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**POLICY LEVEL**

**PL-P1 Bariatric Surgery – Health Technology Assessment**

**RECOMMENDATION SUMMARY TEXT**

The Health Care Authority (HCA) requests \$2,202,000 (\$712,000 GF-State) in the 2016 Supplemental to implement the Health Technology Assessment (HTA) Committee's coverage recommendations for bariatric surgery starting July 1, 2016.

**PACKAGE DESCRIPTION**

Bariatric surgery is the surgical intervention that changes the way food is processed and absorbed in the stomach, therefore helping the patient lose weight. The HTA Committee's recommendations about this surgery included criteria for who should receive this service. The recommended criteria significantly expand Apple Health's (Medicaid's) current criteria and will markedly increase our costs.

Under Apple Health policy, the criteria which establishes medical necessity for this surgery is:

- Body Mass Index (BMI) greater than 35 and Diabetes mellitus; or
- Degenerative joint disease of a major weight bearing joint(s) (the client must be a candidate for joint replacement surgery if weight loss is achieved); or
- Other rare comorbid condition exists (such as pseudo tumor cerebri) in which there is medical evidence that bariatric surgery is medically necessary and that the benefits of bariatric surgery outweigh the risk of surgical mortality.

Per RCW 70.14.120, state agencies are to implement recommendations from the HTA Committee unless it is violation of state or federal law. This recommendation which expands the Apple Health criteria is not a violation of state or federal law. However, the recommendation represents a significant change in Apple Health's coverage policy for this procedure. The HTA Committee recommends coverage for bariatric surgery when the individual's:

- BMI is greater than or equal to 40; or
- BMI is between 35 to 40 with at least one obesity related co-morbidity.

Consequently, there will be a significant increase in the number of Apple Health clients who are clinically eligible to receive this surgery.

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**FISCAL DETAILS/OBJECTS OF EXPENDITURE**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
<b>1. Operating Expenditures:</b>			
Fund 001-1 GF-State		\$ 712,000	\$ 712,000
Fund 001-C GF-Federal Medicaid Title XIX		\$ 1,490,000	\$ 1,490,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,202,000</b>	<b>\$ 2,202,000</b>
<b>2. Staffing:</b>			
Total FTEs	-	-	-
<b>3. Objects of Expenditure:</b>			
A - Salaries And Wages	\$ -	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ -	\$ -	\$ -
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ 2,202,000	\$ 2,202,000
Other (specify) -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ 2,202,000</b>	<b>\$ 2,202,000</b>
<b>4. Revenue:</b>			
Fund 001-C GF-Federal Medicaid Title XIX	\$ -	\$ 1,490,000	\$ 1,490,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,490,000</b>	<b>\$ 1,490,000</b>

**NARRATIVE JUSTIFICATION**

**WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?**

While this is a considerable coverage policy changes for Apple Health, this policy:

- Provides an opportunity for all state payers to apply the same evidence-based coverage criteria for this procedure;
- Assures all individuals covered by a state health care program are receiving the same level of coverage;
- Supports the Governor’s Healthier Washington Initiative, by covering a procedure that will assist them in reducing their weight, improving their health status and affecting their quality of life.

If the procedure has a successful outcome, health care costs associated with the treatment of other conditions should decrease. While the financial benefit of this may not be seen for five to ten years, if the weight loss is sustained it will have a positive impact. Cost reductions could include:

- Reducing dependency on medication, like inhalers or insulin, either eliminating the need or reducing the dose;
- Avoiding treatment of complications of co-existing conditions, such as strokes related to high blood pressure;
- Reducing the need for supportive devices required to walk, due to stress on major and weight bearing joints caused by weight.

### **PERFORMANCE MEASURE DETAIL**

#### **Activity Inventory**

H005 National Health Reform

H010 HCA Apple Health

H011 HCA All Other Clients – Fee for Service – Mandatory Services

H013 HCA Supplemental Medicare Insurance Buy-In

### **IS THIS DECISION PACKAGE ESSENTIAL TO IMPLEMENT A STRATEGY IDENTIFIED IN THE AGENCY'S STRATEGIC PLAN?**

Yes, it supports the HCA's role in achieving a healthier Washington by assuring people experience better health during their lives, receive better, more affordable care when they need it.

### **DOES THIS DECISION PACKAGE PROVIDE ESSENTIAL SUPPORT TO ONE OR MORE OF THE GOVERNOR'S RESULTS WASHINGTON PRIORITIES?**

This request supports Governor Inslee's Results Washington Goal 4: Healthy and Safe Communities particularly in the area of Healthy People: "Provide access to good medical care to improve people's lives." by covering a procedure that will assist clients in reducing their weight, improving their health status and affecting their quality of life.

