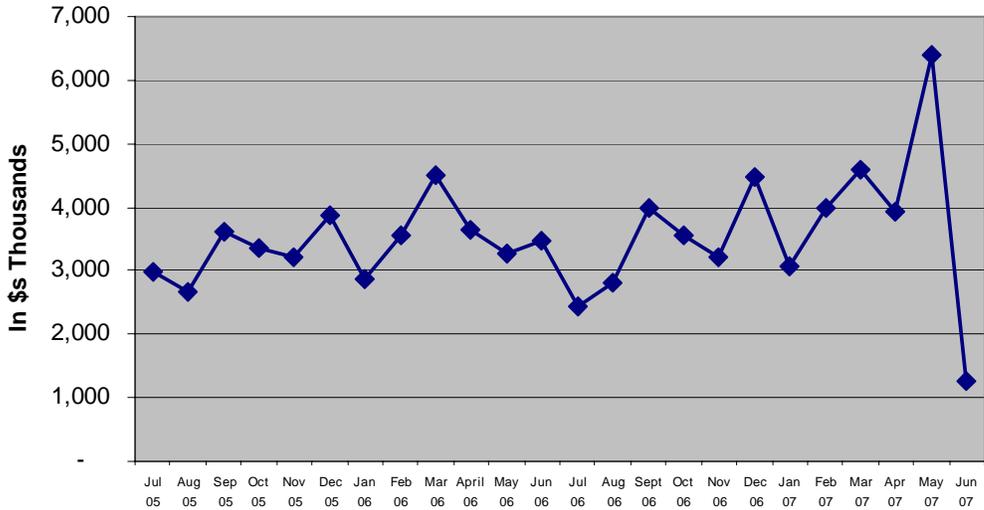
### Hearing



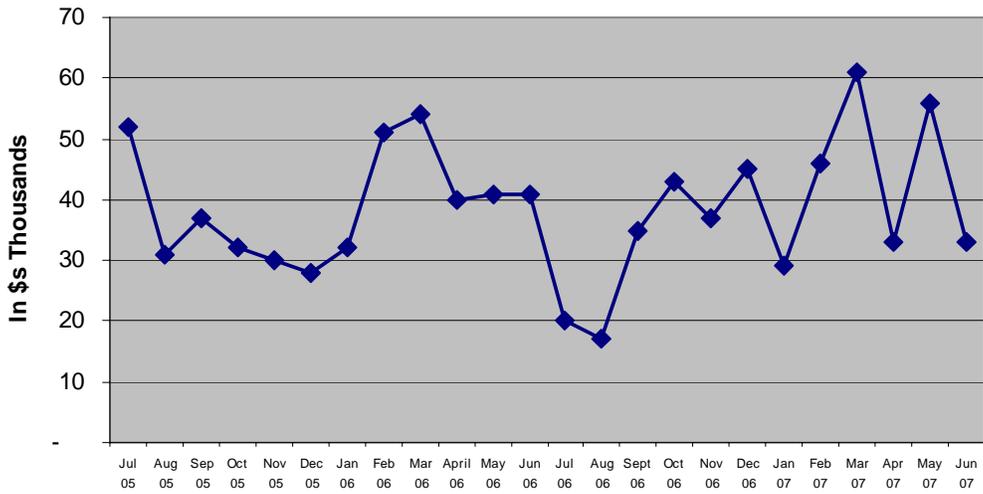
### Primary Care (FQHC)



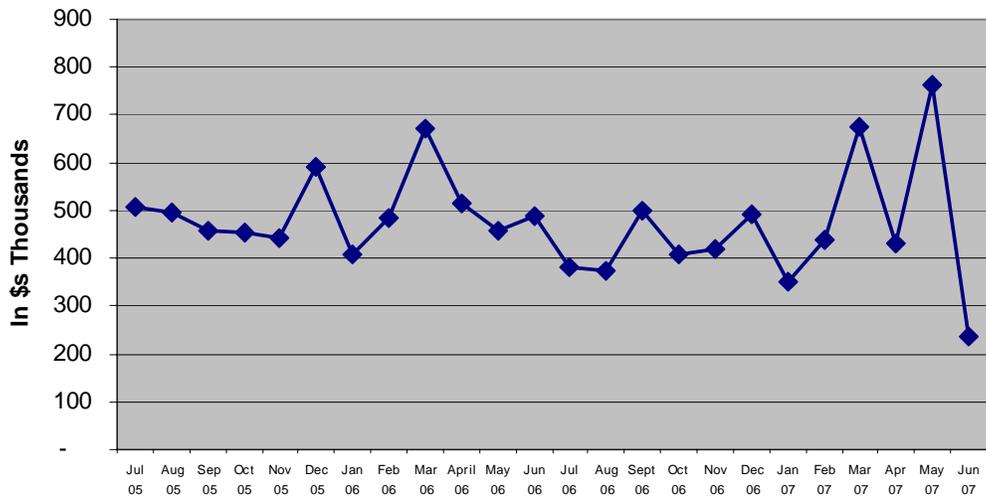
### Rural Health



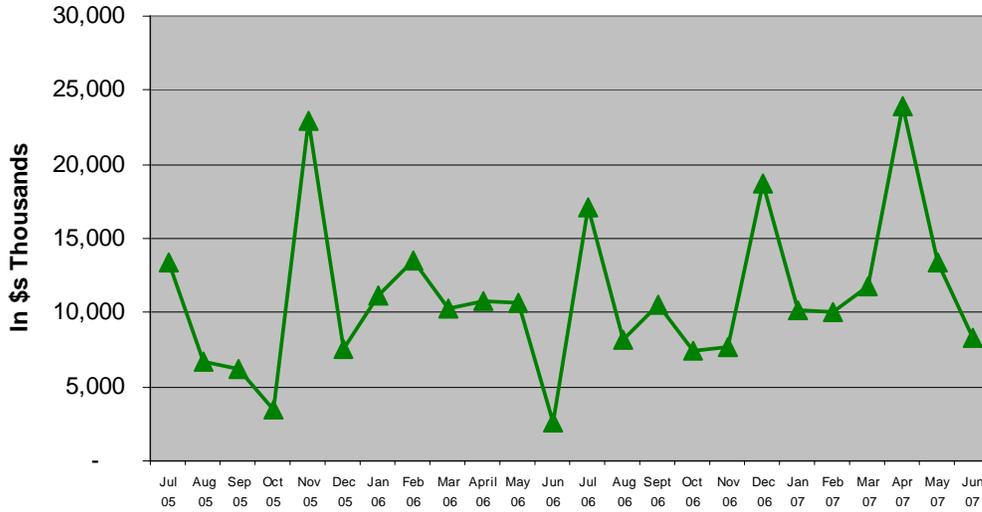
### Qualified Medicare Beneficiaries (QMBs)\*



