California's Dual Eligibles Pilot: Impact on IPAs and Private Practice Physicians

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Objectives

1. Present the perspective of the private physician practicing in medically-underserved areas (“Traditional Provider”)
2. Present the perspective of the small IPA serving Medi-Cal patients
3. Describe the implications of an aggressive campaign to enroll Dual Eligibles (Medi-Medi) into HMOs

My Bias

- The Coordinated Care Initiative (CCI) and Managed Care will be a good vehicle to improve the care of Medi-Medi patients
- 5 Stars program will improve the quality of care and patient and caregiver satisfaction among all Medicare patients
- The CCI may actually save some money
- Managed Care is just a tool, and in the right hands it can do great things; but in the wrong hands…

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My Observations

- Medi-Cal beneficiaries and tax payers need a better bargain
  - Medi-Cal costs $50 billion/year – so it's not a question of money
- Medi-Cal Policy is an intensely political process
  - Policy dialogue is dominated by a few
  - Traditional Provider physicians are not part of "the few"

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Observations

- 374,000 Medi-Medi in LA County represent a $10 billion “industry”
- Medi-Medi population is concentrated in high Medi-Cal communities and both are heavily dependent on Traditional Providers (private physicians)
- ✓ Traditional Providers rely on Medi-Medi to subsidize the Medi-Cal part of their practice
  - ✓ DSH hospitals, Community clinics and Medi-Cal IPAs rely on those doctors
  - ✓ Medi-Cal HMOs need these low-cost doctor networks

Context: LA County, A Tale of 3 “Counties”

10 Million People

Insurance, Medicare 50%

Medi-Cal, State-Sponsored Program 30%

Uninsured 20%

“Mainstream Providers”
Physician Organizations
Hospitals
Group/Staff Model HMO

Medi/Medi Cost-shift

“Traditional Providers” & “Safety Net Providers”

Cost-based Subsidies

EMTALA and the W&I Code 17000 Connection

Observations About Traditional Providers and DSH Hospitals

- Medi-Medi patients are the “life-support” for private entities serving the poor
  - P.E.A.C.H. hospitals say that Medi-Medi managed care will reduce admissions by 30% and decrease ER use -- and their cash flow
  - Smaller IPAs get capitation contracts that are 20-30% lower than market
  - Private Doctors: Medi-Medi reimbursement equals 30-50% of their income and subsidizes low Medi-Cal rates and poorly-negotiated IPA contracts
  - Medi-Cal reimbursement for private physicians is 47th in the nation

Observations About IPAs

Marketplace challenges:

- Medi-Cal HMOs treat smaller IPAs as “takers” and hospital systems as “must haves” creating inequities and instability in physician network
- CMA Survey 2011 – 40% of physicians serving Medi-Medi patients do not have IPA or HMO contracts

Observations About IPAs (cont.)

Marketplace challenges:

- Primary care physician shortage is worse in Medically Underserved Areas
- Traditional Provider workforce is aging
- Large MCOs (Kaiser, HCP, Regal) that employ physicians offer 25-30% more pay and fewer work hours
- Gen X, Gen Y, and Millenials' values and attitudes make it hard for Traditional Providers to achieve succession planning under their current practice model

Conclusions

- Approach the Coordinated Care Initiative as a true pilot
- If coupled with Medi-Cal payment innovation, the Medi-Medi Pilot represents a major opportunity to stabilize the partnership between Traditional Providers, Community Clinics, DSH Hospitals and Public Hospitals
- Medi-Medi Pilot is a tipping point – and health plans must play a role in the re-organization of their “distribution network”

Conclusions (continued)

- Failure to organize physician practices will de-stabilize the distribution network
- Physician frustration and threatened viability will drive many into employed positions with groups that don’t serve Medi-Cal
- Physicians and Hospitals will need capital to re-engineer successfully

Word of Caution: Medical Neighborhoods could become Gated Medical Communities

Thank You!

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