New Medicaid Managed Care Contracts Awarded

Five insurers to provide coverage for Medicaid clients across Kentucky

FRANKFORT, Ky. (July 1, 2015) – The Commonwealth of Kentucky has signed new contracts with five managed care organizations (MCOs) to provide healthcare services to Kentuckians who meet eligibility requirements for Medicaid.

Individuals in all 120 Kentucky counties who are eligible for Medicaid may choose Anthem, Coventry Cares, Humana, Passport or Wellcare as their healthcare provider. Statewide contracts awarded to the five MCOs are effective July 1, 2015 for an initial one-year period with four, one-year renewal options.

Managed Care is a health care delivery system designed to manage cost, utilization and quality. Medicaid managed care provides for the delivery of Medicaid health benefits and additional services through contracts between Medicaid and the MCOs that accept a set per member, per month payment for these services. By contracting with MCOs to deliver Medicaid health care services, states can reduce Medicaid program costs and better manage utilization of health services. Improvement in health plan performance, health care quality and health outcomes are key objectives of Medicaid managed care.

In April, the Cabinet for Health and Family Services (CHFS) issued a Request for Proposals (RFP) seeking competitive proposals from MCOs to coordinate the healthcare services provided to more than 1.1 million Kentuckians who have met eligibility requirements and are enrolled in either traditional Medicaid or Medicaid expansion.

The state’s current contracts expired June 30, 2015. The new contracts take effect today, July 1.

“The Cabinet is pleased to see the continued interest and response to our RFP containing many improvements that should please consumers, advocates and our healthcare providers. This will translate into more options and improved services from our Managed Care companies,” said CHFS Secretary Audrey Tayse Haynes. “Statistics confirm that moving to a managed care model has saved Kentucky taxpayers more than $1.3 billion in state and federal funds while simultaneously improving the delivery of health care services to our Medicaid population.”

The new contracts put standardized processes in place that will help healthcare providers by improving administrative processes; increase oversight in many areas, including appropriate denial of claims; include incentives for MCOs to work with Medicaid members and providers to decrease the overutilization of emergency rooms; encourage MCOs to assist in the continued expansion of behavioral health services; incentivize the MCOs to
continue to improve health outcomes for Medicaid members; and address concerns that penalties assessed on the MCOs are not sufficient or stringent enough to ensure contract compliance. Now that the MCO contracts are signed, workgroups with the MCOs and Cabinet staff will begin immediately for implementation of all contract improvements by January 1, 2016.

Some of the changes incorporated into the new contracts include:

- Establishing a **standardized contract** for all MCOs with the Commonwealth;
- Requiring **statewide coverage** from all contracted MCOs;
- Mandating that 82-87 percent of member capitation payments to the MCOs must be expended for direct services to Medicaid members;
- Adding an **incentive pool** for the MCOs to improve health outcomes;
- Requiring the use of **national standards designated by the Cabinet to determine “medical necessity”**;
- Ensuring the appropriate medical specialists are making “medical necessity” determinations and reviewing cases on behalf of the MCOs;
- CHFS will be reviewing “medical necessity” denials and denials of payment for emergency room use for contract compliance;
- **Expanding performance requirements** for Medicaid members’ pharmacy benefits;
- Requiring the use of **standardized forms for prior-authorization requests, grievances or appeals for members and providers, and claims submittal**;
- Using **nationally accepted uniform standards for credentialing** all health professionals;
- Strengthening requirements for the provision of behavioral health services;
- Developing practical and convenient alternatives to non-emergent emergency room utilization;
- Requiring timely updates by the MCOs to their online provider network information within 10 days of changes being made to the network;
- Requiring MCOs to serve persons with Severe Mental Illness (SMI) as persons with special needs; and
- **Increasing penalties** for non-conformance with contract requirements.

Under the terms of the new contracts, the MCOs will serve more than 1.1 million Kentuckians who are enrolled in the Medicaid program. These individuals are either children or pregnant women; aged, blind or disabled; or have income that falls below 138 percent of the Federal Poverty Level, which equates to an individual making less than $16,000 a year or a family of four with an annual household income below $36,000.

Gov. Beshear has made improving the health and wellness of Kentucky’s children, families and workforce one of his highest priorities. In February 2014, he announced the kyhealthnow initiative in an effort to significantly advance the wellbeing of Kentucky’s citizens. This initiative outlines seven key health goals for the Commonwealth to work toward achieving by the year 2019, along with strategies to support the attainment of those goals. Visit [http://governor.ky.gov/healthierky/kyhealthnow/pages/default.aspx](http://governor.ky.gov/healthierky/kyhealthnow/pages/default.aspx) to learn more about these goals related to improving our state’s collective health.