

Jennifer Carlson
Executive Director,
Ohio Commission to Reform Medicaid
30 E. Broad St., 32nd Floor
Columbus, OH 43215-3414

November 1, 2004

Dear Ms. Carlson:

The Ohio Hospital Association (OHA), on behalf of our member hospitals, would like to comment on the proposed expansion of managed care for the Commission's consideration. While OHA is not opposed to the expansion of managed care in Medicaid, we do have some reservations about the details of such an expansion:

- ❖ With any proposal to divert Medicaid enrollees into for-profit Managed Care Plans, hospital administrators must continue to be able to fulfill their fiduciary responsibilities and negotiate their own contracts with Medicaid HMOs. A rule is currently being proposed that would eliminate that freedom, so without the Commission's opposition to that rule, OHA will most likely not be able to offer support to any expansion of managed care.
- ❖ Second, Ohio hospitals' experience with Medicaid Managed Care has been, overall, a good one. However, too many times in the recent past, incompetent and under-capitalized Managed Care corporations have gone out of business without paying hospitals for services already delivered. The experience with such corporations has cost Ohio hospitals tens of millions of dollars in the past decade. Any proposed expansion of managed care must be accompanied by increased oversight and regulation of Managed Care corporations, including higher reserve requirements and even perhaps a guarantee of payment by the state in the event of insolvencies. Especially relating to expansion of managed care to the Aged, Blind, and Disabled population, the riskiest and costliest population to insure, heightened requirements on these corporations are crucial.
- ❖ Again, OHA is not opposed to an expansion of Medicaid Managed Care, but we would prefer to see a recommendation come from this Commission that calls for various demonstration projects around the state to provide evidence of success before transitioning all A,B,D Medicaid recipients into an unproven managed care program.
- ❖ Fourth, OHA is concerned that no patient advocates have been involved in Managed Care Subcommittee discussions. We believe it is necessary to garner input from the most affected constituency in this process before implementing such a radical change in the safety net insurance program in this state.
- ❖ Lastly, if any proposed expansion of managed care includes the diversion of Hospital Care Assurance Funds or Graduate Medical Education funds in order to help pay for-profit Managed Care corporations, the OHA will vociferously oppose such a proposal. Hospitals in Ohio provide over \$700 million annually in uncompensated care due to providing services to Medicaid and other indigent patients. Hospital Care Assurance funds only reimburse hospitals for less than half of that amount, so any proposed reduction in the already insufficient funding level will be met with considerable opposition by OHA.

OHA realizes that the state has a serious budgetary crisis and Ohio hospitals are willing to help. Ohio hospitals are open to provider-based case management programs that have been proven to reduce the need for costly inpatient services around the country. OHA believes that this sort of managed care could achieve higher savings in the long run than the level of savings claimed by these for-profit Managed Care corporations. However, OHA is willing to support the expansion of Ohio's Medicaid Managed Care program if the concerns outlined above are allayed.

OHA thanks this Commission for providing a forum for our input and we hope that we can be a critical source of support for the Commission's recommendations.

Sincerely,

A handwritten signature in black ink that reads "John E. Callender". The signature is written in a cursive style with a long horizontal stroke at the end.

John E. Callender
Sr. Vice President

JEC/rb

cc. Bridget Gargan
Berna Bell
Teaching Hospitals
OHA Finance Committee