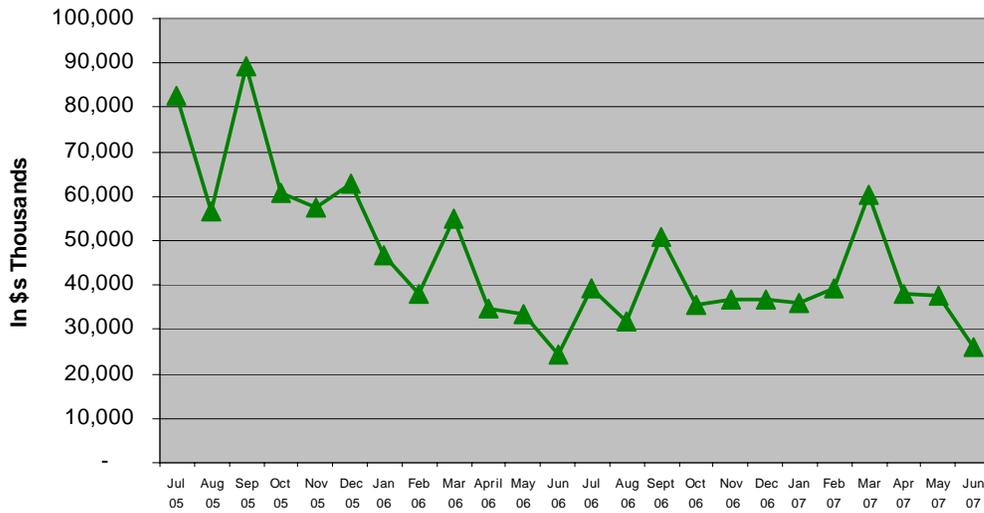
### Nurse Practitioner/Midwife



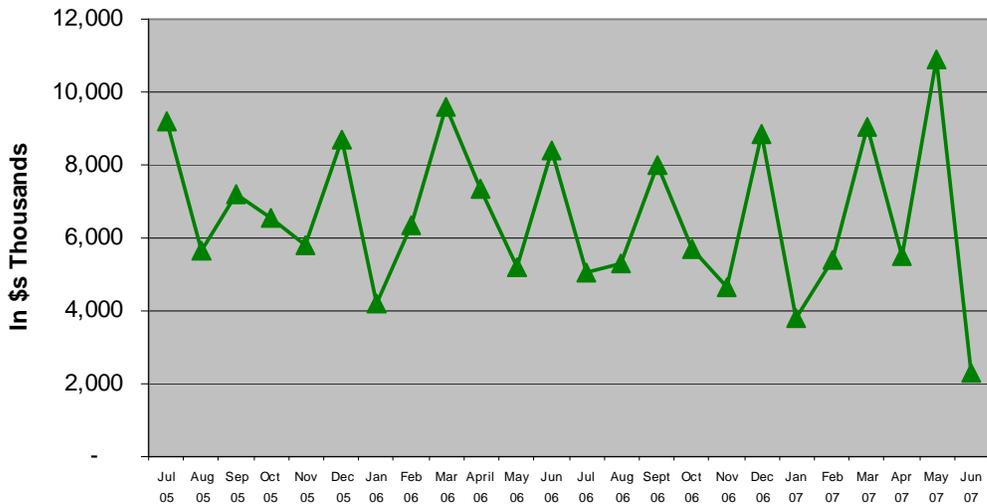
**ICF-MR**



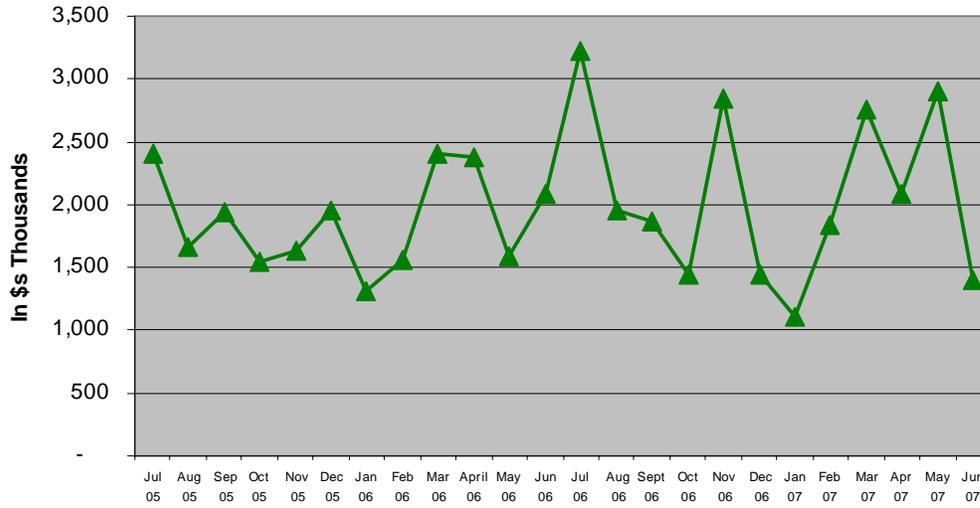
**Pharmacy**



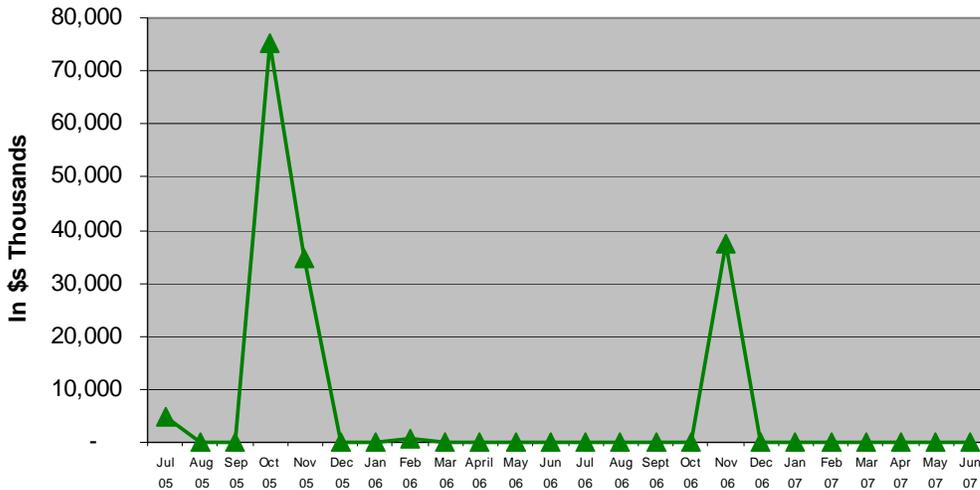
**Community Mental Health Centers**



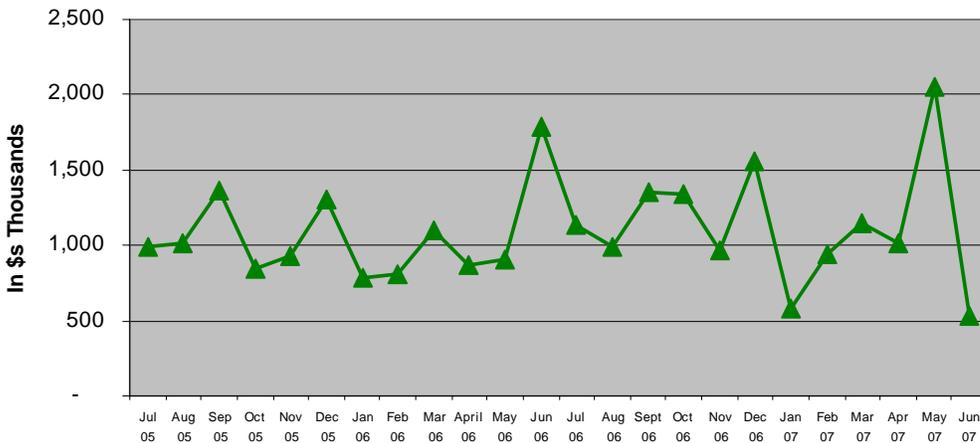
**Mental Hospital**



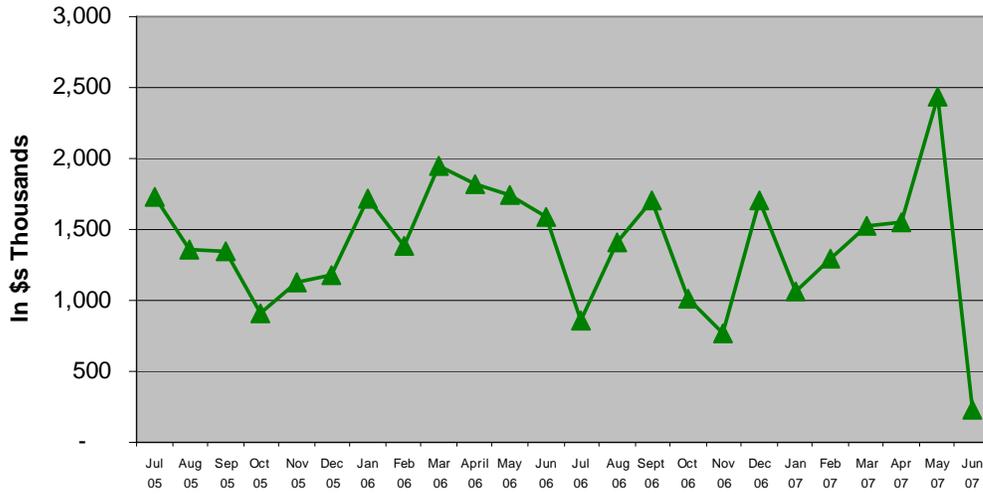
**DSH - Mental Hospital**



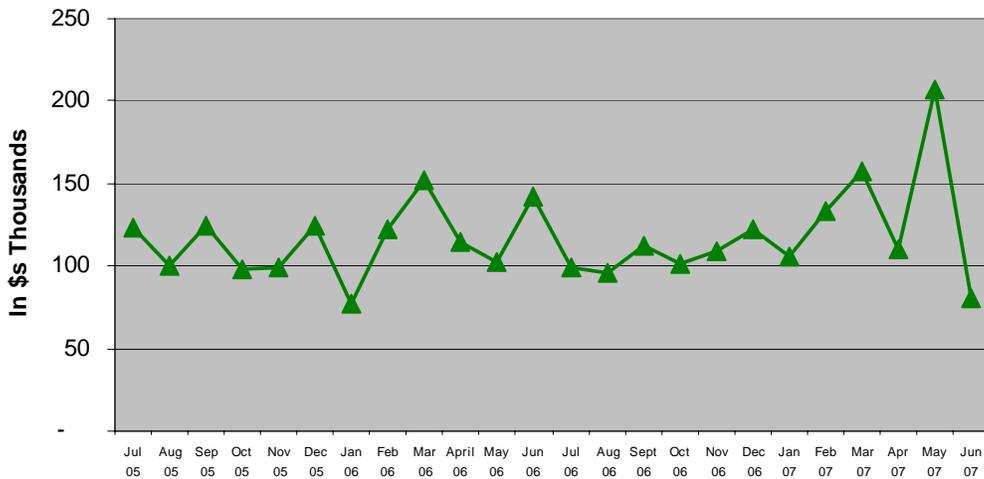
**Psychiatric Residential Treatment Facilities (PRTF)**



