

**Insure Missouri:
A Brief Analysis of Missouri's New Medicaid Managed Care
For Working Parents & Other Working Adults**

*By Professor Sidney D. Watson
Saint Louis University Center for Health Law Study
sdwatson@aol.com*

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Insure Missouri is a new program intended to offer working adults Medicaid Managed Care coverage with more limited benefits than traditional Medicaid, now called MOHealthNet. Insure Missouri does not restore the cuts to Medicaid eligibility or services enacted in 2005, although it does give some of the working adults cut from Medicaid more limited health insurance coverage via managed care plans.¹

This paper offers a brief discussion of how Phase I of Insure Missouri uses market and HMO theory in an attempt to increase access to affordable health insurance and better medical care. It also outlines how the program falls short of its promise to offer health insurance coverage "comparable" to that offered to state employees. This analysis concludes that Insure Missouri offers promise but comes with potential pitfalls that could be alleviated by legislative action.

This analysis is based on the state's Request for Proposals (RFPs) seeking bids from private companies to provide Insure Missouri coverage. The state has not promulgated regulations to guide administration of the program so the RFP is the only official source providing details about how Phase I may operate.

What is Insure Missouri?

Insure Missouri is Medicaid, but with a more limited-benefit package. Federal Medicaid law requires that state Medicaid programs cover certain mandatory services including both acute care services—physician and hospital care—and long term nursing home care. Federal law also mandates that states provide all categorical groups who are Medicaid-eligible with the same benefit package.

The state of Missouri is seeking federal approval to operate Insure Missouri as Medicaid with more limited benefits that do not include long term care. The Deficit Reduction Act of 2005

(DRA) gives states new flexibility to offer working adults less comprehensive Medicaid coverage that does not include nursing home and other long term care, thus looking more like the coverage offered by private employers. States may not use this new DRA option to deny nursing home care and other long term care coverage to people who are disabled and the elderly, among others.

Insure Missouri offers limited-benefits Medicaid coverage to working adults, ages 19-64. Phase I, slated to begin March 1, 2008, will cover working parents and other caretaker relatives age 19 and above with earned incomes below 100% of the federal poverty line (FPL), \$13,690 for a family of 2.² Phase II, to begin in summer 2008, will cover all working adults—both those who are parents and those who are childless—with incomes up to 185% of the FPL. Phase III, to begin in January 2009, will cover employees of small businesses up to income levels set by the General Assembly.³

Insure Missouri's more limited benefit package covers acute care services that are similar to—although more limited than—typical employer sponsored health insurance: inpatient and outpatient hospital care, physician services, lab and other diagnostic tests, prescription drugs, durable medical equipment, home health, mental health and substance abuse treatment, and emergency care. It does not cover long term care services like nursing home care, home and community based services or other specialized Medicaid services designed for the special needs of those with disabling physical or mental conditions.⁴ Neither does the program provide EPSDT services for parents and other caretakers who are ages 19-21. The program specifically excludes pregnant women and maternity care. Women enrolled in Insure Missouri who become pregnant will be reenrolled in traditional Medicaid which does cover maternity care.

Insure Missouri will not assist working age Missourians who need home-based long term care or nursing home services. Long term care services, except for personal care services, are not covered by Insure Missouri.⁵ Working age Missourians who need long term care remain ineligible for non-limited benefits Medicaid long term care unless they can qualify for Medicaid as parents earning no more than 16-21% of the federal poverty line, \$292 per month for a family of three, or as permanently and totally disabled.

And Insure Missouri does not restore the 2005 cuts to Medicaid eligibility for those who qualify as disabled or elderly. Since 2005, Missouri Medicaid only covers those disabled and elderly who have incomes up to 85% of the federal poverty level, \$11,637 a year for a family of two, or who spend down all their income over this amount for medical care—income limits substantial below those for Insure Missouri.

