

TOP STORY

Alabama Medicaid pulls plug on transformation that was supposed to save money

By Mary Sell Montgomery Bureau Jul 28, 2017 Updated Jul 28, 2017

MONTGOMERY – Citing pending federal changes to Medicaid funding, Alabama Medicaid Commissioner Stephanie Azar on Thursday announced the state is abandoning its plan to overhaul the delivery of the health insurance program for the poor.

The shift to managed care from the current fee-for-service model has been in development for more than four years and cost millions of dollars. The regional care organizations that were to oversee patient care were supposed to save the state money long term.

Azar cited major changes in federal regulations, funding considerations and the potential for new opportunities for state flexibility regarding Medicaid spending and services under President Donald Trump's administration as key factors in not moving forward with the regional care organizations.

"It is highly likely that federal health care changes are on the horizon," Azar said in a written statement. "While the financial implications could be challenging for our state, the new flexibilities and waiver options that the Trump administration is willing to consider gives our state Medicaid program new options to accomplish similar goals without incurring the same level of increased upfront costs associated with the RCO program.

"In the coming days, I will work with Gov. (Kay) Ivey, our stakeholders and (the federal Centers for Medicare and Medicaid Services) to develop an innovative model to accomplish our goal of retooling Medicaid to better serve the needs of Alabamians."

As of June of this year, Medicaid had spent \$34.5 million on the RCO plan, \$14 million of that being state dollars. Some of the work already done can be applied to an alternative to regional care organizations, Medicaid spokeswoman Robin Rawls said.

The goal of the regional care organizations was to "bend the cost curve" on Medicaid's expenses. The third-party regional care organizations would oversee patients' care and be paid a set amount per patient.

Lawmakers created the RCO plan in 2013, but in the last year, it began to look shaky. Implementation was supposed to happen statewide last year, but funding concerns delayed it a year. Then, private organizations that were to run the RCOs began dropping out and some lawmakers began questioning the wisdom of making financial commitments to the plan. The latest plan called for a managed care rollout in only north and west Alabama Oct. 1 of this year.

As of earlier this year, the two remaining RCOs were Alabama Community Care, a partnership between Huntsville Hospital Health System (parent of Decatur Morgan Hospital) and Virginia-based

Sentara Health Plans and My Care Alabama, a partnership between Healthcare Business Solutions in Birmingham and Eliza Coffee Memorial Hospital and Shoals Hospital.

“We’re disappointed,” Huntsville Hospital System CEO David Spillers said Thursday. “We invested a lot of time and money into this. We believed this was a better way to take care of the Medicaid population, that’s why we stuck with it.”

As of mid-2016, the Huntsville Hospital System had created two regional care organizations to operate in north and west Alabama and had spent nearly \$2 million on them. Spillers didn’t have an updated figure immediately available today.

“It was a significant investment in time and effort,” he said. But the hospital learned a lot about managed care and Spillers still believes that’s the future of health care delivery. The hospital has already begun some managed care programs for certain Medicaid populations, including pregnant women.

Though lawmakers overwhelmingly voted for the RCO plan in 2013, last year some began raising concerns about the millions of dollars needed to implement it.

In November, Sen. Bill Holtzclaw, R-Madison, chair of the Legislative Contract Review Committee, asked then-Gov. Robert Bentley not to move forward with a \$1.3 million legal contract. Others questioned an \$8.2 million consulting contract extension.

At the same time, Azar said the agency had to move forward with implementation in order to follow the 2013 legislation.

Holtzclaw on Thursday said the good news is that alternatives to the RCOs may include more leeway for Alabama to manage its Medicaid program.

“One size does not fit all for states when it comes to Medicaid, and flexibility will be key,” he said.

Sen. Tim Melson, a medical doctor and member of the Senate General Fund committee, said Thursday he’s not surprised the RCO plan has been abandoned and that it has lost traction since passage four years ago.

Like other Republicans, he’s hoping for more freedom from the federal government “with where we allocate the Medicaid money.”

Ivey on Thursday morning said she supported the decision to end the RCOs.

“I spoke with Health and Human Services Secretary Tom Price, and he has assured me of the Trump administration’s desire to work with the states to allow more flexibility in Medicaid services moving forward,” she said in a written statement.

“The RCO model didn’t fail; instead the alternative is a recognition that the circumstances surrounding Medicaid have changed, thus our approach must change.”

For months, Congress has been considering significant changes to Medicaid funding that have advocates for the poor in Alabama concerned.

Jim Carnes, policy director for Alabama Arise, said there's already flexibility in Medicaid. For example, Alabama got permission from the federal government to create the RCOs through a waiver.

Carnes said flexibility now means one of three options for states: cutting Medicaid eligibility, benefits offered or the amount medical providers who accept Medicaid are reimbursed.

"In all three of those avenues, Alabama has already cut back to the (current) federal minimum allowed," Carnes said.

For states like Alabama, "flexibility only means cutting people off the program, or trimming back the services they get or paying doctors less," Carnes said.

Medicaid provides health care to about 1 million Alabamians. At \$700 million, it is the largest expense in the state's General Fund Budget. Even more funding comes from the federal government.

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