KANSAS HEALTH INSTITUTE

FACT SHEET

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KANCARE PUTS MEDICAID IN PRIVATE COMPANIES' HANDS

Gov. Sam Brownback's reform of the Kansas Medicaid program, called KanCare, will rely on private companies known as managed care organizations (MCOs) to coordinate the physical and behavioral health care, community-based services and long-term care services for the more than 380,000 Kansans in Medicaid.

This year Kansas will spend about $3.2 billion on Medicaid. With KanCare, the state hopes to save about $1 billion over five years.

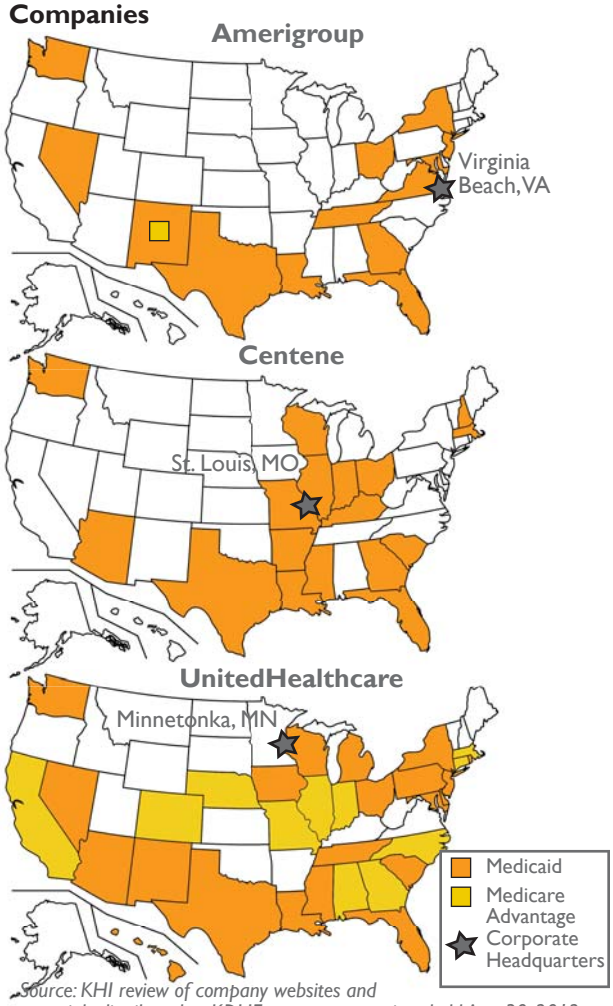
Kansas has awarded contracts to three MCOs, which each will build a statewide network of providers for the full range of Medicaid services. Starting in 2013, each MCO will be assigned a proportional share of the Kansans in Medicaid, representative of different regions, age groups and populations, including people with disabilities, the elderly and low-income children.

Figure 1 provides some details about the companies that were successful in winning a state contract to coordinate Medicaid services. Each map shows the MCO corporate headquarters, and states where the MCO has a contract for Medicaid and/or Medicare Advantage services.

Health Benefits Expense Ratio

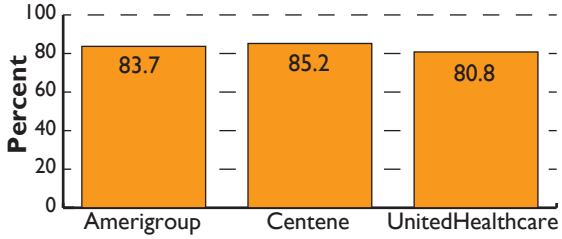
One way to measure the financial performance of an MCO is to determine how much of its revenue is used to pay for health care services. This is known as the health benefits expense ratio, or medical loss ratio. Each of the three MCOs selected for KanCare contracts reported

Figure 1. Managed Care Experience of KanCare Companies



Source: KHI review of company websites and materials distributed at KDHE consumer meetings held Aug. 30, 2012.

Figure 2. Percent of Revenue Used for Health Care Services in 2011



Source: 2011 Annual Report, U.S. Securities and Exchange Commission Form 10-K.

a health benefits expense ratio as part of its 2011 financial report to the U.S. Securities and Exchange Commission.

These ratios, shown in Figure 2 (page 1), reflect all of the MCO business lines, including Medicaid, Medicare, private insurance benefits and specialized health plans, such as pharmacy coverage. The ratios range from 81 cents to 85 cents of every premium dollar going to pay for health services. The remainder is used for administrative costs and company profit.

In the KanCare contract, the state requires MCOs to report their health benefits expense ratio each quarter. This is in addition to other financial information required by the state and the Kansas Insurance Department. The state did not specify a ratio that the companies must achieve during the KanCare three-year contract period.

Value-Added Benefits

As part of the KanCare contract process, Kansas officials asked MCOs to suggest programs and benefits that would improve the health of Medicaid enrollees. These "value-added" services must help improve the quality of health care, access to services and health literacy, but they cannot increase cost to the state.

Each selected MCO provided some descriptions of the value-added services, and a selection of these services is shown in Table 1. State officials decided that all companies should provide preventive adult dental benefits and bariatric surgery coverage for obesity.

The MCOs selected to implement the KanCare program are unfamiliar to Kansans in Medicaid and their families. Before KanCare launches in 2013, state and MCO officials will work to educate providers and enrollees about how services will be delivered and how Medicaid will change.

Table 1: Value-Added Benefits Proposed by MCOs

Amerigroup
• Debit card incentive to purchase health items • Smoking cessation • Free cell phone and minutes • Preteen fitness programs • Vouchers for weight management programs • Transportation for caregivers to medical appointments • Transportation to community locations • Over-the-counter drugs provided through the mail • Free allergy-preventive bedding • Free home pest control • Career development programs for people with disabilities • Free professional clothing • Additional respite care for families of people with developmental disabilities, serious emotional disturbance or frail elderly • Adult teeth whitening
Centene/Sunflower State Health Plan
• Debit card incentive plan • Free, preprogrammed cell phones • In-home telemonitoring • Appointment escorts for people with mental illness or developmental disabilities • Home visits for new mothers • Group classes for new mothers • Quarterly education session for children • Smoking cessation workbook • Adopt-a-school programs • Incentive for follow-up behavioral health appointments
UnitedHealthcare
• Prepaid debit card incentive • Infant care books and online reminders for appointments • Coverage for sports physicals • Weight Watchers and $50 reward for workout gear • $50 gift card for completing pediatric obesity program • Micro-grants for schools that implement obesity programs • Free cell phones for high-risk members • Enhanced vision benefits with different frame selection and contact lens substitution • Additional podiatry benefits • Sesame Street programs to teach children about asthma, healthy habits and nutrition • Empower Kansas employment support for people with disabilities

Source: Kansas Department of Administration, Office of Business Improvement, http://da.ks.gov/purch/EVT0001028-AwardInformation.htm

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KANSAS HEALTH INSTITUTE
The Kansas Health Institute is an independent, nonprofit health policy and research organization based in Topeka, Kansas. Established in 1995 with a multiyear grant from the Kansas Health Foundation, the Kansas Health Institute conducts research and policy analysis on issues that affect the health of Kansans.

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