The Department of Medical Assistance Services

The History of Managed Care in Virginia

July 2012 - Version 2

MEDALLION History

On December 23, 1991, the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration (HCFA), approved the state's 1915(b) waiver application to implement MEDALLION, Virginia Medicaid's Primary Care Case Management (PCCM) program. Goals of the MEDALLION program were established to improve Medicaid recipients' quality of care and to assist in controlling the Commonwealth's escalating health care cost for managed care eligible recipients. The MEDALLION program began as an experiment in managed care to address the fact that (1) many physicians refused to see Medicaid recipients; (2) emergency rooms were often used for primary care; and (3) medical costs were increasing. The MEDALLION PCCM program began in four pilot cities and counties in January 1992. The initial response on the part of providers and beneficiaries was positive and the program achieved cost savings. In 1993, CMS approved the phase-in of the program statewide. The MEDALLION program was expanded statewide in 1995 and Virginia became one of the first states to expand program eligibility to cover Aged, Blind and Disabled beneficiaries.

MEDALLION was based upon the concept of building ongoing relationships between providers and Medicaid recipients. MEDALLION's purpose was to encourage a relationship between the Primary Care Physician (PCP) and Medicaid recipients resulting in a trusting environment called the "medical home." The goals of the MEDALLION program included: enhancing access to care; providing for the continuity of care; providing a "medical home"; promoting patient compliance and responsibility when accessing medical care; and, increasing physician participation in the program. This was accomplished by linking recipients with a source for coordinated primary care, assuring appropriate use of inpatient and emergency room care, reducing unnecessary prescriptions and laboratory tests, and improving access to routine and urgent primary care. MEDALLION provided for all services contained in the State Plan for Medical Assistance.

As with other PCCM programs, the PCP acts as a gatekeeper, providing or coordinating the medical needs of the patient. The primary care provider is the first contact for care offering coverage seven days a week, twenty-four hours a day. The PCP assumes a long-term responsibility for the patient's health while coordinating care within the health care system, especially visits to specialists. Under the MEDALLION program, providers who enrolled as PCPs included, but were not limited to, general practice, family practice, internal medicine, and pediatricians. The PCP/patient ratio of MEDALLION compared favorably to other health care delivery systems.

The MEDALLION program provided the Department of Medical Assistance Services (DMAS) with an introduction to managed care. It defined the managed care eligible population, and changed the way recipients and providers viewed Medicaid enrollees. Because MEDALLION introduced the concept of a PCP to Virginia Medicaid, recipients became accustomed to being viewed as "clients" and were introduced to the concept of seeking referrals. As a result, MEDALLION produced better medical outcomes and promoted the physician/patient relationship, preventive care, and patient education, while reducing the inappropriate use of medical services as Fee-for-Service Medicaid. The MEDALLION program became the foundation of the *Options* and Medallion II programs. The MEDALLION program operated until May 2012 and the statewide expansion of Managed Care Organizations in the Commonwealth.

Options History

The *Options* Program was an alternative to MEDALLION that was authorized by the Virginia General Assembly in the 1994 Appropriations Act. Begun in January 1995, the program operated in Tidewater, Central Virginia and Northern Virginia localities, providing clients with the option of voluntarily enrolling with Managed Care Organizations (MCOs) that contracted with DMAS or participating in the MEDALLION PCCM program. The program required that only one MCO participate in a locality, but in the urban areas several MCOs participated. The participating plans were: Optimum Choice of MAMSI, Sentara Family Care, Trigon Health Keepers Plus, Virginia Premier, and Southern Health-Care*N*et. The MCOs received a monthly fee for each Medicaid recipient, assumed the financial risk for the recipient's health care, and were responsible for providing all the health care required by the individual.

The *Options* program was a stepping stone for more comprehensive managed care projects. It was the first time MCOs were introduced to Medicaid recipients and provider communities in the Commonwealth. In addition, it was the first time enhanced services (the elimination of co-payments and adult dental and vision services) were provided to the Medicaid population. *Options* provided DMAS with invaluable contracting and policy development experience upon which to build and expand. The *Options* program set the foundation for the Medallion II expansions in Tidewater and Central Virginia. The *Options* program operated until April 1999 and the expansion of the Medallion II program into the Central Virginia area.

Medallion II History

Medallion II, a mandatory Managed Care Organization (MCO) program, was built on DMAS initiatives to expand the use of managed care organizations for the delivery of health care to Medicaid recipients. Medallion II was created for the purposes of further improving access to care, promoting disease prevention, ensuring quality care, and reducing Medicaid expenditures. The program requires mandatory enrollment into a contracted MCO for certain groups of Medicaid recipients. It has provided the Commonwealth with the most value per taxpayer dollar for the provision of high quality health care and provides an integrated, comprehensive delivery system to recipients.

