THE ADVERSE SELECTION OF QUEST MEDICAID PATIENTS AT THE WAIANAE COAST COMPREHENSIVE HEALTH CENTER

By Richard P. Bettini, MPH, MA

I. INTRODUCTION

No federally qualified health center should be forced to change its fundamental mission due to the incentives or structure of Medicaid managed care.

Daniel K. Inouye
United State Senator

A. Overview

The Waianae Coast Comprehensive Health Center's mission is to outreach and provide services to a predominately low income, Native Hawaiian patient population on leeward Oahu. This mission is in conflict with Medicaid managed care as it is currently structured in the State of Hawaii.

The mission of the Health Center has led it to the development of outreach programs addressing the unique health needs of native Hawaiians. Conditions disproportionately occurring in the Hawaiian population include teen pregnancy, substance abuse, chronic pain, behavioral health problems, morbid obesity, and chronic disease. For the Hawaiian community, early onset of chronic disease has led to a higher "potential years of life lost." These conditions have been documented through the *E Ola Mau* report submitted to Congress and the White House and led to the passage of the *Native Hawaiian Healthcare Act*.

The State of Hawaii sought and received a Section 1115 Medicaid Waiver from the federal Health Care Financing Administration (HCFA) in 1993. The assumption was that by contracting Medicaid to competitive managed care plans, the market place would produce efficiencies and contain cost. In order to protect the safety net function performed by community health centers, a condition was placed on the Hawaii Medicaid waiver, requiring the State to compensate health centers either through cost related supplemental payments or through risk adjusting capitation.

In a recent letter to the Health Center, the State Medicaid Director wrote, "…with respect to risk adjustment methods, the Med-QUEST Division (MQD) received approval on its current risk adjustment methods used to pay QUEST health plans by the federal Healthcare Financing Administration (HCFA) on two occasions."

The Health Center data presented in this report substantiates the Health Center's claim that current risk adjusters do not address adverse selection and may be discriminatory to Native Hawaiians.

B. Causes of Adverse Selection

The safety net role performed by the Health Center contributes to its adverse selection of high-risk/high-cost patients. The reasons include:

1. Program Responsibilities: Operating the regional family planning program, WIC Program, and perinatal outreach programs attracts pregnant women. School and adolescent health programs also attract pregnant teens.

2. Eligibility Function: Several factors contribute to the attraction of non-compliant patients to the Health Center, including its role as the provider of last resort. Many patients migrate in and out of Medicaid eligibility. The Health Center's mission is to see patients regardless of their ability to pay. Many young Medicaid-eligible patients seek enrollment in the program during a crisis, including pregnancy. As an enrollment site, the Health Center becomes the service provider for adolescents in crisis. "Walking" the uninsured through QUEST eligibility becomes the preferred option; however, this function also produces more adversely selected patients for the Health Center.

3. Ethnicity: The Waianae Coast is the site of four major Hawaiian Homesteads and the Health Center is the largest provider of primary medical care to Native Hawaiians in the State. As previously stated, this population experiences health conditions out of relationship to statewide QUEST age/sex risk adjusters.

C. QUEST Age/Sex Risk Adjusters

Current age/sex risk adjusters applied by the QUEST Program are shown below.

QUEST RISK ADJUSTERS

	AFDC	FC	GA	SHIP
Male:				
< 1	3.32	1.87	4.97	3.45
1 – 5	0.56	0.66	0.63	0.51
6 – 11	0.34	0.65	0.29	0.32
12 – 18	0.35	0.67	0.41	0.33
19 – 20	0.41	0.71	0.70	0.51
21 – 39	0.77	---	1.42	0.89
40 – 64	1.51	---	2.38	1.54
Female:				
< 1	3.21	1.65	4.42	3.28
1 – 5	0.51	0.70	0.50	0.42
6 – 11	0.42	0.76	0.26	0.26
12 – 18	0.59	0.94	0.75	0.52
19 – 20	1.90	0.96	2.03	1.49
21 – 39	1.41	---	1.72	1.30
40 – 64	1.73	---	2.50	1.57

D. Documenting Adverse Selection

Documenting adverse selection in the State's QUEST Program is difficult due to the following limitations:

1. The data available to the Health Center focuses on outpatient utilization on-site at the Health Center. Information is obtained from patient encounter forms recorded at time of visit and through the patient identification system.

