aetna

March 27, 2015

Senator Pete Kelly
State of Alaska Legislature
120 4th Street
State Capitol Room 156
Juneau, Alaska 99801

RE: Value of Medicaid Managed Care

Dear Senator Kelly,

Aetna Medicaid applauds the Alaska State Legislature for taking the time to consider the value of a Managed Medicaid program for the State. Aetna has been a leader in Medicaid managed care since 1986 and currently serves nearly three million members across 16 states. We have more than 28 years of experience in managing the care of the most medically fragile and vulnerable populations, using innovative approaches to achieve successful health care results and favorable cost outcomes.

Medicaid Managed Care is a proven vehicle to achieve the reform mandates that the State of Alaska is trying to achieve. The purpose of this letter is to share the value of managed care. We recognize that the State of Alaska is unique in geography, population, and healthcare needs, and so we offer our experience from other unique states across our nation that have shown Medicaid managed care to be a consistent pathway to achieve high quality integrated healthcare while controlling costs.

National Trends and Medicaid Managed Care Overview

Medicaid is the single largest source of health coverage in the U.S., with over 60 million beneficiaries and $450 billion in annual spending.[1] A staggering one-fifth of the total US population is enrolled in Medicaid today, consuming 15% of all national health expenditures. Within the next 10 years enrollment will reach 80 million enrollees with an $850 billion annual price tag.[2]

States are not exempt from these tremendous growths in enrollment and costs. Here in Alaska, total Medicaid spending is approximately $1.6 billion annually and is projected to double in the next 10 years.[3] Uncontrolled growth in Medicaid diverts dollars that otherwise could be invested in education, infrastructure, and other priority initiatives. States across the country facing extreme budget pressure are increasingly turning to capitated managed care for a solution to achieve budget predictability, quality assurance, access to care, ease of navigation, and integrated whole-person healthcare - the goals this Group is charged with.

Currently, thirty-eight states and Washington, D.C. contract with Medicaid Managed Care Organizations (MCO) to deliver care to beneficiaries in their states. Today roughly two thirds of all Medicaid

[1] http://medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Downloads/medicaid-actuarial-report-2013.pdf#page=9
[2] http://medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Downloads/medicaid-actuarial-report-2013.pdf#page=10
[3] http://dhss.alaska.gov/fms/Documents/MESA/MESA_2012-32.pdf#page=28

beneficiaries receive some form of care through an MCO.[4] This figure will grow to 75% by 2015.[5] Over 70% of Children's Health Insurance Plan beneficiaries are receiving their services through Medicaid health plans.[6] The clear nationwide trend of moving to Medicaid managed care models signals the value states are receiving from MCOs. Alaska should weigh the potential benefits as they relate to the Reform Advisory Group's goals.

2/3 of all Medicaid beneficiaries receive care through an MCO

Benefits of Managed Care

Matching the benefits of managed care to Alaska's reform goals

1. Stability and Predictability in Budgeting

Risk-based managed care transfers financial risk away from the state budget and places it directly on MCOs. As a result, state funds are not subject to the variability and overruns that arise under a fee-for-service (FFS) model, creating a more stable and predictable budget.

Additionally, states have reported cost savings under Medicaid managed care models. A 2010 industry report found that over an eight-year period states could save up to 5% of FFS costs by enrolling children and low-income families in Medicaid managed care, and could realize up to 8% in savings over current costs by expanding managed care to seniors and people with disabilities.[7] This study also found that Alaska could save $260 million over the same period.[8] A separate well known survey of 24 states, completed by The Lewin Group, found that each state saved from half of one percent up to twenty percent through managed care.[9] Medicaid health plans saved Pennsylvania $5.0-$5.9 billion over a 10-year period, and Kentucky is on track to see $1.3 billion in savings after moving over 500,000 beneficiaries from FFS to managed care.[10,11] A 2012 report by the Robert Wood Johnson Foundation indicated that states which find most value from managed care are those with the highest Medicaid FFS reimbursement rates, and the rates here in Alaska are the highest in the nation.[12]

Cost savings can also be achieved through significant reduction in fraud, waste, and abuse. CMS reports show that payment error rates for Medicaid FFS are significantly higher than those in Managed Care.[13] For example, the FY2013 payment error rate for Medicaid FFS was 3.6% compared to Managed Care's 0.3% - a $6.6 billion difference.[14]

2. Increasing the ease and efficiency of navigating the system

Managed care models help both providers and beneficiaries navigate a traditionally complex and fragmented health care system. MCOs, for example, specialize in provider relations. Most state Medicaid managed care contracts require MCOs to have dedicated staff to liaison with providers for educational purposes and the resolution of issues. Direct face-to-face partnership with the provider community increases the ease and efficiency with which providers navigate the system.