Medallion II began January 1, 1996 and covered managed care recipients in seven (7) Tidewater localities. The program expanded in November of 1997 to an additional six cities and counties adjacent to Tidewater. At that time, the Medallion II MCOs administered Medicaid services to approximately 80,000 Medicaid recipients.

As a result of the success of Medallion II in the Tidewater area, DMAS further expanded Medallion II to 33 cities and counties in Central Virginia in April 1999. These cities and counties

included Richmond, Hopewell, Petersburg, and their surrounding areas. Effective October 1, 2000, Medallion II expanded to nine localities including Fredericksburg and Mecklenburg. At that time, the Medallion II MCOs administered Medicaid services to approximately 160,000 Medicaid individuals.

On December 1, 2001, DMAS expanded Medallion II into 48 localities including the areas of Danville, Roanoke, Charlottesville and Northern Virginia. The Medallion II program was modified for this expansion to allow the MEDALLION and the Medallion II programs to operate concurrently in the same area. This affected 33 areas and, in order to implement, the Centers for Medicare and Medicaid Services (CMS) 1915(b) waiver was modified and the Medallion II regulations were changed to support the initiative.

As of December 2001, seven MCO partners served the Medallion II program. They were: Trigon HealthKeepers Plus by HealthKeepers, Trigon HealthKeepers Plus by Peninsula Health Care, Trigon HealthKeepers Plus by Priority Health Care, Sentara Family Care, Southern Health Care*N*et, UniCare by Wellpoint, and Virginia Premier. Six of the MCOs had been accredited by a national accreditation organization. Four had received excellent status from the National Committee for Quality Assurance (NCQA). The program has been successful in enhancing access and availability of care by requiring MCOs to maintain an adequate network of physicians, hospitals, ancillary, transportation, and specialty providers. Medallion II promotes preventive care services, as well as the continuity and appropriateness of care. The MCOs provide extensive member services including 24-hour nurse advice lines, as well as offering enhanced services, e.g., adult vision services; enhanced pre-natal programs; case management services; and group and individualized health education. Complaints for the Medallion II program have been historically low.

On July 1, 2005, DMAS carved out dental services from the Medallion II and FAMIS programs and brought dental under a single administrator, Doral Dental, now called DentaQuest. The new dental program was named *Smiles for Children*. The single vendor approach was expected to increase access to dental services for enrollees. As a result of this new program, there are nearly triple the number of network dentists participating and twice as many children are receiving dental care.

With approval from CMS, effective September 1, 2005, DMAS contracted with a new MCO, AMERIGROUP, Inc., for the northern Virginia region, eliminating the MEDALLION PCCM program in that area. Also, effective December 1, 2005, three MCOs, Anthem HealthKeepers Plus, Optima Family Care, and Virginia Premier Health Plan, signed contracts with DMAS to begin providing services to Medicaid and FAMIS individuals in the city of Winchester and the surrounding area. The Northern and Winchester expansions increased the number of MCO cities and counties to 110, affecting over 380,000 individuals.

On July 1, 2006, AMERIGROUP entered the county of Culpeper and on September 1, 2006, Virginia Premier, entered Halifax, Charlotte, Pittsylvania and Danville. In addition to expanding into new areas, DMAS also added a new population to managed care eligible. The Aged, Blind or Disabled individuals who have income up to 80% of the FPL were included as of July 1, 2006.

Effective September 1, 2007, DMAS began the integration of acute and long term care services into managed care. As of this date, if an individual is already enrolled with an MCO and is subsequently approved for enrollment into a Medicaid Home-and-Community Based Waiver (excluding those enrolled into the Technology Assisted Waiver), s/he will remain in their assigned MCO for their medical services and transportation to medical appointments; however, the waiver services (including transport to the waiver services) are paid by fee-for-service. This change prevents the disruption of the medical care to receive waiver services. About 500 enrollees are impacted annually.

On October 1, 2007, Optima Family Care, Virginia Premier Health Plan, and Southern Health CareNet expanded their managed care operations into the city of Lynchburg, and the counties of Amherst, Appomattox, and Campbell. DMAS and the MCOs spent more than a year preparing providers and enrollees for the expansion. Approximately 14,000 former Medicaid and FAMIS FFS enrollees now receive their health care services through one of the three contracted MCOs. The expansion resulted in very little impact on enrollees or providers and has been well-received.

On November 1, 2008, CareNet joined Anthem HealthKeepers Plus, Optima Family Care, and Virginia Premier, as another managed care organization choice for Medicaid and FAMIS recipients located in Albemarle, Augusta, Buckingham, Charlottesville, Fluvanna, Greene, Louisa, Nelson, Orange, Staunton, and Waynesboro.

