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Illinois Republicans angle for Medicaid change

But exec contends: State has already 'squeezed all of the juice out of that lemon'

By: Gregg Blesch

SPRINGFIELD, Ill.—Republicans in the Illinois General Assembly quietly made a play for a change in the way Medicaid is administered statewide, drawing opposition from the Illinois Hospital Association.

Amid ugly overtime budget talks, a test of mandatory risk-based managed care for Medicaid enrollees surfaced in a Senate bill that enacts funds for an unrelated state agency. It would take place in two contiguous counties with at least 200,000 residents, but not Chicago's home of Cook County. The description narrows the possibilities to Chicago's five so-called "collar counties" or the area near Missouri that includes East St. Louis. As many as three managed-care companies would be given capitated contracts to coordinate care for all Medicaid beneficiaries, with a couple of minor exceptions.

The bill passed in the state Senate and had yet to see a vote in the House at deadline.

Illinois has had few of its Medicaid enrollees in any kind of managed care—7% in 2006, compared with 65% nationwide, according to the CMS. Harmony Health Plan, a WellCare subsidiary, is the only company that still has a Medicaid contract in Illinois, with Amerigroup, Humana and UnitedHealthcare having dropped theirs.

"This is a sincere effort to try to get a handle on the rising costs of Medicaid expenses," said Patty Schuh, a spokeswoman for Illinois Senate Republican leader Frank Watson.

But Howard Peters, the hospital association's senior vice president for government relations, said HMOs will find that "the state has already squeezed all the juice out of that lemon" if they try to improve on the state's performance by lowering payments to providers. The rates have been frozen for 12 years, he said.

The association's greater concern, Peters said, is that even a small-scale test would threaten the state's hospital assessment program, which taxes hospitals to draw a federal match to support hospitals with the highest Medicaid burdens. Hospitals in the pilot counties still would have to pay millions into the assessment program but get nothing back, likely encouraging them to lobby to end it, he argued.

Since the mid-1990s Medicaid managed care has become the norm in the rest of the country, and capitated, risk-based contracts with HMOs are the dominant model, said David Rousseau, principal policy analyst for the Kaiser Commission on Medicaid and the Uninsured. The record elsewhere has shown the companies can do a good job providing access to care, Rousseau said. "Over time it's much more difficult to document that clients have saved states money."

The agency that administers the state's healthcare programs has been rolling out a system of primary-care case and disease management that retains the fee-for-service model. The mandatory program is up and running in about half the state so far.