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**Auditor Edelen Releases Medicaid Managed Care Review, Expresses Concerns
about State's Readiness for 300,000 New Members**

Auditor Also Worries About Impact on Small Rural Hospitals

FRANKFORT, Ky. (July 31, 2013) – Auditor Adam Edelen today released a review of the state's Medicaid managed care system, finding an 8 percent drop in Medicaid providers that raises concerns about its ability to provide health care to an additional 300,000 Kentuckians under Medicaid expansion next year.

The review of the system since its implementation in November 2011 also found that rural hospitals are struggling with the sudden financial stress put on them by managed care.

"I have said from the beginning that I believe managed care is the right thing to do, but it has to be a fair deal for providers, members and taxpayers," Auditor Edelen said.

Auditor Edelen announced the creation of a Medicaid Accountability and Transparency Unit in his office in February 2012 after hearing widespread complaints about the implementation of the Medicaid managed care program. The Unit has been providing real-time recommendations to the Cabinet for Health and Family Services for ways to improve the system, which provides health care to roughly 787,000 low-income Kentuckians. The 97-page report contains a summary of the work performed over the past 16 months.

The report concluded that some of the issues were the result of the quick transition to managed care. The managed care organizations had four months to establish operations in Kentucky.

The report found that major issues continue to challenge the system.

One of the most significant and troubling concerns is whether Kentucky's rural hospitals could continue to afford to "float" Medicaid-related costs. One hospital reported a nearly 300 percent increase in the amount of outstanding claim payments due to errors in claim processing, lack of

clarity with certain MCO policies, contradictory communication with the MCOs or problems with coding. Cash flow problems create a strain on finances, making it difficult for hospitals to pay employees, vendors and others. It also can impact the hospital's debt capacity and/or debt rating, making it more expensive to acquire financing.

"I am concerned about the long-term viability of some of our rural hospitals and in turn, even more worried about access to health care by all rural Kentuckians," Auditor Edelen said.

The report found that some hospitals and other health care providers have stopped serving Medicaid members. The most significant change was related to general hospitals, which saw a reduction of 586 providers, or 57 percent, since the inception of the program through February.

Only seven of those 586 providers are in Kentucky, but the report found that 310 are in the seven border states. That could affect Medicaid members living in or around border counties.

The Auditor's office found that although 100 percent of Medicaid members had access to hospitals and primary care providers, concerns remain about how contractual requirements in certain rural areas are met given the challenging geography in many parts of the state. Contracts with the MCOs permit miles to be measured by straight-line distance instead of driving distance, meaning that some members may struggle with adequate access to care.

"Again, this is an issue of access," Auditor Edelen said. "Managed care is designed to save taxpayer dollars, but it can't be at the expense of the health of our citizens."

The Auditor's office has made a series of recommendations to the Cabinet for improving the system and will continue to do so, Auditor Edelen said.

"Kentucky has more people on Medicaid than it has children in public schools and a great deal of tax dollars flow through the system," Auditor Edelen said. "My office planted its flag in Medicaid when managed care was implemented and I intend to keep it there to protect our most vulnerable citizens and our taxpayers."

The report can be found on the [Auditor's website](#).

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