

# PREPARE FOR MEDICARE/ MEDICAID MANAGED CARE

*Catholic Providers Must Participate in New Linkages*

**R**evolutionary changes are on the horizon for Medicare and Medicaid. Capitol Hill and the White House seem to agree that these programs' beneficiaries should be able to enroll in private, competing managed care plans. Because both Democrats and Republicans support that goal, it is likely to be reached as part of next year's effort to balance the federal budget. Deep cuts in payments to providers are also likely.

Inevitably, Medicare dollars will be redistributed from hospitals to health plans. The "integrators"—the organizations capable of going at risk for care provided to enrollees—will be the recipients of those dollars. Will the integrators be corporate HMOs and other managed care plans, or will Catholic and other not-for-profit providers assume that role—and the funds that go with it?

## URGENT NEED FOR PREPARATION

The prospect of Medicare restructuring should accelerate the regional and national collaborative strategies encouraged by the *New Covenant* process, which aims to facilitate a transformed Catholic health ministry. It is imperative that Catholic providers prepare quickly for the restructuring. They are more dependent on Medicare revenues than are other hospitals. On average, they receive 40 percent of their revenues from Medicare, whereas other-than-Catholic hospitals derive only 35 percent from the program. Already 12 percent of Medicare beneficiaries are enrolled in managed care plans, and the number is growing.

Large cuts in Medicare payments to providers combined with Medicare restructuring could drive change at such a rapid pace that unprepared not-for-profit providers, especially in the Midwest and East, may have a difficult time keeping up with for-profit insurers. This could be true in markets with a strong Catholic presence but multiple sponsors and/or systems that are reluctant to collaborate with each other. It is also likely to be the case for smaller sponsors and systems that are already threatened by today's pace of change.

## ORGANIZATIONAL RESTRUCTURING: CHA'S COMMITMENT

Catholic healthcare organizations must be in a position—through organizational restructuring—to take advantage of market opportunities that the anticipated Medicare and Medicaid legislation affords them. Leaders must restructure their organizations so they can participate in linkages with like-minded institutions and physicians. Linkages among providers will enable them to construct regional and national support systems (e.g., "best practices" research and development), to develop physician relationships and networks, and to achieve service and cost efficiency.

CHA is committed to preparing Catholic healthcare facilities, systems, and sponsors for the legislative changes that will profoundly affect their ability to carry out their mission of service to Medicare (and Medicaid) beneficiaries. A series of regional meetings, sponsored by CHA, will address key strategic questions:

- Are Catholic healthcare organizations moving rapidly enough to establish the "critical mass" of local linkages, managed care expertise, market identity, and regional and national supports they need to compete with existing health plans for Medicare and Medicaid enrollees?

- How can Catholic healthcare organizations be prepared so they are not forced to rush into arrangements that might cost them their Catholic identity and ethical integrity?

- How can Catholic healthcare leaders participate in national advocacy efforts that give them an equal voice with well-financed insurers in setting the federal and state specifications for a competitive Medicare market?

It is difficult to believe that the dizzying changes taking place in the market today could accelerate further. But they will. With the ballooning federal deficit and insolvency of the Medicare trust fund on the horizon, Congress and the president will surely act next year to reduce and restructure Medicare. The *New Covenant* meetings this fall present us with an important opportunity to get ahead of these changes and continue our mission. □

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