



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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Dear Provider:

Two years ago, with a shrinking state budget caused by a global recession, we faced a dramatic choice – slash Medicaid provider rates by 35 percent, or quickly transition our Medicaid program to a managed care system. With the support of the hospital community and the General Assembly's approval, we chose to transition Medicaid to managed care, a system that not only saves the taxpayers money, but more importantly, will create a healthier Commonwealth, with its focus on wellness and prevention.

I am proud of the improvements made in the 16 months since implementation, including significant increases in documented diagnostic screenings and preventive services; body mass index recordings; blood pressure monitoring; and smoking cessation consultations. I am also aware of the difficulties some medical providers have expressed regarding the prompt payment of medical claims. House Bill 5 passed by the General Assembly last month attempted to address those concerns. Unfortunately, as passed, House Bill 5 reaches far beyond the "prompt pay" dispute to make changes that could have negative, costly ramifications.

Therefore, I vetoed House Bill 5 and instead am implementing an aggressive strategy to address concerns about the relationship between medical providers and MCOs, as well as probe the entire managed care system to seek out weaknesses that need immediate attention. This strategy includes:

- **Prompt pay disputes to be reviewed by Kentucky Department of Insurance, Implementing Intent of House Bill 5:** I have moved all responsibility for governmental review of provider complaints relating to prompt payment of medical claims from the Department for Medicaid Services (DMS) to the Department of Insurance (DOI). This implements the intent of House Bill 5. DOI has a well-established prompt payment dispute resolution process in place for use in the private health insurance market. This mechanism will allow for efficient review and resolution of claims. If improper payment practices are discovered, DOI can impose monetary sanctions.
- **MCOs to meet with every hospital in state to reconcile accounts receivable:** Each of the three statewide MCOs – Wellcare, Coventry, and Kentucky Spirit – have agreed to meet individually with every single hospital with which they contract to review and reconcile all outstanding accounts. This effort will begin immediately and continue until every hospital's accounts receivable has been reconciled. As these reconciliations are completed, the results will be reported to CHFS and made public, in order to provide transparency and accountability for both providers and MCOs. MCOs have also agreed to meet with any other provider upon request.



- **Targeted audit of each statewide MCO by Kentucky Department of Insurance:** I have directed DOI to conduct targeted audits of the three statewide MCOs. These reviews, called "Targeted Market Conduct Examinations," will seek out whether systemic changes are needed to address areas such as claim or complaint handling, prior authorization practices, or emergency medical service payments. MCOs will pay for the examinations, and reports are expected to be complete no later than August 15. Failure to comply with policies will result in sanctions.
- **Education forums on best practices:** I have directed enhanced educational efforts to improve the managed care system. The Cabinet for Health and Family Services (CHFS) will sponsor educational forums in each of the eight Medicaid regions to allow medical providers, MCO representatives, and DOI representatives to meet face-to-face to discuss concerns about proper billing, appeals processes and any specific regional issues related to managed care. In addition, these forums are designed to foster conversations about how to improve the overall system of health care delivery.
- **Emergency Room improvements:** A specific component of the education effort will focus on efficient and effective emergency room management that meets community needs without an ER operating as a de-facto primary care office. A key component of controlling costs and improving health in a healthcare system is to provide the right treatment in the most cost-effective setting. The faculty physicians and staffs at the University of Louisville and the University of Kentucky hospitals, the state's two Level One trauma centers, will work with other providers to develop a system for emergency care that represents best practices around the country. This process will involve physicians, social workers and other professionals and will lead to more appropriate access to care and better use of limited resources.

I believe these steps will serve to address your concerns, legislator concerns, MCO concerns, and most importantly, protect both taxpayer dollars and the health care services delivered to our most vulnerable.

There has been a fundamental shift in the health care delivery model around the nation: 47 states now use a managed care approach to delivering Medicaid services. Kentucky is not now and not ever returning to the obsolete, costly and unfettered fee-for-service model. To do so would result in slashing reimbursement rates to unacceptable levels and would not improve the health status of our people.

Many of you have legitimate concerns that must be addressed, and many of you have already implemented the necessary changes to make managed care successful. I urge you all to work with my administration and to work with the MCOs to continue our efforts to make this the success that Kentuckians not only demand, but deserve.

Sincerely,



Steven L. Beshear