
MEDICARE ADVANTAGE NEWS

CEOs Call Bonds With Government, Providers Keys to MCO Success

The CEOs of two Medicaid managed care organizations (MCOs) said March 7 that good relationships with state and federal governments and with providers are two keys to the survival of Medicaid MCOs.

Anthony Horbal, the founder and CEO of Ion Health Holdings, spoke to a group of other CEOs at a National Managed Health Care Congress session about the future of the Medicaid managed care industry, while AmeriHealth Mercy Health Plan President and CEO Dan Hilferty addressed a general audience on diversification at a separate NMHCC session.

Horbal predicted that larger Medicaid MCOs will buy smaller companies and offer their services on a regional basis, instead of taking a state-by-state approach, much like the way the Medicare side is forming multistate regions. The states will see the benefits of coming together in Medicaid as well, he says, to achieve cost savings. "The politicians have come to accept the fact that we have a real social problem [with Medicaid]."

Both speakers said trust in state and federal government is essential to Medicaid MCO survival. "I think that the government as a whole...has done a very good job of responding to the needs of the Medicaid population," Hilferty tells *MAN*. "I have always trusted the government — it's a sure payer. When we go into contract with a state, I am confident that [it is] going to be a strong partner, will pay on time and will monitor our services."

Horbal also stressed a company's reliance on provider partnerships, saying that "if they perceive value, they'll want to work with us," and that Ion will use advanced technology to help its providers keep better track of their patients. "The winners will have the best IT [i.e., information technology] systems," he told the conference session.

Hilferty also says experience working with provider organizations will help an MCO, and that working with

providers is linked to technology. "One of the keys is to provide data [to providers], the second is maintaining an active dialogue. A third is developing a system for easy communication," he says.

Keeping with his diversification theme, Hilferty encouraged his audience members to branch out into different states and to have a full array of services. "Different states handle Medicaid in different ways," he said in a follow-up interview. "In order to best manage the business and keep it successful, you should diversify to different states, and into different lines of business." He cites the examples of AmeriHealth's pharmacy product and case management product. "If you rely on one state for all of your income and that state decides to go to another model, you'd better have other lines of business that are successful and profitable," he warns.

Hilferty calls this "cross-fertilization." "When you go into a certain state or jurisdiction with one product, you should look to see whether other products will work there," he explains.

For Ion, the diversification and "cross-fertilization" is just starting, but is increasing rapidly. Ion is a Medicaid managed care organization, but Horbal tells *MAN* that he now has an application to serve Medicare beneficiaries and dual eligibles in Pennsylvania. He also says Ion has applied to serve Medicaid beneficiaries in Ohio and is looking for acquisitions in Michigan.

The MCO in December received \$200 million in private equity funding and said then that it would use the funds for expansions (*MAN* 12/9/04, p. 4). Ion began serving Pennsylvania Medicaid beneficiaries in April 2004, and recently said it has enrolled more than 12,000 members.

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