

CARING FOR THE UNINSURED

Medicaid Plan Counts on Networking

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TALLAHASSEE -- One of the biggest misconceptions and criticisms about Gov. Jeb Bush's radical Medicaid reform plan is that it merely will expand the role private HMO health plans play in the government health insurance program for the poor.

Actually, Bush's strategy could also give a boost to the state's hospitals and county health districts, which could form their own health plans with broad flexibility in determining the types and amount of health benefits offered to Medicaid recipients.

For instance, the taxpayer-supported Health Care District of Palm Beach County, which owns Glades General Hospital in Belle Glade, is talking to state health officials about establishing one of Florida's first "provider-sponsored networks" to provide medical care to Medicaid enrollees in far western Palm Beach County.

The health care district already operates a small Medicaid HMO in the county called Personal Health Plan. But the new type of health plan would allow the district to target a managed-care program in the Glades area - home to many of the region's poorest and sickest Medicaid recipients, yet with few doctors willing to treat them.

The potential for public and private hospitals to benefit under the controversial Bush Medicaid reform proposal, which attempts to put an annual cap on how much the state spends on Medicaid, is one reason the state's hospitals have been relatively quiet about it, legislative observers say. Although the Bush Medicaid plan has come under heavy fire from patient advocacy groups and academics, the state legislature is expected to pass at least some pilot version of it before adjourning May 6.

"This is really an opportunity for a variety of entities to come together to solve the Medicaid problem," said Paul Belcher, senior vice president of the Florida Hospital Association.

Several hospital systems are interested in forming a provider-sponsored network for Medicaid patients under the Bush plan, Belcher said. The hospitals can work with physician groups, community health centers and county health departments to expand managed care.

Spending rises 13% a year

Medicaid provides health coverage to 52 million low-income Americans, including 2.3 million people in Florida. Half of Medicaid recipients nationally and in Florida are children, though they make up only about 15 percent of the spending.

The elderly and disabled comprise about 25 percent of those on Medicaid but make up nearly 70 percent of the spending. The federal government pays 59 percent of the costs of the program in Florida, and the state picks up the balance.

This year, Florida expects to spend more than \$15 billion on Medicaid, roughly 18 percent of the state budget. Because of soaring enrollment and fast-growing health costs, the state's Medicaid spending has been rising an average of 13 percent a year since 1999.

To stem the rise in costs, Florida has prodded more than 40 percent of Medicaid beneficiaries into HMOs and another 20 percent into physician-led case management plans called MediPass.

But with the costs showing no sign of slowing, and questions about the level of service and access to medical care that Medicaid beneficiaries receive, Bush now wants to take a giant step toward giving the private sector almost complete control over the 40-year-old entitlement program.

Rather than the state determining what health benefits and services should be offered as occurs with Medicaid today, Florida would leave those decisions to newly formed provider-sponsored networks that would receive a set amount of money each month from the state for each Medicaid beneficiary it covers.

Another big change is the payment the networks get from the state. The payment would vary based on the health risks of the Medicaid patients. For instance, a network with many AIDS patients would get a higher fee than a plan with healthier patients. The new fee system helps address one of the biggest criticisms of Medicaid HMOs: that they save money by "cherry-picking" the healthier clients, and leaving the sicker Medicaid patients in the traditional fee-for-service system.

Like HMOs, the new provider-service networks would profit if they spend less than the state-allotted money treating patients or would lose money if expenses outpace the reimbursement rate.

Companies expected to bid

While many existing companies running Medicaid HMOs, such as Vista Health Plan Inc. and Humana Inc., would be expected to bid to become a provider-service network, the governor's proposal tries to entice hospitals and large physician groups to bid, too.

In fact, state Medicaid officials are hoping hospitals and physicians may work together to form networks, particularly in rural areas of the state where Medicaid HMOs have shown little interest because of the small populations and lack of health-care providers. Half the counties in Florida have no Medicaid HMO.

