

EAMC CEO says unless Medicaid is fully funded, Regional Care Organizations could be hurt

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Without proper funding for Medicaid, Regional Care Organizations across the state -- which contract with the Alabama Medicaid Agency to provide patient care and seek to decrease future state spending -- will cease to exist.

That was the message East Alabama Medical Center President and Chief Executive Officer Terry Andrus, who also serves as one of five Regional Care Organization presidents in Alabama, is trying to send.

In the midst of what some are calling a crisis in state Medicaid funding, as the legislature last month approved a \$1.8 billion General Fund budget that allocates approximately \$700 million to Medicaid -- about 38 percent of the overall budget and still \$85 million less than Medicaid officials say the program needs to maintain services -- Andrus discusses the current position of healthcare providers across the state, and what an under-funded program responsible for the care of about 1 million Alabamians could mean for spending in the future.

"Alabama is like a lot of states in that Medicaid is part of the portion of the state budget that sort of continues to grow," Andrus said. "That's mainly because there ends up being more people who are eligible for Medicaid. Historically in Alabama, it's sort of been almost a shell game. There's funds coming out of the general fund, which if you look at the tax revenue, the things that support the general fund are the things that don't grow very fast. There's a limited amount of money, so every year it's sort of a shell game. Where can we find money to appropriately fund Medicaid?"

"If you look at the last for or five years, maybe even forever, there have been a number of one time monies the state could use to make Medicaid work. The Medicaid commissioner feels like the state allocation need to be about \$777 million to \$780 million to appropriately fund Medicaid. With that also means you could go forward with the RCO (Regional Care Organizations.) If you don't appropriately fund Medicaid, the federal government is not going to let you do the RCOs."

What are Regional Care Organizations?

Regional Care Organizations or RCOs, according to Andrus, are a cooperative attempt among the governor, the legislature and healthcare providers to reform Medicaid spending.

"The idea was several years ago and it was sort of a cooperative effort between the governor's office, the state legislature and provider community to see if we could transform and reform Medicaid." Andrus said. "I think from the state standpoint, they saw it as a way to have more stability in the cost of the program. From a budgetary standpoint, you're giving them more certainty. You're sort of transforming the risk then to these RCOs.

"The state was divided up into five regions, which we're in region D, which has the largest geography and the second largest population. The intent was you would have these organizations formed, generally led by providers, and when you say providers, it tends to be the hospital that is responsible for the financial resources, to then lead an effort so they would then take something called capitation -- right now with Medicaid, if a Medicaid recipient comes into the hospital, let's say the emergency room or whatever, goes to a doctors office, they bill Medicaid. There's a fee schedule and Medicaid pays the bill. Medicaid is sort of taking all the risk. Under a capitated arrangement, the Medicaid Agency, with their actuaries, would calculate how much it costs to take care of a Medicaid beneficiary -- lets say it's \$10,000 dollars, to use that as a number. Then what they would do is contract with an RCO for \$10,000, so then the RCO is taking the risk. So the idea is, if it can do it for \$9,500, they make money and if they do it for \$10,500, they lose money, but the thought being if you organize the providers, then you have the ability to take costs out of the system. For example, EAMC was in the original pilot five years ago to do these medical homes and the purpose of the medical homes was to work with Medicaid recipients to help them use the system appropriately so they aren't coming into the emergency room, which is very expensive, and we've had great success with it," he said.

"It's about finding these Medicaid recipients, finding transportation. It may be about their meds and they don't understand their meds, so their supposed to take a medicine and they don't take a medicine and they bounce back to the hospital. So it's really about getting aggressive help with people, managing the system more appropriately and the thought is, over time, the increasing cost of Medicaid prices would diminish. Let's say it's growing at 5 percent and you reduce it to 2.5 percent, from the states perspective and standpoint going forward, it's going to cost more money. But it's not as much money as you would have paid under the current system. That's what the purpose of the RCO's are."

Andrus serves as president of Alabama RCO Region D, which spans 21 counties, according to the state Medicaid website. Contributing entities for Region D include equal owners East Alabama Medical Center, Baptist Medical Center in Montgomery, Southeast Alabama Medical Center in Dothan, the University of Alabama at Birmingham and the UAB affiliated insurance company Viva, he said.



