

## State divvies billions in Medicaid pacts to HMOs

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The state of Michigan has awarded contracts worth billions to 14 health maintenance organizations, including Grand Rapids-based Priority Health, to provide managed care under the federal-state Medicaid program.

While Lake and Oceana counties were sliced from the 10 counties served by the Priority Health Government Program, the health care plan lost fewer than 1,500 members and remains in the middle of the pack for enrollment. In 2008, PHGP reported net income of \$6.6 million, based on \$131 million in total revenue and a net underwriting gain of \$5.9 million.

"Priority Health did not apply for any new counties during the bid. We decided to build up our central service area," said Diana Criss, senior manager of government programs for Priority Health. "We only applied for counties we were already in. We're very happy with the outcomes."

In addition to Kent County, Priority Health will provide Medicaid services in Allegan, Manistee, Mecosta, Montcalm, Muskegon, Osceola and Ottawa counties.

### Medicaid Enrollment August 2009

The Medicaid program, which covers health care for the impoverished, serves 1.6 million people in Michigan and has been growing rapidly as the economy soured. About 1.1 million of Medicaid recipients are enrolled in one of the HMOs.

County	Enrollment
Kalamazoo	24,963
Kent	66,505
Muskegon	27,087
Ottawa	16,800

*Source: Michigan Department  
of Community Health*

The three-year contracts were estimated to total \$3.38 billion in the first year. Medicaid is one of the few health care business lines that is growing in the state, said Rick Byrne, an analyst for HealthLeaders-InterStudy, a Tennessee company that provides managed care information.

"We've seen significant growth in the Medicaid program," Criss added, noting that Priority Health has added one full-time position to cope with increased enrollment. From July 2006 to last month, Priority Health's Medicaid enrollment has grown nearly 24 percent.

The last bid process occurred in 2003, when MDCH awarded three-year contracts, which were renewed on a one-year basis for three years. The new three-year contracts, awarded earlier this month, begin Oct. 1.

Byrne said the MDCH scored applicants on a 120-point system that measured items such as quality and strength of the provider network, with additional points for e-prescribing, use of the patient-centered medical home model, participation in a health information exchange, population management for the disabled and care coordination for behavioral health.

While the health plans bid on sets of counties that matched their provider networks, the state reviewed bids on a county-by-county basis to enhance choices for those enrolled in Medicaid yet assure enough enrollment to allow the plans to remain solvent under capitation payments, he said. Some counties now will have more HMO choices; others will have fewer.

The state put quality issues front and center in the bidding process, requesting that HMOs have accreditation from one of three national organizations in order to apply.

At 59,560 members, Priority Health's Medicaid plan ranked seventh of the 14 in the state in July.

Health Plan of Michigan, the second largest with 190,061 members compared to Molina Healthcare of Michigan's 205,469 as of July, has built its business and reputation around quality measures and information technology. It was rewarded with an additional 16 counties in its new contract, bringing its total to 64.

If a new Medicaid recipient doesn't choose a plan, enrollment automatically defaults to the plan with the highest quality measures. Byrne said that with the additional counties, Health Plan of Michigan is poised to surpass Molina Healthcare of Michigan as the largest Medicaid provider in the state.

"Health Plan of Michigan feels they have an advantage to control costs, and their margins will be wider. The revenue may not be incredible; they'd be winning on margin," Byrne said.

In addition to Priority Health, Medicaid HMO plans in Kent County will include CareSource, Great Lakes Health Plan, Health Plan of Michigan and Molina.

August Medicaid enrollment in Kent County was 66,505. Priority Health was the local market leader with 31,373 members.

Byrne said he was surprised to see no major national pure-play players in the Medicaid market — such as Wellcare Health Plans Inc., Centene Corp., Amerigroup and Aetna's Schaller Anderson subsidiary — entering Michigan's bidding process.

"That leads me to believe they don't think they can be competitive," Byrne said. "It's not hard to be competitive in Michigan. The state regulates and pays fairly well as compared to other states. You have to be doing a really poor job to be losing money as a Medicaid HMO in Michigan."

Criss said MDCH determined that Kent County should have six Medicaid HMOs, but only five applied and all five were granted contracts. Criss said Priority Health was pleased with what she called a "well thought-out" bidding process.

MDCH representatives were unavailable for comment.