MANAGED CARE IN OKLAHOMA:
Impacts on Rural Oklahomans

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Managed care has never worked in rural Oklahoma

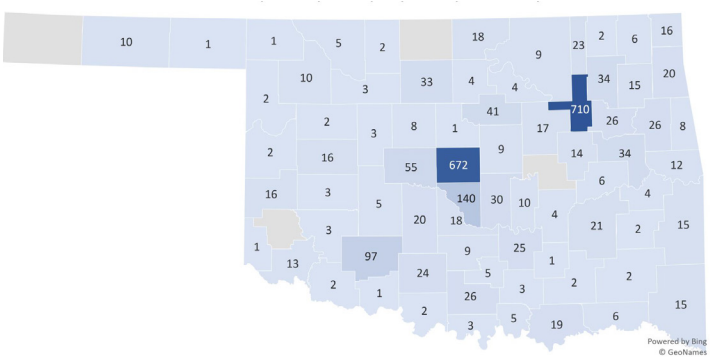
Oklahoma's first foray into managed care showed that it wasn't feasible in rural areas, and the Oklahoma Health Care Authority (OHCA) ultimately decided to administer the program in-house rather than outsourcing.[1] This was likely because of a weak MCO market, but no evidence exists to suggest that this has changed.

In fact, there is still substantial concern that a transition to privatized managed care would harm rural residents.

Privatization will impact access to care

- Oklahoma providers predict that the transition would cause fewer physicians to accept Medicaid.[2] In counties with few primary care physicians, this could decrease access to primary care and increase reliance on emergency rooms.
- Without providers that accept Medicaid, MCOs will struggle to build adequate networks, which could limit enrollees' choices, keep patients from getting necessary specialty care,[3] put long distances between patients and their doctors,[4] or force patients to accept culturally insensitive care.
- Rural patient choice is further eroded because states are not required to award multiple MCO contracts in rural areas.[5]

Number of primary care providers



Source: County Health Rankings and Roadmaps

Finally, rural Oklahomans will be harmed by the unprecedented speed at which the OHCA is pursuing this fundamental change. If privatization of Medicaid has any hope of achieving its goals, it must be "carefully targeted and well-designed."[6]

If the state is intent on transitioning Medicaid administration to a model that has already failed in the state, **it must, at the very least, take an intentional, measured approach to avoid long-term negative impacts.**

[1] Oklahoma Policy Institute, "Lessons Unlearned?" (2019)
[2] Oklahoma State Medical Association, letter in response to the OHCA Request for Information (2020)
[3] MACPAC, "Managed care's effect on outcomes" accessed Dec 8, 2020.
[4] California State Auditor, Report to Dept. of Health Care Services (2019)
[5] South Carolina Rural Health Research Center, "Medicaid Managed Care and the Rural Exception: A Review of Issues and Perspectives from the Field" (2018)
[6] Health Management Associates, "Chronic Disease Management: Evidence of Predictable Savings" (2008)

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MANAGED CARE IN OKLAHOMA:
Impacts on people with mental health needs

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Oklahomans need comprehensive mental health care

Twenty-one percent of Oklahomans have a mental illness, and 11 percent struggle with a substance abuse disorder. In 2018, only 192,000 of the estimated 700,000 individuals who needed mental health treatment could access those services.[1] 92,000 of those Oklahomans could access treatment when Medicaid expansion is implemented,[2] and expanding this access could reduce rates of homelessness and incarceration. **In other states, expansion has facilitated better access to mental health and substance abuse treatment.[3]**

