

DEAR ARKANSAS BUSINESS,
WE'VE READ THIS ARTICLE AND THOUGHT YOUR READERS
MIGHT APPRECIATE MORE BALANCED CONTENT...
-PARTNERS FOR A HEALTHIER ARKANSAS

Managed Care Organizations Met With Skepticism by Some Health Care Professionals

By Sarah Campbell, *Arkansas Business*, 7/4/16

Health care professionals in Arkansas are voicing skepticism that bringing managed care organizations into the state-run Medicaid program will stem the rising costs of government-provided health care.

Their arguments are two-fold:

- The measures that MCOs employ to lower costs in order to make a profit for themselves have already been implemented in the state's Medicaid program; and
- MCOs in other states have been plagued by accusations of fraud and mismanagement.

The discussion will resume at the regular legislative session in January, when lawmakers consider the proposal, backed by Gov. Asa Hutchinson, to hand off to MCOs the management of Arkansas' Medicaid patients with behavioral health issues and developmental disabilities. And the sides will be drawn predictably: The state's executive branch will push for cost savings, providers like doctors and hospitals will oppose anything that could result in fewer dollars, and insurance companies that may form MCOs will be ready for a new profit center.

The issue of how best to save costs is gaining urgency because the state will have to start paying for a portion of the Medicaid expansion (now known as Arkansas Works) starting in 2017.

Dan Rahn, chancellor of the University of Arkansas for Medical Sciences in Little Rock, said business leaders are among the stakeholders who need to "wrestle this thing to the ground" because they already know health care costs are rising at a rate that exceeds revenue growth.

The MCOs debate was dropped from Hutchinson's call for a special session in April after the plan he supported sparked opposition and a group of legislators proposed their own "DiamondCare" alternative. Instead of using MCOs, DiamondCare would hand off management of care for the mentally ill and developmentally disabled to private administrative services organizations. AN UNPROVEN MODEL WITH NO PROVIDER ACCOUNTABILITY AND MORE RISK TO THE STATE.

Some definitions:

Managed care organizations, or MCOs, are private companies, typically created by insurance carriers and usually for-profit entities, that receive a set fee from the state for each person for whom the company manages health care. MCOs are solely responsible for paying claims to providers out of the funds they receive from the state, and they turn a profit by keeping those costs below the level provided by the state.

Administrative services organizations – the ASOs proposed in DiamondCare – would be hired to implement cost savings but the state would continue paying health care providers fees for services provided to Medicaid patients.

HERE'S A COUPLE
HELPFUL DEFINITIONS
FOR YOUR READERS

BILL OF RIGHTS – A BINDING AGREEMENT WHICH GUARANTEES PROVIDER PAYMENTS WILL NOT BE REDUCED BELOW WHAT THEY ARE TODAY, AND THAT PATIENTS WILL NOT BE DENIED CARE.

STATUS QUO – A TERM OFTEN ASSOCIATED WITH ANTI-REFORM PROVIDER GROUPS WHO WISH TO CONTINUE WASTING TAXPAYER DOLLARS AND PROVIDING ZERO CARE COORDINATION TO OUR MOST VULNERABLE CITIZENS.

David Wroten, executive vice president of the Arkansas Medical Society, said the populations that would be offered to MCOs are the most difficult to manage, and efforts to increase efficiency have fallen short there.

The governor's plan – using MCOs – would save the state \$1.43 billion over five years, and the Diamond Care plan – using ASOs – would save \$1 billion during the same period, according to an analysis performed for the Arkansas Legislative Task Force on Healthcare Reform by the Stephen Group of Manchester, New Hampshire.

Promises 'Safety Net'

John Ryan, president and CEO of Arkansas Health & Wellness Solutions, said his company would love the opportunity to serve the state as an MCO and participate in the procurement process that would follow approval of the governor's plan.

Arkansas Health & Wellness Solutions is a qualified health plan issuer in the Arkansas Health Insurance Marketplace, where it offers plans branded as Ambetter of Arkansas.

Ryan said that Arkansas Health & Wellness Solutions would not pay providers any less than what the state is paying them now for Medicaid patients. "That's a safety net for our providers," he said.

However, Jodiane Tritt, vice president of government relations for the Arkansas Hospital Association, said – and other health care professionals agreed – that the state is already using many of the methods MCOs tout as money-saving. (See The Managed Care Already Argument.) She added that Arkansas is doing so without "having to pay exorbitant administrative fees to a managed care company."

Tritt said that the rates paid to Arkansas hospitals are among the lowest in the nation. Inpatient rates have not increased since 2007, she said, and the Medicaid fee schedule for outpatient hospital care is "virtually" unchanged since 1992, with the exception of procedures that have been developed since then.

"Arkansas' hospitals and other providers have been willing to accept Medicaid rates that do not even cover the actual cost of care because hospitals exist to take care of patients," Tritt said. "Providers are not willing to accept such paltry rates from an MCO just to make the MCO a profit."