The year 2009 began for Managed Care with a state fiscal crisis that has been unprecedented with this program. In keeping in line with the budget deficit even with the Federal Stimulus funding, the Virginia Medicaid program reduced its Medicaid rates as well as capped MCO reimbursement so that the rates, while actuarially sound, were lower than their projected utilization. In turn three (3) of the five (5) health plans ended the year with negative margins. While the plans continue to be committed to the program, they have had to find many ways in which to maintain costs and continue to operate within the program's requirements. Several health plans re-contracted with providers to match their rate reductions. While almost every health system and provider group has been renegotiated in some way, some health plans were unable to continue contracting with some of the major hospital and/or provider groups. In addition, some health plans also eliminated management fees to providers.

One health plan, Virginia Premier, notified DMAS that they would leave six (6) localities effective October 1, 2009: Caroline, Culpeper, Madison, Orange, Rappahannock, and Warren Counties. As a result of Virginia Premier's exit from these areas, a new delivery mechanism was begun for individuals residing in Culpeper County. Because the county now only has one health plan available for care (AMERIGROUP), and because the Centers for Medicare & Medicaid Services (CMS) has the area designated as rural, DMAS was able to amend the Managed Care Waiver to implement a rural option for Culpeper. The rural option allows only one health plan in an area provided certain assurances that the health plan will make an attempt to contract with a primary care provider (PCP) of a member, if that PCP does not participate. Further, the regulations were amended to allow someone to not participate in the rural option if their PCP cannot or will not participate with AMERIGROUP. Also as a result of Virginia Premier's exit in the six localities, AMERIGROUP decided to expand their coverage area to Madison, Orange and Rappahannock Counties effective December 1, 2009.

Another health plan, Optima Family Care, notified DMAS that they would leave six localities effective April 1, 2010. They are Clarke, Frederick, Rappahannock, Shenandoah, Warren and Winchester.

As a result of the withdrawal from Warren County by Virginia Premier and Optima, DMAS was left with only one health plan in that locality. DMAS reintroduced MEDALLION as an option for these individuals, giving them a choice between one health plan and MEDALLION effective July 1, 2010.

Southern Health CareNet notified DMAS of their intent to withdraw from 11 localities in the Charlottesville area effective September 1, 2010. This would include Albemarle, Augusta, Buckingham, Charlottesville, Fluvanna, Greene, Louisa, Nelson, Orange, Staunton, and Waynesboro. This exit did not affect the integrity of the program in this region, as there were still at least two health plans participating in all localities.

On October 1, 2012, Peninsula Health Care, Inc. and Priority Health Care, Inc. merged with HealthKeepers, Inc. All three MCOs had been affiliates of Anthem Health Plans of Virginia, Inc., doing business as Blue Cross and Blue Shield. After the merger, DMAS has contracted solely with HealthKeepers, Inc. to deliver services to Medicaid/FAMIS recipients in all Medicaid/FAMIS managed care areas in Virginia, including those previously served by Peninsula Health Care, Inc. and Priority Health Care, Inc.

On September 1, 2011, Amerigroup Virginia entered Frederick, Clarke, Winchester, Shenandoah, Page and Warren. This entry eliminated the MEDALLION program in Warren County.

At the request of the Richmond City Department of Social Services, DMAS requested and received permission from the Governor and CMS to establish a pilot program allowing the Department to move foster care children in the custody of Richmond City DSS into managed care health plans effective December 1, 2011. Currently there are approximately 200 foster care children in the pilot receiving services through a managed care plan. The pilot has been extremely successful and will be expanded throughout the state in the future.

Beginning December 1, 2001, and prior to January 1, 2012, a managed care "hybrid" was operating in the near southwest portion of the state (Bedford City and County, Botetourt, Buena Vista, Floyd, Franklin, Giles, Henry, Lexington, Martinsville, Montgomery, Patrick, Pulaski, Radford, Roanoke City and County, Rockbridge, Salem, and Wythe). Individuals residing in this "hybrid" region had a choice between one managed care plan, Virginia Premier, and the MEDALLION PCCM program. However, in an effort to fulfill DMAS' commitment to implement managed care statewide, effective January 1, 2012, an expansion in this region introduced five new health plans to this market, for a total of six plans. With this expansion, the MEDALLION program ended in this region.

January 1, 2012, also marked the end of the MEDALLION program in five additional localities, and MCOs were introduced as an option for enrollees residing in Alleghany, Bath, Craig, Highland, and Covington. Former MEDALLION members and new managed care eligibles were assigned to one of the six health plans effective January 1, 2012. The six plans operating in the southwest and Alleghany areas are: Anthem HealthKeepers Plus, Amerigroup VA, Inc., CareNet

by Southern Health, Optima Family Care, Virginia Premier, and MajestaCare, a new health plan contracted by the Department.