---

[4] http://www.gao.gov/assets/670/663306.pdf#page=13
[5] http://avalere.com/expertise/managed-care/insights/analysis-medicaid-plans-expected-to-grow-20-this-year-under-aca-expansion
[6] http://www.mhpa.org/_upload/Medicaid%20Managed%20Care%20Primer%20February%202013.pdf#page=2
[7] http://www.unitedhealthgroup.com/~/media/UHG/PDF/2010/UNH-Working-Paper-3.ashx#page=59
[8] http://www.unitedhealthgroup.com/~/media/UHG/PDF/2010/UNH-Working-Paper-3.ashx#page=30
[9] *Lewin Group, "Medicaid Managed Care – A Synthesis of 24 Studies,"* July 2004, Updated March 2009, accessed at http://www.lewin.com/publications/Publication/395/
[10] *Lewin Group, "An Evaluation of Medicaid Savings from Pennsylvania's HealthChoices Program,"* May 2011
[11] *"Gov. Beshear: Aggressive Action Plan for Managed Care Paying Off"*, accessed at http://migration.kentucky.gov/newsroom/governor/20131024managedcare.htm
[12] http://www.rwjf.org/content/dam/farm/reports/reports/2012/rwjf401106/subassets/rwjf401106_1#page=2
[13] https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/PERM/Downloads/PERM-MedicaidErrorRates.pdf
[14] http://www.hhs.gov/afr/2013-hhs-agency-financial-report.pdf#page=175

Under a managed care model, MCOs are further able to eliminate fragmentation by investing in and implementing provider information systems where health care professionals can easily and quickly file claims, receive payments, and access necessary information. Most MCOs have the advantage of bringing years of national experience in managing provider concerns and needs through their information systems' platforms to provide a seamless system that enables providers to focus their time on what they do best - caring for their patients.

Managed care also improves navigation of the healthcare system for beneficiaries by increasing access to quality healthcare.[15,16] A core competency and requirement of an MCO is to contract with the provider community to form a network of healthcare professionals that members can access. In a FFS delivery system, Medicaid beneficiaries often have difficulty finding providers willing to treat them. Estimates suggest that only about half of primary care providers nationally are accepting new Medicaid patients.[17] Under a risk-based managed care model, states can address this access problem by requiring MCOs to meet specified network adequacy standards for primary and specialty care that can include requirements such as state-determined minimum provider-to-population ratios, distance travel time maximums, and limits on appointment wait times. Compared to FFS models, MCOs have greater flexibility to structure provider contracts to incentivize provider participation in areas where access to care is a particular concern. MCOs have provider directories and toll-free phone lines to assist enrollees in finding a provider. If an enrollee needs to see a specialist, a MCO will facilitate access to that service and provide transportation if necessary. A Kaiser Commission study found that improved access to care was one of the biggest benefits states cited in their use of managed care over FFS.[18]

3. Providing whole care for the patient by uniting physical and behavioral health treatment

Aetna Medicaid agrees with the Reform Group's goal of achieving integrated, whole-person care. Most healthcare providers and MCOs would agree that a successful delivery system model must consider a beneficiary's physical, behavioral and psychosocial needs to be effective. Aetna Medicaid, for example, has developed the Integrated Care Management (ICM) model that looks at the totality of each member's needs to determine both root cause and proximate cause of health care issues. The goal of our ICM model, regardless of the member's physical or behavioral health needs, is to provide them with the right care, in the right place, at the right time.

Managed care organizations also create a "medical home" by coordinating care with beneficiaries, their families, and their physicians. They support physician practice management systems that emphasize prevention, early diagnosis, treatment, and coordinated management of whole-person care. This integrated approach to providing care isn't feasible under a disjointed FFS model.

Improved Outcomes through Accountability

Quality assurance and quality improvement is one of the most significant benefits of Medicaid Managed Care. According to the Medicaid Health Plans of America, an industry trade association, 25% of Medicaid health plans have achieved accreditation through the National Committee for Quality Assurance (NCQA).[19] Federal regulations require annual quality reviews of Medicaid health plans and specify state oversight expectations. Most states conduct additional reviews of Medicaid health plans to ensure that they meet state rules and regulations in areas such as utilization review and grievances and appeals. Medicaid health plans are required to report performance measures, such as HEDIS, to the state. These performance measures provide valuable data to health plans, states, researchers, and policymakers for

[15] http://dss.mo.gov/mhd/oversight/pdf/ffs-mgdcare10feb18.pdf#page=39
[16] http://www.ncbi.nlm.nih.gov/pubmed/16679438
[17] Peter Cunningham and Ann O'Malley, "Do Reimbursement Delays Discourage Participation by Physicians? Data Watch," Health Affairs, November 18, 2008.
[18] http://www.amcp.org/WorkArea/DownloadAsset.aspx?id=12745#page=9
[19] http://www.mhpa.org/_upload/Medicaid%20Managed%20Care%20Primer%20February%202013.pdf#page=4

assessing the quality of care in Medicaid programs, identifying gaps in care, and creating quality improvement projects.