The Promise of Insure Missouri Managed Care coverage

Insure Missouri offers Medicaid Managed Care HMO coverage. The state has issued a Request for Proposals (RFP) offering to contract with HMOs and insurance companies for HMO-style coverage in counties though out the state of Missouri. The state will pay the company a flat per person, per month rate for all covered services. The company then contracts with individual

physicians, hospitals and other providers to care for Insure Missouri enrollees. Those eligible for Insure Missouri must enroll in an Insure Missouri private managed care plan that provides HMO-style coverage, i.e. the private plan will only reimburse for services provided by a provider who participates in its network. There is no coverage—except for emergencies or other very limited circumstances—for out of network care.⁶

The most interesting aspect of Insure Missouri is that it tries to leverage the state's Medicaid purchasing power in an attempt to assure that patients can find a doctor who accepts Medicaid payment. Historically, rural Missouri residents have found it difficult and often impossible to find a local physician who accepts Medicaid payment. The Insure Missouri RFP addresses this problem by requiring that companies that provide Insure Missouri coverage must meet the state of Missouri's HMO network access standards which require that rural patients have access to primary care physicians within 30 miles, specialists within 100 miles, outpatient mental health services within 45 miles, and basic hospital care within 30 miles.⁷ Companies that wish to provide coverage in urban areas must also bid to provide coverage in at least one more rural area.⁸

If companies that bid to provide Insure Missouri coverage can develop adequate provider networks to meet the state's HMO access requirements in all parts of the state, including rural areas, Insure Missouri will signal an important step forward in improving access to medical services in rural Missouri. However, it remains to be seen whether companies can develop adequate HMO networks in rural areas where private HMO coverage is typically not available because HMOs have been unable to develop networks.⁹ It remains to be seen whether the lure of public dollars can spur the development of rural HMO networks. State oversight will be crucial in assuring that provider networks meet state law requirements and the needs of those enrolled in Insure Missouri.

The Pitfalls of Insure Missouri HMO coverage

In Insure Missouri, the state pays the HMO or insurance company a flat premium per person, per month fee for all covered services. The company is at financial risk if an individual's medical care costs are higher than the state's premium. The company can also make money if they can deliver care for less than the premium. The risk for Medicaid HMO patients, as with any form of managed care, is that the company will deny medically necessary care in an attempt to enhance its own income and profits. The state will need to adequately police the program to assure that patients are not denied medically appropriate care.

The state also needs to assure that private company administrative costs and profits are reasonable and that the state's premium is not spent on overhead rather than medical care. In 2006, Medicaid HMOs in Missouri reported administrative costs ranging from zero to 17.6%.¹⁰

Insure Missouri creates unnecessary, duplicative administrative costs and paperwork, draining funds away from medical care.

The simplest and most straight-forward way to expand Medicaid Managed Care coverage in Missouri would be to expand the state's existing Medicaid HMO system, MOHealthNet Managed Care, formerly called MC+ Managed Care. MOHealthNet Managed Care covers parents, children and others in eastern and western Missouri and along the I-70 corridor. In January 2008, MOHealthNet Managed Care will expand into 17 new counties, operating in 58 of Missouri's 115 counties. MOHealthNet Managed Care already offers different benefit packages to different enrollees, and the state could have added a new DRA compliant, limited-benefit Medicaid package for working parents, caretakers and other adults to MoHealthNet Managed Care.

However, instead of expanding MOHealthNet Managed Care, Insure Missouri creates a new, separate program that looks remarkably like MOHealthNet Managed Care. The Requests for Proposals (RFPs) for the two programs are identical in many respects. Insure Missouri uses the quality assurance, reporting and oversight standards that the state has developed for MOHealthNet Managed Care. However, because Insure Missouri is set up as a separate program, private companies that contract to provide both MoHealthNet and Insure Missouri coverage will be required to maintain two completely different sets of encounter data, pharmacy records, and other quality reports. State oversight will be done through separate oversight visits and separate evaluations.¹¹

The consultants hired by the state to develop the Insure Missouri premium rates, calculated that managed care administrative costs, overhead and profits added 11.5-12.5% to state's premium costs.¹² One would anticipate that reducing duplicative paperwork required for instituting an unnecessary new program would lower these administrative costs and make more public money available for medical care.

Insure Missouri creates inequities in physician payments and may make it even harder for those who depend on other parts of Medicaid to be able to find a physician who will accept Medicaid reimbursement

In calculating the estimated premium costs for Insure Missouri, the state assumed that physicians will be paid 80% of Medicare rates.¹³ However, MOHealthNet—the rest of Missouri's Medicaid program—pays physicians only 55% of Medicare rates.¹⁴

Governor Blunt recently announced a proposal to increase MOHealthNet physician reimbursement to 65% of Medicare rates effective July 1, 2008.¹⁵ However, even with this increase there would still be a 15% difference in payment rates between the two parts of Medicaid. Moreover, both programs will continue to pay substantially below Medicare and typical employer-sponsored insurance.

