State Position Paper

Illinois Health and Hospital Association
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Support Medicaid Managed Care Reforms: Standardization, Accountability, and Transparency

Issue: As the state enters its seventh year of serving more than 2.5 million Medicaid beneficiaries through private Managed Care Organizations (MCOs), performance issues continue to hinder partnerships between providers and health plans. To foster constructive relationships and achieve the goal of providing high quality, coordinated care for Medicaid beneficiaries, the state must continue to hold MCOs accountable for their performance.

IHA Position: IHA urges the General Assembly to exercise its critical oversight authority by supporting commonsense initiatives in Senate Bill 2006, which will improve:

- **Transparency** in the state's MCO contracts and policy guidance;
- **Standardization** of MCO hospital potentially preventable readmission (PPR) policies; and
- **Accountability** for unilateral contract/policy changes implemented by MCOs.

Transparency in Medicaid Managed Care State Contracts and Policy Guidance

Amendment Summary: 305 ILCS Sec. 5/5-2.01(d) New. Medicaid accountability through transparency program.

- Requires the Department of Healthcare and Family Services (HFS) to post to its publicly available website:
  - All current contracts with the MCOs, including amendments and exhibits, for at least two years after the termination or expiration of such contracts;
  - All "Operational Policy Changes" issued to the MCOs over the past year; and
  - Any subsequent contracts, including amendments and exhibits, and any new "Operational Policy Changes" within 60 days of execution.

Issue Background:

- Currently, HFS publishes a single, generic MCO "Model Contract" on its website. This document has not been updated for more than three years.
- HFS does not publish its official communications and directives to the MCOs, which are termed "Operational Policy Changes."
- MCOs routinely assert that they are "required" or "prohibited" by contract and/or "Operational Policy Changes" to take certain actions that affect providers.
- Providers are bound by the terms and conditions of HFS' directives to the MCOs, but cannot verify whether MCO actions are, in fact, compliant with HFS' contracts and state laws, regulations, and guidance.
- The MCO contracts are essentially an extension of the Medicaid State Plan and administrative rules, and are similar to the Medicaid fee-for-service (FFS) provider handbooks, notices, rate sheets, and other provider guidance, all of which are publicly available on HFS' website.

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- MCO contracts have previously been deemed eligible for release under the state's Freedom of Information Act (FOIA) statute. Public posting would eliminate the need for the public, providers, and the General Assembly to make FOIA requests to access these documents.

In the interest of equal treatment and transparency, all stakeholders should have access to state-issued contractual and policy guidance.

Standardization of MCO PPR Policies

Amendment Summary: 305 ILCS Sec. 5/5-30.1(g-12) New. Managed care protections

- Directs HFS to require all MCOs to immediately discontinue any current PPR policies and prohibits implementation of any new policies until HFS has:
  - Implemented, by administrative rule, an updated PPR policy for the FFS program; and
  - Published acceptable guidelines for any PPR program.
- Requires any PPR program to exclude behavioral health services.
- Prohibits the application of payment penalties for readmissions when the patient was originally discharged from a different facility.
- Requires HFS to establish a transparent process for public review and comment on any proposed PPR policy prior to the approval by the agency.

Issue Background:

- MCOs operate proprietary PPR programs that deny payment for a hospital stay that the health plan has "deemed" a readmission, even when the subsequent admission is to a different hospital.
- The MCOs' PPR policies are administratively burdensome and punitive, particularly for Safety Net hospitals that care for the most vulnerable populations.
- These programs are not uniform or in alignment with the HFS' PPR policy, as authorized by the General Assembly in 2012.
- When HFS discontinued its PPR policy due to the diminishing FFS population, it noted in its administrative rule filing that it would examine revising the program to consider services provided to individuals covered by the MCOs.
- HFS has acknowledged the issue with the various programs and their lack of uniformity.

Standardization of MCO PPR policies would give hospitals and MCOs appropriate incentives to provide high quality, coordinated care to patients with complex medical and social needs.

Accountability for MCO Unilateral Contract Changes

Amendment Summary: 305 ILCS Sec. 5/5-30.1(g-13) New. Managed care protections

- Requires HFS approval of any MCO proposal to make a unilateral, material change to a provision of its contract with a provider if the change could have an adverse effect on provider reimbursement or add administrative burden. Such changes are usually made through provider notices, manuals, and other policy documents.

- Requires HFS to develop a transparent process through which MCOs must submit, prior to implementation, requests for approval of a material change. The process must:
    - Provide an opportunity for public review and comment;
    - Ensure all comments are considered and responded to prior to issuing a determination; and
    - Require the MCOs to give providers at least 90 days prior notice prior to implementation of an approved request.
- Provides an exception for material changes that are required by federal or state law or regulation, or when mutually agreed to by the health plan and the provider.
- Protects providers from being pressured by an MCO to accept a material change that has not been approved by HFS.

Issue Background:

- The MCOs regularly apply clinical, payment, and audit policies that inappropriately reduce reimbursement, deny medically necessary care, and/or are not compliant with federal and state laws and regulations.
- These policies are implemented unilaterally across a class of providers, often with limited or no prior notice to providers.
- Hospitals currently have no viable options other than accepting these changes or terminating their contracts.

Requiring a notification and approval process would allow HFS greater oversight of MCO actions that adversely effect on critical Medicaid providers and the patients they serve.

Summary

To ensure greater **transparency, accountability, and standardization** in Medicaid managed care, IHA urges the General Assembly to pursue the reforms in Senate Bill 2006. Leveling the playing field will relieve the growing administrative burden on providers, as well as minimize confusion, disputes, and complaints from both MCOs and providers. By adopting these practical reforms, the state has an opportunity to move past operational challenges and towards meeting the promise of improved patient care and health outcomes through enhanced MCO care coordination.

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