

Stamer's Health-e Alert

Court Rules Americaid Texas, Inc. Payment Of Methodist Hospital of Dallas At Fee-For-Service Rather Than Medicaid Advantage Contracted Rates For Care of Patient Whose Enrollment In Medicaid Managed Care Plan Ended During Hospitalization Despite Contractual Provision

May 14, 2007

In its May 7, 2007 decision in *Methodist Hospitals Of Dallas v. Amerigroup Texas, Inc.*, a Texas Appeals Court ruled that Americaid Texas, Inc., a Medicaid HMO subsidiary of Amerigroup (Amerigroup), properly determined that healthcare services provided by Methodist Hospitals of Dallas (Methodist) to Felicia Carraway should be reimbursed at the standard Medicaid fee-for-service rates rather than the higher capitated rate provided under its mandated care contract for individuals enrolled as mandatory members in its Medicaid HMO program.

When her hospitalization began, Ms. Carraway qualified for Medicaid based on her participation in the Temporary Assistance for Needy Families program (TANF). She was covered under the Medicaid managed care contract between Methodist and Amerigroup as a mandatory member, pursuant to an assignment based on her TANF based Medicare participation. Federal Medicaid regulations permit mandatory membership assignments to a particular Medicaid HMO under an exception to the otherwise applicable "free choice" provisions of the Medicaid for TANF participants.

While still hospitalized, Ms. Carraway's TANF enrollment ended and she became eligible for Medicaid participation by virtue of her participation in SSI. Pursuant to the "free choice" rules of federal Medicaid regulations, states cannot enroll individuals enrolled in SSI as mandatory members and Ms. Carraway did not act to become a voluntary enrollee in the Amerigroup Medicare HMO.

Despite the termination of her status as a mandatory member, Methodist argued that it was entitled to be reimbursed by Amerigroup for all services rendered to Ms. Carraway, including those after Ms. Carraway's mandatory membership status ended, as if she remained enrolled as a mandatory member. Methodist argued that Amerigroup was contractually obligated to pay for all services as if she remained a mandatory member because the contract specified that the higher reimbursement rate would apply once a mandatory participant was admitted to the hospital, unless the patient became ineligible for Medicaid. Methodist contended that Ms. Carraway remained eligible for Medicaid despite the termination of her mandatory membership enrollment in the Amerigroup Medicaid HMO program.

The court disagreed. The court ruled that the eligibility of services provided to Ms. Carraway for reimbursement at the higher, contractual rate depended on Ms. Carraway remaining an enrollee in the Amerigroup Medicaid HMO program. Pursuant to federal Medicare regulations, Ms. Carraway's mandatory membership status by federal law ended when she became enrolled in SSI. Since she did not voluntarily enroll when this status ended, the court concluded she ceased to be enrolled in coverage under the Amerigroup Medicaid HMO. Accordingly, the court ruled that Amerigroup was not obligated to reimburse Methodist at the higher capitated rate after Ms. Carraway's mandatory membership enrollment in the Amerigroup Medicaid HMO program ended.

The Amerigroup decision provides an important reminder to payers and providers contracting to participate the Medicare and Medicaid Advantage programs that illustrates that applicable federal program regulations are likely to impact the construction of terms of contractual agreements in managed care contracts. Accordingly, payers and providers contracting to participate in these and other government-sponsored managed care programs seeking to understand their rights within the program need to take into account not only their express contractual agreements, but also the ruling statutes, regulations and rulings applicable to the administration of their program.

To request a copy of the court's opinion, if you wish to discuss questions or concerns about Medicare Advantage, Medicare Part D, Medicaid Advantage, or other managed care and insurance matters, or wish to request publications, information about upcoming programs, or other materials, please contact: Cynthia Marcotte Stamer, P.C., Member, Glast, Phillips & Murray, P.C., 2200 One Galleria Tower, 13355 Noel Road, LB 48, and Dallas, Texas 75240. Telephone (972) 419-7188. E-mail cstamer@gpm-law.com.

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