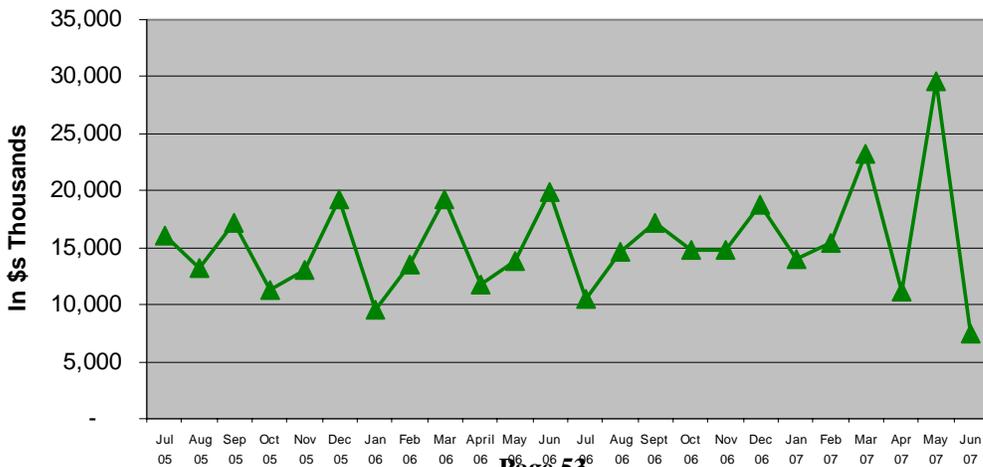
### Renal Dialysis



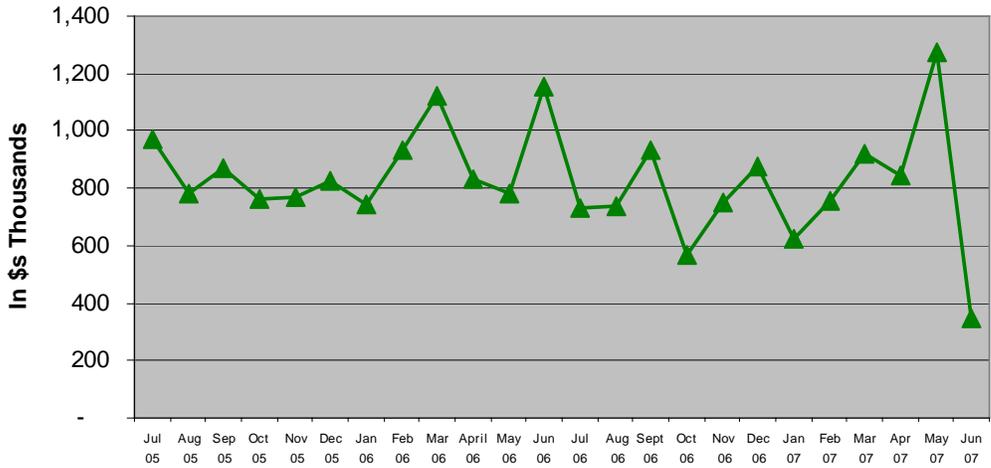
### Podiatry



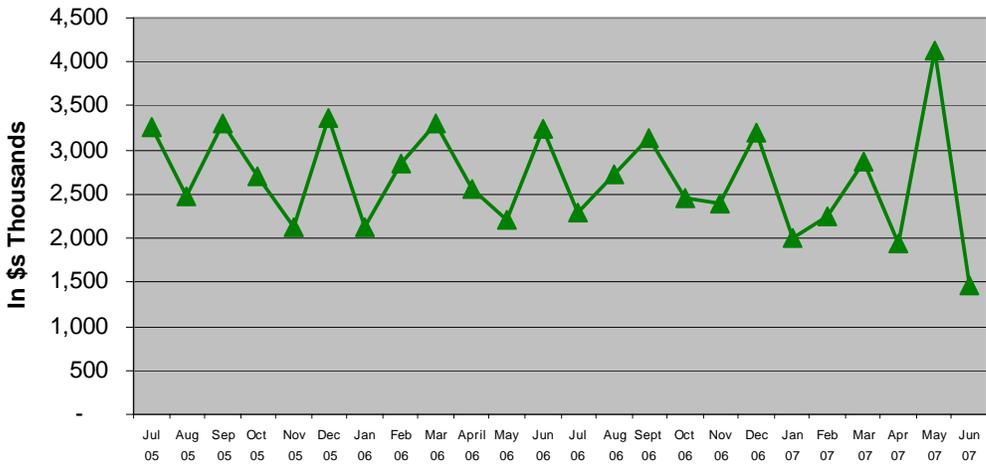
### Support for Community Living



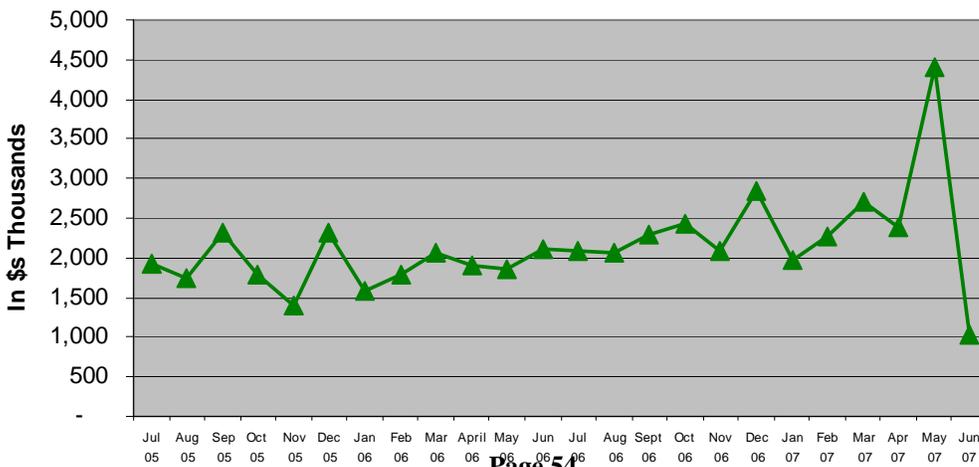
### Ambulatory Surgical



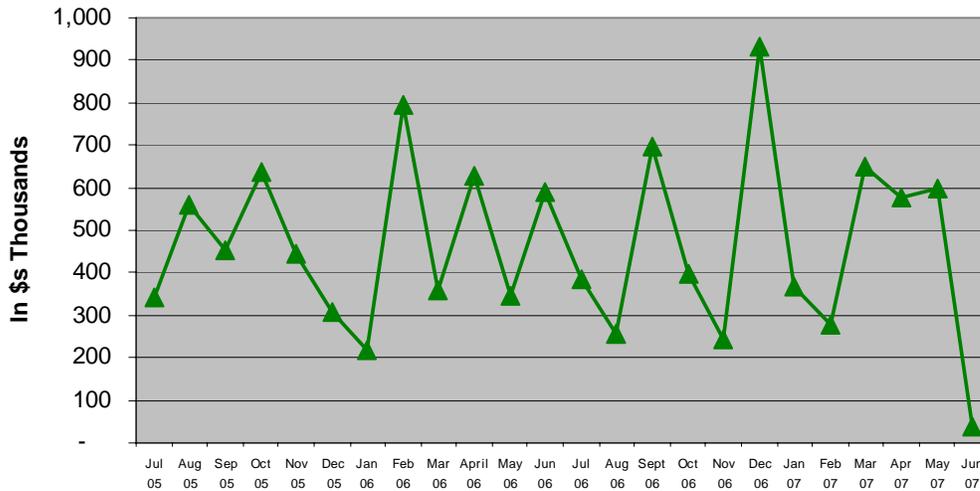
### Home & Community Based Services



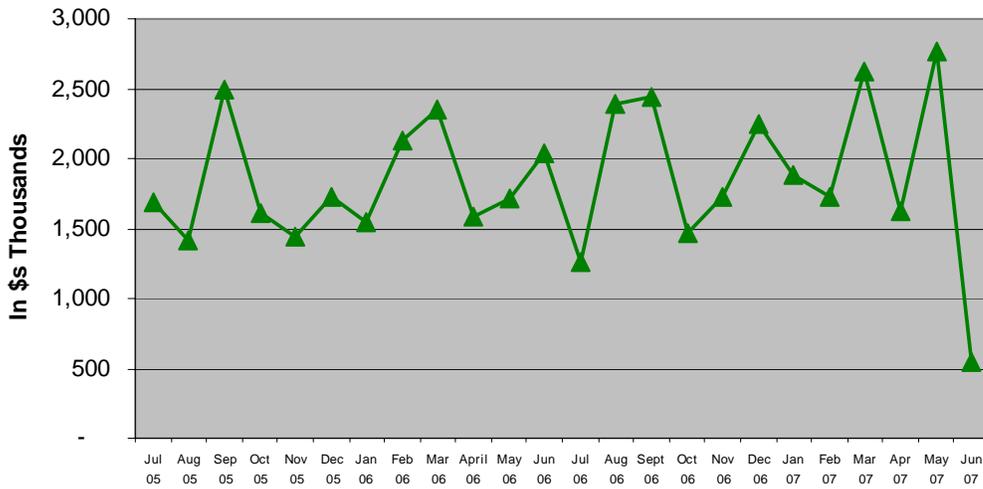
### Adult Day Care



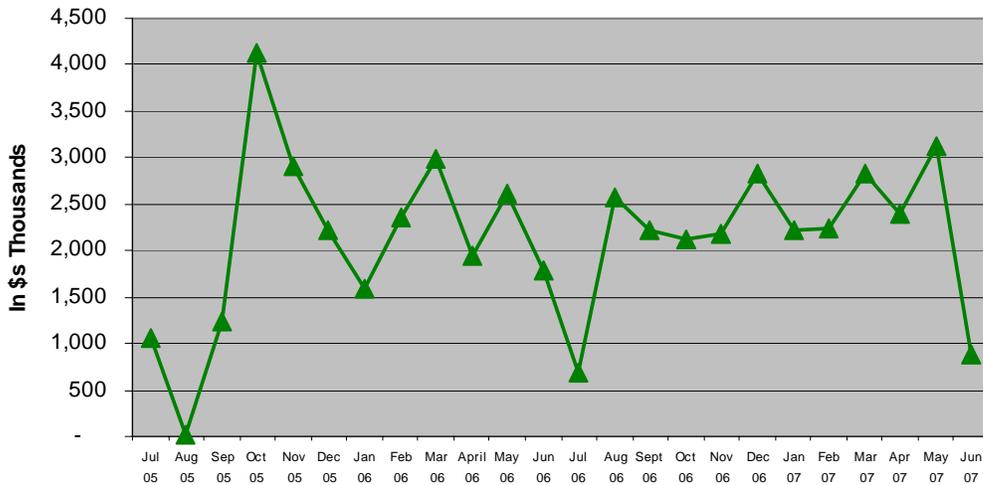
### Model Waivers



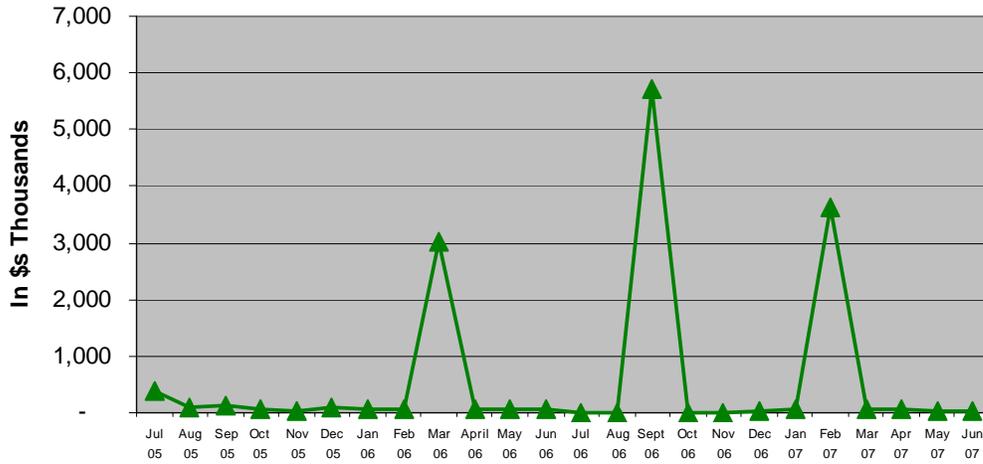
### Hospice



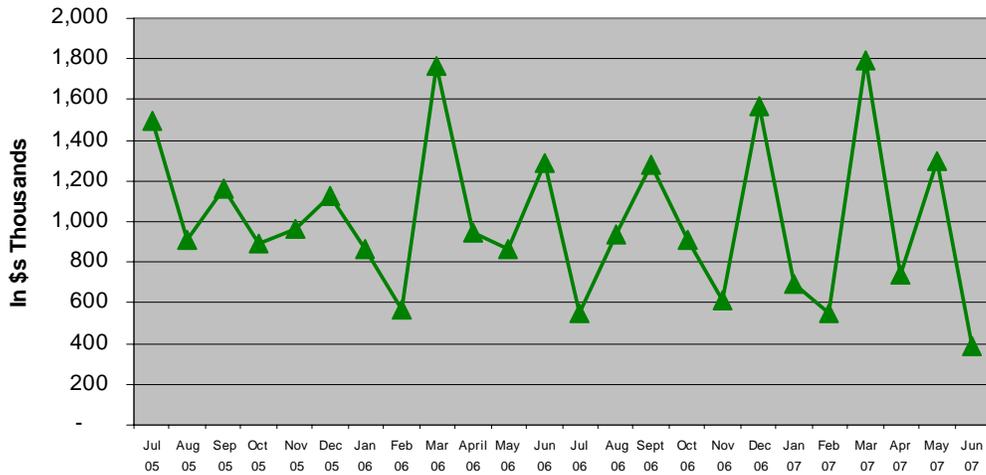
### Preventive



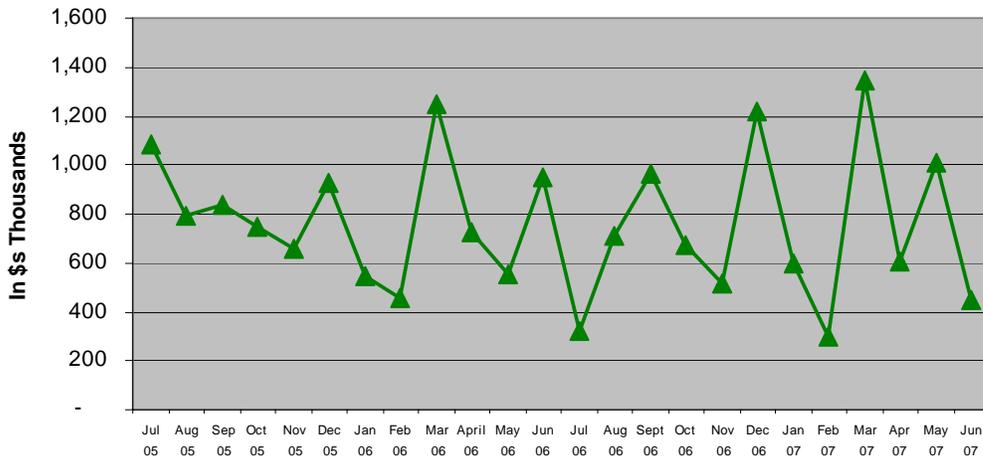
### Children with Special Health Care Needs



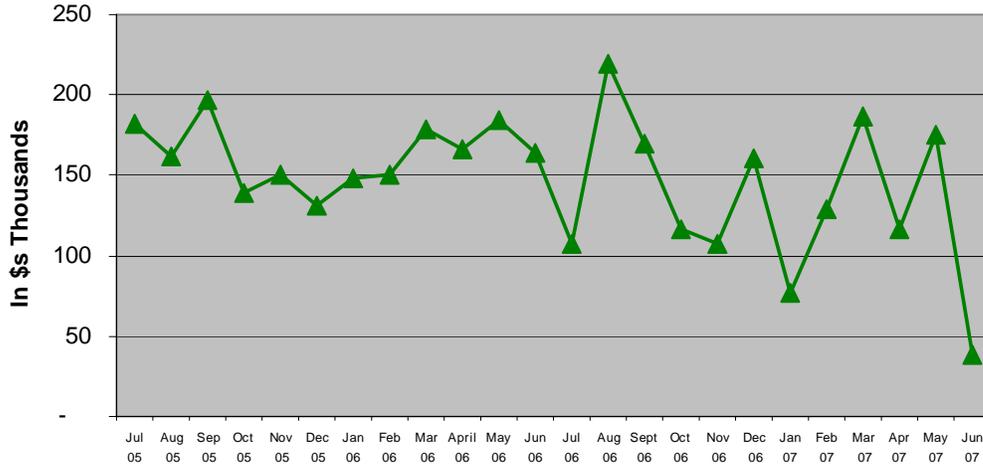
### Targeted Case Mgmt. - Emotionally Disturbed Child



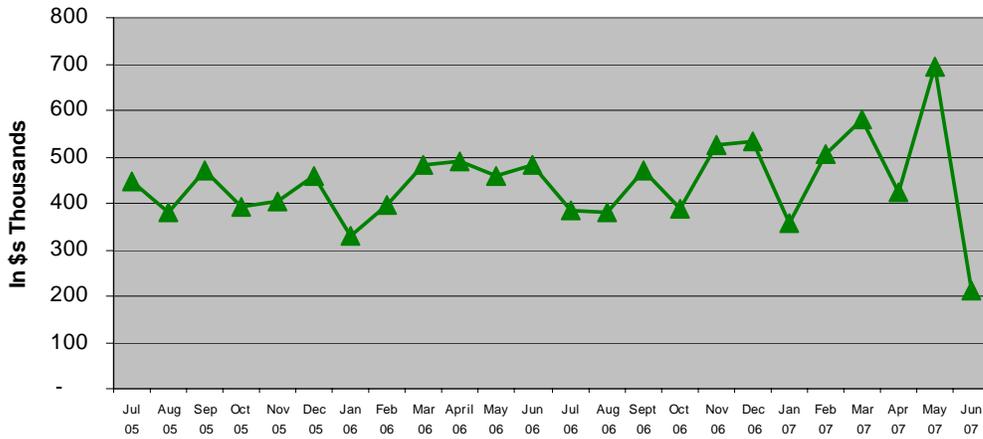
### Targeted Case Mgmt. - Mentally Ill Adults



