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Managed care: A long-term solution for Medicaid?

BOISE — Much of the debate over a proposed overhaul of Idaho Medicaid has focused on 21 short-term proposed cost cuts.

But the legislation also includes a long-term structural change to the system that provides health care for some 220,000 pregnant women, children and disabled residents. And more big decisions would await lawmakers a year from now, if the Idaho Department of Health and Welfare is directed to begin replacing the current fee-for-service system with a managed care plan.

Idaho Medicaid officials and lawmakers aren't sure what, precisely, a managed care system might look like. They still need to gather and analyze data, get feedback from those involved in Medicaid, and present a report to lawmakers in the 2012 session. They'll also need approval from the federal government.

Still, the fundamental differences are great between the existing system and the goals of managed care.

The fee-for-service model, in short, means that providers simply bill the state for each medical service rendered. Managed care, on the other hand, has a broader goal.

“The whole idea of managed health care is it's based on scientific evidence of what actually constitutes beneficial care and what doesn't, and what actually makes a difference,” said Rep. Fred Wood, R-Burley, a sponsor of the Medicaid overhaul bill.

In a general sense, managed care programs often include third-party companies to eyeball providers and ensure that they aren't billing for unnecessary services — or, for that matter, failing to provide services needed for a healthy outcome.

That doesn't mean a third party will review every single patient's file and sign off on every single treatment; that would be too cumbersome. Instead, it means that a third party would audit providers and ensure that they are giving services that line up with a patient's Medicaid plan.

That would add more oversight into an existing system that financially rewards providers based on how much they bill the Medicaid system.

“We want to change the incentive from just providing lots of services to providing services that lead to improved health outcomes,” said Leslie Clement, administrator of Idaho's Medicaid program.

There are different ways to arrange managed care, and there's no single answer that will work for all regions of the state and all programs, Clement said.

For example, options include compensating the companies based on measurable performance, or payments of a fixed amount per patient based on their Medicaid plan.

Clement said it could take two years to get everything fully in place.

“At the end of the day what you hope that it does is that you hope it improves access, you hope that it increases the quality of care, and you hope that you can save some money in this effort or at least contain costs and have more predictable costs,” Clement said.

Though this won't save money for the upcoming year, Wood said it's crucial to rein in and stabilize long-term Medicaid costs, which have long grown at a rate far exceeding inflation.

The year ahead would include an analysis of Medicaid payment data, and hiring an outside consultant firm to assist with the planning. The work would also include surveys and looking at Medicaid populations throughout the state. The cost of the analysis and the consultant is estimated at about \$2 million, officials said.

In recent years, states have looked at managed care as a tool for reining in Medicaid costs. The nation's rate of Medicaid patients involved in managed programs of one kind or another has grown from 56 percent in 1999 to 71 percent in 2008, according to the Washington, D.C.-based Henry J. Kaiser Family Foundation, a nonprofit, non-partisan research foundation.

It's not an entirely new concept for Idaho. The state's Medicaid program already has a managed care program in place for dental care through Delta Dental, as well as for its transportation program.