The Bush plan has two big financial incentives for health plans, hospitals and other entities to form provider-sponsored networks: The state will assume the cost of the care for patients with catastrophic illnesses or injuries once their costs exceed a yet-to-be determined dollar threshold, and the state will put aside \$20 million to reimburse the networks in cases when their losses are too high, said Alan Levine, secretary of the state Agency for Health Care Administration, which oversees Medicaid in Florida. In addition, Bush wants to lessen some of the financial solvency requirements the networks would have to meet.

Levine said it would be a mistake for people to think all the state wants to do is give HMOs more money by covering Medicaid patients. Because hospitals, community health centers and physicians often treat Medicaid patients, they may be in the best position to establish provider networks, he said. Getting state dollars to handle the coverage of Medicaid recipients may also be an incentive to provide preventive care to these patients. These health-care providers may also like getting paid directly from the state, he said.

"We are trying to create a system . . . that will drive prevention and try to improve health outcomes," Levine said.

Lawmakers want to test idea

But Joan Alker, a senior researcher at Georgetown University Health Policy Institute, said the Bush plan in Florida won't solve the Medicaid problem because it does nothing to slow enrollment

growth or reduce the surge in health-care costs, particularly in nursing homes. She said the notion that Medicaid health plans would focus on prevention is faulty because plans realize Medicaid recipients constantly jump in and out of the program as their eligibility changes. While hospitals could be big losers in the proposal because health plans may cut their payments, Bush has them largely silenced because they may have to participate in whatever new provider networks are set up, she said.

"It keeps hospitals from fighting the plan publicly," Alker said.

While the governor is looking to enact Medicaid reform statewide, many lawmakers say they would prefer testing the program in parts of South Florida and counties up north surrounding Jacksonville.

Levine said the Palm Beach County health district is a good example of how other health organizations besides private HMOs could benefit under the Bush plan.

"I think the district and Glades General really want to help people and keep them from having to travel to West Palm Beach for care," Levine said. "They don't just want to get paid when people seek care, but get money to help prevent illness."

Dwight Chenette, the county health district's chief executive officer, said the opportunity to establish a provider network would ensure better care for residents in the Glades area. Many Medicaid HMO recipients living in the Belle Glade-Pahokee area often have to travel 45 minutes east to Wellington, and even West Palm Beach because there aren't enough doctors participating in HMO plans near where they live.

"The provider-sponsored network would afford the western community residents and doctors the opportunity to receive local quality health care without having to drive to the east to receive that care," Chenette said.

The district would likely partner with doctors in the Glades as well as the C.L. Brumback Community Health Center in Belle Glade in forming a network to handle Medicaid patients, Chenette said. Glades General would be helped by such a network because patients would have easier access to doctors, thus reducing unnecessary use of the emergency room, he said.

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Florida Medicaid reform

Gov. Jeb Bush has proposed one of the most radical reforms to Medicaid, the state-federal health insurance program for the poor and disabled. The plan has attracted national attention as a model for how states handle the growing entitlement program that has taken bigger bites of state budgets. The plan, under consideration in the state legislature, would need federal approval. Some of its key components are:

- The proposal for the first time puts an overall annual cap on state appropriations for Medicaid as well as capping the amount spent for each patient.

- Private insurers and other managed care plans called 'provider-service networks' would have unprecedented flexibility to determine the benefits that Medicaid beneficiaries receive. While about 40 percent of Medicaid beneficiaries are in HMOs today, those plans are required by the state to offer certain benefits such as drugs and in-patient hospital medical care.

- By turning over the Medicaid program almost completely to private insurers and locally run networks, Bush is betting the state will save money as the plans compete on quality and cost.

Medicaid beneficiaries would in effect be given a voucher to seek coverage from the private networks - the amount of which would vary based on their health status, age and other factors.

Editor's note: Palm Beach Post health reporter Phil Galewitz is a 2004-05 fellow with the Kaiser Family Foundation, an independent national philanthropy dedicated to studying health policy and public health issues. As a fellow, Galewitz is researching and reporting on how communities are responding to the growing problem of the uninsured. This is his fifth in a yearlong series of special reports that will appear periodically in The Post.

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