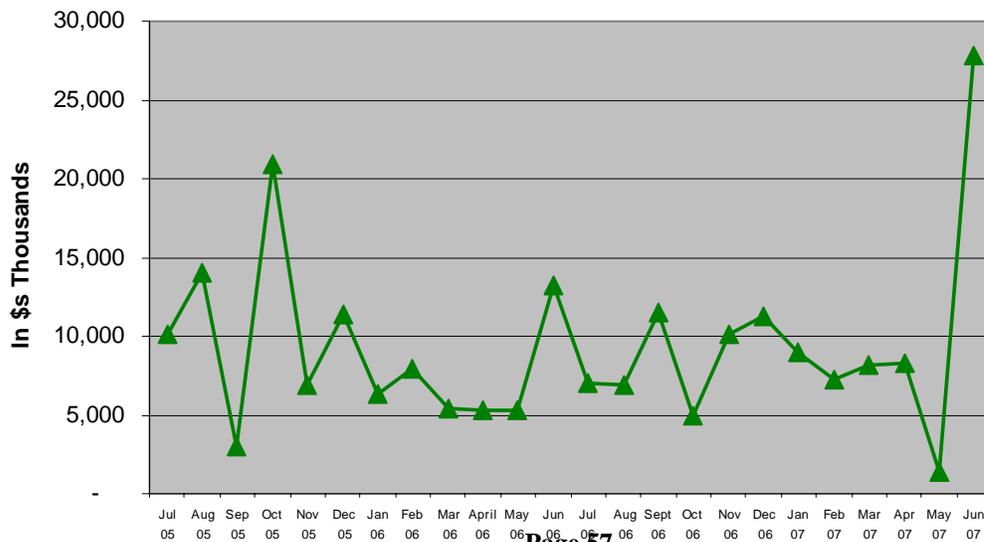
**Other Lab/X-Ray**



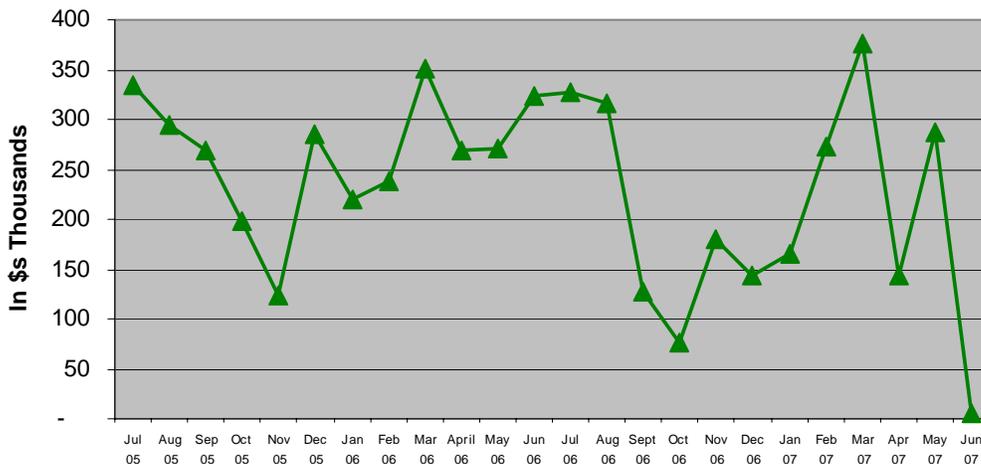
**Nurse Anesthetist**



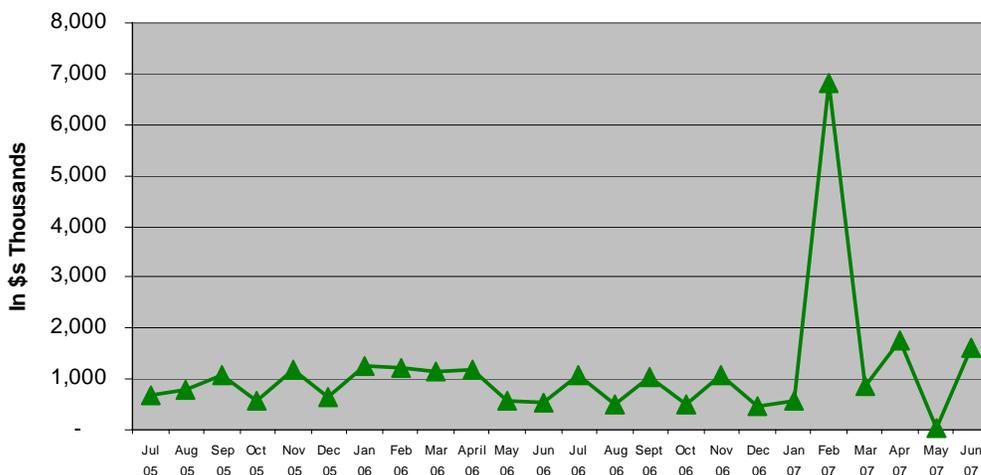
**Title V/DCBS**



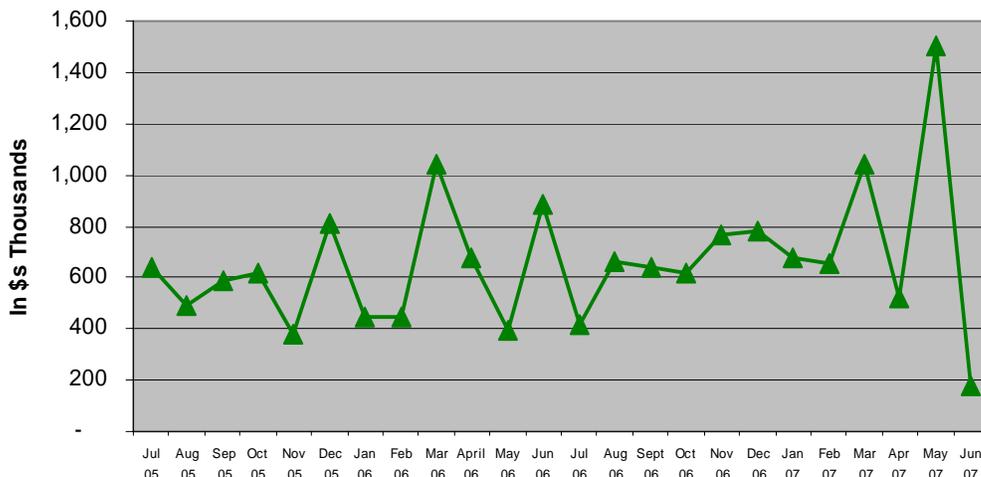
### School-Based Services



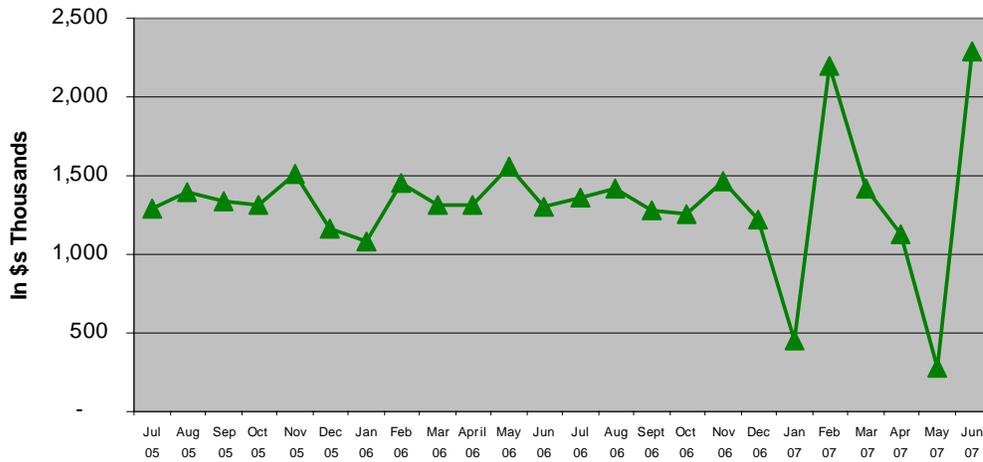
### Early Intervention - First Steps



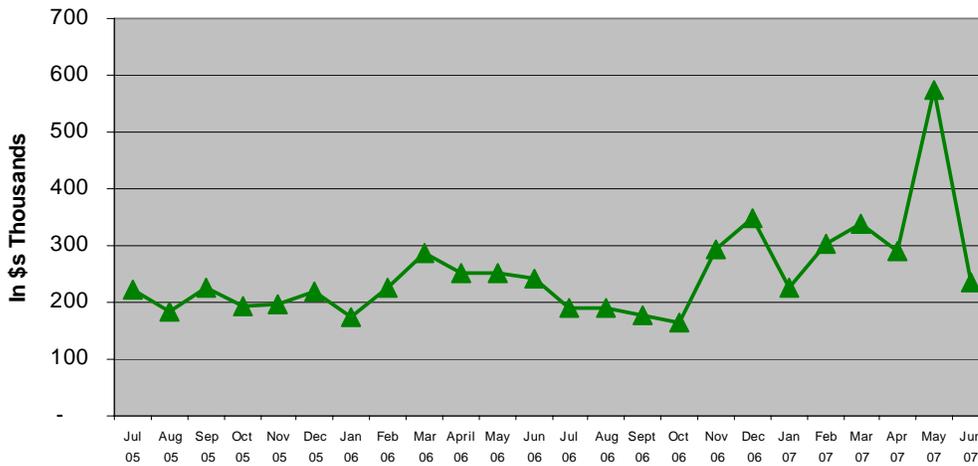
### Brain Injury



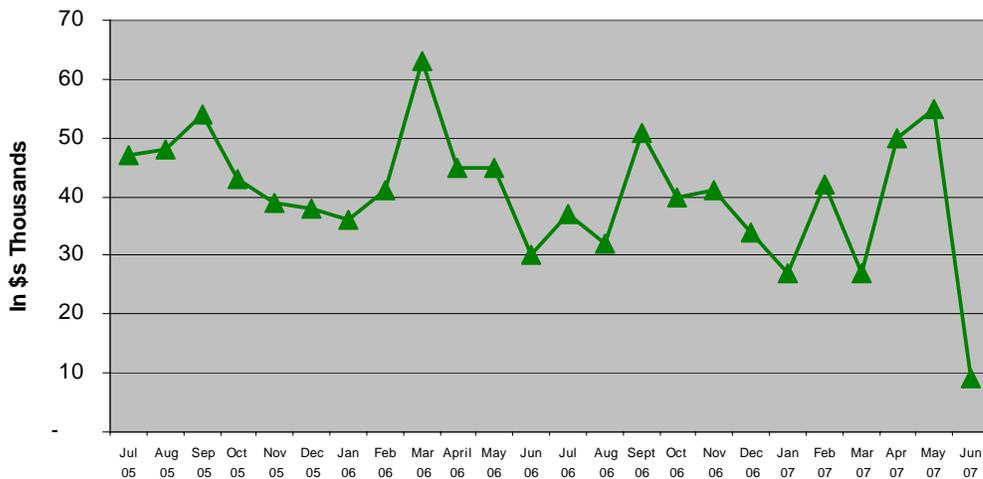
**HANDS**



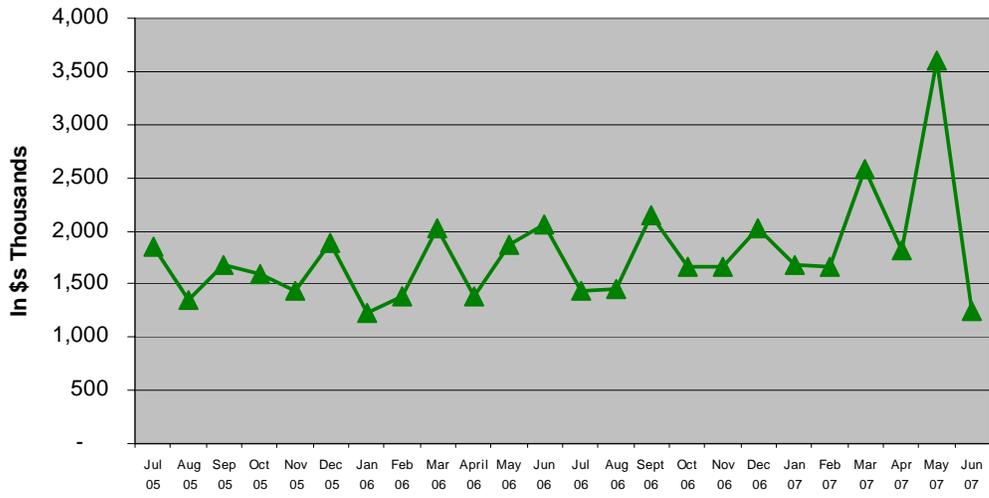
**Chiropractic**



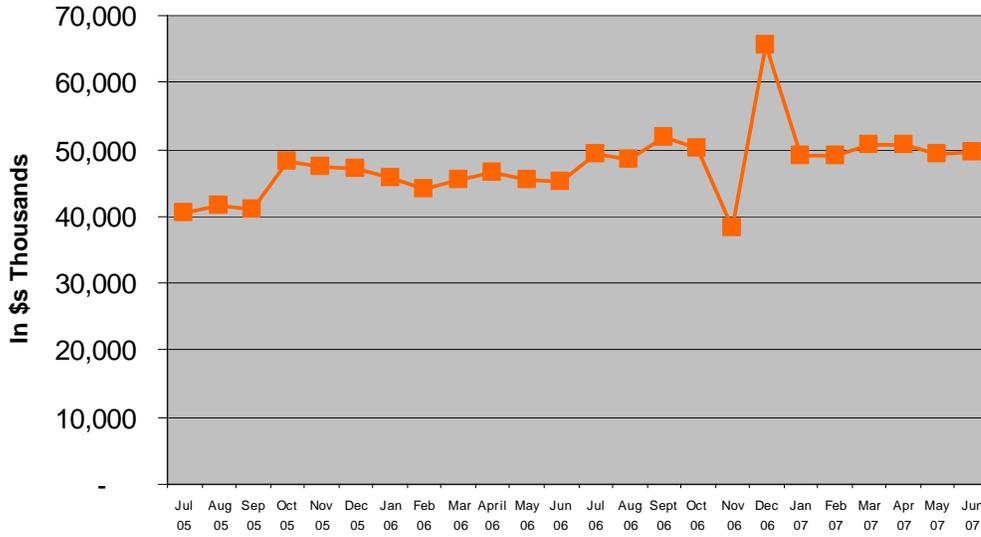
**Specialized Children's Service Clinics**



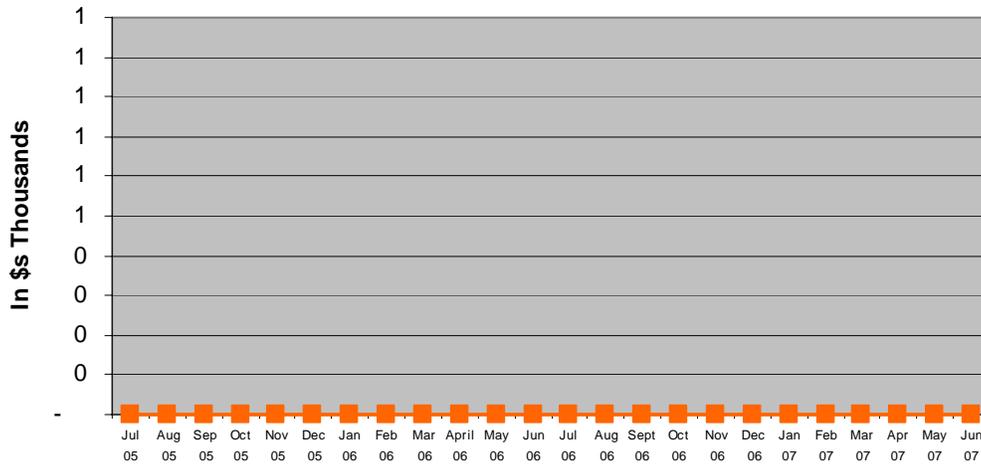
### Impact Plus



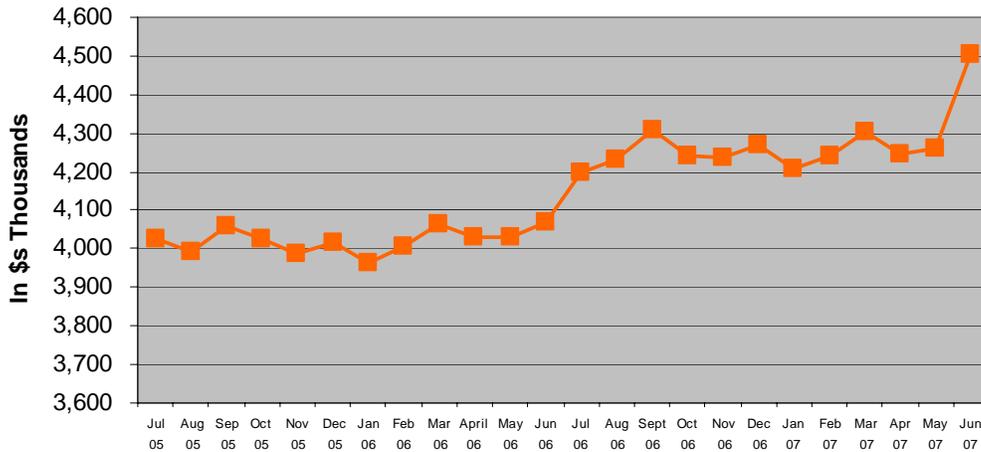
### Managed Care - Physical Health



### Managed Care - Behavioral Health



### Empower Transportation



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## **Appendix E**

### **Ten-Year Annual Medicaid and KCHIP Expenditures**

## Kentucky's Medicaid Expenditures for Fiscal Years 1998-2007

MEDICAID BENEFITS EXPENDITURES	FY 1998	FY 1999	FY 2000	FY 2001
<b><i>Mandatory</i></b>				
Inpatient Hospital	318,516,119	241,432,786	265,698,850	340,276,362
Psych Distinct Part Unit				
Rehab Distinct Part Unit				
Supplemental Payments (Intensive Operating Allowance)				
Physicians	203,751,017	171,728,726	174,639,907	213,850,409
Nursing Facilities	476,351,706	506,302,656	553,685,359	570,086,110
Outpatient Hospital	230,582,767	212,251,226	236,377,164	281,976,837
Home Health	70,866,966	62,506,928	75,034,667	80,392,026
Durable Medical Equipment (DME)	30,374,603	24,945,524	28,266,861	33,423,418
Family Planning	12,003	3,611	559	8,362
EPSDT - Screens	684	1,564,715	2,541	220
EPSDT - Related	52,904,285	39,532,148	34,197,187	28,735,171
Laboratories	6,724,248	5,440,666	4,916,949	7,626,609
Dental	29,679,175	25,452,500	23,672,239	38,190,948
Non-Emergency Transportation	29,770,433	25,176,926	12,467,757	12,881,469
Ambulance	10,009,500	9,366,053	10,496,547	11,911,166
Vision	7,112,605	6,186,974	6,340,849	9,321,854
Hearing	109,274	75,443	81,789	117,013
Primary Care (FQHC)	30,837,632	24,469,224	27,278,630	33,096,370
Rural Health	9,799,930	9,517,546	14,007,944	15,636,828
Qualified Medicare Beneficiaries (QMBs)	246,485	158,941	129,248	564,213
Nurse Practitioner/Midwife	898,383	1,504,498	1,967,948	2,840,958
<b>Subtotal</b>	<b>1,508,547,815</b>	<b>1,367,617,091</b>	<b>1,469,262,995</b>	<b>1,680,936,343</b>
<b><i>Optional</i></b>				
ICF-MR	76,865,183	81,821,157	84,282,805	91,924,826
Pharmacy	328,228,246	347,728,543	433,359,510	568,021,355
Community Mental Health Centers	58,462,286	59,052,232	62,230,070	64,711,061
Mental Hospital	34,425,936	39,579,315	32,767,391	30,802,395
Psychiatric Residential Treatment Facilities (PRTF)	6,864,600	7,404,171	8,805,325	10,422,298
Renal Dialysis	4,949,568	5,265,969	5,001,304	6,913,799
Podiatry	1,202,074	1,023,587	1,092,666	1,291,213
Supports for Community Living (formerly AIS MR)	40,614,175	46,347,643	59,641,049	75,478,910
Ambulatory Surgical	5,588,331	3,349,011	4,362,188	5,924,705
Home & Community Based Services	31,197,258	34,424,289	45,031,890	50,943,782
Adult Day Care	4,291,725	8,004,403	12,602,633	17,581,944
Model Waivers	5,137,092	5,409,838	5,941,311	4,923,466
Hospice	9,077,476	5,717,682	7,001,926	10,541,689
Preventive	23,280,242	18,440,542	16,260,350	17,264,048
Commission for Children with Special Health Care Needs	4,138,579	4,607,223	3,938,077	1,129,553
Targeted Case Mgmt. - Emotionally Disturbed Children	6,368,854	7,381,588	7,639,238	8,330,514
Targeted Case Mgmt. - Mentally Ill Adults	7,053,883	7,880,411	6,619,644	7,118,647
Title V/DSS	19,111,226	42,512,107	81,085,529	73,959,818
School-Based Services	1,042,152	1,161,023	1,473,716	1,448,944
Early Intervention - First Steps	5,133,369	8,169,311	11,233,466	16,452,489
Impact Plus	10,191	5,937,229	17,845,063	26,337,829
Other Lab/X-Ray (included in Lab through FY 96)	408,429	372,865	346,870	534,760
Nurse Anesthetist	1,471,749	1,364,642	1,585,322	2,052,253
Brain Injury			140,854	639,755
HANDS				2,546,040
Home Care Waiver				1,577
Personal Care Assistance				
Chiropractic				606,098
Specialized Children's Service Clinics				
<b>Subtotal</b>	<b>674,922,623</b>	<b>742,954,781</b>	<b>910,288,197</b>	<b>1,097,903,768</b>

