Does Medicaid Managed Care Deliver Savings?

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WASHINGTON — Medicaid managed care doesn't appear to be living up to its reputation for cost savings, at least not in South Carolina, Walter Jones, Ph.D., said at the annual meeting of the American Public Health Association.

Dr. Jones and his colleagues looked at 2 years' worth of data on 56,000 Medicaid HMO patients and 21,000 patients in the state's Physician Enhanced Payment (PEP) program, a Medicaid plan in which primary care physicians are paid an extra fee to "case manage" the patient's health care needs.

Both groups were matched with comparable fee-for-service patients.

South Carolina "is not a heavily managed care state. We have very little HMO penetration," said Dr. Jones, professor of health administration and policy at the Medical University of South Carolina, Charleston. "Unlike a lot of Medicaid programs, South Carolina does not have mandatory HMO assignment; physicians wouldn't stand for it. As a consequence . . . there's been a lot of unstable provider participation. An HMO comes to the state, thinks it can make money, finds it can't, and leaves, and the merry-go-round goes on and on."

'The way [HMOs are] reducing costs is by keeping the less desirable clients out' by not setting up enrollment offices in areas where sicker patients are.

But the PEP program is a much different form of managed care, he said. The primary care physician provides a "medical home" for the patient for a flat fee but is not financially penalized for putting a patient into specialty care. Also, PEP physicians are expected to be "very available," reducing the need for costly emergency room care, Dr. Jones said at the meeting.

The researchers looked at several aspects of medical care utilization, including primary and specialty care, inpatient hospitalizations, and emergency room visits.

They also included a separate category for "total utilization," which included pharmacy use and other services as well as physician and hospital care.

They found that on the surface, both HMOs and PEP reduced utilization. Patients in HMOs had five fewer health care visits for a 2-year period, compared with fee-for-service patients, and PEP patients had two fewer visits. But there was a problem among the HMO patients: The reduced visits included those for primary care as well as for specialty care.

"That's not what managed care is supposed to be doing," Dr. Jones said. "With the PEP project, utilization goes down a little less, but there's no difference in primary care utilization. It appears … that PEP is doing exactly what it should be doing—controlling utilization but not on the primary care level."

Another problem with the HMOs, Dr. Jones continued, is that they "cream skim."

"When you control for the HMOs' patient selection, their utilization differences disappear with respect to fee for service. The way they're reducing costs is by keeping the less desirable clients out." This is often accomplished by not setting up enrollment offices in areas of the state where sicker patients are more likely to live, he told this newspaper.

Although patients in both PEP and the Medicaid HMOs decreased their utilization of certain kinds of care, total health care utilization actually appeared to go up in both groups, Dr. Jones noted.

"If you're the state and you're trying to save money, you might be kind of dismayed. On the other hand, if you're an advocate for patients, it doesn't appear that applying managed care reduces the number of services," he said.

Overall, the study "raises questions about the utility of Medicaid managed care," he said.

"The assumption always has been that HMOs or other managed care plans could do for Medicaid clients what it's done for private sector healthy employees; we haven't found that to be true. The bottom line is, it's still kind of 'faith-based' health care." ■