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Medicaid dollars and RCOs

Medicaid funding is vital to the existence of Regional Care Organizations, Andrus said, and uncertainty over monies year after year becomes discouraging to agencies that are trying to make long term commitments to reforming the system.

"Funding of Medicaid becomes critical because, when you're starting a company to do this, and we are taking risk and we believe in doing this and we can transform the system because it's the right thing to do, but if Medicaid isn't funded appropriately, it's sort of hard to want to get in this business. It's a little bit discouraging in the sense that we want to be in this for the long term, and I think the state would want us to be in it for the long term to transform the system. Every April or May, is the legislature going to fund Medicaid or not fund Medicaid? And we're also concerned for us. With this RCO, you're probably looking at hiring 200-300 people. You don't want to hire a bunch of people and then six months later they say, 'Oh, by the way, we're not properly funded,' and in good conscious we don't want to do that to people. So it's really about getting that appropriate funding and finding that appropriate funding source that is stable, and I'm sympathetic to the legislature because money doesn't grow on trees and you have to use money to make everything work, but you've got to have a Medicaid program," he said.

"If you look at half of all babies born in Alabama are Medicaid babies, so it's a big impact on mothers and their children. Probably 40-50 percent of all pediatric patients are Medicaid patients, so it has a big impact on those families. If they don't fund it, they're talking about not providing outpatient dialysis. So what that means is that they're going to come into our emergency room, we're going to admit them and we're going to take care of them, which is the complete opposite of what we're trying to do with the RCOs. With the RCOs, we're trying to provide the care at the most appropriate level we can so we don't cost the system money. If you bring them in here, you're actually costing the system more money. Hopefully, they will resolve it within the next several months."

1115 waiver

Gov. Robert Bentley announced in February that the state was granted a Section 1115 Demonstration Waiver by the Centers for Medicare and Medicaid Services aimed at assisting the RCO program. Andrus said the 1115 waiver essentially makes federal funding available to lower the system's cost curb over time.

"Alabama has gotten a grant for somewhere around \$780 million. Of that, about \$380 million would be used to kind of get the RCOs up and about \$50 million statewide would be used to help the RCOs, and the other \$329 million would be for projects that would help transform the system. For example, UAB is working on a project for tele-medicine. So you would have the infrastructure, you'd have the technology. So if I'm in a little small county in south or west Alabama, somebody -- they could be Medicaid or not on Medicaid -- they have some illness and go to a local doctor, doesn't really know, and maybe that would keep that tele-health, and keep that person from going to, say Birmingham, but keep that person in the local community and I think that's where healthcare is going. I think tele-health is something that will be critical in the next 10 years. So part of those monies would be used for something like that. Some might be used for transportation, say you have a family in south Alabama and we can't somebody to the doctor's office, so we show up at the ER at 7 p.m. If we don't get the Medicaid funding, then the feds won't give us the \$780 million," he said.

Andrus also believes the 1115 waiver has the potential to impact mental health.

"One of the other areas I really think that the 1115 waiver will really help is in mental health. It's a big problem nationwide and it's one of those things we hope to address statewide with this waiver and we've been working with local hospitals on this and they have all sorts of good ideas, some of them are on tele-health and the things that would help in that area. But again, if we don't get Medicaid funded appropriately, all that kind of goes down the toilet. And the other problem with that going down the toilet is I doubt very seriously that CMS would ever want to work with Alabama ever again because it's sort of 'you came to us, you got the grant and funded these RCOs, but now you don't want to fund your program appropriately. Why would we want to mess with you? We'll go mess with someone else that can get stuff done,'" he said.

Jim Dill, executive director of the Alabama Council of Community Mental Health Boards, said the waiver could improve primary mental health care, as well as public mental health centers.

"The state is trying to curtail the costs associated with Medicaid; that's the reason for the waiver," Dill said.

Dill believes strengthening RCOs will have positive implications on state healthcare.

"The concept the state has put in place is good," Dill said.

Moving forward

Healthcare providers continue to push for solid funding for Medicaid in hopes of moving forward with Regional Care Organizations.

Members of the Joint Medicaid Study Group, comprised of legislators tasked with examining the needs of the program, are expected to meet this week.

"We're going to try and spend less money per capita over time, and you aren't going to immediately transform Medicaid, it's going to take three or four years; its not like you push a button and it happens. It takes a lot of hard work and we've been working hard on lots of stuff, but if we don't have that stable funding, then we can never get there," Andrus said.