Source: Unaudited Department for Medicaid Services reports to the Legislative Research Commission

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
453,741,905	381,245,700	478,400,300	429,944,500	490,039,800	514,285,328
		1,971,200	25,230,600	21,938,900	20,883,404
		96,100	2,308,800	3,449,700	2,828,357
			42,493,500	31,484,700	53,525,526
259,681,481	239,192,500	273,843,300	250,321,100	273,895,900	294,918,605
595,012,057	602,891,900	593,649,500	640,218,300	781,375,500	695,850,613
276,317,160	268,535,200	256,411,500	358,915,500	286,095,200	293,368,378
74,212,700	66,163,600	59,436,200	55,524,100	60,422,400	60,805,283
39,322,059	40,424,300	45,144,300	49,447,200	54,797,000	53,060,449
28,208	13,400	1,100	2,000	1,400	
160	1,200	-			
33,299,785	36,953,100	41,476,000	42,165,700	48,343,600	54,338,920
6,669,427	8,825,600	11,288,300	12,862,100	15,962,700	18,160,426
41,276,243	45,410,100	50,072,600	46,944,000	53,412,200	58,846,485
14,031,834	7,842,100	2,990,200	2,902,200	3,273,900	3,431,617
13,143,886	15,678,400	12,043,100	12,250,800	14,027,400	13,378,963
9,676,193	10,311,500	11,466,400	11,425,600	12,620,700	13,635,415
198,571	122,100	84,800	77,300	99,300	108,034
24,223,789	35,797,200	41,158,000	39,232,500	50,852,400	57,578,282
9,573,021	29,642,500	32,412,200	32,915,900	40,985,400	43,688,140
444,751	540,400	466,700	486,500	470,200	453,795
4,346,339	5,082,200	5,672,900	5,680,400	5,977,300	5,470,554
<b>1,855,199,569</b>	<b>1,794,673,000</b>	<b>1,918,084,700</b>	<b>2,061,348,600</b>	<b>2,249,525,600</b>	<b>2,258,616,574</b>

96,652,189	105,903,100	111,139,800	109,510,200	119,386,400	147,199,347
638,796,369	678,501,100	779,129,900	759,394,600	641,833,400	468,274,911
69,654,005	72,595,800	81,757,900	79,297,900	84,213,900	74,481,206
35,123,105	37,356,000	36,070,300	35,758,300	22,472,900	24,867,073
11,419,718	13,328,800	11,864,800	11,255,700	12,699,200	13,600,054
7,462,730	9,688,900	13,257,300	16,014,100	17,860,100	15,553,955
1,347,360	1,394,600	1,237,400	1,172,100	1,380,000	1,432,897
91,332,228	104,934,300	128,799,400	144,131,400	177,876,400	191,265,279
6,302,076	7,876,600	9,236,600	8,431,000	10,555,600	9,360,584
50,870,320	53,104,500	37,543,200	31,102,300	33,560,200	30,870,541
20,474,321	22,051,700	21,068,400	19,595,500	22,761,300	28,589,079
6,047,296	5,405,200	5,802,600	5,286,100	5,682,800	5,419,760
13,764,378	14,636,600	16,197,400	19,570,400	21,740,600	22,688,005
16,745,025	18,244,200	24,064,200	25,945,500	24,869,000	26,350,481
3,816,911	4,461,100	7,900,000	3,439,900	4,121,300	9,650,270
8,893,574	11,739,300	10,640,600	10,638,100	12,839,900	11,318,961
8,008,557	8,763,400	8,887,100	8,548,200	9,526,900	8,702,999
105,873,696	102,019,400	98,981,100	86,166,300	109,791,600	113,611,809
1,731,618	1,481,400	2,145,700	1,841,600	3,180,400	2,424,588
17,070,571	16,186,000	18,991,500	11,340,400	10,910,000	16,383,576
30,058,735	26,672,600	18,181,900	16,897,500	19,750,700	22,981,755
676,196	994,000	1,363,200	1,740,100	1,953,200	1,601,723
2,394,836	2,799,500	3,703,400	4,236,800	5,187,500	5,454,275
1,442,779	3,041,500	5,362,100	5,268,700	7,415,000	8,454,914
7,847,080	16,474,400	14,713,100	16,697,800	16,017,200	15,758,650
234,920	365,400	20,200			
61,497	259,400	100			
1,282,733	1,581,500	1,923,600	2,172,000	2,681,200	3,331,661
163,014	294,800	310,800	351,000	529,800	445,087
<b>1,255,547,837</b>	<b>1,342,155,100</b>	<b>1,470,293,600</b>	<b>1,435,803,500</b>	<b>1,400,796,500</b>	<b>1,280,073,440</b>

<b>MEDICAID BENEFITS EXPENDITURES</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
<b><u>Managed Care</u></b>				
Managed Care - Physical Health	177,692,073	430,018,080	456,274,792	326,520,017
Managed Care - Behavioral Health				
Empower Transportation		8,998,887	28,052,334	31,015,470
<b>Subtotal</b>	<b>177,692,073</b>	<b>439,016,967</b>	<b>484,327,126</b>	<b>357,535,487</b>
<b><u>Special Expenditures/Offsets</u></b>				
KenPAC	9,752,600	5,993,244	6,491,391	12,984,149
Disproportionate Share Hospital Payments (DSH)	226,651,879	196,971,589	226,154,125	214,809,322
Cost Settlements*	24,433,693	19,153,144		
Precapitation IBNR's				
Managed Care Savings				
Insurance Premiums	13,135		3,875	1,748
Supplementary Medical Insurance (SMI)	69,629,058	73,154,456	76,513,110	78,298,479
Non-Provider Payments			677,417	199,289
Q1 Payments			158,841	1,864,027
Q2 Payments			31,885	11,414
Consumer Directed Options				
Redeposits and other Adjustments			(728,038)	4,652,691
Other Adjustments (to balance to current budget)				
Intergovernmental Transfers (IGTs)				
Other Adjustments				
Part D Medicare Clawback				
<b>Subtotal</b>	<b>330,480,365</b>	<b>295,272,433</b>	<b>309,302,606</b>	<b>312,821,119</b>
Less Drug Rebate	(62,774,098)	(62,840,792)	(83,635,313)	(114,358,451)
<b>KCHIP</b>		<b>14,188,771</b>	<b>59,530,013</b>	<b>83,208,593</b>
<b>GRAND TOTAL</b>	<b>2,628,868,778</b>	<b>2,796,209,251</b>	<b>3,149,075,624</b>	<b>3,418,046,859</b>
Average monthly recipients	520,704	517,748	556,701	606,002
Cost per eligible	420.72	450.06	471.39	470.03
Cost per eligible excluding DSH and IBNRs	384.45	418.36	437.54	440.49

Source: Unaudited Department for Medicaid Services reports to the Legislative Research Commission

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
388,780,668	392,266,800	434,450,700	476,340,500	538,791,400	149,574,559
					452,455,225
36,982,477	40,609,500	46,203,000	47,847,800	48,274,900	51,248,724
<b>425,763,145</b>	<b>432,876,300</b>	<b>480,653,700</b>	<b>524,188,300</b>	<b>587,066,300</b>	<b>653,278,508</b>
15,026,821	16,457,300	15,024,400	14,728,600	14,501,300	14,373,484
197,381,038	168,464,700	190,383,800	175,814,700	222,453,000	194,818,514
7,647	32,700	2,300	1,400	1,600	1,986
88,547,884	98,217,800	103,814,500	130,881,700	153,407,700	162,355,918
281,924	172,600	309,200	179,200	96,600	58,977
2,136,514	536,400	3,840,200	347,500	446,400	5,650,678
59,202	16,000				
					551,516
	(9,283,500)		(1,154,200)	4,748,100	4,533,044
(12,918,143)					
	86,379,300	92,881,300	101,398,300	60,799,700	7,706,323
		(1,334,700)			
				9,031,800	84,639,227
<b>290,522,887</b>	<b>360,993,300</b>	<b>404,921,000</b>	<b>422,197,200</b>	<b>465,486,200</b>	<b>474,689,667</b>
(128,271,744)	(116,385,100)	(154,064,900)	(195,194,200)	(212,525,300)	(137,254,517)
<b>90,133,508</b>	<b>89,649,800</b>	<b>92,463,000</b>	<b>88,840,700</b>	<b>99,593,400</b>	<b>102,984,365</b>
<b>3,788,895,202</b>	<b>3,903,962,400</b>	<b>4,212,351,100</b>	<b>4,337,184,100</b>	<b>4,589,942,700</b>	<b>4,632,388,037</b>
626,745	654,092	672,266	686,613	699,595	710,763
503.78	497.38	522.16	526.40	546.74	543.12
477.54	475.91	498.56	505.06	520.24	520.28

## **Appendix F**

### **Strategic Plan Progress Report**



**CABINET FOR HEALTH AND FAMILY SERVICES  
OFFICE OF THE SECRETARY**

**Ernie Fletcher**  
Governor

275 E. Main Street, 5W-A  
Frankfort, KY 40621  
(502) 564-7042  
Fax: (502) 564-7091  
[www.chfs.ky.gov](http://www.chfs.ky.gov)

**Mark D. Birdwhistell**  
Secretary

**MEMORANDUM**

**TO:** Penny R. Armstrong, Ed.D. Executive Director,  
Office for Employee and Organizational Development

**COPY TO:** David Finley, Performance Consultant III  
Office for Employee and Organizational Development  
Brad Cowgill, State Budget Director's Office  
Mary Lassiter, State Budget Director's Office

**FROM:** Mark D. Birdwhistell, Secretary  
Cabinet for Health and Family Services

**DATE:** August 28, 2006

**SUBJECT:** Cabinet for Health and Family Services Strategic Plan – FY06 Progress Report

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Attached you will find the Cabinet for Health and Family Services (CHFS) strategic plan progress report for FY06. This is in accordance with KRS 48.810, as outlined in your memo of June 28, 2006.

Should you have any questions relating to this matter, please do not hesitate to contact the CHFS Strategic Planning Coordinator, Terri Cook @ [Terri.Cook@ky.gov](mailto:Terri.Cook@ky.gov) or (502) 564-7770 X3079.

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b> <b>Cabinet for Health and Family Services</b>		<b>DATE (MONTH AND YEAR):</b> <b>September 2006</b>
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>  <b>MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>  <b>MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS</b>  <b>DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT</b>	<b>METRIC NUMBER OR IDENTIFIER</b>  <b>53.1.1</b>
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.1 Modernize Medicaid by increasing the quality of benefit services, transforming care management, and updating relevant technology	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.1 Redesign KCHIP	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.1.1 Increase cost savings by 2% and improve care strategies by redesigning KCHIP	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	This project has not yet begun.	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b> <b>Cabinet for Health and Family Services</b>		<b>DATE (MONTH AND YEAR):</b> <b>September 2006</b>
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>  <b>MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>  <b>MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS</b>  <b>DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT</b>	<b>METRIC NUMBER OR IDENTIFIER</b>  <b>53.1.2</b>
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.1 Modernize Medicaid by increasing the quality of benefit services, transforming care management, and updating relevant technology	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.2 Increase use of Health Insurance Purchasing Program	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.2.1 Increase the number of members in the Health Insurance Purchasing Program (HIPP) by 25%	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	This project has not yet begun.	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b> <b>Cabinet for Health and Family Services</b>		<b>DATE (MONTH AND YEAR):</b> <b>September 2006</b>
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE  MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS  MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS  DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT</b>	<b>METRIC NUMBER OR IDENTIFIER  53.1.3</b>
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.1 Modernize Medicaid by increasing the quality of benefit services, transforming care management, and updating relevant technology	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.3 Implement credentialing process for Medicaid providers	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.3.1 Implement provider credentialing process for 60% of Medicaid providers	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	48% as of June 2006	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.3.2 Complete Medicaid provider profiles for 75% of providers who perform a statistically significant number of services	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	This project has not yet begun.	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b> <b>Cabinet for Health and Family Services</b>		<b>DATE (MONTH AND YEAR):</b> <b>September 2006</b>
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>  <b>MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>  <b>MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS</b>  <b>DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT</b>	<b>METRIC NUMBER OR IDENTIFIER</b>  <b>53.1.4</b>
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.1 Modernize Medicaid by increasing the quality of benefit services, transforming care management, and updating relevant technology	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.4 Streamline access to information through use of KMAA system	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.1.4.1 Utilize the KMAA system to improve coordination and streamline access to information by 95% of the providers and recipients.	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	50% as of June 2006	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b>		<b>DATE (MONTH AND YEAR):</b>
Cabinet for Health and Family Services		September 2006
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>	<b>METRIC NUMBER OR IDENTIFIER</b>
MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS	MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS  DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT	53.2.1
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.2 Promote healthier lifestyles and safer communities	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.2.1 Encourage tobacco cessation	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.2.1.1 Reduce the proportion of adults (18 years old +) who use cigarettes from 30.8% to 25%	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	27.5% as of June 30, 2006	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b> Cabinet for Health and Family Services		<b>DATE (MONTH AND YEAR):</b> September 2006
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b> MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b> MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS  DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT	<b>METRIC NUMBER OR IDENTIFIER</b>  53.2.2
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.2 Promote healthier lifestyles and safer communities	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.2.2 Promote healthy living for Kentuckians	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.2.2.1 Increase the proportion of adults (18 years old +) who engage regularly in physical activity for at least 20 minutes three or more times per week from 30% to 35%	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	30.5% as of December 31, 2005	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.2.2.2 Increase the proportion of adults and children (grades 9-12) who eat at least five servings of fruits and vegetables per day from 20% (adults) to 25% and from 13% (grades 9-12) to 15%	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	25% adults, 13% children as of December 31, 2005	

