

What's HUSKY going to cost into the future

Estimating PCCM and HMO costs

The last year has been disruptive for HUSKY – consumers, providers and the state

Aside from significant disruptions in care and deep concern over the small number of participating providers, concerns have also been raised about the impact on the state budget. Given a significant deficit is expected this year, policymakers are searching for ways to save money on programs. Primary Care Case Management (PCCM) for HUSKY offers that opportunity, especially as an alternative to more costly managed care organizations.

Last November, the Governor ended the contracts with the four HUSKY HMOs moving to a short term non-risk arrangement that still covers most families in the program. Providers are paid on a fee-for-service basis for the care they deliver and the HMOs are paid \$18.18 per member per month for their largely reduced duties. However, DSS plans to require all HUSKY members to move back into capitated HMOs very soon. Also during this time, provider rates were increased in January, authorization for all prescription drugs in the program was “carved out” or taken away from the HMOs in February, and all HUSKY dental care was also “carved out” or taken away from the HMOs in September and is coordinated by another company.

PCCM as an alternative to HMOs for HUSKY

Two years ago, seeking an alternative to the unstable HMO system, the General Assembly directed DSS to implement a PCCM pilot. That pilot is scheduled to begin serving HUSKY families on January 1st. PCCM is a way of running Medicaid without HMOs at all. Thirty other states successfully use PCCM to run their programs - both providers and patients are generally more satisfied with PCCM programs than with HMOs, it is easier to get health care services and people are healthier. In PCCM, consumers choose a Primary Care Provider (PCP), a doctor, nurse practitioner, or physician assistant, who agrees to provide all their regular health care and coordinate any other care they need including arranging for tests, collecting results and making specialty appointments. In PCCM, PCPs are paid for the health care services they provide to patients as well as \$7.50 per member per month to compensate for care coordination.

We have estimated the future costs of the HUSKY program under the new HMO contracts compared to PCCM. The basis for the calculations are total HUSKY program costs in November 2007 (before the HMOs were terminated) adjusted for the 24% HUSKY HMO rate increase negotiated by DSS compared to costs in May 2008 (during the current non-risk, fee-for-service arrangement) . We adjust for the change in enrollment between those months, the \$18.18 per member per month fee paid to the HMOs in May and the \$7.50 per member per month fee under PCCM. The impact of the pharmacy carve out and the increase in provider rates could not be determined. Plans for those changes pre-dated and were independent of the decision to move to the fee-for-service platform - those program changes (and their associated costs) would have occurred in either system.

| | November 2007 | May 2008 | 2008/2009 MCOs | 2008/2009 PCCM |
|--|---------------|--------------|----------------|----------------|
| Program costs | \$61,462,143 | \$73,337,822 | | |
| Enrollment | 325,530 | 337,181 | 346,605 | 346,605 |
| Per member per month program costs | \$188.81 | \$217.50 | | |
| Adjust for administrative fees & HMO increase | \$188.81 | \$199.32 | \$234.12 | \$206.82 |
| Total program costs at current enrollment | \$65,441,238 | \$69,086,290 | \$81,147,135 | \$71,685,827 |
| Annual cost of switching from current system to HMOs | | | \$144,730,138 | |
| Annual savings of PCCM over HMOs | | | | \$113,535,688 |

Bottom Line:

Switching now from the current fee-for-service program to HMOs is likely to cost HUSKY over \$100 million/year. Switching instead to PCCM could save the state \$114 million annually over the HMOs.

Sources:

DSS reports to the Medicaid Managed Care Council, 9/19/08 and 10/10/08, ACS HUSKY A + B enrollment reports