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HEALTHCARE IN IOWA— One MCO leaves and another reaches capacity as privatized Medicaid closes out its second year



Travis K. Fischer
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Michael Randol has a busy month ahead of him.

On Monday, Dec. 4, Randol started his new job as the Iowa Department of Human Services (DHS) Medicaid Director. Randol will be taking over the position from Deputy Director Mikki Stier, who was promoted earlier in the year.

Transferring to Iowa from the Kansas Department of Health and Environment, where he served as that state's Medicaid Director, Randol's appointment comes at a chaotic time for the state's privatized Medicaid program as one of the three companies contracted to administer Medicaid services has abruptly pulled out of the program as it wraps up its second year.

The initiative to privatize Medicaid in Iowa began in 2015 when, facing rising health care costs and being required to pay a greater share of state dollars into the Medicaid fund, then Governor Terry Branstad ordered that the administration of Medicaid services be contracted out from DHS to private companies under the Iowa Health Link program.

Ultimately, three Managed Care Organizations (MCO) were contracted to manage Medicaid services, AmeriHealth Caritas Iowa, Amerigroup Iowa, and UnitedHealthcare of the River Valley. Since April 1 of 2016, most of Iowa's Medicaid population have been served by one of the three MCOs.

Divvying up the \$4 billion Medicaid budget among the three MCOs, the state required MCOs to use a minimum of 88 percent of their Medicaid funds for healthcare, leaving the remaining 12 percent for administration costs. The expectation was that the private industry's care coordination would reduce overall expenditures, allowing them to offer the same services for less money.

However, the first months of privatized Medicaid were met with controversy as Medicaid service providers reported hun-



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dreds of millions of dollars in unpaid or underpaid claims from the MCOs.

Meanwhile, the MCOs reported hundreds of millions in losses of their own. In end-of-year reports, AmeriHealth Caritas alone reported a net loss of \$293 million as Medicare spending exceeded premium income by more than ten percent.

In spite of the state securing additional federal funds through the Affordable Care Act to help make up for the losses, it seems that the Medicaid situation in Iowa has become too costly for that particular MCO. On October 31, AmeriHealth Caritas announced that it would be withdrawing from the Iowa Health Link program effective November 30, forcing their 212,000 members to seek an alternative for Medicaid coverage.

This announcement has left the Iowa DHS in a scramble to divvy those members between Amerigroup and UnitedHealthcare. However, an additional complication arose as Amerigroup, which serves approximately 186,000 people, announced that they had reached the limit on the number of Medicaid recipients they could manage.

"Members were initially informed that they were able to make a choice. That they could go with Amerigroup," said DHS spokesman Matt Highland. "Those that did make that choice by the deadline, we're covering

them with Iowa fee for service until Amerigroup can take them on."

Roughly 10,000 former AmeriHealth clients that chose to transition to Amerigroup will instead be covered by the state's own fee-for-service program, which offers Medicaid services for Native Americans and people waiting to be transitioned into an MCO. The sudden influx of people isn't expected to be a problem for the state program.

"We typically have about 40,000 people in fee-for-service each month as it is," said Highland.

As Amerigroup works to increase their capacity and the state searches for a new company to join Iowa Health Link, the remainder of Medicaid recipients will be assigned to UnitedHealthcare, putting roughly two-thirds of Iowa's Medicaid recipients into their care for the immediate future.

"UnitedHealthcare and the department are both confident in their ability to serve the additional members they are receiving," said Highland.

The departure of AmeriHealth from the Medicaid scene affects healthcare providers as well, as they may need to reconsider how they approach their contracts with the remaining two MCOs. To facilitate the transition, the state has declared that providers contracted with AmeriHealth will be treated

as though they are in-network with the two remaining MCOs for the remainder of the year. This will allow Medicaid recipients that have found themselves involuntary assigned to a different MCO to continue to receive services as usual.

"The main message that the department wants to get out is that there is no gap in coverage," said Highland. "The department is working to make sure the transition is as smooth as possible for the members."

With only one MCO capable of taking on new members, a question has been raised about whether the state needs a federal waiver to suspend the requirement that Medicaid enrollees are guaranteed a choice of provider. Highland says that DHS has been in close communication with the Centers for Medicare and Medicaid Services (CMS) about the situation.

"Typically states have the ability to work through issues like this," said Highland. "No actual approval is needed from CMS, but they are aware and have provided their full support needed to offer a smooth transition."

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As of December 1, all new entries into Iowa's Medicaid program will be placed under UnitedHealthcare's service for the immediate future.

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