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<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b> MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b> MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS  DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT	<b>METRIC NUMBER OR IDENTIFIER</b>  53.3.1
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.3 Protect and empower Kentucky's most vulnerable adults	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.3.1 Ensure quality of life for children within the foster care system	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.3.1.1 Fully implement the Dynamic Family Assessment tool by October 1, 2007	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	30% complete as of June 2006	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.3.1.2 Decrease the percentage of children with two or more substantiated abuse allegations in a twelve month period from 7.8% to 7%	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	7.9% as of June, 2006	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE</b>	53.3.1.3 Increase the percentage of children with two or fewer placement	

<b>INDICATOR/MEASURE</b>	moves within a 12 month period from 87.8% to 90%
<b>PROGRAM/PROJECT</b>	88.3% as of June, 2006
<b>STATUS/PROGRESS/RESULTS</b>	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.3.1.4 Decrease the rate of re-entry into foster care within 12 months of the last exit from foster care from 11.3% to 10%
<b>PROGRAM/PROJECT</b>	9.9% as of June, 2006
<b>STATUS/PROGRESS/RESULTS</b>	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.3.1.5 Increase the rate of children achieving permanency through adoption in less than 24 months from their most recent entrance into foster care from 20.5% to 25%
<b>PROGRAM/PROJECT</b>	31.2% as of June, 2006
<b>STATUS/PROGRESS/RESULTS</b>	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	
<b>PROGRAM/PROJECT</b>	
<b>STATUS/PROGRESS/RESULTS</b>	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b> <b>Cabinet for Health and Family Services</b>		<b>DATE (MONTH AND YEAR):</b> <b>September 2006</b>
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b> <b>MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b> <b>MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS</b> <b>DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT</b>	<b>METRIC NUMBER OR IDENTIFIER</b>  <b>53.3.2</b>
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.3 Protect and empower Kentucky's most vulnerable adults	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.3.2 Ensure the safety and self-determination of older adults	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.3.2.1 Increase the adult protective services training opportunities for staff from 40% to 65%	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	53% as of June, 2006	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.3.2.2 Increase the number of counties having at least one worker trained in adult protective services policies and procedures from 85% to 98%	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	92% as of June, 2006	

<b>Strategic Plan Progress Report</b>		
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Cabinet for Health and Family Services		September 2006
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>	<b>METRIC NUMBER OR IDENTIFIER</b>
MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS	MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS  DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT	53.4.1
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.4 Provide the tools, training, and leadership to develop and support an outstanding workforce	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.4.1 Equip employees with the appropriate 'tools' to succeed in their work environments	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.4.1.1 Increase participation in mandated Human Resource Management classes within defined timeframes	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	Personnel Management Training = 48.4% as of June 2006	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.4.1.2 Increase compliance rate for timely completion of performance evaluations and plans	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	86.2% as of June 2006	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b>		<b>DATE (MONTH AND YEAR):</b>
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<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>	<b>METRIC NUMBER OR IDENTIFIER</b>
MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS	MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS  DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT	53.4.2
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.4 Provide the tools, training, and leadership to develop and support an outstanding workforce	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.4.2 Recruit and hire quality candidates in a timely manner	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.4.2.1 Reduce the number of days a non-direct position is vacant prior to being filled from date notified of 'need to fill'	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	50 days as of June 2006	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.4.2.2 Reduce the number of days a direct position is vacant prior to being filled	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	73.25 days as of June 2006	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b>		<b>DATE (MONTH AND YEAR):</b>
<b>Cabinet for Health and Family Services</b>		<b>September 2006</b>
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>	<b>METRIC NUMBER OR IDENTIFIER</b>
<b>MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS</b>	<b>MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS</b>  <b>DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT</b>	<b>53.4.3</b>
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.4 Provide the tools, training, and leadership to develop and support an outstanding workforce	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.4.3 Provide a positive work environment that fosters productivity and respects individual team members	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.4.3.1 Increase overall score of the Employee Satisfaction Survey	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	3.48 as of June 2006	

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b>		<b>DATE (MONTH AND YEAR):</b>
Cabinet for Health and Family Services		September 2006
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>	<b>METRIC NUMBER OR IDENTIFIER</b>
MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS	MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS  DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT	53.5.1
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.5 Prevent, detect, and reduce waste, fraud, and abuse	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.5.1 Ensure timely, thorough investigations	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.5.1.1 Develop and implement CHFS Internal Compliance Plan aimed at identifying, detecting, and preventing fraud, waste, and abuse by February 28, 2006	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	New date: December 31, 2006. This is due to recent investigations which are extremely time demanding on responsible division personnel.	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.5.1.2 Identify and implement three operational changes annually aimed at enhancing CHFS' ability to identify, detect, and prevent external fraud, waste, and abuse by December 31, 2005	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	OIG is presenting cases direct to the Grand Jury. DETER staff has been added and more investigators are being hired. The hotline has been promoted on television.	
<b>PROGRAM-/PROJECT-LEVEL</b>	53.5.1.3 Materially increase the number of investigations conducted and	

Revision Date: 8/18/2006

<b>PERFORMANCE INDICATOR/MEASURE</b>	the amount of dollars identified and recovered by January 31, 2006
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	There is more than \$2.6 million of fraud pending court prosecution and collection. DETER produced a verified savings of more than half of a million dollars in 2005.

<b>Strategic Plan Progress Report</b>		
<b>CABINET/ENTITY:</b>		<b>DATE (MONTH AND YEAR):</b>
Cabinet for Health and Family Services		September 2006
<b>CABINET/ENTITY STRATEGIC PLANNING EXECUTIVE</b>	<b>CABINET/ENTITY OTHER STRATEGIC PLANNING CONTACTS</b>	<b>METRIC NUMBER OR IDENTIFIER</b>
MIKE BURNSIDE, UNDERSECRETARY OFFICE OF ADMINISTRATIVE AND FISCAL AFFAIRS	MYLINDA SIMS, EXECUTIVE OFFICER, OFFICE OF THE UNDERSECRETARY FOR ADMINISTRATIVE AND FISCAL AFFAIRS  DOROTHY BROWN, DIVISION DIRECTOR, OFFICE OF HUMAN RESOURCE MANAGEMENT	53.6.1
<b>GOAL-LEVEL PERFORMANCE INDICATOR</b>	53.6 Restructure the system of care for individuals with mental illness, mental retardation, brain injuries, and substance use disorders by increasing the use of research-based knowledge to assure service quality, effectiveness and responsiveness, and produce positive measurable outcomes	
<b>GOAL STATUS/PROGRESS/RESULTS</b>		
<b>OBJECTIVE-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.6.1 Increase availability of community based services alternatives	
<b>OBJECTIVE STATUS/PROGRESS/RESULTS</b>		
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.6.1.1 Partner with the Department for Medicaid Services and stakeholders to create a new waiver which will increase availability of community based services alternatives	
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	1) Increase the number of community based providers in underserved areas from 2.6 to 3.0 – actual results 3.0. 2) Increase the number of Medicaid waivers that offer consumer directed options from 0 to 3 – actual results are 3.	
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.6.1.2 Implement performance-based contracting utilizing best practices to improve outcomes for individuals served by SFY 06	

Revision Date: 8/18/2006

<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	Create six performance based measures for CMHC contracts – Actual results were 7 of goal or 100%.
<b>PROGRAM-/PROJECT-LEVEL PERFORMANCE INDICATOR/MEASURE</b>	53.6.1.3 Improve the Crisis Stabilization System to serve individuals with disabilities by December 31, 2006
<b>PROGRAM/PROJECT STATUS/PROGRESS/RESULTS</b>	80% as of June, 2006.

**Appendix G**

**Medicaid's Fourth Quarter Budget Analysis Report  
(Containing Fiscal Year End Data)  
Fiscal Year 2007**



DEPARTMENT FOR MEDICAID SERVICES  
 BIENNIUM BUDGET REQUEST - BENEFITS DRAFT FOR INTERNAL REVIEW  
 STATE FISCAL YEARS 2006-2008  
 Forecast as of OCTOBER 18, 2005

Service Category	Forecast SFY 07	Actual SFY 07	Variance
Physical Health Care	\$ 2,279,960,865	\$ 2,277,091,319	\$ 2,869,546
Mental Health Care	\$ 295,897,720	\$ 290,581,637	\$ 5,316,083
Long Term & In-Community Care	\$ 1,264,160,032	\$ 1,191,694,337	\$ 72,465,695
MANAGED CARE	\$ 546,692,495	\$ 602,029,783	\$ (55,337,288)
Supplemental (Medicare) Medical Insurance &	\$ 195,190,591	\$ 168,006,595	\$ 27,183,996
Total Medicaid Expenditures	\$ 4,581,901,703	\$ 4,529,403,671	\$ 52,498,032
KCHIP Phase I, II, III Expenditures	\$ 104,768,177	\$ 102,984,365	\$ 1,783,812
<b>GRAND TOTAL EXPENDITURE REQUEST</b>	<b>\$ 4,686,669,880</b>	<b>\$ 4,632,388,036</b>	<b>\$ 54,281,844</b>

Note: Pharmacy costs for all recipients and Disproportionate Share Hospital expenditures for all hospitals are included in physical health.

DEPARTMENT FOR MEDICAID SERVICES  
EXPENDITURES BY CATEGORY OF SERVICES  
STATE FISCAL YEAR 2006-2007

Type of Service	TOTAL FIRST SECOND AND THIRD QUARTERS	APR 07	MAY 07	June 07	2006-2007 TOTAL
<b><u>Mandatory</u></b>					
Inpatient Hospital	384,297,211.93	57,406,565.59	67,625,081.85	4,956,468.63	514,285,328.00
DSH - Acute Care Hospitals	157,367,474.00	-	-	-	157,367,474.00
* Psych Distinct Part Unit - Acute Care Hospitals	16,308,301.02	1,656,150.66	2,697,938.91	221,013.29	20,883,403.88
* Rehab Distinct Part Unit - Acute Care Hospitals	2,082,219.86	362,058.35	384,078.91	-	2,828,357.12
* Supplemental Payments (IOA)	42,412,347.15	-	2,593,192.00	8,519,987.00	53,525,526.15
Outpatient Hospital	217,925,703.45	24,358,580.69	40,593,243.88	10,490,850.42	293,368,378.44
Physicians	199,013,132.29	22,394,828.27	35,911,968.28	37,598,675.88	294,918,604.72
Nursing Facilities	571,359,590.19	63,582,307.12	58,921,846.57	1,986,869.40	695,850,613.28
Home Health	43,552,056.29	3,852,143.09	7,591,040.81	5,810,042.78	60,805,282.97
Durable Medical Equipment (DME)	39,019,460.92	4,418,151.29	6,861,891.33	2,760,945.54	53,060,449.08
Family Planning	-	-	-	-	-
EPSDT - Screens	-	-	-	-	-
EPSDT - Related	38,090,655.01	4,295,567.05	9,250,048.44	2,702,649.19	54,338,919.69
Laboratories	13,012,008.15	1,517,134.00	2,522,589.02	1,108,694.71	18,160,425.88
Dental	43,768,140.93	4,567,202.87	8,213,518.88	2,297,622.51	58,846,485.19
Non-Emergency Transportation	2,708,439.70	283,785.32	433,051.36	6,340.50	3,431,616.88
Ambulance	10,581,827.77	1,155,863.42	1,615,173.89	26,097.99	13,378,963.07
Vision	10,227,617.05	1,076,196.78	1,705,297.51	626,303.71	13,635,415.05
Hearing	70,640.57	4,506.55	32,483.36	403.35	108,033.83
Primary Care (FQHC)	41,377,206.83	5,009,562.90	8,472,709.28	2,718,803.33	57,578,282.34
Rural Health	32,126,154.80	3,917,387.79	6,390,808.77	1,253,788.40	43,688,139.76
Qualified Medicare Beneficiaries (QMBs)*	332,154.59	33,403.63	55,569.65	32,666.96	453,794.83
Nurse Practitioner/Midwife	4,037,476.71	431,750.51	762,938.41	238,388.80	5,470,554.43
<b>Subtotal:</b>	<b>1,869,669,819.21</b>	<b>200,323,145.88</b>	<b>262,634,471.11</b>	<b>83,356,612.39</b>	<b>2,415,984,048.59</b>

<b><u>Optional</u></b>					
ICF-MR	101,482,929.71	23,981,910.52	13,449,278.74	8,285,227.66	147,199,346.63
Pharmacy	366,740,264.05	37,817,811.98	37,494,592.75	26,222,241.76	468,274,910.54
Community Mental Health Centers	55,727,277.49	5,518,196.84	10,920,725.07	2,315,006.87	74,481,206.27
Mental Hospital	18,472,668.06	2,087,356.98	2,905,443.48	1,401,604.20	24,867,072.72
DSH - Mental Hospital	37,451,040.00	-	-	-	37,451,040.00
Psychiatric Residential Treatment Facilities (PRTF)	10,009,678.45	1,008,557.88	2,052,136.97	529,680.37	13,600,053.67
Renal Dialysis	11,329,399.54	1,554,486.45	2,437,145.38	232,923.49	15,553,954.86
Podiatry	1,035,217.61	110,033.01	207,384.60	80,261.87	1,432,897.09
Support for Community Living	143,103,165.56	11,162,009.22	29,540,387.26	7,459,716.99	191,265,279.03
Ambulatory Surgical	6,895,481.08	842,465.62	1,276,970.67	345,666.71	9,360,584.08
Home & Community Based Services	23,325,666.08	1,943,026.77	4,126,451.03	1,475,397.03	30,870,540.91
Adult Day Care	20,762,969.70	2,392,862.73	4,395,436.79	1,037,809.90	28,589,079.12
Model Waivers	4,204,761.82	577,698.15	600,042.01	37,258.44	5,419,760.42
Hospice	17,750,129.07	1,623,250.58	2,772,088.64	542,536.64	22,688,004.93
Preventive	19,931,043.46	2,393,942.45	3,132,462.24	893,033.25	26,350,481.40
Children with Special Health Care Needs	9,533,487.41	70,332.82	28,807.65	17,642.11	9,650,269.99
Targeted Case Mgmt. - Emotionally Disturbed Child	8,896,308.78	737,871.01	1,294,612.54	390,168.35	11,318,960.68
Targeted Case Mgmt. - Mentally Ill Adults	6,642,653.11	604,000.82	1,008,876.24	447,468.89	8,702,999.06
Other Lab/X-Ray	1,273,656.94	115,523.02	174,732.36	37,810.91	1,601,723.23
Nurse Anesthetist	4,125,884.97	423,597.29	694,754.98	210,037.59	5,454,274.83
Title V/DCBS	76,221,473.82	8,250,789.33	1,350,242.67	27,789,303.16	113,611,808.98
School-Based Services	1,987,079.62	144,085.32	288,273.74	5,149.65	2,424,588.33
Early Intervention - First Steps	12,981,375.84	1,741,063.56	33,964.50	1,627,171.82	16,383,575.72
Brain Injury	6,256,650.96	522,260.91	1,500,657.49	175,344.79	8,454,914.15
HANDS	12,059,570.00	1,123,310.00	281,600.00	2,294,170.00	15,758,650.00
Home Care Waiver	-	-	-	-	-
Personal Care Assistance	-	-	-	-	-
Chiropractic	2,233,298.25	290,670.10	572,749.95	234,943.08	3,331,661.38
Specialized Children's Service Clinics	331,569.40	50,034.00	54,876.00	8,608.00	445,087.40
Impact Plus	16,312,345.41	1,819,446.28	3,596,281.79	1,253,681.70	22,981,755.18
<b>Subtotal:</b>	<b>997,077,046.19</b>	<b>108,906,593.64</b>	<b>126,190,975.54</b>	<b>85,349,865.23</b>	<b>1,317,524,480.60</b>

