



## Medicaid Managed Care 101

**Kansas Health Care Association/Kansas  
Center for Assisted Livings Conference**

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## Managed Care 101

- Definition
- Requirements in Medicaid
- KanCare Request for Proposals (RFP)
  - Components in the RFP
  - What's required

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## What is Managed Care?

- Different than fee for service.
- State leases a network of providers from a health plan
- Health plan negotiates/contracts with providers
- Providers agree to accept patients from the health plan

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## What is Managed Care? (continued)

- Providers must meet access standards, case management requirements, treatment guidelines
  
- Health plans have performance standards
  - Adequate network
  - Timely access to care
  - Clinical utilization standards
  - Quality of care
  - Payment timeliness

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## What is Managed Care? (continued)

- Health Plans assume financial risk for health costs of enrolled members.
  
- Health plans are paid per member, per month rates
  - Usually set by actuaries
  - Represent expected health care costs based on historical data and growth assumptions

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## What is Managed Care? (continued)

- Governed under federal law and regulation
  - Social Security Act
    - Section 1932(a)
    - Section 1915 (a) and (b)
    - Section 1115
  - Code of Federal Regulations
    - Title 42, Part 438

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## Managed Care in Perspective



0.1% - 7.6%      17.2% - 24.9%  
7.9% - 16.6%      25.0% - 54.1%

State HMO Penetration Rate, July 2010

statehealthfacts.org  
Your source for state health data

- Shows the level of managed care penetration in the insurance market
- KS rate is 10.2 percent

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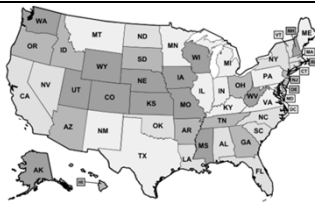
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## Managed Care in Perspective



0.0% - 54.9%      66.2% - 75.9%  
55.0% - 66.1%      76.4% - 100.0%

Medicaid Enrollment in Comprehensive Managed Care as a Share of Total Medicaid Enrollment, October 2010

statehealthfacts.org  
Your source for state health data

- Shows the level of comprehensive managed care in Medicaid programs.
- KS rate is 49.1 percent

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## KanCare: What's In the Reform Plan

- Shift all Medicaid and CHIP beneficiaries into managed care
- Focus on person-centered care coordination
- Agency realignment
  - KDHE management of MCO contracts
  - Department on Aging becomes Aging and Human Services with responsibility for long term care, home and community based (HCBS) waivers, and mental health
  - Department of Social and Rehabilitation Services becomes Children and Families
- Identify off-ramps from Medicaid to private coverage and incentives for work

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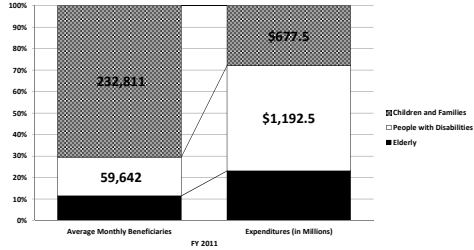
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## Medicaid/CHIP Population and Spending

Figure 1. Medicaid and CHIP Population and Spending




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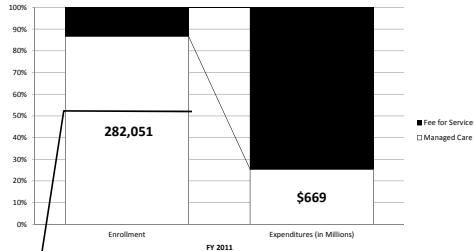
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## Medicaid Managed Care FY 2011

Figure 2. Medicaid and CHIP Managed Care Population and Spending



163,882 people are currently in comprehensive managed care

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## Who's included in KanCare?

- All Medicaid eligible people
  - Infants and children (Medicaid and CHIP)
  - Pregnant women
  - Low income adults
  - Persons with disabilities
- Dual eligible Medicare and Medicaid elderly, foster children and special needs children included through a "waiver"

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### Who's included in KanCare? (continued)

- January 1, 2013, all beneficiaries will be assigned to 1 of 3 MCOs.
- Assignment provides each MCO a fair distribution of age, health needs and location in Kansas
- 90 day choice period
- 12 month assignment lock

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### What services are covered?

- All medically necessary services available through the Medicaid State Plan or HCBS waivers.
- Must be in an "amount, duration and scope" no less than required by Medicaid

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### What services are covered? (continued)

- MCOs can offer "valued added" services
  - Gift cards or vouchers
  - Specialized medical equipment
  - Non emergency transportation
  - Health Opportunity Accounts
- Health Literacy Training
- Health Risk Assessments

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### What services are covered? (continued)

- MCOs must provide “Health Homes”
  - Develop a person-centered care plan
  - Integrate clinical and non-clinical needs and services
  - Coordinate all services and care management across service settings
- Required for people with chronic conditions
  - Mental illness, substance abuse, asthma, diabetes, heart disease and obesity

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### What services are covered? (continued)

- CDDOs maintain statutory role in gate keeping and case management
- Community Mental Health Centers (CMHCs) must have a role in providing specialized services for adults and children with severe and persistent mental illness.

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### How does KanCare save money?

- MCOs must demonstrate a 8 to 10 percent increase in savings over 5 years.
  - \$29.1 million in FY 2013
  - \$853.1 million between FY 2013-2017
- Savings should be achieved by better care coordination and health outcomes.

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### How does KanCare save money? (continued)

- MCOs monthly payments are bid less than the average cost of care.
  - “Low Cost Estimate” – 0% to 10%
  
- 3% of payments to the MCO are withheld as pay for performance incentives.

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### How does KanCare save money? (continued)

- Confounding factors on savings
  - MCOs must pay providers “Medicaid rates” inclusive of incentives for quality.
  
  - Contract includes risk sharing provisions
  
  - Health care costs will continue to rise.
    - Savings are based on reducing the rate of growth.

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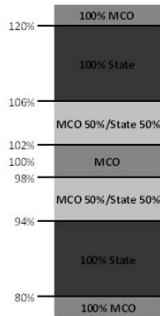
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### MCO Risk Sharing



- MCO Medical Expenditures + Administration / Total Capitation Payments
- Only for contract year 2012
- If MCO costs exceed 106%, the state pays all of the additional cost.

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## Key Takeaways

- Managed care shifts responsibility for public programs to the private companies.
- KanCare shifts 100% of Medicaid population into comprehensive managed care.
- KanCare shifts 75% of Medicaid spending into managed care.

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## Kansas Health Institute



*Information for policy makers. Health for Kansans.*

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