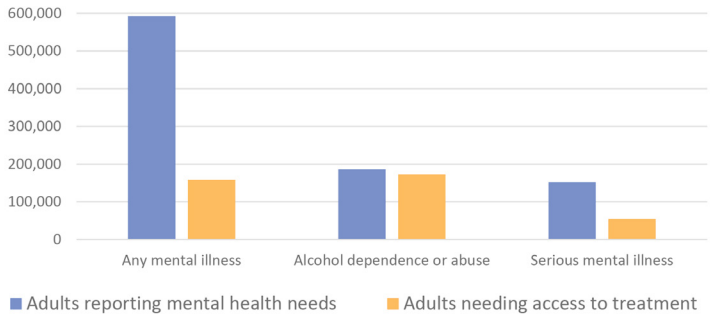
Privatization jeopardizes this progress

Since the overhead cost of Oklahoma's Medicaid program is already so low, privatized MCOs could make a profit by limiting access to care or cutting provider rates. MCOs have struggled to improve outcomes for individuals with complex needs, such as those with a serious mental illness,[4] so moving this population to a privatized managed care model could be detrimental.

After Kansas privatized its Medicaid program, individuals with mental illnesses reported:

- issues staying in touch with their care coordinators;
- problems understanding their coverage and network requirements;
- an inability to access certain medical equipment or supplies; and
- issues accessing speciality care.[4]

Oklahomans need an effective Medicaid expansion



Source: Data from Kaiser Family Foundation, 2018

While care coordination could benefit individuals with serious mental illnesses, MCOs don't have the best track record here. Network inadequacy, geographic limitations, and a lack of understanding of evidence-based care[5] could hamstring the gains made by expansion. The OHCA already provides care coordination for Medicaid patients, and with sufficient resources, could likely improve outcomes without outsourcing.

Behavioral health providers could also be harmed by administrative and funding concerns. More stringent authorization, record keeping, and billing requirements, as well as an increased need to justify health care pose threats.[6] Providers could struggle to comply with new requirements and billing processes imposed by MCOs, and could even be subject to lower reimbursement rates.[7] Making this fundamental change right after 200,000 Oklahomans become newly eligible for Medicaid will place an even heavier burden on these providers.

[1] Dept. of Mental Health, "Mental Health and Substance Abuse Prevalence for Oklahoma"
[2] Mental Health America, "Adult Data 2021"
[3] NAMI, "The Issue: Medicaid Expansion"
[4] Hall, J., LaPierre, T. and Kurth, N. "Medicaid Managed Care: Issues for Enrollees with Serious Mental Illness," AJMC (2019)
[5] Healthy Minds Policy Initiative, comment in response to the RFI (2020)
[6] Social Work Today, "Managed Care Trends and Mental Health Practice" (2010)
[7] Healthy Minds Policy Initiative, comment in response to the RFI (2020)

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MANAGED CARE IN OKLAHOMA:
Impacts on American Indians

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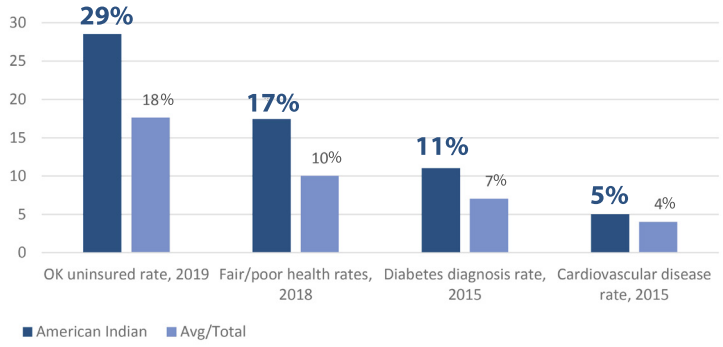
Privatized managed care could create barriers to care

One in every ten individuals who receive Medicaid coverage in Oklahoma are American Indians. Tribal nations have concerns about how this potential change could negatively impact their citizens:

Systemic factors place American Indians at higher risk for health concerns



Note: numbers are rounded to the nearest whole percentage

Source: Data collected from the Kaiser Family Foundation and Centers for Disease Control and Prevention

- Indigenous communities have higher rates of chronic disease and mental health concerns,[1] and MCOs' potential economic incentives to limit comprehensive care could especially harm these individuals.[2]
- Inadequate networks and pre-authorization requirements could disrupt long-term primary care relationships and make specialty care less accessible.[3]
- Indian Health Care Providers (IHCPs) already provide care coordination similar to what MCOs provide, and a duplication of services would be confusing for patients.[6]
- Privatization could jeopardize access to culturally competent care,[4] which is proven to improve health outcomes.[5]

Privatized managed care could create barriers to care

The OHCA has taken some precautions to minimize the financial risk to IHCPs and the state. However, some risks still exist:

In some states, MCO payments to tribes have been delayed or outright denied,[4] which places already underfunded facilities at greater risk.