"There was a lot of controversy [over the managed care plans], and some of that comes from how a lot of these managed care companies have a history in other states of doing things that tended to hurt the taxpayers, No. 1, and more importantly the people they were trusted to serve," Wroten said.

Tritt said MCOs in other states had been accused of fraud, failure to provide care, lack of transparency, improper claims handling practices and other mismanagement.

"Once the MCO has established a savings 'target,' they will employ various tactics to achieve it, including denial of claims or otherwise prolonging the claims process," she said in an email.

"It's also likely that they would ultimately resort to (1) rationing care for Arkansas' most needy patients, (2) depleting the state's current Medicaid provider infrastructure by paying providers such poor rates that doctors are unable to see Medicaid patients; and (3) reallocating dollars that doctors and other providers are now receiving to provide care to patients to Managed Care companies looking to make profits, which jeopardizes Arkansas' taxpayer dollars."

Tritt argued that the fee-for-service model in place now is working, especially with the passage in the April legislative session of Arkansas Works, the revamped Medicaid expansion previously known as the private option. The private option, which used federal Medicaid dollars to buy private insurance for people earning no more than 138 percent of poverty, has been credited with cutting the number of uninsured in Arkansas by more than half.

"Copying what other states have done (largely without success)" does not continue the Arkansas trend of innovation in health reform," she said.

As for Wroten: "If the managed care companies – that are, quite frankly, spending hundreds of thousands, if not millions, of dollars to get their fingers into Arkansas' Medicaid program – if they ever do, they're not going to be satisfied with just a small piece of it."

Because Arkansas' Medicaid program is already so "tightly managed," he said, "there are very little opportunities to save that kind of money" that MCOs would need to save to make a profit.

But the proposed plan would bring MCOs in to manage Medicaid populations that are – with their higher growth rates and costs – the least managed and most difficult to manage, Wroten said.

As for the DiamondCare alternative, Tritt said in an email: "On its face, an Administrative Services [Organization] plan is more palatable than bringing in Managed Care Organizations. The state retains more oversight and infrastructure in an ASO model versus a MCO model."

She continued: "An ASO if designed the right way can make the business part of taking care of patients easier on the health care provider and leave the important health care decisions to the doctor and the patient, working collaboratively." Under the ASO model proposed as DiamondCare, doctors are still in charge of patient care and the ASO is charged with administrative oversight to ensure efficient, quality care."

Willing to Try <<<NOW THAT'S AN ACCURATE STATEMENT.

Ryan said Arkansas Health & Wellness Solutions is ready and willing to give it a try and has an advantage in that its parent company, Centene of St. Louis, operates in managed care environments in other states.

He also said he has competitors that are equally capable of serving as MCOs.

"That's our business so, while it does take time, it's not like we're starting these things from scratch," Ryan said. "It's well-established. Managed care has been done in over 40 different states."

"The downside is that Arkansas has not been at the forefront of the managed care evolution. The upside is that we get to benefit from all the organizations like Centene and benefit from all the others states' experiences and take best practices."

If one of the proposed managed care plans were implemented, Ryan said, "We would come in and work, during that implementation period...with the stakeholders – providers, state agencies, the governor's office, DHS, etc. – in making sure we understood how those reimbursement patterns work."

In addition, he said, the insurer would have to obtain the appropriate license, which has yet to be established, to become an MCO.

Ryan James, spokesman for the Arkansas Insurance Department, said the agency currently regulates health maintenance organizations and could do the same for MCOs if they turn out to be similar to HMOs. But first, legislators would have to give the Insurance Department or another entity the authority to regulate MCOs, James said.

✓ DESPITE OFFERING NO SOLUTIONS;

All the health care professionals agreed that they'd been given a fair chance to participate in the debate over the managed care plans.

✗ THEIR POSITION IS CLEAR: OPPOSE REFORMS WHICH MODERNIZE ARKANSAS' MEDICAID PROGRAM, OFFER ACCOUNTABILITY AND GENERATE SIGNIFICANT SAVINGS TO TAXPAYERS.

Chancellor Rahn said he wanted state officials to know that UAMS is not a typical hospital because of its educational mission and cost structure.

He also said cost cutting in the Medicaid sector would create pressure to do the same in the commercial sector, and that needs to happen in sync so that providers can use the same methods regardless of which payer the patient has.

Ryan, of Arkansas Health & Wellness Solutions, said: "What I would say for the business community is that, in order to generate savings through our existing program, managed care is a great and very viable opportunity to do that. And that's going to be helpful to the business community because, the more people that get the appropriate health care they need, the more viable the whole state environment and state economy is."

BOTTOM LINE: ARKANSAS HAS AN OPPORTUNITY TO GO FROM "LAGGING" TO "LEADING" IN MEDICAID WITH A FOCUS ON QUALITY OF CARE, PERFORMANCE-BASED PAYMENTS, AND IMPROVED HEALTH CARE OUTCOMES. PERSONALLY, WE'D LOVE TO SEE AN ARTICLE ON THAT...

