Summary of Missouri Hospital Association Comments
Regarding a Proposed Expansion of Medicaid Managed Care

MO HealthNet Division Managed Care Forum
July 30, 2010

- The MHA Board of Trustees opposes efforts to expand Medicaid managed care to areas where it does not now operate, but supports new delivery system reforms aimed at improved coordination of care.
- In opposing the expansion of traditional Medicaid HMOs, MHA is not trying to prevent changes in care delivery to improve patient outcomes and cost-effectiveness. Making those changes has become an integral part of hospital operations as governmental and private payers pay less and expect more.
- Traditional HMOs are not on the cutting edge of effective management of care. Based on a 40 year old delivery model, HMOs are a dwindling portion of the commercial insurance market. Federal payments to Medicare Advantage HMOs are being reduced after repeated findings that they are more costly per enrollee than unmanaged fee-for-service care and do not produce significantly better outcomes.
- Emerging trends in care management appear to have left the traditional HMOs behind. Of the many new delivery and care management models included in the cost-reduction "toolbox" created by the federal health reform legislation, the focus is on provider-centered adoption of better care management processes. Examples would include accountable care organizations and initiatives to bundle payments to various types of providers in a way that they, rather than an HMO, can decide how to best coordinate the delivery of care.
- MO HealthNet should be synchronized with the new delivery models being adopted by Medicare and private payers. This would enhance administrative standardization for hospitals, allowing them new opportunities to manage their costs and drive even greater efficiency for MO HealthNet.
- Most hospitals' experience is that traditional Medicaid managed care plans bring more complexity and hassle to the delivery system than they generate in value or efficiency.
- Claims of potential savings from the expansion of Medicaid managed care must be carefully scrutinized. Also, expanding Medicaid managed care creates additional start-up costs for the state as new premium payments overlap with payments of recent fee-for-service claims.
- The MO HealthNet Division is implementing its own care management tools for fee-for-service Medicaid enrollees and appears to do so at less cost than traditional HMOs.
- Many of the significant cost drivers in health care have been or likely will be carved out of traditional managed care plans, raising questions about their ability to effectively manage care without simply denying coverage of the remaining services under their purview.
- The managed care plans appear to be positioning themselves to accommodate a large influx of enrollees when federal health reform is implemented in 2014. The population they will cover likely will be a more economically attractive population than the present enrollee population.
- Traditional Medicaid managed care plans appear to have limited accountability for demonstrating their value or efficiency to the state.
- With reported medical loss ratios ranging from 80 to 85 percent, traditional managed care plans consume a substantial portion of the state's expenditures as administrative costs. More of that money should be directed to patient care.
- There are better opportunities to achieve savings by targeting high-cost patients and treatments than by managing the care of a large population of relatively healthy mothers and children.