Billing processes will be different for patients enrolled in MCO plans, meaning the state and IHCPs will need to have additional processes in place to accurately track claims and reimbursements.

Care provided through IHCPs is eligible for a federal reimbursement rate of 100%, but privatization will increase the likelihood that the state will lose a portion of that reimbursement. When Arizona made a similar change to its Medicaid program, the state saw more than twice as high of a rate of not maximizing the 100% match. If Oklahoma sees a similar result, it could cost the state an additional $52 million annually.

[1] Kaiser Family Foundation, "Medicaid and American Indians and Alaska Natives" (2017)
[2] MACPAC, "Managed care's effect on outcomes"
[3] Oklahoma Policy Institute, "Managed care will be bad for patients and providers" (2020)
[4] Citizen Potawatomi Nation, "Tribes watch as Oklahoma moves toward managed care for Medicaid" (2020)
[5] Georgetown University Health Policy Institute, "Cultural Competence in Health Care: Is it important for people with chronic conditions?"
[6] "Indian Health Care in a Managed Care Environment," presentation at OK Senate Interim Study (2020)

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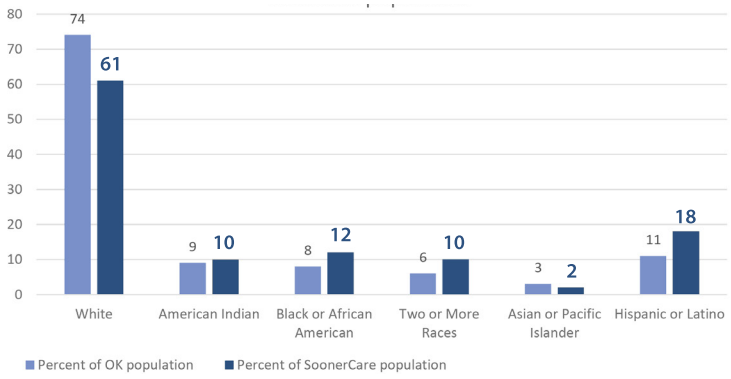
Changes to Medicaid administration will significantly impact people of color

Oklahomans of color are disproportionately uninsured, represented in the Medicaid population, and eligible for coverage under expansion. This isn't because of personal choices or genetic differences. Rather, it's the result of systemic factors, like the fact that people of color are more likely to work in industries that don't offer health insurance. **Any negative changes to the Medicaid program are going to disproportionately harm these communities.**

The OHCA has stated that part of the rationale for privatization is to decrease Oklahoma's racial health disparities. However, the evidence in support of that claim is mixed: some studies have linked privatization to increased hospitalizations and emergency room usage, greater barriers to primary and specialty care, and issues accessing prescriptions.[1]

People of color are disproportionately represented in the Medicaid population



Source: U.S. Census Bureau and Oklahoma Health Care Authority

How will privatization impact people of color?

In short, transparency will decrease and burdensome administrative requirements will increase:

- Transparency is absolutely necessary in the fight to end racial health disparities, but it will decrease in a privatized managed care system. There aren't comprehensive data requirements for MCOs, and important data, like the name of contractors and MCOs' access to care outcomes, don't have to be public.[2] Keeping certain data private will weaken advocates' abilities to push for comprehensive and equitable care.

