

HealthChoices Expansion: **The Best Option for Pennsylvania**

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In this difficult fiscal environment, attention has focused on the need to identify cost savings initiatives to help save and contain costs within the Medical Assistance Program. This Issue Brief from the Pennsylvania Coalition of Medical Assistance Managed Care Organizations (PAMCO) outlines the need for the Commonwealth to expand the HealthChoices Program statewide to contain the growing costs of Pennsylvania's Medicaid program.

HealthChoices Expansion: **The Best Option for Pennsylvania**

In order to curb the growing cost of the State's Medical Assistance Program, HealthChoices should be expanded Statewide. HealthChoices has proven to be more effective than ACCESS Plus in containing costs and providing quality health services to Medicaid consumers. Additionally, Statewide HealthChoices will provide the ideal infrastructure for Health Care Reform.

Legislators and policy makers should support the expansion of HealthChoices to the Northeast, Northwest, and Central Zones.

The Current Medicaid Physical Health Delivery Model

HealthChoices. HealthChoices, Pennsylvania's mandatory managed care program for Medicaid consumers, extends to 25 of the Commonwealth's 67 counties, including some of the most populous and some of the most rural. The program is operational in the Southeast, Southwest and Lehigh/Capital Zones, and serves over 1.2 million of the Commonwealth's 2.2 million Medicaid consumers.

Under this model, the Department of Public Welfare (DPW) contracts with Managed Care Organizations (MCOs) to provide a complete package of physical health benefits to consumers who enroll in their plan. The MCOs are paid a set of capitated fees for each enrolled member each month. The MCOs are at financial risk and must provide all services to their members, as well as the administrative and quality structure for those services, within that fixed amount.

"On all fronts, HealthChoices is as effective a program as we have seen anywhere across the nation in the Medicaid arena."

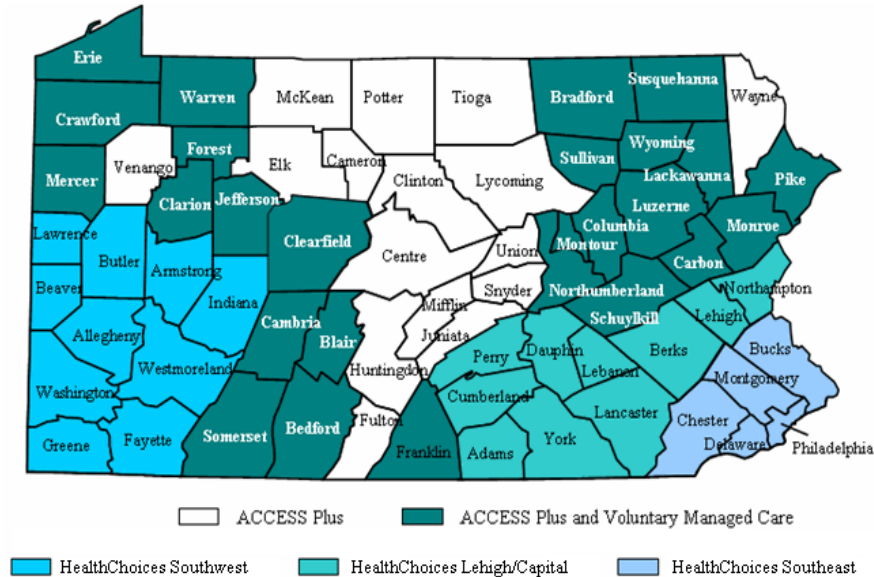
--The LewinGroup

HealthChoices has dramatically increased access and quality of care from levels prevalent under the previous Fee-for-Service model. The HealthChoices program is a national model, and participating MCOs have continuously been ranked among the best plans in the nation in the *U.S. News and World Report's* rating of Medicaid Health Plans.

Voluntary Managed Care. A similar, but voluntary, Managed Care program is available from MCOs in 25 other counties outside of the three HealthChoices zones. As of December 2010, approximately 70,000 Medicaid consumers were enrolled with one of these MCOs in Voluntary Managed Care.