2. Most QUEST Health Plans do not report hospital or off-site specialty costs linked to individual patients to the Health Center.

3. On-site Encounter data is limited as not all high-risk cases are identified by diagnostic data. This is particularly true of chronically obese patients which are substantially under-reported in this study. (Treating obesity has not been a reimbursable procedure; therefore, many systems have not matured to track this condition.) Behavioral health/substance abuse is under-reported, as patients may select a non-WCCHC provider without referral authorization or notification.

II. HIGH-RISK/HIGH-COST PATIENTS – WAIANAE CHC QUEST ENROLLEES

A. Defining High-Risk/High-Cost Patients

For the purposes of this analysis, high-risk/high-cost patients are defined as those with the following diagnosis or utilization characteristics during the period July 1, 1998, through June 30, 1999:

Pregnant during the period	Five or more emergency room encounters
Two or more visits for asthma	Two or more visits for chronic pain
Diagnosed with diabetes	Two or more visits for mental disorder
Twenty or more medical encounters during the period	Diagnosed with hypertension
Two or more visits for substance abuse	Failure to show for five scheduled medical visits
Diagnosed as morbidly obese (275 lbs. or more, or BMI> = 40)	

To analyze Health Center adverse selection, pregnancy utilization is further broken out from other high cost conditions and discussed in Section III. Most perinatal patients undergo extensive case management at the Health Center, so more detailed information is available.

B. Distribution of High-Risk/High-Cost Patients by Plan

Three Plans (AlohaCare, HMSA, and Queen's Hawaii Care) capitated the Health Center for serving 8,638 QUEST patients (96%) during the period. An additional Plan, Kapiolani, provided limited fee-for-service reimbursement for the remaining 317 assigned patients. The Kapiolani Plan provides little or no risk pool information on the population served.

A total of 2,020 of Waianae's 8,638 QUEST managed care patients present at least one high-risk/high-cost factor described on the following page.

Of the 8,638 patients assigned by three QUEST Health Plans, 7,888 patients actually used services during the year, and 750 were non-utilizing assignees.

The following describes the percentage of Plan assignees that are considered high-risk/high-cost utilizers by having 1 or more conditions shown on page 3:

1. AlohaCare: 5837 +53 non-utilizers = 6369 assignees; 1540 high utilizers (Adverse Selection: 24.17%
2. HMSA QUEST: 1494 + 78 non-utilizers = 1572 assignees; 334 high utilizers (Adverse Selection: 21.25%)
3. Queen's Hi Care: 557 + 140 non-utilizers = 697 assignees; 146 high utilizers (Adverse Selection: 20.95%

C. Case Analysis – High-Cost Patient

The 2,020 high-risk/high-cost patient population has been further analyzed. Any of the patients that exceeded $2,400 in outpatient charges in the 1998/99 were identified, along with their diagnosis, utilization patterns, age/sex, ethnicity, and Plan assignment. The following describes this high-cost patient population.

1. Total on-site charges for these 526 QUEST patients ranged from $2,400 up to $30,765 for 1998/99.

2. Approximately 63% of the highest utilizers were Native Hawaiian, and approximately 75% were Polynesian (Hawaiian, Samoan and Tongan).

3. A total of 75% of the highest cost patients were enrolled in AlohaCare.

4. Most of these patients have multiple and inter-related medical conditions.

D. Financial Impact – Serving High-Cost Population

The Waianae Coast Comprehensive Health Center provides primary care, specialty, emergency, laboratory, and x-ray services in-house. Average payment, including capitation, to support these services annually for QUEST patients is approximately $480 per year per patient.

