

**2007 Innovations Awards Program**  
**APPLICATION**

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ID # (assigned by CSG): 07-S-18OKSOONERPLUSOONERCARE

**Please provide the following information, adding space as necessary:**

State: OKLAHOMA

Assign Program Category (Health Services): (Use list at end of application)

1. Program Name: SoonerCare Plus to SoonerCare:  
Reform Before the Storm: Redesigning Oklahoma's Health Care Delivery System
2. Administering Agency:  
Oklahoma Health Care Authority
3. Contact Person (Name and Title):  
Anne Garcia, Chief Financial Officer
4. Address:  
4545 North Lincoln Blvd. Suite 124  
Oklahoma City, Oklahoma 73105
5. Telephone Number:  
405 - 522 - 7458
6. FAX Number:  
405 - 530 - 7224
7. E-mail Address:  
anne.garcia@okhca.org
8. Web site Address:  
<http://www.okhca.org/>
9. Please provide a two-sentence description of the program.

Eliminated state funded but privately operated managed care health system and created a new and innovative managed care / fee for service system operated by the state. The new program adopted many of the features of a private sector managed care program but with annual savings in excess of \$85 million and provided an opportunity to improve reimbursement rates, health care provider services and better benefit packages for our members.

10. How long has this program been operational (month and year)?  
January 1, 2004.

Note: the program must be between 9 months and 5 years old on April 2, 2007, to be considered.

11. Why was the program created? See attached.
12. What problem[s] or issue[s] was it designed to address? See attached.
13. Describe the specific activities and operations of the program in chronological order. See attached
14. Why is the program a new and creative approach or method?

Since the late 1980s the public sectors' model for a health care delivery system envisioned a managed care program funded by the state or federal government but operated by the private sector. Research indicated that the managed care model would reduce the cost of health care by implementing aggressive preventive and screening programs, direct people into appropriate care settings through the use of primary care physicians and by instituting a sense of competition among private sector managed care organizations which would keep costs down.

Oklahoma's experience with this model was less than stellar and after ten years was exactly opposite. First, our program called for at least three private managed care organizations in the State to bid on contracts. While the State was able to contract with three MCOs in order to offer the minimum of two MCO selections in each of the three service areas, the State was never able to attract more into the program for any length of time. Competition among the MCOs therefore did not exist in the true sense of the economic term. Second, the lack of competition drove the cost of the MCO contracts up. The benefit plans required by the State had to be actuarially sound and as such the cost of the contracts increased every year. By 2003 the estimated increases needed to maintain the MCO contracts went from 13% to 19%.

The annual battle over how much more money the state needed to give the MCOs far exceeded the return on investment. By the end of June 2003 the finance division of the Oklahoma Health Care Authority was able to produce information stating that the state could end its MCO program, adopt a modified program operated by the state and produce significant savings. The plan envisioned a health care delivery program where the state paid a capitated rate to physicians for maintaining a certain client load. The physicians would then by contract be responsible for the primary health care needs of their clients. If the client needed more services than the basic preventive care defined by the plan then the fee for service program kicked in to insure physicians and other providers could receive reimbursements for services. At the same time, the State added many elements to the fee for service program to monitor appropriate utilization and health outcomes.

Besides the cost savings realized by the State the benefits for both providers and our members far exceeded expectations. Through this new and innovative managed care program Oklahoma was able to eliminate multiple benefit packages operated by the

private managed care organizations and create one package that all providers could operate and understand. The new program has allowed Oklahoma to significantly expand its nurse case management department to address the needs of its members with complex health care needs and effectively implement an Emergency Room Surveillance program where we can not only track inappropriate use of emergency room services but now through our managed care provider contracts we can work with physicians to insure that their clients are being seen in the most appropriate health care setting.

15. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.) See table below and attachment
16. What are the program's annual operational costs? See table below and attachment
17. What are the program's annual operational costs? See table below and attachment