DMAS is committed to continually enhancing our partnership with the Medicaid providers, case managers, client advocates, outreach workers, and the Medicaid contracted MCOs to ensure continuity of care to individuals. Managed Care continues to be a main focus of DMAS. Approval was given in March 2012 for six health plans to expand their service areas to include the far southwest region of the state, which was currently operating under the MEDALLION Program. On April 30, 2012, the MEDALLION Program ended. Effective July 1, 2012, Anthem HealthKeepers Plus, Amerigroup Virginia, Southern Health CareNet, MajestaCare, Optima, and Virginia Premier provide services to individuals residing in Bland, Buchanan, Carroll, Dickenson, Grayson, Lee, Russell, Scott, Smyth, Tazewell, Washington, Wise, Bristol, Galax, and Norton.

As of July 1, 2012, approximately 621,000 of Virginia's nearly 900,000 Medicaid members and 94% of the 65,000 FAMIS enrollees are enrolled in a managed care health plan. This expansion to far southwest was celebrated as the Agency attained its goal of having statewide MCO coverage.

Family Access to Medical Insurance Security Plan (FAMIS) History

The Balanced Budget Act of 1997 amended the Social Security Act to add Title XXI, the State Children's Health Insurance Program (CHIP). CHIP, under Title XXI, is jointly financed by the Federal and State governments and is administered by the States. CHIP enables states to insure children from working families with incomes too high to qualify for Medicaid but too low to afford private health insurance. CHIP programs may be operated as separate state programs, as a Medicaid expansion, or a combination of both. In October 1998, Virginia created a separate program, the Children's Medical Security Insurance Plan (CMSIP), in order to afford greater flexibility to design its program within the broad parameters established in the federal legislation.

The 2000 Virginia General Assembly passed legislation that substantially changed the children's health program and CMSIP was amended to the Family Access to Medical Insurance Security Plan (FAMIS). FAMIS provided a new array of comprehensive health care benefits to children. FAMIS simplified the enrollment process; increased access to a broader array of providers through private-sector health insurance programs; enabled participants who have access to employer-sponsored health insurance coverage to enroll in the employers plans if determined cost effective; implemented cost sharing for all eligible children in the family; and established a centralized processing unit for information dissemination, eligibility determination, and enrollment. In September 2002, the FAMIS program was revised again to provide for better coordination with the Medicaid program and to simplify the application process. Some children now receive CHIP coverage through a Medicaid expansion to allow all children in a family to be covered under the same plan.

FAMIS health care benefits are modeled after the state employee benefit plan, Key Advantage, and are different from CMSIP and Medicaid benefits. This package includes well baby and well

child visits, vision and hearing services, coverage for mental health and substance abuse, as well as a full array of comprehensive medical services. There are costs for families associated with the FAMIS program. All families with children enrolled in FAMIS are required to pay small co-payments for services (doctor visits, prescriptions, etc.). Preventive health care services and well baby/well child care services do not require a co-payment.

FAMIS benefits are delivered through the same managed care organizations (MCOs) as Medicaid benefits. Originally, children in areas not served by an MCO received Medicaid-like benefits through a primary care case management or fee-for-service delivery system. With the expansion of MCOs statewide, all children enrolled in FAMIS and the CHIP Medicaid expansion receive services through an MCO.

DMAS implemented the FAMIS MOMS program on August 1, 2005. FAMIS MOMS provides enrollees the same coverage that pregnant women currently receive from the Virginia Medicaid program. FAMIS MOMS expands this coverage to include pregnant women within certain family incomes. There is no difference in covered services, service limitations, and pre-authorization requirements. FAMIS MOMS uses the same health care services delivery system as FAMIS.

FAMIS *Select* is a program that gives parents of FAMIS approved children the freedom to choose between covering their children with the FAMIS health insurance plan or with a private or employer's health plan. FAMIS *Select* gives parents that choose to purchase private or employer sponsored health insurance $100 per child per month to help pay the child's part of the premium. FAMIS *Select* may allow a child to continue to see a doctor or dentist that may not accept FAMIS. In some cases, a private or employer plan may give a family greater choice of providers. For some families, the FAMIS *Select* payment will be enough to make health coverage affordable for the entire family.

Conclusion

The increased use of managed care has been demonstrated to not only reduce costs, but also improve efficiency, quality, and access to care for the Medicaid and FAMIS populations. The MEDALLION program prepared clients and providers for the next step toward a more structured managed care program by increasing their understanding and responsibility.

In summary, the Medallion II and FAMIS managed care programs provide the Commonwealth with the most value per taxpayer dollar for the provision of high quality health care and provide an integrated, comprehensive delivery system to recipients throughout the Commonwealth.