WE'RE GLAD PROVIDERS ACKNOWLEDGE COSTS ARE RISING UNDER THEIR STATUS QUO SYSTEM. BUT DON'T TAKE OUR WORD FOR IT. THE STEPHEN GROUP, AN INDEPENDENT CONSULTANT HIRED BY THE LEGISLATURE, SAID THE SAME THING.

< NOT SO FAST. I THOUGHT WE JUST AGREED COSTS ARE RISING? IN FACT, THE STEPHEN GROUP SAID COSTS IN ARKANSAS ARE RISING MUCH FASTER THAN OUR PEER STATES...

< YOU FORGOT TO ATTRIBUTE HOSPITAL ASSOCIATION LOBBYIST AND ANTI-REFORM ADVOCATE JODIANE TRITT HERE.

HEY, THIS LOOKS LIKE A GOOD SUBJECT FOR YOUR NEXT ARTICLE.

^ TO PROVIDE A PATIENT-CENTERED FOCUS THAT ENSURES ACCESS TO CARE AND INTEGRATES ALL PAYMENT REFORM MODELS.

POSSIBLE ADDITION: WITHOUT REFORM, TRADITIONAL MEDICAID (NOT ARKANSAS WORKS) WILL COST TAXPAYERS AN ADDITIONAL \$17 BILLION BY 2021.

BRAVO DR. RAHN! WE AGREE, BUT HEALTHCARE PROVIDERS LIKE TO GUARD THEIR SANDBOX CLOSELY.

THE FEE IS NEGOTIATED THROUGH A TRANSPARENT CONTRACT PROCESS WITH DIRECT INPUT FROM PROVIDERS.

YES, WE'RE HAPPY TO TAKE THE FINANCIAL RISK OFF TAXPAYERS AND PUT ON US.

➔ PLEASE SEE STATUS QUO DEFINITION BELOW.

FALLEN SHORT? OUR THOUGHTS EXACTLY, MR. WROTEN. SOUNDS LIKE THE STATUS QUO ISN'T WORKING.

WHILE WE'RE TALKING NUMBERS, YOUR READERS SHOULD KNOW THE STEPHEN GROUP SAID MANAGED CARE CAN SAVE THE STATE \$25 BILLION OVER FIVE YEARS WHEN EXTENDED TO ALL POPULATIONS.

THE COMPETITIVE NATURE OF AN MCO BID ENSURES THE BEST QUALITY OF CARE AND ACCOUNTABILITY.

TRUE. PAGING JODIANE TRITT AND DAVID WROTEN...

POSSIBLE FOLLOW-UP QUESTIONS:
1) HOW MUCH MONEY DOES THE PROVIDER COMMUNITY PLAN TO SAVE OVER THE NEXT FIVE YEARS WITH NO REFORM?
2) WHAT EXACTLY ARE THESE "METHODS" YOU SPEAK OF?
3) IF THAT'S TRUE, WHY IS THE STATE SPENDING APPROXIMATELY \$280 MILLION MORE PER YEAR THAN THE SAVINGS ATTRIBUTED TO THE GOVERNOR'S MANAGED CARE PROPOSAL?

ON THIS WE AGREE. PLEASE SEE EARLIER BILL OF RIGHTS DEFINITION.

➔ LIKE SAVE MONEY? TRANSFER THE FINANCIAL RISK FROM TAXPAYERS? IMPROVE HEALTH OUTCOMES?

<NICE COPY AND PASTE FROM A LOBBYIST WITH NO CITED FACTS...

FALSE. AGAIN, SEE BILL OF RIGHTS DEFINITION.

NOT GONNA HAPPEN.

NOPE.

NOT A CHANCE.

SPEAKING OF TAX DOLLARS... \$14 BILLION IN SAVINGS AIN'T A BAD START.

FALSE. A FINANCIALLY UNSUSTAINABLE PROGRAM ISN'T "WORKING" FOR TAXPAYERS. NEITHER ARE THESE SCARE TACTICS DESIGNED TO STALL REFORM.

TRUE, WHICH IS WHY MCOs ARE EAGER FOR ARKANSAS TO DEVELOP ITS OWN UNIQUE SYSTEM. MCOs SERVE OVER 49 MILLION AMERICANS IN 40 STATES. SURELY SOMETHING HAS BEEN A SUCCESS!

WRONG AGAIN, MR. WROTEN. SOME OF US ARE JUST WILLING TO GET OUR HANDS (OR FINGERS) DIRTY WORKING TO CLEAN UP THE STATE'S BROKEN MEDICAID SYSTEM.

DID THESE HEALTH CARE PROFESSIONALS EVEN READ THE STEPHEN GROUP REPORT?

ASOS ARE UNPROVEN. DIAMONDCARE IS MERELY A PATCHWORK PROGRAM DESIGNED TO PROTECT THE FINANCIAL INTEREST OF PROVIDERS. TAXPAYERS WILL CONTINUE TO BEAR THE FINANCIAL RISK.

<<NAILD IT – BETTER CARE EQUALS A BETTER WORKFORCE.