- Administrative requirements disproportionately harm marginalized communities,[3] and simple things like filing an appeal will be harder under managed care. Appeals are currently made directly to OHCA, but in a privatized system, an internal determination is typically required before an individual can appeal to the agency. **This could keep people from accessing necessary care in a timely manner.**

[1] MACPAC, "Managed care's effect on outcomes"
[2] Georgetown University Health Policy Institute, "How Can We Tell Whether Medicaid MCOs are Doing a Good Job for Kids?" (2018)
[3] Health Affairs, " How Administrative Burdens Can Harm Health" (2020)

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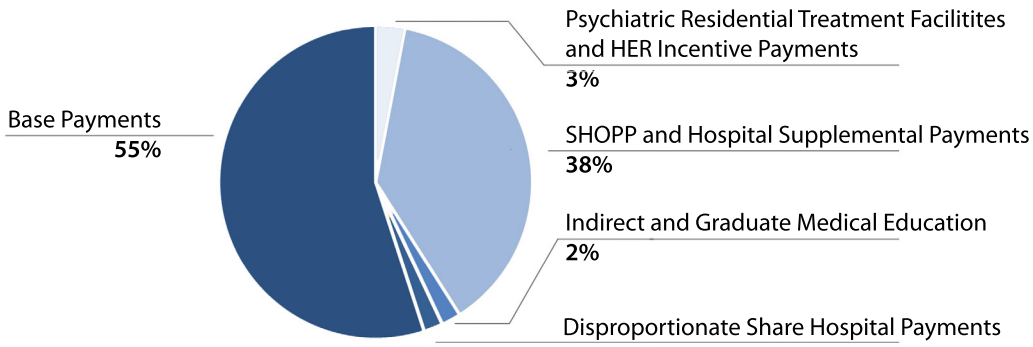
Fewer providers will accept Medicaid

Oklahoma providers have expressed concerns about the privatization of Medicaid. When the state tried this in the 1990s, many providers were forced to stop taking Medicaid patients, suggesting that this time, the "number of physicians willing to serve the Medicaid population will decline," and this decrease will particularly impact rural residents.[1]

Providers will stop participating in Medicaid for a number of reasons, like significant problems with claims and payments:

- After Iowa privatized Medicaid, 66% of providers reported a more complex claims process, and 83% of hospitals were dissatisfied with the new system.[2]
- In some Iowa hospitals, as many as 15% of all Medicaid claims are denied.[3] In Illinois, the hospital association reports that claims to MCOs are denied about 26% of the time. [4]

Hospitals rely on SHOPP payments to survive



Source: Oklahoma Hospital Association

How will this play out in Oklahoma?

Many providers in rural areas depend on the consistency of Medicaid payments to keep the doors open and the lights on. The state has already lost rural hospitals and the pandemic will exacerbate this crisis, so supporting providers is vital to ensuring the health of Oklahomans as the state begins to recover. Providers have requested that MCOs pay interest and penalties on all claims not paid within 30 days,[5] but the Request for Proposals allows 45 days.[6] For hospitals that depend on consistent payments, this could be detrimental.

The Supplemental Hospital Offset Payment Program (SHOPP) supports many of the state's providers. Hospitals pay a fee that is then pooled and redistributed to hospitals that serve Medicaid patients. In 2019, these payments made up 38%, or $665 million, of state Medicaid hospital payments. However, these payments cannot be made for patients enrolled in MCO plans.[7] **Without SHOPP payments, the state will have to find a new way to support hospitals, or hospitals will have to survive on even smaller budgets.**

[1] Oklahoma State Medical Association, letter in response to the OHCA Request for Information (2020)
[2] Modern Healthcare, " Survey shows Iowa providers don't like privatized Medicaid" (2020)
[3] Oklahoma Hospital Association, comment in response to the OHCA Request for Information (2020)
[4] Chicago Tribune, "Illinois hospitals say they're not getting paid, question state's outsourcing of Medicaid" (2019)
[5] Oklahoma Hospital Association, comment in response to the OHCA Request for Information (2020)
[6] OHCA Request for Proposals, page 247
[7] Oklahoma Hospital Association, comment in response to the OHCA Request for Information (2020)

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MANAGED CARE IN OKLAHOMA:
Impacts on the State Budget

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Privatization could cost more than in-house administration

