# OHA Opposes Outsourcing Medicaid

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The Oklahoma Legislature is considering proposals that would *outsource* Medicaid to private insurance companies by 2016. Proposals under consideration would require the Oklahoma Health Care Authority (OHCA) to seek a federal waiver to *implement a Medicaid program that is integrated managed care for all covered services, including long-term care services*. Two bills are currently under consideration:

- **HB 2788** (McCullough), the most prescriptive of the proposals, *require Medicaid managed care program services to be provided by managed care plans capable of coordinating all covered services, and states that the Authority will competitively bid out managed care plans to participate in the Medicaid program*.
- **SB 1495** (David) is the Senate vehicle to address this topic. Oklahoma lawmakers are reviewing programs in several states, including Florida, Georgia and Kansas.

For many years, state Medicaid programs across the nation, even with federal matching dollars, have historically paid health care providers less than their full cost of providing care to Medicaid patients. This has resulted in the cost of unreimbursed care being shifted to businesses and private insurers.

In considering this topic, the real question before us should be: **"What current or alternative Medicaid insurance program provides the better value for the taxpayer's dollar?"**

## OHA Concerns

The Oklahoma Hospital Association has serious concerns that *outsourcing* Medicaid will result in reduced provider rates for physicians, hospitals, nursing homes and other providers, thus limiting access to quality health care.

- Outsourced Medicaid programs will not receive more funding than is currently provided to Oklahoma's Medicaid program, known as SoonerCare.
- Outsourced Medicaid programs have higher administrative costs, often between 11 and 12 percent of total expenditures. (SoonerCare's administrative costs are 5.5 percent).[1]
- Outsourced programs often need more money to cover their profit margin. To protect operating margins, these programs will often lower their costs by paying providers less. Physicians may choose not to contract with Medicaid; hospitals (especially small rurals) may become financially non-viable, eroding the overall network of care.
- Administrative denials of payments for care are more prevalent under private managed care.

[1] Pacific Health Policy Group, "SoonerCare Choice Program Independent Evaluation", August, 2013

## SoonerCare is a Good Value for Tax Dollars

Oklahoma's Medicaid program currently employs proven as well as innovative managed care components in its programmatic framework. SoonerCare has several programs to better manage patient care such as care management, adoption of the patient-centered medical home model, and initiatives to reduce inappropriate emergency room use.

OHCA's current Medicaid program and Oklahoma's health care providers have fostered an improved working relationship over the past several years:

- SoonerCare pays providers, including hospitals, typically within two weeks of getting a clean claim, faster than many commercial insurance companies. Providers view SoonerCare as a good business partner.
- To ensure an adequate physician network, OHCA has increased physician rates to a level comparable to Medicare rates.
- The Supplemental Hospital Offset Payment Program (SHOPP), enacted in 2011 and extended in 2013, assesses a fee *paid solely by certain hospitals*. This "state share" is then matched with federal funds and paid back to hospitals and other providers to more adequately cover the cost of care that has *already been provided* to SoonerCare patients. <u>This helps OHCA pay physicians more fairly, and for many rural hospitals these supplemental payments enable them to operate in the black</u>.
- SHOPP's current supplemental payment program would **terminate** if the state were to enact an outsourced Medicaid program.
- SoonerCare, with the involvement of providers, has developed quality, cost-effective programs in recent years to improve the care for patients and reward providers for better, more cost-effective service. Some SoonerCare programs have been recognized nationally.

## SoonerCare Background

- Under the SoonerCare Choice program, coverage for parents and children cost an average of just $2,309 (combined state and federal) per member in state fiscal year 2013, which is lower than comparable health plans. This is a very good value for the state of Oklahoma.
- Per capita costs for Medicaid patients are significantly below those for patients covered by private insurance after adjusting for enrollees' health differences. Oklahoma's Medicaid costs are well below the national average.[2]
- Those who qualify for SoonerCare include:
  1. Pregnant women and children who meet the income guidelines of 185 percent of federal poverty limit (FPL), which for a family of two in 2014 is $29,101.
  2. Seniors and adults with disabilities who meet the income guidelines of 100 to 250 percent of FPL.
  3. Low income parents who meet the income guidelines of 37 percent FPL, which for a family of two in 2014 is $5,820.

[2] Oklahoma Policy Institute, "Medicaid Proves Its Worth in Oklahoma", March, 2013.