Oklahoma Health Care Authority SoonerCare Plus versus SoonerCare Cost Analysis			
FY05 Budget Comparison	Costs with SoonerCare Plus	Costs of State-Operated Program	Cost /(Savings)
<b>Expenditures:</b>			
OHCA Administration Costs	-	9,734,597	9,734,597
<b>SoonerCare Plus Capitation Payments:</b>			
FY04 Capitation Base	393,809,642	-	(393,809,642)
FY04 Delivery Payment Base	29,058,408	-	(29,058,408)
Add: Actuarial Rate Funding Shortfall FY04	11,879,027	-	(11,879,027)
Add: Annualize Actuarial Rate CY04 (6 mos)	43,955,003	-	(43,955,003)
Add: Annualization of Rate/Benefit Increases	13,597,636	-	(13,597,636)
Add: CY05 Trend = 7.63%	18,985,346	-	(18,985,346)
Capitation Reconciliation Payments	2,400,000	-	(2,400,000)
Resident PCP/Delivery Payments	2,134,552	-	(2,134,552)
SP/ABD Adjustments	1,128,000	-	(1,128,000)
Risk Adjustment Payments	3,196,000	-	(3,196,000)
Stop/Loss Payments	5,800,499	-	(5,800,499)
SoonerCare Choice Capitation	35,364,742	44,395,013	9,030,271
Add: Annualization of Choice Payments	1,060,942	26,832,331	25,771,389
<b>FFS Payments:</b>			
FY04 FFS Base	-	159,555,027	159,555,027
Add: Annualization of Claim Lag	-	24,791,013	24,791,013
Add: Annualization of 6 Month Cost	-	176,674,160	176,674,160
Add: Annualization of Rate/Benefit Increases	-	23,621,260	23,621,260
Add: FY05 Trend = 6.26%	-	11,272,703	11,272,703
<b>Total Expenditures</b>	<b>562,369,796</b>	<b>476,876,104</b>	<b>(85,493,692)</b>

18. How is the program funded?

Medicaid is a joint funded program between the state and federal government. In general Oklahoma provides approximately 30-cents in matching funds for every dollar spent. For the managed care program change Oklahoma used a combination of State Appropriations, drug rebates, refunds and provider fees to match the federal Medicaid dollars.

<b>Fund Sources</b>	<b>Amount</b>
Federal Medicaid Matching Funds	318,194,188
Provider Fees	42,556
Medical Refunds	9,350,114
Drug Rebates	19,558,160
State Appropriated Dollars	<u>129,731,086</u>
Total	158,681,916

19. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number. No.

20. What equipment, technology and software are used to operate and administer this program?

The Oklahoma Health Care Authority contracts with a vendor to process claims for reimbursement and an actuary to establish capitation rates for the new managed care program. The Oklahoma Health Care Authority employs approximately 100 care managers who answer telephones and assist members and providers in obtaining services and reimbursements.

21. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.

The program originated through the leadership of:

Lynn Mitchell, M.D., the State Medicaid Director  
Oklahoma Health Care Authority  
4545 N. Lincoln Blvd., Suite 124  
Oklahoma City, OK 73105  
Phone: 405-522-7365

Ms. Becky Pasternik-Ikard, Director, SoonerCare Program Operations & Benefits  
Oklahoma Health Care Authority  
4545 N. Lincoln Blvd., Suite 124  
Oklahoma City, OK 73105  
Phone: 405.522.7208

22. Are you aware of similar programs in other states? If YES, which ones and how does this program differ? No.

23. Has the program been fully implemented? Yes ~~If NO, what actions remain to be taken?~~

24. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

See Question 14 and attached.

25. How has the program grown and/or changed since its inception?

The savings generated by the new program has allowed the Oklahoma Health Care Authority to implement a DRG Hospital Reimbursement System, physician rate increases, added dental benefits and increased dental rates. These actions allowed us to increase the number of providers involved in our program which allows the public more access to health care. Significant improvement in customer relations involving both providers and beneficiaries. The program has also reduced the administrative burdens involved with operating three separate benefit programs.

26. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

Biggest obstacle is political and the significant amount of outdated research on the effectiveness of the HMO/MCO model as those models related to the Medicaid program.

## **2007 Innovations Awards Program Program Categories and Subcategories**

Use these as guidelines to determine the appropriate Program Category for your state's submission and list that program category on page one of this application. Choose only one.

### *Infrastructure and Economic Development*

- Business/Commerce
- Economic Development
- Transportation

### *Government Operations*

- Administration
- Elections
- Public Information
- Revenue

### *Health & Human Services*

- Aging
- Children & Families
- Health Services
- Housing
- Human Services

### *Human Resources/Education*

- Education
- Labor
- Management

- Personnel
- Training and Development
- Workforce Development

### *Natural Resources*

- Agriculture
- Energy
- Environment
- Environmental Protection
- Natural Resources
- Parks & Recreation
- Water Resources

### *Public Safety/Corrections*

- Corrections
- Courts
- Criminal Justice
- Drugs
- Emergency Management
- Public Safety

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CSG Innovations Awards 2007  
The Council of State Governments  
2760 Research Park Drive, P.O. Box 11910  
Lexington, KY 40578-1910

### **Contact:**

Nancy J. Vickers, National Program Associate  
Phone: 859.244.8105  
Fax: 859.244.8001 – Attn: Innovations Awards Program  
The Council of State Governments  
E-mail: [nvickers@csg.org](mailto:nvickers@csg.org)

This application is also available at [www.csg.org](http://www.csg.org), in the Programs section.

**Deadline: April 2, 2007**