

CRAIN'S
Health Pulse

Hochul Floats Medicaid Managed-Care Re-Procurement, Putting \$60b at Stake

A new proposal could completely reshape the state Medicaid program by requiring health plans to compete for a limited number of managed-care contracts covering millions of New Yorkers.

The proposal, [bundled into](#) Gov. Kathy Hochul's executive budget bills last week, empowers the state to select managed long-term care plans for Medicaid enrollees based on more than a dozen criteria, including an insurer's ability to offer plans in multiple regions, participation in value-based payment arrangements, status as a charitable corporation and the geographic distribution of its network providers.

The state health commissioner can also develop "any other criteria deemed appropriate," the proposal says. The health commissioner will review proposals in consultation with the commissioners of the state Office of Mental Health, Office for People with Developmental Disabilities, Office of Addiction Services and Supports and Office of Children and Family Services.

Current and previously authorized Medicaid managed-care providers in New York will have to go through the RFP process to continue operating their plans, and their past performance will be included in the state's evaluation process.

A Department of Health spokeswoman said the procurement process will launch later this year, with implementation slated for October 2023. The state will award contracts to between two and five plans per region.

"The procurement will permit greater competition on volume, which in turn will reduce their costs needed to operate the programs under contract standards and is expected to result in savings in Medicaid premium payments," the spokeswoman said in a statement.

The world of Medicaid managed care accounts for about \$60 billion in state spending and involves the largest contracts in the state, according to the Department of Health. Of the state's more than 7 million Medicaid members, about 6 million are enrolled in a managed-care plan.

Jason Helgerson, who served as the state's Medicaid director from 2011 to 2018 and now leads his own consulting firm, said the process could accelerate the transition to value-based payment models and incentivize innovation. He said it is critical that the Department of Health have enough resources and personnel to design clear, specific criteria and a standardized scoring process.

"This makes DSrip, which was big and complicated, pale in comparison in terms of its complexity," Helgerson said, using an acronym for Delivery System Reform Incentive Payment programs.

Helgerson said the procurement process would also be a massive disruptor in the local insurance industry, because some insurers will lose a valuable revenue line if their bid is not selected.

New York Health Plan Association President Eric Linzer said the proposal will eliminate options for Medicaid members by limiting the number of managed-care plans to no more than five in a region. He said as many as 1 million enrollees would have to switch to a new plan, which could disrupt their care.

Linzer, whose association represents 29 health plans in the state, said the Governor should consider withdrawing the proposal as part of the 30-day amendment process to the budget.

"We look at this as something that has the potential to be extremely disruptive for the market, for providers, for patients," he said.

Naomi Zewde, an assistant professor in health policy and management at the CUNY School of Public Health whose research focuses on health insurance and economic inequality, said the state should also consider eliminating the middlemen and transitioning to a public managed-care model, like the one Connecticut adopted in 2012 for its Medicaid program.

"We should be re-evaluating private managed care altogether," Zewde said.

Hochul's proposal needs approval by the state Legislature to go into effect.