

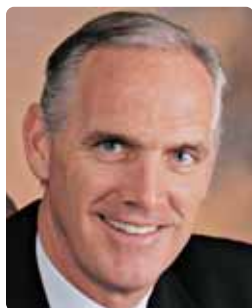
MANAGED HEALTHCARE EXECUTIVE®

FOR DECISION MAKERS IN HEALTHCARE

Medicaid and managed care must restructure for the future

Expanding full-risk managed care and managing long-term care will increase sustainability

BY DANIEL J. HILFERTY



Daniel J. Hilferty is president and CEO of AmeriHealth Mercy and a MANAGED HEALTHCARE EXECUTIVE Editorial Advisor.

A landmark event in our country's history was the passage of the Social Security Amendments of 1965. These amendments, intended to provide health insurance coverage for the elderly and disabled, were expanded to establish the Medicaid program for families on public assistance and who have children with disabilities.

Soon after, the problems with Medicaid fee-for-service came to light with access still limited and lack of prevention and education contributing to chronic illness. At the same time, the costs of the program were growing quickly. In the 1980s and 1990s, managed care was seen as an alternative for Medicaid that could stem the rising costs and improve both access and quality of care.

Has Medicaid managed care lived up to its promise? I believe managed care works in Medicaid. It has improved access for the most vulnerable, enhanced quality of care and slowed cost trends. In Pennsylvania, the Commonwealth's mandatory managed care program, HealthChoices, has resulted in \$2.7 billion savings for taxpayers during the past five years, according to a study conducted by the Lewin Group last year. Passport Health Plan in Louisville, Ky., has saved \$110 million over a five-year period while improving quality and access. But even so, costs throughout the country continue to increase and threaten to rise beyond what taxpayers and governors are willing to support.

How do we maintain the benefits of Medicaid managed care programs without going broke? As we have seen, recent attempts to

drastically restructure Medicaid threaten the well being of the poor. Rather than tear down a system that has brought substantial benefits, there is another, better way. That is to maintain the managed care principles that have been so effective—a medical home, case and disease management, health and prevention programs, recognition of and assistance with socioeconomic barriers to care—and reconfigure aspects of the program to fit available funding.

How can this be accomplished? First, we should expand full-risk managed care. This is the most cost-effective approach and also the one with the best and most proven health outcomes for Medicaid recipients. Expansion of Medicaid managed care would ultimately save \$83 billion across 10 years, according to a recent Lewin Group study. The second key to success is to restructure benefits to emphasize prevention, primary care and chronic disease management. Without these basic tenets of managed healthcare, Medicaid will once again grow out of control, costing too much and doing too little.

APPLY MANAGED CARE PRINCIPLES

Another area is long-term care. While most Medicaid recipients are in some form of managed care, nearly all seniors and people with disabilities who receive Medicaid continue to get healthcare services in the traditional fee-for-service system. There is increased interest in new Medicaid programs for the elderly and the disabled that will apply managed care principles in home and community based programs as a nursing home alternative. While cost studies on Medicaid managed care long-term care programs are as yet inconclusive, some studies suggest it reduces acute care and nursing home utilization, provides states with cost predictability, and has a positive impact on quality and consumer satisfaction.

The potential of managed care for Medicaid has only been partially fulfilled. By expanding managed care principles to other groups of recipients, managed care can offer better outcomes and a healthier financial picture for governments and taxpayers. MHE