



**Kentucky
Hospital
Association**

Representing Kentucky Health Care Organizations

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**KENTUCKY HOSPITAL ASSOCIATION STATEMENT IN REPOSE TO GOVERNOR
BESHEAR'S PRESS CONFERENCE REGARDING MEDICAID MANAGED CARE**

LOUISVILLE, KY – (October 25, 2013) The Kentucky Hospital Association (KHA) appreciates the efforts of Governor Steve Beshear's administration to resolve issues related to the Medicaid managed care system. KHA and its hospital members, today and in 2011 when the Governor announced his decision to implement managed care, support improvements in the management of health care services to improve the health of Medicaid patients. It is the goal of each Kentucky hospital to provide high quality care to Medicaid patients and be fairly and promptly paid according to contracts with the MCOs.

KHA and hospitals appreciate the Governor's directive that the Medicaid MCOs meet with hospitals individually to resolve outstanding accounts receivables. However, hospitals have a different view of the implementation of Medicaid managed care and how the MCOs are paying for the services they have provided to Medicaid patients.

KHA has been conducting a monthly survey of hospital accounts receivables for the three MCOs – WellCare, Kentucky Spirit and Coventry. The overwhelming majority of hospitals still report significant dollar amounts owed to them by the MCOs in unpaid claims. Hospitals are paid by the

MCOs, not on charges, but on contracted rates based on the patient's diagnosis which only cover 76 percent of the actual cost of inpatient care. Therefore, it was disingenuous for the MCOs to suggest to the Governor that hospitals had presented them with bills expecting payment at full charges. While hospitals have seen a slight improvement in current claims processing and a slight decline in overall accounts receivables since the Governor issued his directive to the MCOs to clean up these claims, the amount of unpaid claims actually owed to hospitals (not billed amounts) is 60 to 70% higher compared to unpaid bills in October 2011 before managed care was implemented. During his press conference, the Governor cited examples from data self reported by the MCOs but this data is in dispute by the hospitals. In the case of Highlands Regional Medical Center, the hospital is contesting over \$2 million in payments owed to them by one MCO involving incorrectly paid claims to the point where the hospital is now a step away from arbitration. All Kentucky hospitals have experience dealing with commercial managed care plans, and follow national billing standards. As problems to this extent do not exist between hospitals and commercial plans, we stand by our stated position that these MCOs are the most difficult payors to deal with and obtain payment from.

In our discussions with hospitals throughout the state, we have found none that have signed off on a reconciliation of all of their accounts receivables with these MCOs. In fact, some 30 hospitals have engaged an outside claims auditor to assist them in identifying MCO payment errors. This process, however, has been stalled due to some MCOs refusing to supply data requested by the hospitals which explain how the MCO paid the claim. It is our hope that the Cabinet will encourage the MCOs to be cooperative so that these issues can be resolved and we can move forward to work on true management of patient care.

KHA and its members support the Cabinet's initiative to engage all stakeholders to focus on best practices for reducing emergency room use by "super-utilizers" which are patients with multiple ER visits for conditions which could be treated in a primary care setting. However, that project does not and will not solve the ongoing problem of WellCare and Coventry continuing to pay hospitals only \$50 for emergency room care by reclassifying, on average, 50% of all ER patients, as non-emergency under criteria they refuse to share with hospitals. Under managed care, MCOs are responsible and are being paid to change the habits of their members. Hospitals, who have no contact with Medicaid enrollees until the patient comes to the ED, should not be penalized for treating them. Federal law requires that every patient who comes to the emergency room be assessed, stabilized and appropriately treated. Hospitals have always been the safety net for their communities, providing treatment 24 hours a day, 7 days a week, to all patients regardless of ability to pay. Hospitals are going to continue to be the safety net, even when seven out of every 10 patients coming to the emergency room are uninsured or are covered by a government program which pays less than what it costs to provide assessment and treatment.

The issues with managed care are not just hospital issues and we will continue to work with other providers, the Administration and legislators to find solutions so that managed care can work as intended and ensure that patients get the care they need.

About the Kentucky Hospital Association: KHA was established in 1929. The Association represents hospitals, related health care organizations and integrated health care systems dedicated to sustaining and improving the health status of the citizens of Kentucky. The Association is headquartered in Louisville.