Low physician payments rates and low physician participation is one of the biggest problems that faces Missouri Medicaid. The state is to be commended for raising physician rates for Insure Missouri a decision that may make it easier for participating private plans to attract

sufficient physicians to meet network access requirements. However, it also creates inequalities between those enrolled in this new limited benefit program and those in traditional Medicaid. It may make it even harder to attract physicians to MOHealthNet.

Co-pay requirements will cause lower-income families to forego preventive and primary care and rely more on expensive emergency room care, increasing the State's costs.

Insure Missouri requires that HMOs charge co-payments for a variety of services including preventive and primary care.¹⁶ A plethora of studies show that co-payments cause lower income patients to forego preventive and primary care and to rely more on expensive emergency room care.¹⁷ The actuarially sound premium rates the state developed for Insure Missouri acknowledge these findings and reflect higher cost estimates because of the co-payment requirements.¹⁸ Imposing co-pays not only discourages early and better medical care, but increases the cost for HMO coverage.

Insure Missouri does not include medically necessary, cost effective services covered by Missouri's state employee health insurance and other employer sponsored health insurance.

Insure Missouri does not require that managed care companies cover *physical therapy, speech therapy or occupational therapy*. Not only are outpatient rehabilitation services often medically necessary, they are typically cost effective treatments. Physical therapy for orthopedic problems can often negate the need for surgery. When surgery is necessary, for example to set a broken arm, is likely to be ineffective if not followed by physical therapy to regain full use of the limb.

Insure Missouri also does not include any *dental* benefits. Typically employer-sponsored plans, including the state employees plan, cover dental care as medical care when needed as the result of trauma.¹⁹ Many employer-sponsored plans also offer additional dental care through separate dental coverage for an additional premium. Annual dental exams are especially important for those with diabetes and other chronic illness to prevent complications. Good dental health is a prerequisite for many jobs in the service sector where employers care about their employees' appearance when they interact with customers.²⁰ Since Insure Missouri is supposed to mimic private employer-sponsored coverage, the state should do as private employers do and add a separate dental benefit paid for directly by the state on a fee for service basis or through state-paid premiums to a dental benefits firm.²¹

Neither does Insure Missouri cover any *vision* care. Basic state employee coverage includes one vision exam per year and additional benefits are available through separate vision coverage for an additional premium.²² As with dental care, those with diabetes and other chronic conditions should have an annual vision exam to manage the disease and prevent complications. The state should structure Insure Missouri to offer vision coverage similar to that offered in the private employer sponsored market, either as part of the managed care benefits package or as separate coverage paid for by the state on a fee for service basis or through state-paid premiums to a vision benefits firm.

Insure Missouri managed care plans are not required to cover the cost of transportation to and from non-emergency medical treatment, a critical access issue for rural residents.

Numerous studies document that lack of transportation creates barriers to health care for low-income working families like those Insure Missouri is to cover.²³ Transportation costs are a special problem in rural areas where Missouri's HMO rural network standards still require rural residents to travel relatively long distances for care: up to 30 miles for a primary care visit, 100 miles to see a specialist, and 100 miles for comprehensive cancer treatment or trauma care.²⁴ In the long run, assuring the low income families have access to non-emergency transportation is likely to be cost effective.

Federal Medicaid law requires that state Medicaid programs must ensure necessary transportation for beneficiaries to and from medical providers.²⁵ Since Insure Missouri managed care plans are not obligated to provide non-emergency transportation, the state must ensure that those enrolled in Insure have transport to and from medical care.²⁶ The state already contracts with non-emergency medical transportation providers to transport other Medicaid enrollees: These contracts could be extended to include Insure Missouri enrollees.

Conclusion

Insure Missouri is an interesting attempt to use market and HMO theory to increase access to affordable health insurance. However, the program falls short of its promise to offer health insurance coverage "comparable" to that offered to state employees. Moreover, adequate legislative and administrative oversight is important to assure that enrollees have access to quality medical services in a managed care environment that creates profit-making incentives.

¹ See, Joel Ferber, *Insure Missouri: Early Observations*, October 11, 2007.

² For an explanation of how the Insure Missouri income eligibility rules discriminate against those with child support and other "unearned" income, see Joel Ferber, *Insure Missouri: Early Observations*, October 11, 2007, at 9, at 15-15-16.

³ *Insure Missouri, Estimated Enrollment and Costs*, Department of Social Services, September 27, 2007, available at www.insuremissouri.org.

⁴ For example, Insure Missouri does not cover Comprehensive Substance Abuse Treatment (CSTAR), Community Psychiatric Rehabilitation Services, Adult Day Health. See, *Insure Missouri Program RFP*.

