



**CABINET FOR HEALTH AND FAMILY SERVICES
OFFICE OF THE SECRETARY**

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Janie Miller
Secretary

August 22, 2011

Mr. Ron Poole, R.Ph.
Chairman
Advisory Council for Medical Assistance
102 W. Broad Street
Central City, KY 42330

Dear Chairman Poole:

Commissioner Neville Wise forwarded the recent recommendation of the Advisory Council for Medical Assistance to delay implementation of the managed care contracts targeted for October 1, 2011 for 90 days. This letter is in response to the Council's recommendation. The transcript of the discussion of the Council was reviewed in order to identify areas of concern expressed by the Council members. Primarily, the concerns expressed revolved around insufficient time for providers to receive and sign contracts, lack of information and lack of communication with the Program and with the Managed Care Organizations, and concern regarding reimbursement rates of Managed Care Organizations and the potential impact on providers.

Let me assure you that the decision by this administration to use a managed care approach was influenced in large part by several discussions with House and Senate leadership over the course of many months. Budget bill language enacted by both houses of the General Assembly in 2010 clearly signaled their interests in expanding managed care as a means of controlling the growth in costs of the Medicaid Program. Secondly, all states have grappled with significant increases in the number of citizens eligible for the Medicaid Program; many other states have reduced benefits made available to eligible recipients and/or have reduced payments to providers as funding became more scarce due to the growing economic recession at the same time of significant growth in eligibles. A Health Management Associates presentation to the National Association of State Budget officers at its annual meeting just this month reported that some 39 states adopted cost controls on provider payments in FY 2010 and 37 states imposed cost controls on provider payments in FY 2011; twenty states imposed restrictions on Medicaid



benefits in FY 2010 and 14 states imposed benefit restrictions in FY 2011. Fortunately, due to prudent management of the Program and implementation of strategically developed efficiency measures, Kentucky throughout eight budget reductions over the last three and one-half years has been able to manage without cuts to covered services or reductions in provider payments.

It was announced in early November 2010, that this Administration was proposing to significantly expand managed care in the Medicaid Program in FY 2012 in order to make up a budget deficit caused by shifting appropriated dollars from this year's allocation. While shifting dollars into FY 2011 solved the funding needed last year, it created a gap of approximately \$97 million General Fund in this year's funding (FY 2012) that we proposed to solve with managed care. Since November 2010, we have aggressively pursued actions necessary to implement managed care in the Medicaid program in order to achieve the savings required. Actions taken include: the development and issuance of Requests for Information (RFIs), the development and submission of a federal waiver, issuance of a Request for Proposal (RFP) for managed care organizations, and awarding of three contracts announced early in July with the goal of implementation on October 1, 2011.

Governor Beshear announced on July 7, 2011 that three contracts had been awarded to managed care organizations to provide services to Medicaid recipients across Kentucky. The Governor also announced that these contracts will save taxpayers \$375 million in General Funds and \$1.3 billion in all funds over the course of the new, three-year contracts. This action was taken to balance the Medicaid budget in FY 2012, improve coordination of care and reduce on-going costs for the state's Medicaid program. Due to this action Medicaid coverage will not be reduced for eligible recipients; in fact, each managed care organization may provide their members with additional benefits. Given that the state announced this move almost a year ago, and that these actions have been widely delineated and publicized in statewide media coverage, we believe that ample communication about Medicaid managed care has been provided.

With regard to where we are today, Managed Care Organizations are currently involved in offering contracts to providers. The Medicaid Programs has sent multiple letters to recipients and providers giving them contact information of the MCOs and answering frequently asked questions. Medicaid Program staff have met with a number of provider associations to educate providers to assure that they have the information necessary to contract with MCOs. The Medicaid Program has activated a robust call center for recipients and providers. Those numbers have been widely published and additional information on the DMS website specifically for managed care will be activated on Monday, August 22, 2011. Member packets will be mailed out in the coming week to recipients advising them of the MCO with which they have been matched in order to provide on continuity of care. Recipients will be given approximately two weeks to select a different MCO of their choice and will be provided sufficient information to make a change. Advocacy organizations, including the Kentucky AARP, Kentucky Voices for Health, Kentucky Youth Advocates, the Kentucky National Alliance on Mental Illness, ARC and others, have been extremely helpful to the Program by reviewing all recipient communications to ensure that they are understandable and that they provide recipients with information they need in order to understand the process.

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Yes, the target date is aggressive and we are under a limited timeframe; providers are signing contracts and there is currently significant activity related to the implementation of Medicaid Managed Care. The Program and MCOs are all striving to provide everyone with the communication and information they need to ensure that services will be available to recipients and that recipients are transitioned successfully on October 1. Providers are signing contracts and with approximately five weeks remaining until October 1, there is still time to allow all providers who want to continue to participate with the managed care organizations to do so. As such, October 1, 2011 remains our implementation target date. We will continue to reassess our readiness for October 1, and will take appropriate action at the appropriate time as necessary.

We appreciate the general concerns of providers and recipients; change is always difficult. Please be assured that we are committed to working harder to expand communication channels and information as needed. We appreciate the work of the Council and believe that significant information was provided to the members and the public at this special-called meeting. We look forward to the work of the Council in the coming days ahead, and have directed Commissioner Wise to keep me informed. I know that we all have the best interests of Medicaid recipients as we transition to managed care.

Sincerely,



Janie Miller
Secretary

cc: Neville Wise, Acting Commissioner
Department for Medicaid Services