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EXECUTIVE DIRECTOR
Richard B. Murdock
Michigan Association of Health Plans

Senate Subcommittee on Community Health Appropriations

Public Hearing

<u>March 3, 2015</u>

Good Afternoon. My name is Rick Murdock, and I am Executive Director of the Michigan Association of Health Plans. MAHP member health plans have a long history of providing nationally ranked, comprehensive and cost-effective delivery of Medicaid services for Michigan's most vulnerable citizens. Members of MAHP are proud of this record over the past seventeen years and view that experience as a platform for future innovations and services.

While we have important and critical issues to raise in response to the Executive Budget recommendations which will be addressed later, I wanted to first spend a few moments on this 17 year history and illustrate the dynamic nature of our industry in the partnership with MDCH.

<u>An Outline of Medicaid Managed Care History</u>

<u>Base (Pre 1997)</u>

- Provider access issue
- Voluntary enrollment in areas of managed care and managed care "light"—physician sponsor program
- High utilization and no ultimate provider accountability
- Budget unpredictable

<u>Launching Managed Care (1997-2000).</u>

- Creation of MDCH
- Leadership: Gov, SBO, MDCH, DMB, Atty Gen
- Move toward contract management and privatization
- Total Integration as Strategy—Five Tracks to be developed
  - Enrollment services (mandatory enrollment, algorithms for auto-enrollment & statewide and inclusive of disabled population
- Competitive Bidding—use market forces not arbitrary decision to pick winners/losers—set thresholds (Price bid)

- SE Michigan 1997
- Remainder of State 1998
- Budget Savings ($125 M GF taken in FY 98)
- Improved Access (40% more physician involvement)
- Rebid again in 2000

Fine Tuning (2001 – 2009)

- Actuarial Soundness (2002 federal rules—2004 effective date)
- License plans only
- Next RFP 2004 and 2009--State set rates for actuarial soundness
- Eliminated Duals (due to federal rules)
- Fully implemented electronic billing requirements
- Medicaid HMO QAAP Begins through state legislation 2002—convert to Use tax beginning in 2009 due to Federal DRA of 2006
- Psychotropic payments (60/40) and then carve out completely
- Adolescent Center Payments, HRA, GME, SNAF payments by health plans
    - Within terms of the contract, voluntary agreements, assurance of access and outreach
- New mandatory populations—pregnant women and Foster care children
- External study validates state savings (Sen. Stamas University of Maryland)

Preparing for the Future (2010 -)

- New populations (CSHCS), SNPs
- Systems challenges vis a vis CHAMPS, movement toward ICD 10, other HIPAA requirements for electronic billing
- MI CHILD as separate contract
- Repeal of Use Tax for HICA 2011, revised again 2014 with restoration of Use Tax
- Documentation that MHP Provider base can be platform for Healthy Michigan Plan
- Duals Innovation project planned and now launched
- LTC managed care required under HMP for 2016
- Patient centered medical homes (MiPCT), Meaningful use incentive payments
- Prosperity Regions (all or none)

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- New RFP to be released in May 2015 and new contracts effective January 1, 2016.

Summary:

Looking over this background, we firmly believe that the premise and objective for Medicaid Privatization has worked:

- Movement toward integration continues as the five tracks continue to come together; we now have Core/Comprehensive Medicaid, which now includes CSHCS. Long term care will be either part of Duals Initiative or LTC in 2016;
- The approach and partnership with the administration has historically been collaborative and interactive with our industry—find the solution that works—awareness of new initiatives in order to integrate systems and provider contracts requirements.
- Market forces continue to work—number of plans are reduced due to merger/acquisition (33 down to 13)—expect that to continue;
- Performance rankings continue 11 of top 50 nationally and 6 of top 30;
- Continue to move population into the managed care environment;
- Medicaid Plans continue to meet and exceed contract performance requirements and provide costs savings to state and federal taxpayers—over $6 billion since 2000—**all while overall Medicaid health plan margins are now less than 1%; and**
- Medicaid Health Plans are at **complete financial risk** (not the state) for the services offered under the contract in exchange for actuarial sound funding.

Recommendations for FY 16

Our recommendations listed below are based on continuing the history, building on past performance, continuing a focus of raising the performance standards, becoming more transparent and focusing on outcomes. Our intent is to meet with all committee members and review our complete Medicaid Strategic Plan. Today, I want to focus on two specific recommendations:

1. **Reverse Proposed Pharmacy Carve Out**

While we appreciate the overall recommendations within the FY 16 executive budget….we are concerned and troubled by the proposal to carve out pharmacy benefit and administered it at the state level. Without a pharmacy benefit and real time data that health plans can readily use, efforts on performance contracting cannot be met, projected savings (including those in Healthy Michigan Program) related to disease management /care coordination cannot be achieve, patient safety will be at risk and opportunities for fraud and abuse detection will be lost. Moreover, health plans have held the complete fiscal risk for managing this benefit—carving the benefit back to the state also returns financial risk of at least $450 million.

On behalf of MAHP member plans, MAHP have provided an alternative to the administration that we believe **achieves the same budgetary savings and provides a consensus approach for operation of health plans formularies** and creates greater opportunity to raise the performance on meaningful use, e-prescribing and other solutions for integrating services.

We are looking forward to meaningful discussion regarding our proposal and the final agreement that the pharmacy benefit should remain as part of the Medicaid Health Plan benefit package. Because of the pending RFP, these decisions need to be made in very near future.

2. **Support Actuarial Soundness Recommendation.**

MAHP has consistently advocated for actuarially sound rates for Medicaid Health Plans and support the Executive Budget proposed 2% increase for both regular Medicaid and Healthily Michigan Program.

Thank you for your consideration of our comments and we intend to work closely with you and your staff over the coming weeks and months as the budget discussion are finalized.

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