MANAGED CARE IN OKLAHOMA:
# Myth vs. Facts

OKPOLICY
Oklahoma Policy Institute

## Overview

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| **Myth:** All other expansion states use a privatized managed care model. |
| **Fact:** In nine other expansion states, or nearly 1 in 4, the majority of Medicaid members are enrolled in fee-for-service or PCCM models, which Oklahoma currently uses. |
| **Myth:** SoonerCare currently operates a fee-for-service model, and moving from fee-for-service to capitated managed care will help reduce associated costs. |
| **Fact:** The state Medicaid agency currently operates SoonerCare with an administrative cost of only 4 percent, while Managed Care Organizations (MCOs) can spend up to 15 percent on administration and profit. If SoonerCare administrative costs increased to 15 percent, the state could be on the hook for an additional $135 million.<br><br>Additionally, only 1 in 4 SoonerCare members are enrolled in a traditional fee-for-service system (SoonerCare Traditional). OHCA manages the remaining 75 percent of SoonerCare enrollees through its efficient, in-house, managed care program. With so few enrollees currently in fee-for-service — and with most of those enrollees unlikely to transition to managed care — it would be difficult for OHCA to claim sweeping cost savings from efficiencies from moving away from fee-for-service. |

## Patient Outcomes

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| **Myth:** Privatization will improve health outcomes in Oklahoma. |
| **Fact:** Peer-reviewed evidence about the effects of managed care on health outcomes is mixed at best, and OK Policy analysis suggests privatization will be particularly harmful to rural Oklahomans, people with behavioral health needs, American Indians, and Oklahomans of color.<br><br>Additionally, OHCA's projected 40% decrease in inpatient hospital utilization and 20% decrease in behavioral health utilization will likely result in patient denials for necessary care to keep MCO costs low. |
| **Myth:** Privatization will help improve equity in health care outcomes, as MCOs can address social determinants of health. |
| **Fact:** OHCA can improve equity right now but has not taken any recent steps to do so. Privatization will decrease transparency, limit access to outcome data, and bureaucratize the appeals process, making it harder to access care.<br><br>MCOs will also likely just refer patients to state and local social service agencies, which could shift the responsibilities to other agencies leading to overburdened service providers without meaningfully addressing social determinants of health. |
| **Myth:** Privatization will provide an opportunity to expand adult dental coverage. |
| **Fact:** OHCA could implement adult dental coverage right now, but the state has chosen to only offer emergency extractions for adults. The last time Oklahoma tried to privatize Medicaid, 90% of dentists were forced to stop accepting SoonerCare. If that happens again, dental patients will have very few options and will struggle to access any kind of dental care. |

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## Costs to the State

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| **Myth:** Privatization will save the state money. |
| **Fact:** Peer-reviewed evidence regarding cost is mixed at best, and OK Policy estimates this change could cost the state an additional $904 million annually. |
| **Myth:** If privatized managed care costs more than expected, MCOs will be responsible for the entirety of the cost. |
| **Fact:** The risk corridor in the managed care contract ensures the state will share in both profits and losses. |

## Provider Concerns

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| **Myth:** Providers won't see any rate cuts under a privatized managed care model. |
| **Fact:** OHCA's projected lower utilization rates (40% decrease in inpatient hospital utilization and 20% decrease in behavioral health utilization) will ensure lower pay for providers. The agency's Request for Proposals (RFP) allows MCOs to negotiate different rates with providers, raising concerns that these rates will be lower. If some providers are forced to stop accepting Medicaid because of lower payment rates, the RFP again stipulates that non-Medicaid providers can only be paid up to 95% of the Medicaid payment rates.<br><br>Additionally, the RFP states that OHCA can develop requirements in the future to further the goal of "cost savings." Many advocates and experts predict MCOs will be unable to reduce costs, which would require the companies to lower provider payment rates or demand more money from the state in coming years. Oklahoma's last effort to privatize its Medicaid program was terminated due to MCO demands for increased payments. |
| **Myth:** MCOs will offer resources to support rural providers. |
| **Fact:** Oklahoma experts predict that the new managed care system will force rural providers to stop accepting Medicaid because of increased red tape and delayed or lower payments. |

## Legislative Intervention

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| **Myth:** The Legislature has no power to stop this change since the contracts have already been awarded |
| **Fact:** The Legislature can stop this change. The RFP stipulates that contracts may be terminated for unavailability of funds and lack of "necessary federal or State approval." |
| **Myth:** Voting against funding privatized managed care is effectively voting not to fund Medicaid. |
| **Fact:** The Legislature could appropriate funds to OHCA and stipulate that it not be used for privatized managed care. OHCA's managed care contracts will be rendered void without sufficient funding. |

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