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Medicaid Commission recommends community approach over commercial managed care

By <u>Kim Chandler | kchandler@al.com</u> January 16, 2013

MONTGOMERY, Alabama – The Alabama Medicaid Advisory Commission overwhelmingly voted this afternoon to recommend the state go with a community care approach – instead of statewide commercial managed care – to try to control spending in the healthcare program for the poor.

The commission, with only one dissenting vote, voted to recommend a primary care case management approach in which care providers are responsible for monitoring and approving the care of people on Medicaid.

State Health Officer Don Williamson said it would take statewide a model that is already used to some degree in Tuscaloosa, Huntsville, Opelika and Mobile.

"They would all argue they are recommending managed care. It's just community based and not commercial," Williamson said of the commission's decision.

The state would be divided into 10-12 regions.

"You might have an entity in Birmingham that manages care for three or for counties," Williamson said. He said ultimately those entities should act like a "mini HMO."

The model is similar to one used in Oregon. The regions could choose to contract with a commercial managed care company instead of setting up their own program.

The commission will present the recommendation to Gov. Robert Bentley by the end of the month. The Alabama Medicaid Advisory Commission was created by Bentley on Oct. 25 to evaluate and recommend changes to Medicaid's financial structure.

Williamson also cautioned that the final decision rests with Bentley and the Alabama Legislature.

"He could receive it. Pat me on the head and ignore it," Williamson told commission members.

The estimated savings to the state would be relatively modest, between \$148 million and \$320 million cumulatively over five years, according to an analyst report presented to the commission.

The commission recommended that approach over contracting with a company to provide commercial managed care.

The vote came after hospitals indicated they could not support the renewal of a hospital tax, which is currently a significant source of money for Alabama's Medicaid program, if the state moved toward commercial managed care.

J. Michael Horsley, president of the Alabama Hospital Association, said hospitals could absorb the cost of one or the other but not both.

"It would be a significant financial blow," Horsley said.

The tax last year generated \$229 million for Alabama's Medicaid program. By comparison Alabama's General Fund budget provided a little over \$600 million for Medicaid. Commercial care companies save money by reducing hospitalizations and could also reduce reimbursement rates.

Williamson cautioned that either approach -- commercial managed care or a primary care case management -- would only save at the "margins" and not dramatically reduce what the state spends on Medicaid.

"These are numbers that let you live at \$650 million longer than you would otherwise," Williamson said.

The 2013 legislative session begins Feb. 5. And lawmakers said they did not think it would be the end of the discussion over what changes to make to Medicaid.

"The jury is still out for sure on what model is the best model to move forward with," said Rep. Greg Wren, R-Montgomery.

Wren said lawmakers will need to look at changes to Medicaid program. He said ideas might include a global spending cap such as New York does.

"I don't think it's the end of the debate over whether we do one or the other or a hybrid," said Sen. Arthur Orr, R-Decatur. Orr is the chairman of the Senate General Fund budget-writing committee.

Jim Carnes, communications director for Alabama Arise, praised the commission's decision saying he thought a community care model would be more patient centered than a statewide commercial managed care approach. Arise is an advocacy group for low-income citizens.

"Keeping Alabama dollars in state rather than sending them to out-of-state shareholders is a good principle," Carnes said

Williamson also cautioned that the state wouldn't see immediate savings.

"This is not about '14. It's about '15 at the earliest," Williamson said.

Williamson said the sour economy has been the primary driver of the growth in Medicaid enrollment.