Capitated QUEST patients receiving in-house services at the Health Center in 1998/99 generated total cost-related charges of $7,711,082. For the 8,638 QUEST patients, this represents an average annual charge of $892; a shortfall of $413 per patient.

III. ADVERSE SELECTION

The data presented in Section II contribute to the suspicion that the Waianae Coast Comprehensive Health Center is adversely selected under Hawaii's Med-QUEST program. Still, without more Plan information and actuarial analysis, this data does not establish adverse selection. The Health Center's case for adverse selection is demonstrated, however, by further analysis of its sub-population of pregnant women and children.

A. High-Risk Pregnancy

A total of 334 of the Health Center's 7,888 assigned QUEST patients were pregnant in 1998/99. Another 28 QUEST pregnant women were included in the 371 fee-for-service QUEST patients enrolled in the Kapiolani Plan and having a Primary Care Provider at the Health Center. This resulted in an aggregated pregnancy rate of 47.7 per 1000. Consider the following regarding these QUEST patients.

362 QUEST Pregnancies at WCCHC (47.7 births per 1000)
324 were Hawaiian or other Pacific Islander (89.7) 117 were teenage girls (32%) 72 were children under 18 (12.7%) 296 were single women or children (82%) 173 were recent or current substance abusers or spouse was abusing (primarily methamphetamines) (48%)

To further illustrate the adverse characteristics of this population, high-risk pregnancy criteria defined by the Hawaii State Department of Health was used in assessing risk factors, including:

Homeless
Domestic Violence
Child abuse and neglect (victim or perpetrator)
Marital/family problems
Partner, parental, past, present use of alcohol, tobacco, or drugs
Medical problems, grand multip, short interconception
Nutritional problems
Late care or entry into prenatal care during 3rd trimester
Single or not married
Language barrier
Unwanted pregnancy
Mental health problems
Age: < 20 years old or > 34 years
Ethnicity: Hawaiian, Filipino, Samoan

The total number of women demonstrating high risk factors is listed below.

Risk Factor	# of Women	% of Women
Ethnicity	306	84.5%
Single	295	81.5%
Substance	179	49.4%
Medical	178	49.2%
Age	135	37.3%
Marital/Family Problems	57	15.7%
Child Abuse & Neglect	44	12.2%
Late Care	39	10.8%
Mental Health	31	8.6%
Domestic Violence	23	6.4%
Homeless	18	5.0%
Language Barrier	3	0.8%
Other	3	0.8%

The average number of risk factors per woman is 3.62. The average number of risk factors for pregnant teens is 4.26. The pregnant teen population presents an even more startling high-risk profile; with 97.4% of teen pregnancies to single girls. See Teen Pregnancy Risk Factors below:

Risk Factor	# of Women	% of Women
Ethnicity	105	89.7%
Single	114	97.4%
Substance	54	46.0%
Medical	45	38.0%
Marital/Family Problems	17	14.5%
Child Abuse & Neglect	14	12.0%
Late Care	14	12.0%
Mental Health	8	6.8%
Homeless	6	3.4%
Language Barrier	2	1.7%

In addition, when compared to the State pregnancy characteristics, the percent of teens pregnant is much higher for the Health Center's QUEST population that the total State pregnancies.

Age	**Total State Pregnancies (1996)**		**Total WCCHC QUEST Pregnancies (1998/99)**	
14-17	1216	5%	45	12.4%
18-19	1896	7.8%	72	19.9%
20-24	6164	25.5%	138	38%
25-29	6111	25.2%	58	16%
30-34	5244	21.6%	31	8.65
35-39	2862	11.8%	16	4.4%
40-44	700	2.9%	2	.55%

*Total State pregnancies for 1966: 24,234; *Vital Statistics Report)*

B. Relative Expense – Pregnancy

With the hospital claims data made available by AlohaCare, the relative expense of serving a population with disproportionate birth rates becomes apparent.