<b><u>Managed Care</u></b>					
Managed Care - Physical Health	452,455,224.60	50,713,446.11	49,379,765.36	49,481,347.22	602,029,783.29
Managed Care - Behavioral Health	-	-	-	-	-
Empower Transportation	38,239,334.50	4,246,181.22	4,260,892.76	4,502,315.54	51,248,724.02
<b>Subtotal:</b>	<b>490,694,559.10</b>	<b>54,959,627.33</b>	<b>53,640,658.12</b>	<b>53,983,662.76</b>	<b>653,278,507.31</b>

<b><u>Special Expenditures/Offsets</u></b>					
KenPAC	10,790,932.00	1,191,576.00	1,192,660.00	1,198,316.00	14,373,484.00
Intergovernmental Transfer Payments (IGT's)	5,220,129.64	1,500,000.00	-	986,193.29	7,706,322.93
Cost Settlements	-	-	-	-	-
Insurance Premiums	1,847.39	69.24	69.24	-	1,985.87
Supplementary Medical Insurance (SMI)	120,857,701.20	13,539,527.70	13,438,350.70	14,520,338.30	162,355,917.90
Part D Medicare Clawback	72,360,286.78	6,202,214.38	6,076,725.89	-	84,639,227.05
Consumer Directed Options	491,918.54	59,597.14	-	-	551,515.68
Non-Provider Payments	47,725.95	3,326.97	7,923.87	-	58,976.79
Drug Rebate	(99,110,660.15)	(14,292,842.80)	(2,178,201.61)	(21,672,812.09)	(137,254,516.65)
Q11 Payments	4,230,665.39	709,180.90	710,831.40	-	5,650,677.50

DEPARTMENT FOR MEDICAID SERVICES  
EXPENDITURES BY CATEGORY OF SERVICES  
STATE FISCAL YEAR 2006-2007

Type of Service	TOTAL FIRST SECOND AND THIRD QUARTERS	APR 07	MAY 07	June 07	2006-2007 TOTAL
Q12 Payments	-	-	-	-	-
Redeposits and Other Adjustments	(424,586.14)	(13,741.75)	(236,473.32)	5,207,845.16	4,533,043.95
<b>Subtotal:</b>	<b>114,465,960.41</b>	<b>8,898,907.78</b>	<b>19,011,886.17</b>	<b>239,880.66</b>	<b>142,616,635.02</b>
<b>KCHIP:</b>	<b>77,907,905.21</b>	<b>8,594,320.41</b>	<b>11,612,856.13</b>	<b>4,869,283.50</b>	<b>102,984,365.25</b>
<b>TOTAL:</b>	<b>3,549,815,290.12</b>	<b>381,682,595.04</b>	<b>473,090,847.07</b>	<b>227,799,304.54</b>	<b>4,632,388,036.77</b>
<b>AVERAGE MONTHLY ELIGIBLES:</b>	<b>709,737</b>	<b>712,520</b>	<b>715,037</b>	<b>713,961</b>	<b>710,763</b>
<b>AVERAGE MONTHLY MEDICAID :</b>	<b>658,710</b>	<b>660,754</b>	<b>663,702</b>	<b>663,010</b>	<b>659,655</b>
<b>AVERAGE MONTHLY KCHIP:</b>	<b>51,027</b>	<b>51,766</b>	<b>51,335</b>	<b>50,951</b>	<b>51,108</b>
<b>COST PER ELIGIBLE PER MONTH:</b>	<b>\$ 555.73</b>	<b>\$ 535.68</b>	<b>\$ 661.63</b>	<b>\$ 319.06</b>	<b>\$ 543.12</b>
<b>COST PER ELIGIBLE PER MONTH MEDICAID:</b>	<b>\$ 585.64</b>	<b>\$ 564.64</b>	<b>\$ 695.31</b>	<b>\$ 336.24</b>	<b>\$ 572.19</b>
<b>COST PER ELIGIBLE PER MONTH KCHIP:</b>	<b>\$ 169.64</b>	<b>\$ 166.02</b>	<b>\$ 226.22</b>	<b>\$ 95.57</b>	<b>\$ 167.92</b>

Source of Data: Weekly payment cycles and manually processed payments.  
Data has been reconciled to the Statewide Management Administrative and Reporting System (MARS)  
The cost per eligibles is calculated by dividing the "Total" by the "Average Monthly Eligibles"

**Department for Medicaid Services  
Budget to Actual Expenditure Comparison  
July 1, 2006 through June 30, 2007**

<b>Expenditure Category</b>	<b>Budget</b>	<b>Expenditures</b>	<b>Unexpended Balance</b>	<b>% Unexpended</b>
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**Administration:**

Personnel Costs	\$ 103,261,300	\$ 99,194,753	\$ 4,066,547	3.94%
Operating Expenses	1,500,000	1,422,309	77,691	5.18%
Grants, Loans, Benefits	38,183,800	32,461,108	5,722,692	14.99%
Capital Outlay	70,000	68,455	1,545	

<b>Total Administration</b>	<b>\$ 143,015,100</b>	<b>\$ 133,146,625</b>	<b>\$ 9,868,475</b>	<b>6.90%</b>
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<b>Benefits:</b>	<b>\$ 4,680,889,897</b>	<b>\$ 4,632,388,037</b>	<b>\$ 48,501,860</b>	<b>1.04%</b>
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**DEPARTMENT FOR MEDICAID SERVICES  
SUMMARY OF EXPENDITURES AND ELIGIBLES  
STATE FISCAL YEAR 2006-2007**

	<b>Expenditures</b>	<b>Eligibles</b>	
<b>Jul-06</b>	\$ 346,909,797	704,422	Actual
<b>Aug-06</b>	\$ 361,364,454	710,096	Actual
<b>Sep-06</b>	\$ 409,572,747	710,269	Actual
<b>Oct-06</b>	\$ 422,513,838	710,864	Actual
<b>Nov-06</b>	\$ 447,412,317	710,092	Actual
<b>Dec-06</b>	\$ 401,913,233	708,837	Actual
<b>Jan-07</b>	\$ 318,491,633	711,111	Actual
<b>Feb-07</b>	\$ 403,762,409	709,443	Actual
<b>Mar-07</b>	\$ 437,874,863	712,501	Actual
<b>Apr-07</b>	\$ 381,682,595	712,520	Actual
<b>May-07</b>	\$ 473,090,847	715,037	Actual
<b>Jun-07</b>	\$ 227,799,305	713,961	Actual

TOTAL PROGRAM  
PMPM

<b>Total Actual Cost</b>	\$ 4,632,388,037	8,529,153	\$ 543.12
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## Cost Containment Illustration

SFY07 Initiative Description	Annualized		Date Implemented	Comment	Fiscal Year Impact	
	Implementation Projected Annualized Cost Avoidance	Post Implementation Current Projected Annualized Cost Avoidance SFY07 as of 8/15/07			Pre Implementation Projected Fiscal year Cost Avoidance	Post Implementation Current Fiscal Year Cost Avoidance SFY07 as of 8/15/07
Inpatient Co-pay	\$3.7M	\$1.7M	Ongoing		\$3.7M	\$1.7M
Pharmacy Co-pay & Rx Limits	\$15M	\$7.7M	Ongoing		\$15M	\$7.7M
Ambulatory Surgical Center Co-pay	\$40k	\$19.4k	8/1/06		\$33.3k	\$18k
Preventive Care Co-pay	\$0.00	\$7k	8/1/06		\$0k	\$6k
Chiropractor Co-pay & Service Limits	\$130k	\$79k	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time	\$108k	\$73k
X-Ray/Misc Supplier Co-pay	\$60k	\$13k	8/1/06		\$50k	\$12k
DME Supplier	\$1.4M	\$531k	8/1/06		\$1.2M	\$487k
Physician/Primary Care Center/Rural Healthcare Center Co-pay	\$1.7M	\$2M	8/1/06		\$1.4M	\$1.9M
Independent Lab Co-pay	\$800k	\$358k	8/1/06		\$666k	\$328k
Vision Care Co-pay	\$223k	\$23k	8/1/06		\$186k	\$22k
Dental Co-pay	0	\$208k	8/1/06			\$190k
Certified Nurse Practitioner Co-pay	0	\$64k	8/1/06			\$59k
Audiology Co-pay, Service, and Expenditure Limits	0	0	8/1/06	Expenditure & service limits affect the end of the calendar year claims and cannot be determined at this time	0	0
Podiatrist Co-pay	\$91k	\$24k	8/1/06		\$76k	\$22k
Physical Therapist Co-pay & Service Limits	\$10k	0	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time	\$8k	0
Occupational Therapist Co-pay & Service Limits	NA	NA	8/1/06	Service limits affect the end of the calendar year claims and cannot be determined at this time	0	0
Vision Care Expenditure Limit	\$223k	\$23k	8/1/06	Expenditure limits affect the end of the calendar year claims and cannot be determined at this time	\$186k	0
<b>Total</b>	<b>\$23.4M</b>	<b>\$12.7M</b>			<b>\$22.9M</b>	<b>\$12.4M</b>

Note: A comprehensive recap of the cost containment interventions effects will be a retrospective available in the first quarter of calendar year 2008. The reasons for the delay are:

- 1) There is a delay between a claim being incurred and being reflected in accounting data. Providers have 12 months to file a claim.
- 2) There is a delay subsequent to a claim being filed and being paid.. Medicaid currently waits 21 days before paying a

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**PASSPORT HEALTH PLAN**  
DEPARTMENT FOR MEDICAID SERVICES  
MONTHLY BENEFIT PAYMENTS  
STATE FISCAL YEAR 2006-2007

Type of Service	Jul-06	Aug-06	Sep-06	1st Quarter Total
<b>Mandatory</b>				
Inpatient Hospital	23,776,828	11,311,821	9,009,225	44,097,874
Physicians	9,163,086	8,253,098	7,266,677	24,682,861
Nursing Facilities	451	399	328	1,178
Outpatient Hospital	7,456,761	7,572,960	6,158,461	21,188,182
Home Health	231,576	276,323	132,406	640,305
DME	1,364,181	1,366,621	844,139	3,574,941
Family Planning	377,656	-	638,323	1,015,979
EPSDT Screens	-	-	-	-
EPSDT Related	140,884	148,935	83,889	373,708
Laboratories	317,918	421,419	324,358	1,063,695
Dental	1,421,632	1,360,547	1,351,775	4,133,954
Non-emergency Trans	6	232	455	693
Ambulance	169,071	194,859	153,710	517,640
Vision	302,276	294,414	292,347	889,036
Hearing	30,306	16,387	25,943	72,636
Primary Care	1,065,611	1,044,836	1,059,538	3,169,985
Rural Health	1,985	865	1,489	4,339
Qualified Medicare Beneficiaries (QMBs)	11,863	20,706	7,320	39,889
Nurse Practitioner/Midwife	117,280	119,047	95,181	331,508
Rehab Distinct Part Unit	39,302	198,960	250,223	488,485
<b>Subtotal:</b>	<b>45,988,674</b>	<b>32,602,428</b>	<b>27,695,787</b>	<b>106,286,889</b>

<b>Optional</b>				
ICF-MR	-	-	-	-
Pharmacy	6,515,666	6,568,095	6,966,813	20,050,574
Community Mental Health Centers	-	-	-	-
Renal Dialysis	95,026	99,994	134,058	329,078
Podiatry	47,775	43,355	39,427	130,557
Ambulatory Surgical Center	210,635	153,687	130,488	494,810
Department Social Services	-	-	-	-
Home & Community Based Services	-	-	-	-
Model Waivers	-	-	-	-
Hospice	344,226	485,221	274,882	1,104,329
Preventive	60,031	84,739	59,141	203,911
Children with Special Health Care Needs	8,083	1,150	3,233	12,466
Other/Lab/X-ray	38,503	28,291	25,880	92,674
Nurse Anesthetist	25,812	27,466	18,289	71,567
Chiropractor	68,237	68,009	62,494	198,740
Hands	-	-	-	-
Lab & X-Ray Technician	-	-	-	-
SCL	-	-	(92)	(92)
Physician Assistant	3,847	4,384	3,058	11,289
Unknown Type	-	90	-	90
<b>Subtotal:</b>	<b>7,417,841</b>	<b>7,564,481</b>	<b>7,717,671</b>	<b>22,699,993</b>
<b>KCHIP</b>	<b>2,103,408</b>	<b>1,506,855</b>	<b>1,641,961</b>	<b>5,252,224</b>
<b>TOTAL:</b>	<b>55,509,922</b>	<b>41,673,764</b>	<b>37,055,419</b>	<b>134,239,106</b>
<b>Reinsurance</b>	<b>35,447</b>	<b>34,924</b>	<b>37,181</b>	<b>107,553</b>
<b>Pharmacy Rebates</b>	<b>-</b>	<b>(1,655,893)</b>	<b>-</b>	<b>(1,655,893)</b>
<b>GRAND TOTAL:</b>	<b>55,545,369</b>	<b>40,052,796</b>	<b>37,092,601</b>	<b>132,690,765</b>

