

Medicaid Reimbursement: HealthChoices Is On The Way



by L. Jane Charlton, Esquire

Pennsylvania is in the process of phasing in HealthChoices, a mandatory managed care program, for its Medicaid population. Under HealthChoices, each Medicaid recipient will choose, or be assigned to, a managed care organization (MCO) for the administration and management of the recipient's overall health care. The first step toward successful implementation is understanding the program.

BACKGROUND. Traditionally, the Pennsylvania Department of Public Welfare (the "Department") has compensated most health care providers on a fee-for-service basis. With the advent of managed care, Pennsylvania instituted a voluntary managed care program which allows, but does not require, Medicaid recipients to join a Medicaid MCO for the provision of health care services. Due to the success of the voluntary program, Pennsylvania requested a waiver from the Health Care Financing Administration (HCFA) to begin the implementation of mandatory Medicaid managed care. Through the HealthChoices program, Pennsylvania hopes to reap the benefits of managed care for all Medicaid consumers while increasing its ability to control Medicaid costs.

ZONE 1: PHILADELPHIA AREA.

On February 1, 1997, the HealthChoices program was commenced in the Philadelphia area counties of Delaware, Chester, Montgomery and Bucks, designated as "Zone I." The program obtained full operation by October 1, 1997. In devising the program for the southwest region, the Department considered its experiences in Zone I and refined the program to address concerns of affected parties and to make implementation more efficient.

The Department provides access to many documents from the Zone I implementation in its HealthChoices Bidders Library, located in the State Office Building in downtown Pittsburgh.

ZONE 2 AND BEYOND. Zone 2 covers Allegheny, Lawrence, Butler, Armstrong, Indiana, Westmoreland, Fayette, Greene, Washington and Beaver counties. The target date for initiating HealthChoices in Zone 2 is January 1, 1999. Zones 3 and 4, Lehigh Valley and Capital Counties, will be phased in as of January 1, 2000, and implementation in the balance of the state (Zones 5, 6 and 7) is targeted for January 1, 2001.

SELECTION OF MCOs. HealthChoices has three distinct components: physical health, behavioral health, and enrollment assistance. In October of 1997, the Department commenced the southwest procurement process for the Physical Health Managed Care Organizations (PH-MCO) by issuing Requests for Proposals. In response, interested bidders submitted voluminous proposals detailing the specific manner in which the PH-MCOs will administer their managed care programs and meet the requirements of state and federal law. On August 21, 1998, the Department announced the selection of three PH-MCOs for Zone 2. The three PH-MCOs are Three Rivers Health Plans, Inc., Gateway Health Plan and Best Health Care of Western Pennsylvania. All three PH-MCOs currently have Medicaid contracts with the Department under the voluntary managed care program and experience in providing services to the Medicaid population.

Behavioral health services have been "carved out" from the medical services provided to

Medicaid consumers. County governments within Zone 2 have two choices. First, the county may select a Behavioral Health Managed Care Organization (BH-MCO) for that county and enter contracts with both the Department and the BH-MCO. In the alternative, the county may "opt out" of the program and the Department will select the BH-MCO for the county through a formal procurement process. The Department has announced that nine of the ten counties in Zone 2 have entered subcontracts with private sector BH-MCOS. Allegheny County has subcontracted with Community Care Behavioral Health Organization. Eight of the counties have entered contracts with Value Behavioral Health of Pennsylvania, Inc. The tenth county, Greene County, chose not to submit a proposal to manage a behavioral health contract and the Department will contract directly with a private sector BH-MCO for Greene County behavioral health services.

NEW PROGRAM, NEW REQUIREMENTS.

Medicaid reimbursement has always been subject to a myriad of regulations and guidelines. HealthChoices is no exception. MCOs Participating in HealthChoices are subject to a vast number of requirements which stem from various state and federal regulations, policy statements and the HealthChoices guidelines.

As a result of the new requirements, PH-MCOs already operating under the voluntary program will find it necessary to replace or amend their provider contracts to include the terms required by HealthChoices. During this transition period, PH-MCOs and health care providers are well advised to work together. Failure to implement the required changes will make the transition to HealthChoices more difficult for all parties, including the vulnerable Medicaid population.

ENROLLMENT OF MEDICAID RECIPIENTS.

The most significant change under HealthChoices is the mandatory enrollment of Medicaid recipients into PH-MCOS. The transfer of Medicaid recipients to the HealthChoices PH-MCOs will occur in phases with the assistance of independent enrollment advisors. The Department has announced that Benova, currently the contractor for Independent Enrollment Assistance Program for Zone 1, has been selected for Zone 2. Benova will be responsible for conducting outreach and education

programs for MA consumers prior to, during and after the HealthChoices Southwest implementation.

From now until May 19, 1999, Medicaid recipients who have not done so will be encouraged to select and enroll in a PH-MCO. As of January 1, 1999, all recipients enrolled in a voluntary PH-MCO will be considered enrolled in that PH-MCO under the HealthChoices program. All recipients not enrolled as of May 19, 1999, will be automatically assigned to an MCO by the Department as of July 1, 1999.

COOPERATION IS KEY. HealthChoices is a step forward in helping Pennsylvania provide quality health care services to its Medicaid population while still controlling costs. The success of the program hinges, however, on cooperative efforts of the healthcare providers, MCOS, Medicaid recipients, and the state regulators.

L. Jane Charlton is a senior associate with Thomson, Rhodes & Cowie, PC, a full service Pittsburgh based law firm. She is a member of the firm's Health Care Group where she concentrates her practice on managed care contracts, regulatory, reimbursement and liability issues. L. Jane Charlton, along with other prominent health care professionals, including former Secretary of the Pennsylvania Department of Health, N. Mark Richards, M.D., M.P.H., will be conducting a seminar on November 5, 1998 entitled 'Medicare, Medicaid and Managed Care.' For information about the seminar, contact L. Jane Charlton or Jerry Hogenmiller at (412)232-3400 or fax to (412)232-3498, or email to TRC-Law@nauticom.net.