⁵ *Insure Missouri RFP 2.7.1.1* (personal care services included in the benefits package).

⁶ See *Insure Missouri RFP 2.4.9* (out of network coverage for emergency care).

⁷ *Insure Missouri Program RFP 2.14.3* and 20 CSR 400-7.095, Exhibit A.

⁸ The Insure Missouri contract award system favors plans that propose to cover the entire state. All bidders must bid on new regions as well as regions in which MOHealthNet Managed Care is already offered. *Insure Missouri Program RFP 5*.

⁹ See, *Missouri Consolidate Health Plan, HMO Plan Option only available in certain parts of the state*, http://www.mchcp.org/se_member/se_medben_hmo.htm

¹⁰ See *Missouri Department of Insurance, 2006 Missouri Health Maintenance Organization Report*, at 53, reporting medical loss ratios, i.e. the portion of premiums that go to medical expenses rather than administrative costs and profits.

¹¹ See, *Insure Missouri Program RFP Questions and Responses #11, 22-23*.

¹² *Insure Missouri RFP, Questions and Response, # 158*. The overhead percentage assumes a 2-3% company profit on average over a 3-5 year timeframe. *Id.*, at #293.

¹³ *Insure Missouri RFP, Attachment 8, at 4; Q&A, # 296, 291*. The premium rates assume that hospitals and providers, other than physicians, will be paid 100% of Medicaid rates. *Id.* Private companies are not required to pay physicians and other providers at the rates used to compute premium rates. Companies are free to negotiate the best rate they can. *Id.*

¹⁴ The fee for service rate is 55% and this is the rate that is used to calculate the premium for MOHealth Net Managed Care. See, *Insure Missouri RFP, Questions and Responses #296*.

¹⁵ Gov. Blunt proposes increasing Medicaid payments to doctors, *St. Louis Post-Dispatch*, p.C7 (December 28, 2007).

¹⁶ *Insure Missouri RFP 2.4.5*. Co-pays for Phase I are as follows: Physician and Advance Practice Nurse, \$1; FQHC and Rural Health Clinic, \$1; Lab, x-rays, \$1; Psychologist, \$1; Outpatient Hospital, \$3; Inpatient Hospital, \$10. Co-payments for other phases are yet to be determined but are limited to 5% of income. *Id.*

¹⁷ See, e.g., Leighton Ku & Victoria Wachino, *The Effect of Increased Cost Sharing in Medicaid: A Summary of Research Findings* (Ctr. on Budget & Pol'y Priorities, Washington, D.C.), July 7, 2005, available at <http://www.cbpp.org/5-31/05health2.pdf>; Samantha Artiga & Molly O'Malley, *Increasing Premiums and Cost-Sharing in Medicaid and SCHIP: Recent State Experiences*, Issue Paper (Kaiser Comm'n on Medicaid & Uninsured, Washington, DC.), May 2005, available at <http://www.kff.org/medicaid/7322.cfm>

¹⁸ *Insure Missouri Program RFP, Attachment 8 at 4*.

¹⁹ See, *Missouri Consolidated Health Plan HMO and Co-Pay Benefits*,

http://168.166.24.228/2007%20Benefits/SE_ResultsComparison.asp

²⁰ Susan Starr Sered and Rushika Fernandopulle, *Uninsured in America* (University of California Press: 2007)

²¹ For an example of how coverage is offered to state employers, see Missouri Consolidated Health Plan, at http://www.mchcp.org/se_member/se_dental.htm...

²² Missouri Consolidated Health Plan HMO and Co-Pay Benefits, http://168.166.24.228/2007%20Benefits/SE_ResultsComparison.asp.

²³ See, e.g. *Lack of Transportation Creates Barrier to Health Care for Low-Income Children, Study Finds*, *New York Times*, July 21, 2001, available at http://www.kaisernetwork.org/daily_reports/rep_index.cfm?hint=3&DR_ID=5764

²⁴ 20 CSR 400-7.095, Exhibit A.

²⁵ 42 C.F.R. 431.53.

²⁶ While the DRA allows states to exclude non-emergency transportation as a covered service in Medicaid limited-benefit plans, states are still obligated to ensure that all Medicaid enrollees, including those in DRA-type limited benefits plans, have access to medically-necessary transportation paid for as an administrative expense. See, 42 U.S.C. 1396a(a)(4)(A); 42 C.F.R. 431.53.