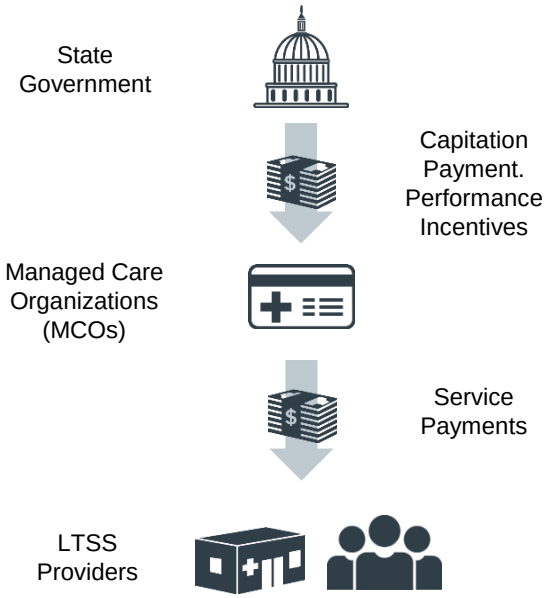
The Advisory Board Company | Post-Acute Care Collaborative

Medicaid Managed Long-Term Care

What Is Medicaid Managed Long-Term Care?

Defining Medicaid Managed Long-Term Services and Supports (LTSS)



Core Components of Medicaid Managed Long-Term Care

States Pay Health Plans to Manage Long-Term Care Benefits
Under MLTSS programs, state governments pay health plans—known as managed care organizations (MCOs)—to manage long-term care benefits; this occurs in contrast to traditional models where state Medicaid programs contract directly with long-term care providers. MLTSS models typically involve state governments paying health plans a lump sum, or capitated payment, based on the number and needs of their enrollees.

Managed Care Organizations Assume Risk for Medicaid Expenditures
By providing MCOs a capitated payment, the state transfers risk to the health plan to manage long-term care benefits. In many states, rates are set below the average cost for nursing facility care to encourage alternative services. This provides plans the incentive to closely manage the balance of enrollees served in a nursing facility and provide sufficient home-based supports to prevent deterioration in activities of daily living (ADLs) among enrollees.

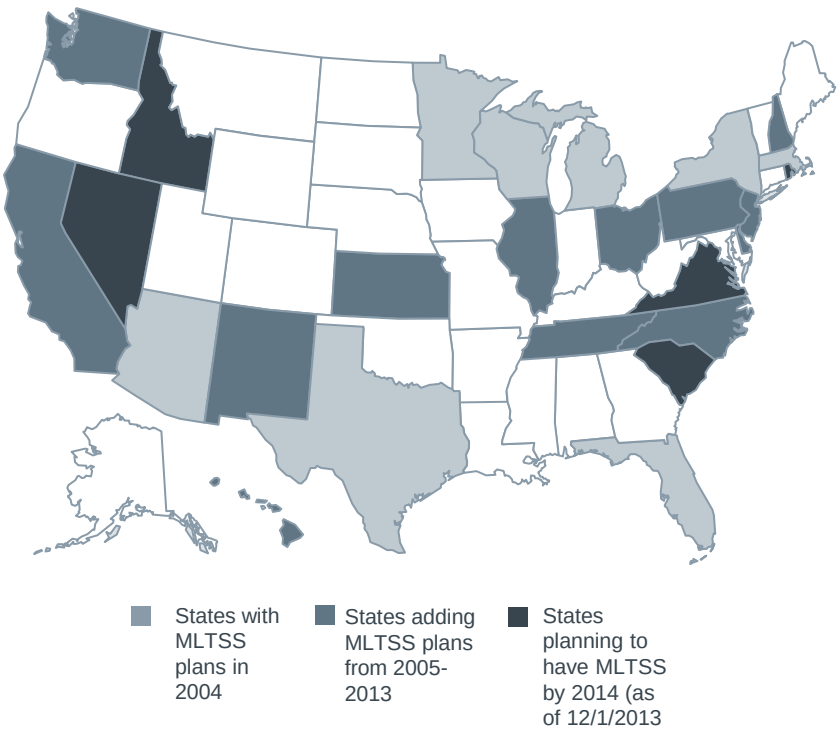
Managed Care Organizations Build Provider Networks
Under Medicaid managed long-term care, the MCOs contract directly with providers and can receive contracting flexibility (that states lacked) in order to create new efficiencies. In select states, MCOs can narrow networks, adjust provider rates, pay for additional preventive services, and/or create provider performance incentives to help enhance savings and care quality.

