Kentucky to privatize management of Medicaid program

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Kentucky Governor Steve Beshear is spearheading the privatization of Medicaid in the state, a move that will restrict services for the program's 815,000 enrollees. More than one in five residents in the state depend upon the health care program for the poor.

Private companies will begin managing care for most recipients of Medicaid by October 1. Four private for-profit companies, including Passport, Kentucky's only managed-care company, will control the Medicaid plans.

Beshear, a Democrat, described the move as a “major sea change” in the $6 billion-a-year program. According to the *Lexington Herald-Leader*, it is estimated that the shift will save the state and federal government $1.3 billion over three years.

The move is part of a nationwide campaign to liquidate the joint state- and federally-funded program. In Florida, lawmakers recently instituted a cap on payments to medical providers, allowing HMOs (Health Maintenance Organizations) to effectively ration care for thousands of the most vulnerable patients. The Kentucky plan will put in place a similar management system.

At least 32 other states have announced plans to cut Medicaid costs, according to July data from the National Association of Budget Officers. Most states are seeking to reduce their budgets through slashing reimbursement rates to health providers, and by privatizing case management.

Kentucky currently has a managed-care contract with Passport, which provides services to 170,000 Medicaid recipients in Jefferson and 15 nearby counties. The arrangement is fraught with corruption, waste, and political intrigues.

A 2010 investigation by state Auditor Crit Luallen revealed that Passport had defrauded the public coffers of some $30 million. A report by the Corbin *Times Tribune* revealed conflicts of interest and high salaries and expenses by the three-person management team at Passport.

Republican Senate President David Williams blamed Beshear and the Cabinet for Health and Family Services Secretary Janie Miller for failing to properly oversee the company's management.

While making political hay of the controversy, Williams himself has called for harsh austerity measures in health care spending. He is running for governor in Kentucky, and, if elected he would continue the privatization of social rights with little or no oversight.

In a July 18 op-ed in the *Herald-Leader*, HFS Secretary Miller said the privatization scheme opened a “new era” in Kentucky, that will lead to increased “efficiency, innovation and effectiveness… taxpayers can rest assured that we will have strong oversight of the work of all these companies.”

It is a new era in health care delivery, but the consequences will be far from what Miller describes. Rather, the move signals the dismantling of the Medicaid program. The state's most vulnerable will be “covered” by Medicaid, but with the constant assault on services Medicaid provides, thousands will be left without access to specialists or preventive care.

The three new companies awarded contracts are CoventryCares of Kentucky, Kentucky Spirit Health Plan and WellCare of Kentucky.

Kentucky Spirit Health Plan is a subsidiary of the Missouri-based Centene Corp. According to the *Herald-Leader*, the corporation will draw annual profits estimated at more than $700 million from providing services to approximately 170,000 Kentuckians.

Both WellCare of Kentucky and CoventryCares of Kentucky have settled lawsuits involving more than $200 million collectively.

WellCare of Kentucky is a subsidiary of WellCare Health Insurance of Illinois. Last year, WellCare Health agreed to pay $137.5 million to the US Department of Justice and other agencies to settle civil lawsuits accusing the company of overcharging the Illinois Medicaid and Medicare programs, according to the *Herald-Leader*. The president of WellCare, Mike Minor, appeared at a news conference alongside Governor Beshear and insisted that the fraud involved only a handful of former employees.

CoventryCares Kentucky is a subsidiary of Coventry Health and Life Insurance Company. In May, the company settled a class-action lawsuit that accused the company of violating notice provisions related to the treatment of injured workers' compensation forms, according to the *Herald-Leader*.