

# Alabama's Medicaid reform could be a model for the nation



(Mobile)



By **Guest Voices**

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**By Greg Reed**, Alabama Senate Majority Leader, representing Senate District 5, which is comprised of all or parts of Walker, Winston, Fayette, Tuscaloosa, and Jefferson Counties

The state of Alabama faces a huge fiscal challenge. In 2010, Medicaid cost the state \$314 million. By 2015, Medicaid's costs had spiked to \$685 million, consuming 37% of Alabama's General Fund budget (which funds all non-education state spending), and would burden the state even more if the federal government didn't pick up the tab for 70% of Alabama's expenditures. Medicaid must be reformed if our state's finances are to be stabilized.

But first, let's define our terms: what are we talking about when we refer to Medicaid? Medicaid is a federally mandated health insurance program for children, the elderly, disabled, and pregnant women. Medicaid is essentially a low-budget insurance plan for the truly destitute, funded by a mix of state and federal tax revenue. Most of the people on Alabama's Medicaid program are children from poor families and disabled adults who don't have access to health care via private sector employment.

Solving the Medicaid challenge is the toughest fiscal hurdle the state of Alabama faces. If its costs are not contained, Medicaid will continue to grow like kudzu, and lawmakers must either raise taxes or severely cut other state services to keep the program going. I am for neither of those options, so there has to be a third way.

Since 2012, I have worked with Governor Bentley and other legislators on a solution to put Medicaid on sound financial footing by making the program more efficient, while also working to improve the quality of care for Medicaid patients.

To keep costs under control, we have radically changed how care is delivered to Medicaid patients. In 2013, I sponsored legislation to create Regional Care Organizations (RCOs) to improve the delivery of care to Alabama's 650,000 non-nursing home Medicaid patients with the goal of bending Medicaid's cost curve down. Under the new plan, the state of Alabama is divided up into five

districts, with local health care providers (the RCOs) contracted to administer care to Medicaid patients in each district.

The RCOs provide patient services through a managed care structure instead of a "fee-for-service" model. Under this new approach, each RCO is given an annual budget to pay for Medicaid patient services in its region. This discourages health care providers from ordering unnecessary tests that drive up medical expenses. The fixed budgets for the RCOs mean that Medicaid's costs are gradually becoming more manageable and predictable.

The RCO reform plan will save Alabama hundreds of millions of dollars over the next decade and hopefully stop the huge annual cost increases for Medicaid. However, at the end of the day Medicaid is a federal program and the implementation of the RCOs was contingent upon the federal government granting a waiver to approve Alabama's innovative reform plan.

Thankfully, legislative leaders, Governor Bentley's office, and our state Medicaid officials were able to prove to the federal Centers for Medicare & Medicaid Services (CMS) that our RCO plan would better serve patients and save millions over the next five to ten years versus the fee-for-service status quo. Therefore, CMS announced last week it will provide Alabama up to \$748 million as a startup investment, so long as certain benchmarks are met, including a continued commitment to fully fund Medicaid at the state level.

The reform of state government, and Medicaid in particular, is not done. Conservatives in the Legislature are determined to continue finding smart, innovative solutions to provide government services more efficiently for the people of Alabama. But the CMS waiver for Alabama's RCO plan means Medicaid is finally on its way to long-term solvency, which is welcome news for all of Alabama's taxpayers.

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