

## Medicaid discussion draws concern

By Mary Sell Montgomery Bureau | Posted: Monday, March 7, 2016 12:15 am

MONTGOMERY — The groups expected to take over the managed care of Medicaid patients in north Alabama would receive less money per patient than those in other regions of the state, according to preliminary proposed reimbursement rates.

This concerns the leader of the largest hospital system in the area, which has worked for several years to create the regional care organizations in the 10-county area that stretches from the Shoals through Jackson County.

And it has local lawmakers trying to get language into the 2017 General Fund budget that would make reimbursement rates more equitable statewide.

“We don’t spend as much here. We’re very efficient, and we’re going to get penalized to start on our capitation rate,” David Spillers, CEO of the Huntsville Hospital System, said last week. The capitation rate is the per-patient payment the regional care organizations will receive.

He said the hospital system has worked hard in recent years to better manage Medicaid patients and lower costs to Medicaid.

The Huntsville Hospital System is part of a proposed RCO in the region, as well as one in Region C in west central Alabama.

Under recent proposed rates, Spillers said the RCOs in the Birmingham area’s Region B would receive about \$31 million more than north Alabama’s Region A to care for 100,000 Medicaid patients. Spillers said he expected the Birmingham area’s rate to be higher, but not by that much.

“We’re one of the owners of the RCO up here, so if it loses money, we have to write a check,” Spillers said. “I would very much like to not write a check because we did things right the last few years.”

In response to questions about the proposed rates, the Alabama Medicaid Agency last week said the reimbursements rates hadn’t been set and discussions are ongoing. Rates will be confirmed sometime this spring.

RCOs have been provided raw data sets for rate development discussion, the agency said. The rates are set to comply with the Centers for Medicare and Medicaid Services rules. That federal agency has final approval of the rates.

According to Medicaid, the rates are based on cost structures in each region, and those vary depending on several factors, including the overall health of each region; service capabilities for hospitals and other providers within the region; and access to care within the region, including to specialists and primary care physicians.

The agency also said rates are expected to be reviewed annually and the proposed RCOs don’t have to sign their contracts with Medicaid until the rates are set.

Kyle Buchanan, the CEO of the Lawrence Medical Center, said Friday that daily talks are occurring with Medicaid about the RCOs. The medical center is part of Huntsville’s system and in the same proposed RCO.

“I feel like once the numbers are final, they will be more fair,” Buchanan said. “For what the RCOs are working on, what Medicaid is working on, we feel like the final outcome will be something that is feasible for our organization and will be beneficial to our communities.

“There’s a lot of work to be done on it, just like anything else.”

### Lawmakers’ concerns

When the \$1.8 billion 2017 General Fund budget passed the Senate two weeks ago, Sen. Arthur Orr spent nearly an hour on the floor trying to add an amendment to make the capitation rates more equitable around the state. The amendment failed, largely because of Birmingham lawmakers’ concerns over a negative impact on their hospitals.

Orr, R-Decatur, voted against the budget, in part because of the rates. Later, he said he’s concerned setting north Alabama’s rate lower than the rest of the state will put it “perpetually on the floor.”

He said the numbers he saw showed north Alabama RCOs getting about 87 cents on the dollar while those in Birmingham would get about \$1.10.

“It has a ripple effect across the gamut for health care providers,” Orr said.

Senators and doctors Tim Melson, R-Florence, and Larry Stutts, R-Tusculumbia, last week said they want to see the capitation rates set more equally when the General Fund budget comes back to the Senate in the coming weeks.

“If you don’t get it right on the front end, you’ll never get it right,” Stutts said.

He said numbers he’s seen show reimbursement rates varying in neighboring counties by 25 percent because they’re in different regions.

Stutts, an obstetrician and Medicaid provider, said the proposed rates were set using historical data.

“So, if your costs were historically higher when they plugged you into this formula, you got more,” he said. “Basically, they’re rewarding inefficiency.”

About 1 million Alabamians receive their health care through Medicaid, including low-income children, pregnant women and the disabled.

In 2012, lawmakers started working on a plan to change Medicaid from a fee-for-service model to a managed-care system and create the RCOs. Sen. Greg Reed, R-Jasper, sponsored the legislation to make the change.

Reed's Senate district covers three RCO regions with varying proposed capitation rates, including north Alabama. He said the rates are being set on actuarial data based on the cost of providing care in different quadrants of the state.

"I understand the concerns of my friends in north Alabama," Reed said Friday. "At the same time, looking at how this process works with Medicaid, I do not think (lawmakers) need to be in a place to supersede or circumvent when we haven't even gotten the program started yet."

He said the RCOs need to be given time to work.

"I think as the program gets going we need to keep a close eye on it and be fair to all involved," he said.

Reed said there is a bigger issue in the Medicaid conversation: Will the state fund the agency at a level that will be acceptable to the federal government to move forward with the RCOs, which are supposed to be up and running in October. About \$700 million in federal dollars has been pledged to the new program over the next five years.

"One of the requirements of the RCO funding and RCO waiver (from the Centers for Medicare and Medicaid Services) is that we appropriately fund Medicaid," Reed said. "The basic issue is, there are going to have to be some additional resources for us to be able to do that."

### **Funding concerns**

On Thursday, lawmakers on the contract review committee questioned a \$7.3 million contract Medicaid has with a Pittsburgh company to help enroll people in the RCOs.

Sen. Bill Holtzclaw, R-Madison, said he wanted to make sure the contract could be delayed "if the RCOs are delayed."

In the Senate-passed budget, Medicaid did not receive the additional \$100 million it said it needs in 2017, part of which would support the RCOs. The budget level-funds the agency at \$685 million.

The budget will be in a House committee this week. On Thursday, Speaker of the House Mike Hubbard, R-Auburn, said other state agencies have been penalized because of the enormous growth in the state's Medicaid costs. It has about doubled in 10 years, he said.

Asked if setting up RCOs might be stopped because of a lack of funding, Hubbard said he hoped not.

"But at some point, you just can't continue to fund it . . . if it's \$100 million additional that goes to Medicaid, then that's \$100 million that doesn't go to the other agencies. Is that more important than public safety and mental health and (department of human resources)? It's not a good situation when one agency is consuming the money at an unsustainable rate."

Said Reed: "We had great engagement and involvement from stakeholders across Alabama that said the RCO model is our best option to reform Alabama Medicaid, and it's important that all those stakeholders continue to be engaged in helping find solutions in helping our Medicaid reforms move forward."