What Are The Implications of Medicaid Managed Long-Term Care for the Health Care System?

A Market-Based Strategy Designed to Drive Greater Savings, Outcomes

Adoption of Managed LTSS (MLTSS) Plans

2004-2014



Expected Impact

Savings for State Medicaid Programs
Savings are expected from managed care utilization controls, enhanced care management and expansion of preventive supports.

Expansion of Home and Community-Based Services
States incent contractors to grow access to home and community-base services (HCBS) and prevent costlier nursing home stays.

Contracting Variability, Uncertainty
In states where multiple MCOs serve single markets, variability in MCO care delivery and contracting preferences creates variability in level of services provided and reimbursement.

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What Does Medicaid Managed Long-Term Care Mean for the Long-Term Care Industry?

Home and Community-Based Service Growth Amid Increased Operational Uncertainty

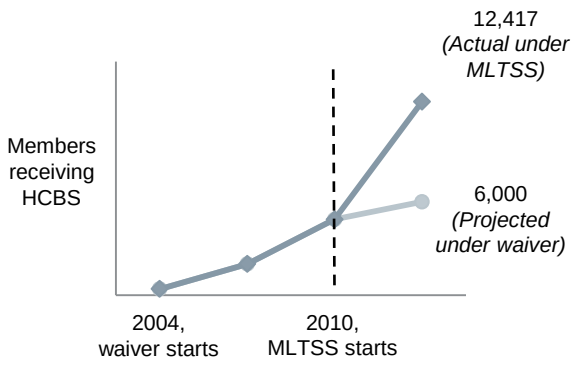
Since many states design their MLTSS programs with financial incentives that favor home and community-based services (HCBS), states have found that programs can exacerbate naturally occurring shifts toward HCBS. For example, Tennessee, as shown in the graph below, bonuses MCOs for shifting service balances toward HCBS. As a result, Tennessee has doubled its expected growth rate in such services. While this shift may prove beneficial for home care providers and limit Medicaid growth for nursing facilities, many report that MCO rate-setting and delivery model preferences are extremely unpredictable, forcing providers to adhere to multiple models of care by contractor preference and hone their skills at rate negotiation to avoid financial challenges.

1 Greater HCBS Demand

Common HCBS Drivers in State Contracts:

- Blended rate across settings
- Institutionalization rate affects payments

Example: HCBS in Tennessee After MLTSS



2 Challenge: Uncertainty

Weathering Rate Changes

"One MCO dropped their rates by 10%, unannounced."

Executive Vice President, Home Health Agency

Juggling Multiple Care Models

"It's the transition that's going to hurt you, it's trying to run three to four different care management systems at once."

Vice President, Home Health Agency

How Can Long-Term Care Providers Benefit from Medicaid Managed Long-Term Care?

MCO Flexibility Creates New Business Development Opportunities

As MCOs maintain greater flexibility than the state to pay for specialized services and outsource additional elements of care delivery, long-term care providers have an opportunity to grow through new business development. More conservatively, long-term care providers can command higher rates of payment for expertise with challenging patients—such as bariatric and behavioral health—as well as superior transitional care support. Further, long-term care providers with community knowledge and risk appetite can serve as the care management contractor for plans, garnering new revenue from care management fees and shared savings arrangements.

Spectrum of Business Development Opportunities

Long-Term Care Provider Competencies

1 Specialty Long-Term Care Services

2 Services to Address Care Gaps

3 Assessments and Care Management

4 Financial Risk Assumption

Managed Care Organization Competencies

Select Advisory Board Medicaid Resources Available to Collaborative Members

Within the Post-Acute Care Collaborative

- 2013 Webconference: *Thriving Under Medicaid Managed Long-Term Care*
- Expert Insight: *Moving Out of Nursing Homes: Data Based Strategies from Ohio's Area Agencies on Aging*

Additional Research and Insights Resources

- 2013 Webconference: *Managing Vulnerable Populations*
- Research Study: *Managing the New Medicaid Population*

The Care Transformation Center

Advisory Board research program dedicated to helping members develop care delivery models for succeeding under value-based payment systems