### **WHAT ARE THE OTHER IMPORTANT CONNECTIONS OR IMPACTS RELATED TO THIS PROPOSAL?**

Apple Health clients would be very interested in this change of policy, as 90 percent of the individuals who were previously denied this surgical intervention in 2014 would now be approved.

The primary concern about this policy change is that historically, when the criteria for this benefit were less restrictive, surgical outcomes for Apple Health clients were poor and resulted in some deaths. Clients developed serious post-operative complications that resulted in a decline in health status, including requiring confined to nursing homes. As a result of these poor outcomes, the HCA implemented the current program with stricter criteria, which prohibits the procedure from being used just for weight loss. It could be argued that outcomes for these procedures have improved and results seen earlier were secondary to lack of surgical experience. Consequently, expanding these criteria will not replicate those previous experiences documented in the Medicaid population.

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**WHAT ALTERNATIVES WERE EXPLORED BY THE AGENCY, AND WHY WAS THIS ALTERNATIVE CHOSEN?**

One option is for the HCA to ignore the recommendations of the HTA Committee and do nothing. This is a violation of state law. This is not a viable option.

**WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?**

The consequence of not adopting the request is the HCA will not have the additional funding required to cover the increase in procedures anticipated as an expansion of this clinical coverage criteria.

**WHAT IS THE RELATIONSHIP, IF ANY, TO THE STATE CAPITAL BUDGET?**

None

**WHAT CHANGES WOULD BE REQUIRED TO EXISTING STATUTES, RULES, OR CONTRACTS TO IMPLEMENT THE CHANGE?**

The HCA staff will be required to change the rules where the criteria for surgery is described, but no other changes to contracts or laws will be required.

**EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS**

**REVENUE CALCULATIONS AND ASSUMPTIONS:**

There will be an increase in Medicaid's cost in these areas: physicians, advanced registered nurse practitioners (ARNPs), physician assistants, inpatient hospital, lab, dietitian and mental health. HCA assumes 50 percent of the clients receiving these services will be from the newly eligible adult category through Medicaid expansion; services provided to them are eligible for enhanced federal. The cost of services to the remaining of the clients will receive 50 percent federal match.

**EXPENDITURE CALCULATIONS AND ASSUMPTIONS:**

The HCA requires prior authorization for enrollment into the bariatric surgery program. Reasons for the denied requests are recorded on the prior authorization screens in ProviderOne. The denied requests in calendar year 2014 were reviewed to determine if the new criteria recommended by HTA were applied, what would have been the outcome on the prior authorization request.

In calendar year 2014, the agency reviewed 535 requests, of which 247 were denied. This period captures the new client population under Medicaid expansion. Review of the documented denied procedures indicates there is a marked possibility the agency would have approved 90 percent of the 247 denied, or 222 additional cases, if the HTA criteria were applied during the review instead of the agency's current criteria.

The average cost of the inpatient hospitalization in calendar year 2014 was \$15,403. The average costs for the health care professional's services and other ancillary services this same period were \$4,433.

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Therefore, if 222 more procedures were done in calendar year 2014, an additional \$4,403,592 would have been spent. Since The HCA will be required to change the rules where the criteria for surgery is described, It is assumed the HCA would be able to start implementing this change beginning January 1, 2017, for an annual cost of \$2,202,000 (\$1,101,000 GF-State) in fiscal year 2017.

Although this provides an estimate of predictable costs if the HTA criteria had been applied, it does not provide insight as to the number of requests not received because the client or the provider knew the criteria were not met. The agency cannot derive the additional anticipated costs for procedures that were never requested, or the impact once the criteria is revised to be more lenient and only require a BMI of 40 with no other conditions present.

Previous to Fiscal 2016, all bariatric surgeries were covered under Fee-for Service. Because of this, the Fee-for-Service/Managed Care split could not be estimated from the historical bariatric surgery data. It is assumed that the split will resemble the overall split seen throughout all Medicaid programs, excluding programs specific to children and pregnant women. The Managed Care/Fee-for-Service split used in the February 2015 Medicaid forecast for Fiscal Year 2017 was applied to the annual cost estimate of \$2,202,000 to calculate a split of \$699,000 FFS and \$1,503,000 MC.

#### **DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:**

All costs are ongoing.

#### **BUDGET IMPACTS IN FUTURE BIENNIA:**

All costs will continue into future biennia. However, total costs each year may vary as the number of eligible varies and the number of Apple Health clients with BMIs that meet the criteria of 40 or above seek surgery to resolve their obesity.