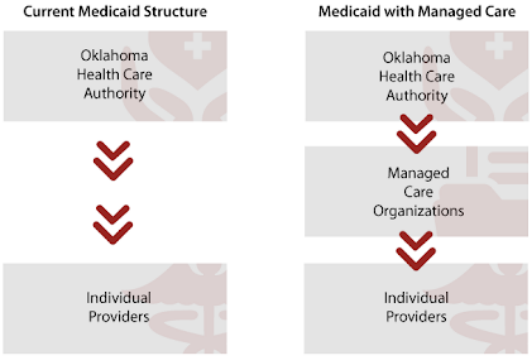
Oklahoma has tried to privatize Medicaid before, but the OHCA ultimately found that it could administer Medicaid for a quarter of the cost and a quarter of the staff.[1] This time around, the cost of privatizing SoonerCare is largely unknown. In addition to adding unneeded bureaucracy into a system that has worked for decades, **this change will likely cost the state more money than what is currently spent on Medicaid.**

- MCOs turn a profit by cutting provider rates, individual benefits, or administrative costs. At 4 percent,[2] Oklahoma's administrative cost is already lower than the overhead costs in most states that use privatized managed care.[3] If MCOs can't make money by cutting administrative costs, they could cut benefits or provider rates, or require more state funding.

- Privatizing Medicaid will require increased funding in the first year. Current payments are made after services are delivered, while capitated managed care payments are made in advance, meaning in the first year of the switch there will be a few months in which OHCA will be paying both types of claims.

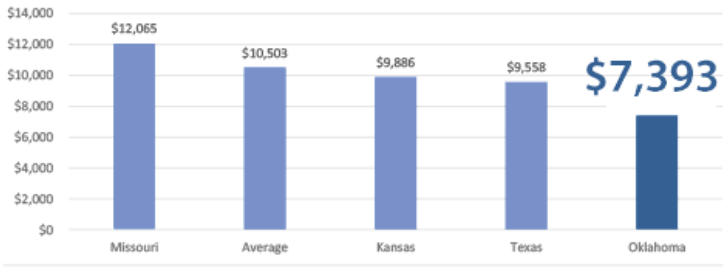
- Oklahoma's cost per enrollee is lower than all non-expansion, managed care states in the region (MO, KS, TX). If Oklahoma's cost increased to this average, Medicaid could cost an additional $716 million annually.[4]

Managed care adds unneeded bureaucracy



Source: OK Policy

Cost per enrollee vs. surrounding states



Note: MO, KS, and TX included in analysis because they were non-expansion states with more than 70% of Medicaid patients covered by managed care at the time of data collection (2019).

Source: OK Policy analysis of data from the Medicaid and CHIP Payment and Access Commission (MACPAC) and Kaiser Family Foundation

Managed care could hamstring the economic benefits that Medicaid expansion promises

Medicaid expansion will be a substantial, ongoing investment into the Oklahoma economy. In the first year alone, the state will see 17,000 new jobs in all 77 counties, $1 billion in new labor income, and $2.5 billion in new direct and secondary spending,[5] which is expected to generate a return on investment of $14-18.[6] Other states have experienced "budget savings, revenue gains, and overall economic growth" after the first year of expansion.[7] However, these immense returns will only be fully realized with a Medicaid expansion that is fully funded, accessible, and **efficiently administered.**

[1] Mathematica Policy Research, Inc, "SoonerCare Managed Care: History and Performance" (2009)
[2] OHCA Annual Report (2017)
[3] Health Affairs, "Medicaid Managed Care: Lots Of Unanswered Questions (Part 2)" (2018)
[4] Oklahoma Policy Institute, "Managed care is a bad investment for Oklahoma" (2020)
[5] National Center for Rural Health Works, "The Economic Benefits of State Question 802 (2020-2024)" (2020)
[6] Oklahoma Policy Institute, "No matter how we fund it, Medicaid expansion will be the best investment we've ever made" (2020)
[7] Kaiser Family Foundation, "The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review" (2020)

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