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Moving Louisiana's Medicaid Program Toward Managed Care

As Louisiana's Medicaid program increasingly relies on managed care as a means of delivering health care, careful consideration needs to be given to the challenges this will create, according to a report released today by the Public Affairs Research Council (PAR).

The report, "Moving Toward Medicaid Managed Care," provides a basic overview of the Medicaid program and also notes key issues relevant to relying more on managed care.

Louisiana's Medicaid program will experiment with managed care through a pilot program expected to begin later this year or in early 1998. In future years it is likely that increasing numbers of Louisiana Medicaid recipients will be enrolled in managed care. Most states require at least some of their Medicaid recipients to enroll in managed care plans.

"Louisiana has adopted a cautious approach to managed care that should help make the transition successful," said Jackie Ducote, PAR President. "There are a number of important considerations, many of which the pilot program has taken into account. However, the pilot program will only cover a group of the healthiest Medicaid recipients. Expanding Medicaid managed care beyond this group in the future is likely to pose additional challenges."

The report notes a number of considerations in shifting Medicaid recipients to managed care:

-Characteristics of the Medicaid population: Medicaid recipients' lives may be less stable and their needs more complex than those of the general population. This is likely to pose a challenge for commercial managed care plans.

(MORE)

PAR Says, Add One

-Time: Several states have suffered for shifting their Medicaid populations into managed care too quickly, often because of pressure to save money.

-Enrollment and Education: Medicaid recipients will need to understand their choices of plans and doctors under managed care. They'll also need to understand how a managed care system differs from a fee-for-service system.

-Oversight Agency Staff and Managed Care Plans--Experience A Key: The administrative tasks managed care requires such as evaluating bids, assessing the quality of the services provided, and collecting and analyzing data require a staff that has these skills.

-Administrative Cost Increases: Administrative costs are generally higher under managed care than under a fee-for-service system.

-Setting Capitation Rates: Under managed care, providers are paid a capitation rate, a fixed sum for each patient they treat regardless of whether the patient receives few or many services. Setting appropriate capitation rates is key to successful Medicaid managed care. If rates are too low, plans will not want to participate or they may become insolvent. If rates are too high, the program will be expensive for taxpayers and result in excess profits for the managed care plans.

-Data Collection and Analysis: This is often difficult under managed care because providers do not submit claims for each service provided. Therefore, it is a challenge to determine whether appropriate services are being provided.

-Number and Distribution of Providers and Managed Care Plans: Ensuring that there are enough provider and managed care plans to serve Medicaid recipients, especially in the rural parts of the state will be key to a successful expansion of Medicaid managed care.

-Limiting "Carve-Outs": Carve-outs are services that are still paid for on a fee-for-service basis when all others are paid for on a capitated basis. The problem they create is that they limit the coordination of care, essential to the effectiveness of managed care.

-People With Disabilities-A Special Case: People with disabilities have special and varied medical needs. Issues that should be addressed before people with disabilities are enrolled in Medicaid managed care include setting appropriate capitation rates, deciding whether recipients with disabilities should be allowed to choose their specialist as their primary care doctor and deciding how to address the treatment standard of "medical necessity" that many managed care plans use.

The report costs \$3 and can be ordered by calling PAR at (504) 926-8414, faxing at (504) 926-8417, or writing P.O. Box 14776, Baton Rouge, LA 70898-4776.