March 1, 2016

Senate Appropriations Committee—Subcommittee of Health and Human Services

Testimony

Good afternoon. My name is Rick Murdock, and I am Executive Director of the Michigan Association of Health Plans. Our membership includes Medicaid Health Plans who contract with the state of Michigan to provide comprehensive health care services for over 1.6 million Michigan citizens in traditional Medicaid and expanded Healthy Michigan Program.

The Michigan Association of Health Plan's Board Vision for 2020 is to have improved coverage, access, value and choice for the State's population. These objectives align with those of the State to achieve greater access, value and have the impact of continuing to raise the "performance bar" for improved outcomes from Medicaid Health Plans.

Policy makers, administrators and the public rightfully expect (and we believe receive) value from the Michigan's Medicaid managed care program. This is largely due to the nature of the performance-based contract, the inherent flexibility of a managed care system, and the emphasis on prevention, care coordination and disease management and single point of accountability. It is through this emphasis built into the state's Medicaid Contract that Michigan's Medicaid health plans continue to rank among the nation's best as determined by the National Committee on Quality Assurance, NCQA.

Over the past weeks there have been many allegations regarding the performance and costs of Medicaid Health Plans. While I understand the genesis for these allegations—it is important that you and others see the perspective from our industry.

- Medicaid Health Plans have cumulatively saved the state and federal governments billions of dollars since the late 1990's compared traditional program;
- Medicaid Health Plans provide greater access to services and provide monhly updates on provider availability for the data base used by the State and its

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enrollment broker, for voluntary enrollment so beneficiaries can choose their providers;

- The delivery system and accountability of Medicaid Health Plans were an underlying premise for the adoption of the Healthy Michigan Act as one of the early questions was "would Michigan have enough provider access" and as we know that answer was yes. The successful enrollment of hundreds of thousands of Michigan citizens would not have been possible without this strong delivery system.
- Medicaid Health Plans operate at "full risk". This means they are financially responsible to managed and pay for care for beneficiaries enrolled in their plan. Rather than "running from risk", to be successful, Medicaid health plans identify risk and organize services around those beneficiaries requiring more care coordination, disease and case management and avoid most costly settings.
- There are various measures of administration costs—one of which is medical loss ratio. (Total payment for all medical claims out of total earned premium.) For those who want to compare medical loss ratio of health plans to other systems, an additional analysis will be necessary to determine if the administrative services required under the state contracts are similar. We expect further discussions on this issue over coming months.
- Finally, the performance measures (outcomes) required under the contract and the audited data and accountability not only compares Michigan greatly against other states, but is a testament to the wisdom and direction of MDHHS oversight. This aspect is the strength of the program and is used in all incentives with Medicaid plans.

MAHP has recently completed its annual revision of its strategic objective for Medicaid and will be sharing that document and its information with members of these subcommittees and staff in the coming days and weeks as schedules permit. I appreciate the opportunity however to offer a few comments today regarding the Executive Budget for Fiscal Year 2017.

1. **Medicaid Services**. Michigan has invested in developing and nurturing a strong Medicaid managed care program over the past 18 years, and most recently administering a re-procurement process that:
    a. Reduced the number of contracting health plans from 13 to 11
    b. Aligned the service area with the new "10 prosperity regions" along with the requirement to serve all counties within each region;
    c. Implements a common pharmacy formulary;
    d. Merges the MI CHILD contract and Healthy Michigan Program into a single contract;

e. Continues inclusion of enrollment for CSHCS, Foster Care Children, Pregnant women; and
f. Adds additional performance requirements in areas of population health, patient centered medical homes and health homes, information technology and integration.

Assuring the financial support for managed care is tied to actuarial soundness. Providing appropriate increases based on actuarial soundness criteria and assumptions are necessary to meet the contractual requirements. **The MAHP and members therefore appreciate and support the Executive Budget recommendations regarding actuarial soundness for both traditional Medicaid services and the Healthy Michigan Program.**

Funding Medicaid is always a challenge. Michigan has been creative over the years and has relied on a strong partnership with the provider and delivery systems to support the program with provider taxes, fees, and assessments. This will continue to be a challenge in coming years due to dynamics associated with the state's reliance of a use tax after December 31, 2016. **Making up a part of the loss of revenue was the caseload assumption for FY 17 and we are hopeful that these assumptions are on target and encourage a thorough review prior to completion of the budget and assume this will take place following the May's consensus revenue conference.**

2. Healthy Michigan Program

As you may recall, several weeks ago I testified before this subcommittee regarding the 2nd waiver for the Healthy Michigan Program and opportunities for further flexibility and innovation that appears to be possible at this time. Rather than repeat that testimony here, I am simply referencing it as part of our overall budget comments at this time and intend to work closely with the Administration and members of this sub-committee to develop appropriate enhanced measures that will incent both beneficiary and provider behavior and produce desired outcomes as envisioned by the Healthy Michigan Act.

3. Behavioral Services

Finally, as we all know, the Executive Budget recommends a significant change regarding the delivery of behavioral services. While no change is recommended to take place during FY 17, the Executive Budget and its boilerplate language recommend an end point and process.

We believe it is vital to get the process right before making any programmatic or resource changes. Therefore we want you to know that MAHP has and will be working with our colleagues in the Michigan Association of Community Mental Health Boards, MACMHB, to advocate strongly for a robust stakeholder process and as you know, our two organizations along with other groups are already engaged with the Administration on this issue through a process convened by the Lieutenant Governor similar to that as envisioned by the proposed boilerplate. There are now at least four meetings of this group scheduled between now and mid-May and additional meetings of subgroups. Part of the charge to the groups is to arrive at a consensus of what the end goal is—agreement on how best to get there—and agreement on what constitutes "facts" in order for everyone to move forward with an informed position.

I was pleased to submit correspondence regarding this issue and to place in writing that we (MAHP and MACMHB) expect that one of the outcomes of this stakeholder process will be recommendations that will help frame your final budget boilerplate recommendations that would result in replacing the section 298 with language that more closely reflect the wording in Gov. Rick Snyder's executive budget statement on integration and I quote from the executive budget message:

The governor recommends that the state begin the process to better integrate mental and behavioral health services with a patient's physical health treatments. The governor expects to see improved coordination of care and a stronger focus on the needs of an individual patient by initiating a process by which all patient services are closely integrated. This budget recommendation asks the legislature and the health provider community to engage in an important conversation about integrating physical and behavioral health services into the larger consideration of patient need.

The MAHP and members are not only willing but anxious to participate in such a stakeholder process and look forward to working collaboratively with the administration and various groups. We have also begun a process of commissioning a study that will identify the utilization and cost of services provided by the Medicaid Health Plans and Prepaid Inpatient Health Plans, PIHPs to beneficiaries jointly served by these systems.

Summary

In summary, MAHP:

1. **Recommends support for the Executive Budget Recommendations regarding Actuarial Soundness for managed care.**

2. **Has concern regarding the underlying caseload assumption and encourages a review prior to final budget.**
3. **Encourages further flexibility in the implementation of incentives used by health plans with beneficiaries and providers within the Healthy Michigan Program; and**
4. **Commits to participating in and supporting a stakeholder process, whose recommendations should be used to replace the current boilerplate language on integration.**

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