Holding providers and managed care plans accountable through HEDIS quality data provides the state with a tool that has been shown to consistently improve quality metrics in challenging environments. Many of the 25 Leading Health Indicators listed in the Healthy Alaskans 2020 plan are HEDIS requirements for NCQA accredited plans. Several of the indicators that are proving a challenge to the State – such as decreasing preventable hospitalizations, increasing prenatal care in the 1st trimester, and reducing the number of children not receiving ACIP recommended vaccinations – are areas where managed Medicaid plans excel. [20,21,22] Using managed care would provide the State with an accountable and nationally-recognized system to track and improve outcomes for all Alaskans.

MCO Quality Snapshot

- Increased prenatal care rates
- Decreased preventable hospitalizations
- Increased number of children receiving ACIP vaccinations

Considerations for Implementing Medicaid Managed Care

Several issues must be considered as Alaska evaluates Medicaid reform and managed care. The following areas should be discussed to determine the best solution for Alaska's unique needs:

Risk Model

The Medicaid Reform Group must determine the optimal point for Alaska on the managed care continuum considering state goals and population.

Primary Care Case Management (PCCM)	Built on the FFS delivery system where the state typically pays providers a small fee per member per month (PMPM) for case management
Prepaid Health Plans (PHPs)	Plans at financial risk for a limited set of benefits such as dental or mental health services
Risk-based managed care	The most common form of managed care. States contract with MCOs on a capitated basis for a comprehensive benefit package

Risk-based managed care is the only alternative that will yield budget predictability/stability, administrative efficiency for providers, and holistic physical and behavioral health treatment for members.

Program design: Benefits, enrollment, and populations

Implementation of a successful program is dependent on the planning and design of several key areas including:

[20] http://www.masonbay.com/clients/dev2/cahp-html-3/pdfs/MC-ManagedCareValueRptsFS012009.pdf
[21] http://www.hrsa.gov/quality/toolbox/508pdfs/prenatalmoduleaccess.pdf
[22] http://www.ncqa.org/Portals/0/Newsroom/SOHC/2013/SOHC-web_version_report.pdf

Benefits	Determining covered benefits is a critical decision point. Integrated whole-person care cannot be achieved if, for example, behavioral health or dental benefits are provided outside of the managed care contract.
Enrollment	Enrollment rules are another critical program design area. Deciding if enrollment is mandatory, voluntary, or has an opt-out will determine a program's success. Mandatory enrollment with lock-in periods will yield the most cost savings and quality outcomes.
Populations	Populations that will be enrolled in managed care must be carefully weighed. Extending managed care to populations with challenging medical needs, such as the aged and disabled, is encouraged to maximize savings but must be balanced with rate-setting practices to properly adjust for health status and risk.

Special Financing Programs and Supplemental FFS Payments

The existence of special financing programs and supplemental FFS payments such as Upper Payment Limits (UPL), which are relied upon by hospitals and safety net providers, may appear to be a complicating factor standing in the way of states considering implementation of a capitated managed care model. There are, however, a number of methods for resolving this issue and increasing the amount providers receive through these supplemental payments while still implementing managed care. Some states have used federal waivers as well as the inclusion of provider tax and intergovernmental transfer funding in managed care rates to solve this funding issue.[23] We encourage Alaska to look at how other states have handled this issue if this is of concern to the State.

Timeline and Critical Planning Steps

Medicaid reform and implementation of managed care must be conducted in a responsible and methodical manner. It is common to see states take 18 months to move to managed care. This allows time to:

- Receive stakeholder and advocacy input into program design
    - Proactively engage with community based organizations, member advocate groups, and providers to ensure all parties participate in the process to make program implementation successful
    - Customize the program to drive cultural competency-tailored solutions to health disparity gaps found across unique Alaskan populations
- Design the program: populations included, benefits offered, enrollment mechanisms, etc.
- Write and receive approval of CMS waiver and prepare state plan amendment documentation
- Prepare the provider community for transition to a managed care model
- Draft and release a competitive procurement that will ensure transparent MCO selection and foster free market competition
- Select plans and implement program

In Closing

Aetna Medicaid would like to thank you for the opportunity to contribute to the Medicaid reform dialogue in Alaska. We believe Medicaid managed care is a viable option for Alaska and we offer support and encouragement as Alaska navigates the complexities of Medicaid Reform.

[23] http://hcr.amerigroupcorp.com/wp-content/uploads/2013/04/Achieving_the_Benefits_of_Managed_Care_While_Preserving_Funds_From_Upper_Payment_Limit_Programs.pdf