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Passport Postpones Motion for Injunctive Relief in Franklin Circuit Court

Health plan drastically slashes expenses to offset Medicaid rate cuts and avert DOI takeover

Louisville, Ky. – Passport Health Plan has postponed a motion for injunctive relief filed last month in Franklin County Circuit Court after undertaking a series of severe cost-cutting measures to keep the plan afloat while it continues to look to the court for a long-term resolution. A hearing on the injunction motion that was scheduled for next Tuesday, March 5, has been cancelled.

Passport leaders believe the painful cost-cutting measures will limit the extent to which the state Department of Insurance (DOI) exerts oversight or intervenes in the plan's operations. If Passport's cash reserves reach the minimum threshold, the DOI reserves the ability to assume control of the plan, at which point the DOI would either rehabilitate or liquidate the plan. Passport submitted its annual report and calculation of risk-based capital, which reflect the budget cuts, to the DOI on Friday, March 1.

The Medicaid rate changes resulted in a 4.1 percent decrease in reimbursement rates (a nearly \$140 million annual budget shortfall for Passport) for a 16-county region that comprises Jefferson and surrounding counties, where Passport members account for approximately 65 percent of all Medicaid beneficiaries. Meanwhile, the reimbursement rates for the remainder of the state saw a 2.2 percent increase, making Passport the state's only Medicaid Managed Care Organization to receive a composite rate reduction.

Passport's administrative spending accounts for 9 percent of its total annual revenue – less than many competitors. In its continued efforts to protect the plan and its members, providers and employees, Passport leaders have now cut tens of millions of dollars from its budget for fiscal year 2019, which runs concurrent with the calendar year. The cuts include reduced payments to providers and business partners for health care and other contracted services, a restructured arrangement with Evolent and other reductions to administrative spending, such as leaving vacant positions unfilled. Additional steps also are being considered to shore up the plan's finances.

“We had hoped to avoid these drastic and potentially devastating cost-cutting measures, but the state's rate reduction followed by a lack of cooperation from the Cabinet and DMS, have left us no choice,” said Passport CEO Mark Carter. “While these steps have the potential to negatively impact our community and the care we coordinate for our members, we have a responsibility to do everything we can to keep Passport in business. We remain willing to compromise and be a good partner to the state, just as we've been throughout our 20-year history.”

The expense reductions remove the imminent threat to Passport's existence but do not alleviate the need for rate relief. As a result of these cuts, Passport has postponed its motion for injunctive relief. Passport's complaint against the Kentucky Cabinet for Health and Family Services and request for immediate rate relief remains in place.



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About Passport Health Plan

Passport Health Plan is a provider-sponsored, non-profit, community-based health plan administering Medicaid benefits to more than 300,000 Kentuckians. Named the top Medicaid plan in Kentucky by the National Committee for Quality Assurance (NCQA) for 2016-17, Passport has been contracted with the Commonwealth of Kentucky to administer Medicaid benefits since 1997. For details, please visit passporthealthplan.com or call toll-free (800) 578-0603. Passport also operates a Medicare Advantage program, called "Passport Advantage," for residents of Jefferson, Bullitt, Hardin, Nelson, Breckinridge, Carroll, Grayson, Henry, Larue, Marion, Meade, Oldham, Shelby, Spencer, Trimble and Washington counties who are eligible for both Medicaid and Medicare. For details, go online to passportadvantage.com or call toll-free (844) 859-6152.

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