Can Alabama's Medicaid reform save money and lives?

Gov. Robert Bentley recently announced the approval of a plan that will change the way the state pays for Medicaid services. The new plan is also supposed to improve healthcare. *(Mike Cason|mcason@al.com)*

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Earlier this week, federal authorities **approved** an overhaul of Alabama's Medicaid system that is supposed to control the costs of one of the state's most expensive programs – and save lives in the process.

But not all experts believe the new program can deliver on both promises.

The Alabama Medicaid Agency in October will begin to deliver healthcare to more than 60 percent of patients through regional care organizations mostly affiliated with hospitals. The state will be among the first in the country to put healthcare providers in charge of both the financial and medical aspects of care for Medicaid patients, according to Columbia University professor Michael Sparer, who has studied managed care in Medicaid.

Right now, there are 11 regional care organizations that will serve patients in five different regions, and they are similar in some ways to commercial managed care. Most Medicaid patients will enroll in one RCO, and that organization will receive a set amount of money every month per patient.

If the RCO spends less on care than it receives per patient, then it keeps the rest. If the costs of care exceed the per-patient fee, then the organization loses money.

The model is supposed to promote preventive care and other low-cost services that keep patients healthy and out of the hospital.

Many states have used commercial managed care in Medicaid programs, but Alabama is doing something different by cutting out insurance companies that typically handle the financial end of patient care, Sparer said.

"Basically, they're saying, 'Look, you've been taking care of this population for a long time,'" Sparer said. "'We're going to cut out the middle man and try to contract with you directly.'"

Federal authorities imposed a number of requirements. The new system can't cost the feds more than the current one, and the Medicaid Agency has to prove that more pregnant patients and children are receiving recommended checkups, and that fewer patients go to the hospital.

Sparer said he is hopeful that the Alabama model will bring about necessary changes in the Medicaid program. In commercial managed care, hospitals still make more money for providing more tests, services and inpatient care. The RCO model gives them an incentive to tackle some of the underlying problems that may cause high healthcare use, he said.

"Now you've got to think about acknowledging the social determinants of health," Sparer said. "How that's going to play out, I don't know."

Sparer has studied the use of managed care in Medicaid programs, and found that it typically doesn't save very much money because rates are already so low. Alabama leaders have said switching to RCOs may control the costs of Medicaid, but are not promising any savings. According to Gov. Robert Bentley, Medicaid costs have increased by 59 percent in the last 10 years.

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Other states that have adopted managed care have shown mixed results in healthcare quality, Sparer said. A poll released in 2015 showed that most California elderly Medicaid patients opted out of managed care for fear of losing access to doctors.

James Tucker, executive director of the Alabama Disabilities Advocacy Program, said he has some concerns about how the new system will serve disabled children who rely on Medicaid.

"The vast, vast majority of the Medicaid population is children," Tucker said. "Children with disabilities can have multiple serious needs. We need to make sure each RCO has an adequate provider network to meet those needs."

Tucker said his agency will be watching the transition, and will be prepared to advocate for patients who feel they have been denied services to save money.

"We will be watching for capping or rationing – absolutely that is a concern," Tucker said.

Tucker also said he supports the change and is working closely with RCOs to insure that patients with disabilities receive good care in the new system.

Jim Carnes, policy director for Alabama Arise, said each regional care organization will be able to respond to its community in unique ways.

"This is a tremendous opportunity for Alabama to bring a major state agency and program closer to the people it serves in terms of delivering care that reflects the regions in the state," Carnes said.

Although the RCOs will have some quality benchmarks to hit, they still have an incentive to cut costs to make money, Sparer said. There is a possibility they could repeat the mistakes that have dogged managed care in the past, he said.

"To the extent that it becomes old wine in new bottles – if at the end of the day, it comes down to cutting payments to providers for doing the same thing they've always done, that's going to be a real problem," he said.

The Medicaid program many have to cut programs if it cannot control costs. Carnes said this transition provides an opportunity to bolster the financial health of Medicaid while improving the overall health of the community. If Medicaid suffers financial problems, it could hurt hospitals and pediatricians across the state, Carnes said.

"This could change the conversation across the state about the importance of Medicaid as the cornerstone of our healthcare system," Carnes said. "I like to say in Alabama, we're all on Medicaid."

Updated at 4:05 p.m. on Feb. 16, to correct the name of Alabama Arise.
