



Everything Michigan

Association of Health Plans offers ideas for saving millions on Medicaid in Michigan

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By **Mark Sanchez** | **Business Review West Michigan**

Citing the potential to save the state and federal governments hundreds of million of dollars, the **Michigan Association of Health Plans** has proposed changes in the state's Medicaid program to enroll all recipients in managed care.

In a new white paper report, the association of HMOs and commercial carriers argues that doing so can build further on the estimated \$4.5 billion saved since 2000 when Medicaid managed-care plans were first instituted in Michigan.

About 1.8 million Michigan residents are now on Medicaid, or one in five. New eligibility rules coming in 2014 under federal health reform could elevate that to one in four residents.

The association's ideas for changing Medicaid in Michigan include:

- Moving the remaining one-third of the Medicaid population still enrolled in a fee-for-service program into managed care, generating \$200 million in annual savings.
- Driving administrative efficiencies by having a single contract with payers for medical, dental and behavioral health and other services, saving \$100 million.
- Consolidating the oversight and management of state contracts with Medicaid plans to one agency and developing a new contract-management system that would rely on electronic submissions. The estimated potential savings: \$20 million to \$30 million.
- Applying best practices to the Medicaid reimbursement model, which can "create significant savings without compromising quality of care or access."

"Given the growth in (the) Medicaid caseload, we believe the only reasonable choice is to focus on an overall strategy of moving (the) remaining Medicaid population into managed care and couple that with restructuring the Medicaid benefit through the contract and consolidation of the state administrative oversight," the white

paper states. "Unless all pieces are implemented, savings will not occur."

At a time when Michigan faces a \$1.8 billion deficit in the next fiscal year, and with a new governor and Legislature in office vowing to change how Lansing does business, MAHP Executive Director Rick Murdock sees the time as right to pursue aggressive changes in Medicaid.

On top of it is Gov. Rick Snyder's push for more emphasis on wellness and preventative care.

"It aligns very nicely, and we think it works," Murdock said. "We can't work on the margins. We need to make some fundamental changes in Medicaid."

The MAHP paper states that nearly three-quarters of the cost of Medicaid stems from the one-third of recipients still in the fee-for-service program.

By moving clients into managed care that emphasizes prevention and wellness, the state can generate savings needed to sustain Medicaid, Murdock asserts. If not, the only options are to cut payments to doctors and other care providers, tighten eligibility requirements and curtail benefits — all of which Murdock says generate "false savings."

"It drives practices out of the Medicaid business, it increases uncompensated care and, as a result, increases the amount that other payers have to pay for health care," he said. "So we have to be smart about how we do this."

And diligent, too, though Murdock knows making these kind of major changes to

Medicaid is a tall order "because there are a lot of sacred cows that need to be changed."

The MAHP's white paper, he said, is "intended to start the conversation, not be a panacea or a solution."

"Someone needs to start the conversation, and we felt a responsibility to offer a solution," Murdock said.

And for people who may consider the ideas in the association's white paper undoable, "then I'd like to know what the alternative is," he said.