Oct-06	Nov-06	Dec-06	2nd Quarter Total	Y-T-D Total
12,211,018	11,180,583	13,501,254	36,892,855	80,990,730
9,309,296	7,178,749	7,615,284	24,103,329	48,786,190
-	-	-	-	1,178
7,403,934	6,769,598	8,115,146	22,288,678	43,476,860
314,413	159,029	264,656	738,098	1,378,403
1,227,040	1,125,392	1,245,214	3,597,646	7,172,587
333,249	377,845	-	711,094	1,727,074
-	-	-	-	-
93,175	85,172	55,914	234,261	607,969
369,442	346,516	301,231	1,017,189	2,080,884
1,483,658	1,353,953	1,362,058	4,199,669	8,333,623
407	357	103	867	1,560
195,756	115,870	177,606	489,232	1,006,872
319,322	292,856	294,676	906,854	1,795,890
40,597	42,536	33,009	116,142	188,778
1,086,461	900,145	972,760	2,959,366	6,129,351
2,793	3,676	3,115	9,584	13,923
14,373	13,607	14,816	42,796	82,685
134,530	112,531	104,546	351,607	683,115
157,999	179,412	215,979	553,390	1,041,875
<b>34,697,463</b>	<b>30,237,827</b>	<b>34,277,368</b>	<b>99,212,657</b>	<b>205,499,546</b>

-	-	-	-	-
4,568,594	7,455,257	8,534,055	20,557,906	40,608,480
-	-	-	-	-
135,376	131,792	142,853	410,021	739,099
51,202	40,375	35,694	127,271	257,828
128,343	135,863	123,391	387,597	882,407
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
295,955	411,709	35,102	742,766	1,847,095
71,632	63,918	63,110	198,660	402,571
495	972	822	2,289	14,755
37,209	14,219	23,253	74,681	167,355
18,845	19,839	23,645	62,329	133,896
84,089	73,124	72,825	230,038	428,778
-	-	-	-	-
-	-	-	-	-
20	10	17	47	(45)
2,972	1,214	1,640	5,826	17,115
34	-	-	34	124
<b>5,394,766</b>	<b>8,348,292</b>	<b>9,056,407</b>	<b>22,799,465</b>	<b>45,499,458</b>
<b>1,732,859</b>	<b>1,668,491</b>	<b>1,922,823</b>	<b>5,324,173</b>	<b>10,576,397</b>
<b>41,825,088</b>	<b>40,254,610</b>	<b>45,256,598</b>	<b>127,336,295</b>	<b>261,575,401</b>
<b>36,176</b>	-	-	<b>36,176</b>	<b>143,728</b>
-	<b>(681,896)</b>	-	<b>(681,896)</b>	<b>(2,337,790)</b>
<b>41,861,263</b>	<b>39,572,714</b>	<b>45,256,598</b>	<b>126,690,575</b>	<b>259,381,340</b>

Type of Service	Jan-07	Feb-07	Mar-07	3rd Quarter Total
<b>Mandatory</b>				
Inpatient Hospital	11,329,835	10,466,436	10,462,304	32,258,576
Physicians	8,653,743	8,410,726	7,789,313	24,853,782
Nursing Facilities	-	-	-	-
Outpatient Hospital	7,219,683	6,081,368	7,075,411	20,376,462
Home Health	363,659	218,541	181,546	763,746
DME	1,666,415	1,403,729	1,312,061	4,382,205
Family Planning	705,271	-	649,764	1,355,035
EPSDT Screens	-	-	-	-
EPSDT Related	84,694	89,084	69,321	243,099
Laboratories	320,430	363,365	395,591	1,079,386
Dental	1,376,739	1,349,302	1,369,766	4,095,807
Non-emergency Trans	2	6	423	431
Ambulance	317,861	205,078	202,058	724,997
Vision	298,905	326,977	296,302	922,184
Hearing	31,414	30,645	34,478	96,537
Primary Care	1,062,732	1,058,306	997,765	3,118,803
Rural Health	4,060	4,120	5,346	13,526
Qualified Medicare Beneficiaries (QMBs)	16,354	11,043	12,737	40,134
Nurse Practitioner/Midwife	135,801	134,458	156,825	427,084
Rehab Distinct Part Unit	182,793	112,030	176,413	471,236
<b>Subtotal:</b>	<b>33,770,392</b>	<b>30,265,215</b>	<b>31,187,423</b>	<b>95,223,031</b>

<b>Optional</b>				
ICF-MR	-	-	-	-
Pharmacy	6,223,703	6,950,866	7,199,136	20,373,704
Community Mental Health Centers	-	-	-	-
Renal Dialysis	122,024	112,850	55,632	290,506
Podiatry	41,632	35,861	44,309	121,802
Ambulatory Surgical Center	126,817	121,439	121,345	369,601
Department Social Services	-	-	-	-
Home & Community Based Services	-	-	-	-
Model Waivers	-	-	-	-
Hospice	753,811	53,674	412,295	1,219,780
Preventive	60,328	58,287	68,921	187,536
Children with Special Health Care Needs	51,423	11,216	11,071	73,710
Other/Lab/X-ray	26,603	26,958	36,618	90,179
Nurse Anesthetist	25,414	29,679	55,998	111,091
Chiropractor	91,880	69,286	96,888	258,054
Hands	-	-	-	-
Lab & X-Ray Technician	-	-	-	-
SCL	-	-	-	-
Physician Assistant	3,436	2,709	3,489	9,634
Unknown Type	349	156	7	512
<b>Subtotal:</b>	<b>7,527,420</b>	<b>7,472,981</b>	<b>8,105,709</b>	<b>23,106,109</b>
<b>KCHIP</b>	<b>1,736,803</b>	<b>1,712,591</b>	<b>1,858,974</b>	<b>5,308,369</b>
<b>TOTAL:</b>	<b>43,034,615</b>	<b>39,450,788</b>	<b>41,152,106</b>	<b>123,637,509</b>
<b>Reinsurance</b>	<b>117,750</b>	<b>39,895</b>	<b>40,560</b>	<b>198,206</b>
<b>Pharmacy Rebates</b>	<b>-</b>	<b>-</b>	<b>(563,170)</b>	<b>(563,170)</b>
<b>GRAND TOTAL:</b>	<b>43,152,365</b>	<b>39,490,683</b>	<b>40,629,497</b>	<b>123,272,545</b>

April-07	May-07	June-07	Quarter Total	Y-T-D Total
12,478,801	10,392,048	10,569,199	33,440,048	146,689,354
8,635,106	8,672,527	8,525,191	25,832,825	99,472,797
-	-	-	-	1,178
6,991,701	7,071,272	7,963,276	22,026,249	85,879,571
228,939	210,746	242,377	682,062	2,824,211
1,473,603	1,574,328	1,050,178	4,098,109	15,652,901
-	392,700	618,624	1,011,324	4,093,432
-	-	-	-	-
128,686	123,682	129,842	382,210	1,233,278
359,414	351,781	336,937	1,048,132	4,208,402
1,387,534	1,794,301	1,587,379	4,769,214	17,198,644
236	450	310	996	2,987
180,902	139,362	169,416	489,680	2,221,549
303,610	321,611	311,879	937,099	3,655,173
53,724	31,240	44,117	129,081	414,396
1,098,388	2,209,065	1,180,888	4,488,341	13,736,496
5,992	3,814	4,142	13,948	41,397
11,854	11,379	14,194	37,427	160,246
175,875	151,224	144,761	471,860	1,582,059
210,380	314,250	104,223	628,853	2,141,964
<b>33,724,745</b>	<b>33,765,780</b>	<b>32,996,933</b>	<b>100,487,459</b>	<b>401,210,035</b>

-	-	-	-	-
6,919,361	7,009,539	6,601,903	20,530,803	81,512,987
-	-	-	-	-
241,374	263,457	147,643	652,474	1,682,079
43,013	33,403	35,961	112,377	492,007
154,330	154,166	149,155	457,651	1,709,659
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
317,593	533,821	330,569	1,181,983	4,248,858
64,420	57,336	51,169	172,925	763,032
5,809	5,992	32,388	44,189	132,654
19,453	42,172	35,819	97,444	354,978
33,147	27,836	54,538	115,521	360,508
99,852	95,025	93,749	288,626	975,458
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(45)
3,120	1,644	1,145	5,909	32,658
9	-	-	9	645
<b>7,901,481</b>	<b>8,224,391</b>	<b>7,534,039</b>	<b>23,659,911</b>	<b>92,265,478</b>
<b>1,659,749</b>	<b>1,868,218</b>	<b>1,870,716</b>	<b>5,398,683</b>	<b>21,283,449</b>
<b>43,285,975</b>	<b>43,858,389</b>	<b>42,401,689</b>	<b>129,546,052</b>	<b>514,758,962</b>
<b>41,760</b>	<b>40,850</b>	<b>40,917</b>	<b>123,527</b>	<b>465,461</b>
-	(595,130)	-	(595,130)	(3,496,089)
<b>43,327,735</b>	<b>43,304,109</b>	<b>42,442,606</b>	<b>129,074,449</b>	<b>511,728,334</b>

## **Appendix H**

### **Agency Response**





CABINET FOR HEALTH AND FAMILY SERVICES  
DEPARTMENT FOR MEDICAID SERVICES

Ernie Fletcher  
Governor

275 E. Main Street, 6W-A  
Frankfort, KY 40621  
(502) 564-4321  
Fax: (502) 564-0509  
www.chfs.ky.gov

Mark D. Birdwhistell  
Secretary

Shawn M. Crouch  
Commissioner

December 5, 2007

Ms. Jettie Sparks  
Office of the Auditor of Public Accounts  
105 Sea Hero Road, Suite 2  
Frankfort, KY 40601

Dear Ms. Sparks:

The Kentucky Department for Medicaid Services has reviewed the audit materials provided by your office for the Medicaid Performance Audit and have the following comments:

- **Finding #2, Page ii.** – “lack narrative explanations.” Narratives are in the budget submission
- **Introduction, Page 11.** – “not representative of actual expenditures.” Should be “not representative of actual **incurred** expenditures.” Cash accounting is not the same as accrual accounting. The CAFR is a hypothetical blend of the two and, therefore, does not match either.
- **Finding #1, Page 13.** – “The cost containment reports track expenditures for individual initiatives but do not provide any aggregate information on state actual savings.” The cost containment reports do state actual savings on an accrual basis. An aggregate is provided on the “total” line.

Please feel free to contact either myself or Carrie Banahan, Deputy Commissioner, if you have any questions.

Sincerely,

Shawn Crouch  
Commissioner

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## **Appendix I**

### **Accenture LLP Comments**



“Accenture is concerned with the portion of the audit that states, ‘Accenture’s Medicaid contract was cancelled’ in Texas, as well as the negative statements regarding Accenture’s past performance. In fact, Accenture continues to provide Medicaid application maintenance to the State of Texas as part of the Texas Medicaid Health Partnership (TMHP) with strong client satisfaction.

“Accenture held a separate contract with Texas as the prime contractor on the Texas Access Alliance team that included administrative support services related to Medicaid, CHIP, TANF, and Food Stamps. In early 2007, Accenture and the Texas Health and Human Services Commission (HHSC) came to a mutual decision to end that contract early due to a substantial modification in scope following the program pilot. In reference to this contract, your report highlighted an excerpt from the October 25, 2006 report from Texas Comptroller Carol Keeton Strayhorn. However, your report does not mention the October 25, 2006 *HHSC Response to Comptroller’s Report* or the March 13, 2007 *HHSC, Texas Access Alliance Agree to End Contract Early* news release. These documents provide context around the Strayhorn report and the status of the related contract with the State of Texas. I have attached them to this letter for your reference. Accenture respectfully requests that the audit report is updated to reflect this information.”

### **Texas Health and Human Services Commission Response to Texas Comptroller’s Report**

“The Comptroller's findings demonstrate a lack of understanding about the contract, its performance provisions and the payment structure:

- The contract is designed to ensure that the state does not pay for work not delivered. To date, that has meant almost \$100 million in delayed or withheld payments to the vendor. This amount more than offsets any additional costs to the state because of the delayed rollout. The Comptroller's report failed to take into account the reduction in payments before incorrectly concluding that the project is over budget.
- The state has extensive oversight and monitoring of the contractor's performance. State staff listen to calls and review case files for accuracy. The state has hired an independent firm to review the vendor's performance, and federal oversight agencies also monitor the contract.
- The contract is designed to pay the vendor based on the accurate and timely processing of applications. This protects the taxpayers' interests and builds accountability into the system without creating incentives to either approve or deny enrollment.
- Enrollment in CHIP has been declining since June 2002 -- four years before the Texas Access Alliance took over that work. It defies logic to say that a pilot program in two counties is leading to statewide declines in Medicaid or CHIP.
- Since taking over CHIP processing, the Texas Access Alliance has enrolled more than 230,000 Texas children in the program and renewed coverage for more than 260,000.”

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## **Appendix J**

### **Auditor of Public Accounts Information**



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## Contributors To This Report

Crit Luallen, Auditor of Public Accounts

Jettie Sparks, Acting Director, CPA, Performance Audit Manager

Mike Helton, Performance Auditor

Gregory Giesler, Administrative Branch Manager

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## Obtaining Audit Reports

Copies of this report or other previously issued reports can be obtained for a nominal fee by faxing the APA office at 502-564-0067. Alternatively, you may order by mail:

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Frankfort, Kentucky 40601

visit : 8 AM to 5:00 PM weekdays

email: [crit.luallen@auditor.ky.gov](mailto:crit.luallen@auditor.ky.gov)

browse our web site: <http://www.auditor.ky.gov>

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## Services Offered By Our Office

The staff of the APA office performs a host of services for governmental entities across the commonwealth. Our primary concern is the protection of taxpayer funds and furtherance of good government by elected officials and their staffs. Our services include:

**Financial Audits:** The Division of Financial Audit conducts financial statement and other financial-related engagements for both state and local government entities. Annually the division releases its opinion on the Commonwealth of Kentucky's financial statements and use of federal funds.

**Examination and Information Technology:** The Division supplies computer system control expertise and investigates citizen complaints. The Division audits computer system security and other controls and performs system data analysis. Our fraud hotline, 1-800-KY-ALERT (592-5378), and referrals from various agencies and citizens produce numerous cases of suspected fraud and misuse of public funds referred to prosecutorial offices when warranted.

**Performance Audits:** The Division of Performance Audit conducts performance audits, performance measurement reviews, benchmarking studies, and risk assessments of government entities and programs at the state and local level in order to identify opportunities for increased efficiency and effectiveness.

**Training and Consultation:** We annually conduct training sessions and offer consultation for government officials across the state. These events are designed to assist officials in the accounting and compliance aspects of their positions.

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## General Questions

General questions should be directed to Jeff Derouen, Director of Communication, at (502) 573-0050 or the address above.