



Alabama to be split into five regions under revamped Medicaid plan



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Alabama State Health Officer Don Williamson

MONTGOMERY, Alabama --- [Alabama's revamped Medicaid Agency](#) is expected to provide health care through five managed care organizations spread geographically over the state, State Health Officer Don Williamson said today.

Williamson plans to reveal a proposed map on Monday showing the five regions. There will be one new organization in each region that will receive a monthly payment from Medicaid to provide health care for Medicaid recipients in its region.

The fixed payment approach will be a change from the current system, under which Medicaid pays doctors and hospitals for each act of patient care, a system known as fee-for-service.

[The Alabama Legislature mandated the change](#) with a bill that passed this year. But the bill did not specify how many regions the state would have.

“We’ve gone through multiple iterations of maps,” Williamson said. “Right now it looks like the best map that we can come up with, that’s going to have the most support, is going to have five regions.”

But Williamson said the map is subject to change. There will be a public comment and administrative rule-making period before the map takes effect Oct. 1.

Development of the map is an early step in a three-year process before the regional care organizations, RCOs, are fully operational.

The change to managed care is intended to slow the growth of the cost of Medicaid, which is the second biggest expenditure in state tax dollars, behind education. The state General Fund is providing \$615 million for Medicaid this fiscal year, about 35 percent of total General Fund expenditures. More than 900,000 people in Alabama are on Medicaid.

Williamson said the best estimates are that the new system will result in savings of \$50 million to \$75 million in state dollars over a five-year period beginning in 2016.

“Now, those are not savings off what we currently spend,” Williamson said. “They are savings over what we otherwise would have spent.”

The new law does not specify the exact nature of the RCOs. They could be for-profit or not-for-profit.

“The closest example of these is in Oregon,” Williamson said. “And the model in Oregon, they tend to be LLCs. So I would expect we would see some LLCs come out of this. We might even see a not-for-profit or two.

“I think there is really the opportunity for these to form in whatever way works best for the people who are both providing the care and taking the risk.”

The success of each RCO will depend on its ability to provide patient care with the money received from Medicaid. That provides the incentive to take steps to keep patients healthy, such as helping diabetics control their blood sugar to minimize emergency room visits and costly complications.

“The theory here is not only do you reduce the rate of growth of Medicaid,” Williamson said. “The other idea is that by integrating the care, you keep people healthier, you keep them out of the hospital, you reduce unnecessary hospitalization and you have better health outcomes. That’s the goal.”

Williamson declined to go into details about the map but said it will divide the state into logical geographic regions. He said there was no way to draw a map that will make everybody happy.

“So what we have tried to do is, two things: Devise a map that has the greatest amount of support, and second, a map that we can most defend as being most consistent with existing referral patterns,” Williamson said.