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## **Medical Homes, Improved Care Save N.C. Medicaid Nearly \$1 Billion**

*Nearly \$700 Million in Savings Came in Past Two Years*

**RALEIGH** — Care management saved N.C. Medicaid nearly \$1 billion over four years, according to a new analysis by a national health care consulting firm.

The report by Milliman Inc., an actuarial firm based in San Diego, Calif., examined the impact of the state's support for primary care "medical homes" – a system to coordinate health care for Medicaid recipients. Milliman's report, which was required by the General Assembly, found that recipients with a medical home get better care and consumed fewer Medicaid resources than those who lack a medical home. From fiscal year 2007-2010, N.C. Medicaid avoided spending \$984 million by having 1.1 million of its members enrolled into medical homes. In just the last two fiscal years of the study – 2009 and 2010 - \$677 million was saved.

"Setting government straight is one of my top priorities," Gov. Perdue said, "and that means getting more out of every dollar the state spends and fueling innovations that save money, which is exactly what this program does."

"This is further validation that we are on the right track to ensuring high-quality medical care with the most efficient use of taxpayer dollars," said DHHS Secretary Lanier Cansler.

DHHS' partner in providing medical homes is the Community Care of North Carolina (CCNC), a nonprofit group of local health care provider networks that provide and coordinate care for Medicaid recipients. The 14 regional CCNC networks since 1998 have pooled their resources for technological and administrative purposes, which not only saves operational costs but also provides opportunities for cooperation and collaboration throughout the networks.

The key to the success of medical homes approach is a strong emphasis on preventative care, and aggressive care management. Although the cost of frequent office visits and treatment of newly diagnosed conditions adds to program costs initially, the reduction of emergency room visits and hospital admissions, as well as capturing of efficiencies and improving quality of care, results in significant savings and better health for the recipient.

As N.C. Medicaid enrolled higher numbers of its members into a CCNC medical home, Milliman found annual savings increased—\$103 million in fiscal year 2007 (July 1, 2006-June 30, 2007); \$204 million in FY 2008; \$295 million in FY 2009; and \$382 million in FY 2010.

Milliman also reported that N.C. Medicaid is on a successful path to decrease cost by enrolling aged, blind or disabled (ABD) members into a medical home. Those Medicaid populations are generally the least healthy overall and costliest to treat. Enrollment into medical homes initially would add to the cost of caring for them but pays off in the long term. Indeed, Milliman found that in FY 2006, medical home enrollment of ABD populations cost the state an additional \$82 million. But by FY 2010, enrollment of ABD Medicaid recipients into medical homes had paid off with the state avoiding \$53 million in costs.

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