In calendar year 1997 (year in which hospital and specialty claims data is available), the Health Center served 273 pregnant women out of the 6,200 AlohaCare enrollees assigned to the Waianae risk pool.

The total amount of claims paid to hospitals for delivery of Waianae's AlohaCare babies in 1997 was $935,000. Specialty obstetrics and anesthesiology costs for these 273 patients totaled approximately $70,000. These two costs, alone, represent 11.4% of all medical resources allocated for 6,200 AlohaCare patients.

If these 273 women were a low-risk population, the extent of the problem would be limited. However, as the data presented earlier in this Section suggests, this is an extremely high-risk population requiring extensive outpatient services averaging $1,838 in out-patient clinic service charges.

Total annual costs incurred by this population of 273 patients are show in the following table.

The total cost of $1.6 million amounts to approximately 20% of all revenues set aside for medical services for 6,200 AlohaCare QUEST patients in 1997.

273 AlohaCare Deliveries – WCCHC Patients	
Specialty Care	$71,782
Sub-total Outpatient/Professional Costs	$501,774
Hospital Costs	$935,000
Ancillary/Other Costs	$93,000
Total Costs for 273 Pregnant Women	$1,601,556
Total AlohaCare Claims Paid/Capitation	$8,184,000
% of Medical Claims for Pregnant Women	20%

C. Med-QUEST Risk Adjusters

Med-QUEST risk adjusters were presented on page 2 of this report. The adjustments not only assume women in the child-bearing years to begin at 19 years, they substantially penalize providers that serve high-risk adolescents such as those described in this section.

For the purposes listed above, many states have chosen to carve out deliveries from its Medicaid managed care capitation to Plans. Total delivery costs are projected and paid to plans when there is a delivery. Disproportionate deliveries by Plan and Provider are neutralized, as is the need to adjust for teen pregnancy.

When this problem was presented tot he QUEST Program officials, the response was, "…it's your problem for outreaching to this population." The implication is that the Health Center needs to either change its mission, or seek other funds to support serving this segment of the Medicaid population.

IV. CONCLUSIONS

The data presented suggests that the Waianae Coast Comprehensive Health Center is adversely selected for QUEST patients and that current age/sex-based risk adjustment performed by QUEST does not address this adverse selection.

While adverse selection for chronic disease and behavioral health issues requires more thorough analysis, adverse selection for high-risk pregnancy is conclusive.

Ethnicity is also found to be a probable source of adverse selection, with Native Hawaiians presenting particularly high-risk, non-compliant characteristics. The loss of cost-related payments to support services to address their needs may well perpetuate the poor outcomes experienced by the Native Hawaiians. In fact, the failure of the current QUEST Program to consider previously presented options to address high-risk special populations may be discriminatory.

Another group that has seen an erosion of resources proportionate to need is high-risk adolescent population currently challenged by substance abuse, depression, and teen pregnancy. Pre-QUEST EPSDT rules allowed the Health Center to capture costs for serving this population under its cost report.

Also, there appears to be a disproportionate number of high-risk users enrolled in AlohaCare, the safety net health Plan.

Simple risk adjustments, including carving out deliveries and active users of dangerous substances, such as methamphetamines, combined with a cost-related wraparound for other safety net functions would address the adverse selection experienced by both AlohaCare and community health centers. The carve outs would substantially reduce the dollars needed for wraparound payments and protect Hawaii’s budget neutrality. The remaining carve out should be less than State and Federal officials currently spend on supplemental Medicaid payments to Federally Qualified Health Centers in Hawaii. And, the safety net would be intact.

Until risk adjustments more realistically reflect the multiple and inter-related conditions presented, the Department of Health and Human Services should assure that cost related supplemental payments are assured to Federally Qualified Health Centers.