

MISSOURI MEDICAID MANAGED CARE

CONTRACTING AMENDMENT

In July 2018, MO HealthNet Division changed its contracts with its Medicaid managed care vendors. The change says that if a hospital does not contract with a Medicaid managed care plan, its Medicaid payment rate will drop to 90 percent of the fee-for-service payment amount. The change does more than regulate non-contracting hospitals, of whom there are only a few. It affects all hospitals by tilting the market in favor of the three Medicaid managed care plans by giving them all the leverage in negotiating contracts. If hospitals do not agree to accept whatever payment rate the Medicaid managed care plan offers, the plan can simply refuse to sign a contract. Hospitals have no recourse.

Testimony in opposition to the 90 percent contracting amendment made the following points:

- The proposal involves state government inappropriately putting its thumb on the scale by giving the plans all the leverage over providers in setting payment rates.
- The Medicaid agency is not reducing its payments to the Medicaid health plans, so that the program savings do not accrue to state government. The plans themselves are enriched by stable revenues and lowered costs.
- The proposal further threatens patient access to care in a fragile system of hospital care in rural areas.
- The proposed contract amendment does nothing to accomplish MO HealthNet's stated purpose of the amendment, to ensure "efficiency, economy, quality of care and access."
- An executive from a medical malpractice liability insurer discussed the effect of cutting rural hospital payments on the hospitals' capacity to improve patient safety and risk management.

As expected, the Medicaid managed care plans are using the new contracting amendment as a weapon – terminating or threatening to terminate hospitals' current contracts in order to force payment concessions from hospitals.

- Hospitals oppose the MO HealthNet Division's intervention in and favoritism to the interests of the managed care plans in provider-plan contract negotiations.
- Even smaller hospitals pay millions in provider tax to the state to support its Medicaid program. This contracting amendment will create losses in excess of the affected hospitals' total financial bottom line.

ALLEGED "EXCESSIVE" PAYMENTS TO HOSPITALS

Medicaid managed care plans and MO HealthNet assert that Missouri hospitals are paid much more than hospitals in other jurisdictions. MHA disagrees. The plans either do not recognize, or do not disclose, the role of the hospital provider tax in funding the state share of Medicaid expenditures, including much of what flows through the Medicaid managed care plans.

- The hospital provider tax supplants the state's need for \$1 billion in general revenue, but hospitals do not net the full benefit of the Medicaid payment.
- In general, they receive a net of the federal share of Medicaid payments, which is approximately two-thirds of costs as determined by audited cost reports.
- Also, the assertion that hospitals are reaping a windfall from managed care plan payments completely ignores the significant administrative costs of dealing with the plans, including different administrative and utilization review standards for each of the plans, as well as the plans' denial of payment for services rendered.

PROVIDER RELATIONS

- Most hospital executives and practitioners believe Medicaid managed care plans bring far more complexity and hassle to the delivery system than they generate in value or efficiency. In particular, their Byzantine utilization review standards seem designed to delay and deny payment and increase providers' administrative costs.
- Providers' frustrations are made even more maddening by the refusal of the state Medicaid agency and the three Medicaid managed care plans to implement common standards among the plans.