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How the 'Private Option' Medicaid Could Hurt Local Health Centers.

In this sleepy Mississippi River Delta town in eastern Arkansas, the community health center that opened in 2012 stands out among the downtown's mostly abandoned buildings constructed over a half century earlier.

The 15,000 square-foot brick building with its two-story lobby and green awnings was paid for through a $2.8 million grant from the Affordable Care Act — a federal investment designed to ensure the nonprofit clinic could treat hundreds of additional patients, many of whom would gain health coverage under Obamacare.

Now, though, Mid-Delta Health Systems is worried it won't have enough money to maintain services to low-income patients because of how the state is expanding Medicaid.

Arkansas' "private option" model is putting newly eligible recipients into the same private plans that any consumer might buy in the health law's online insurance marketplaces. And private insurers pay the community centers far less than they have received from traditional Medicaid — in Clarendon, less than half as much.

With an estimated 200,000 Arkansans eligible for expanded Medicaid through the private health plans, the centers fear a big financial hit.

Medicaid reimburses health centers better than private doctors because federal law requires the centers be paid in relation to the actual cost of care they provide. The higher rates are supposed to reflect the sicker and poorer patients they see and the fact they can't limit the number of uninsured or Medicaid patients they treat.

As more states look to follow Arkansas' lead — Utah and New Hampshire are among those considering similar expansion plans — health centers are bracing for the worst.

"Medicaid is our single largest payer and if that payment rate is destabilized, then, we will start to see health centers close due to financial viability and solvency issues," said Daniel Hawkins, senior vice president of the National Association of Community Health Centers, which traditionally treat many patients who are uninsured or on Medicaid.

The Pennsylvania Association of Community Health Centers lodged a protest in January against a draft proposal by Gov. Tom Corbett, a Republican seeking federal approval of a similar private option plan that would force centers to negotiate their rates with private plans. But the state reversed course in the final application submitted Wednesday to the Obama administration, guaranteeing that centers could keep their current rates and that health plans include them in their networks.

Iowa, the only other state currently using the private option, albeit on a smaller scale, also pays health centers at their full rate.

Medicaid is a state-federal program that covers the poor. The health law expands coverage in participating states to everyone under 138 percent of federal poverty level, or up to $15,600 for an individual, with the federal government paying the full cost through 2016 and states covering up to 10 percent of the cost in subsequent years.

State Perspective

When the federal government approved Arkansas' plan last year, it asked the state and Arkansas' 12 health centers to negotiate a new payment system. No deal has been reached though, so insurance plans have paid the centers the same discounted rates they negotiate with private physicians.

Arkansas Medicaid Director Andy Allison argues that Medicaid funding for health centers should be cut for the same reason the law cut federal funding to hospitals –they are expected to see fewer uninsured patients and therefore have less uncompensated care.

"We don't agree with that," said Alvin Sliger, Mid-Delta's soft spoken executive director. He and other health center officials say they deserve higher reimbursements than private physicians because they will continue to treat sicker and poorer patients and under federal law, must offer broader services, including dental care, immunizations and mental health treatments. Unlike private physicians, moreover, the centers cannot limit the number of Medicaid or uninsured patients they treat. Those rules don't change under the private option Medicaid.

Sliger also says its uncertain how quickly the uninsured will enroll in Medicaid —and, therefore, how many uninsured his clinic will still see.

Since the Medicaid expansion began in January, Mid-Delta has received $60 for routine office visits for Medicaid private option enrollees who are covered by Blue Cross and Blue Shield of Arkansas, compared to the $138 it gets from traditional Medicaid.

About 30 percent of Mid-Delta's patients, for instance, have high blood pressure and 14 percent have diabetes—both higher than national averages. Slightly more than half are uninsured, 17 percent receive Medicaid and 90 percent have incomes below 200 percent of federal poverty level, or $23,000 for an individual — roughly the median income in the region.

The centers treated about 156,000 patients in 2011, the latest year for which figures are available, including 67,000 who were uninsured.

Massachusetts Example

Hawkins, of the national trade group, noted that in Massachusetts, more than one in five of the patients seen at health centers in 2011 were still uninsured, down from 36 percent in 2007 when the state went to near universal coverage. Despite the drop in that state's uninsured rate, the actual number of uninsured residents receiving care at Massachusetts health centers increased by 6 percent between 2007 and 2011, as private physicians focused on those who had coverage, according to a study by George Washington University.

While health centers may lose some patients who see private physicians after they gain coverage, the Massachusetts experience suggests that many will continue to use the centers for primary care because they are nearby and offer needed services.

Health centers got a bonanza from the health law to help them gear up to treat newly insured people as well as those who still lacked coverage — $11 billion in additional federal funding over five years to expand and modernize. The nation's 1,200 community health centers have thousands of sites and

treat 21 million people a year, most of them poor.

Allison said he didn't expect the pushback he has received. "I'm a little surprised at how they are reacting," he said in an interview in Little Rock.

The Obama administration would likely have to approve a cut in centers' Medicaid funding because the way they are paid is set through federal law, said Sip Mouden, executive director of Community Health Centers of Arkansas.

Meanwhile, the GOP-led Arkansas Legislature began meeting this month and it's uncertain whether it will renew its private-option Medicaid expansion plan beyond June 30.

Despite all the uncertainty, Mid-Delta has continued enrolling its clients in Obamacare — with most joining Blue Cross and Blue Shield, the only private option plan available in the county.

"I am rejoiced and happy," said Rosalita Lott, 60, who enrolled at the center last month. "It's a lot of pressure off of me and I will be able to sleep tonight."

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