ACCESS Plus. DPW also administers an enhanced Fee-for-Service program, ACCESS Plus, which is available for consumers in the 42 non-HealthChoices counties, including those 25 counties where Voluntary Managed Care is also offered. Approximately 326,000 Medicaid consumers are enrolled in ACCESS Plus.

Existing HealthChoices, Voluntary Managed Care, and ACCESS Plus Zones



The remaining Medical Assistance population of over 600,000, who are not in HealthChoices, Voluntary Managed Care, or ACCESS Plus, are primarily in long-term care, residential settings, waiver programs, or are “dual eligibles” (eligible for both Medicaid and Medicare).

HealthChoices Expansion

The Commonwealth should extend HealthChoices into the 42 counties where Voluntary Managed Care and ACCESS Plus now exist, and should cover nearly 400,000 additional consumers in these counties. The program expansion should be divided into three zones:

Zone	Counties
<i>Northeast</i>	Carbon, Lackawanna, Luzerne, Monroe, Pike, Schuylkill, Susquehanna, Wayne and Wyoming
<i>Northwest</i>	Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Forest, Jefferson, McKean, Mercer, Venango and Warren
<i>Central</i>	Bedford, Blair, Bradford, Cambria, Centre, Clinton, Columbia, Franklin, Fulton, Huntingdon, Juniata, Lycoming, Mifflin, Montour, Northumberland, Potter, Snyder, Somerset, Sullivan, Tioga and Union

The HealthChoices zones should be rolled out over time, replacing both the Voluntary Managed Care and ACCESS Plus programs with the HealthChoices model.

Why Expand HealthChoices?

Expanding HealthChoices statewide makes sense for a wide range of public policy reasons:

- **Cost Savings and Cost Containment:** A recent analysis performed by The LewinGroup, a nationally-recognized health policy organization, evaluated the potential savings that could result from expanding HealthChoices statewide in the 42 counties where the ACCESS Plus program currently operates. This analysis concluded that this policy change could yield State Fund savings of approximately \$375,000,000 between CY2012 and CY2015, or nearly \$95,000,000 annually over this four year period. The analysis also concluded that the Commonwealth could save an additional \$725,000,000 across the five-year time frame CY2016-2020.
- **Access and Quality:** The MCOs provide comprehensive care, increased access and quality outcomes in the current HealthChoices program. Access and quality standards for MCOs are rigorous, and DPW has the ability to adjust its standards to fit the needs of consumers and the Commonwealth.
- **Competition:** HealthChoices establishes an environment where MCOs within each zone must compete, innovate, and implement effective programs to be successful. Competition drives increased quality by holding MCOs directly accountable to consumers and to the Commonwealth.
- **Financial Risk:** Unlike ACCESS Plus, HealthChoices places the financial risk on the MCOs and provides budget predictability to the Commonwealth by eliminating the need for supplemental appropriations. Additionally, with expanded HealthChoices populations, the MCOs can offer added value due to scaled operations.
- **Fraud and Abuse Detection and Prevention:** Because MCOs are “at-risk” for the cost of services, detecting fraud, abuse and waste is a critical priority. MCOs have implemented cutting-edge technology and best practices to protect the integrity of the Medicaid program in the current HealthChoices program.
- **Accountability:** HealthChoices MCOs have clinical, financial and administrative accountability over all aspects of the delivery and financing of services. In ACCESS Plus, these functions are performed by various entities in a less centralized organizational structure.

- ***Economic Benefits:*** The HealthChoices MCOs make a substantial, positive impact on the Commonwealth's economy, and spur private sector job creation. MCOs also perform and sponsor community and philanthropic activities that have a significant effect on the communities they serve.
- ***Flexibility and Innovation:*** HealthChoices MCOs can react quickly to implement novel programs to enhance quality and consumer outcomes. Many staffing, procurement, and other limitations that may exist in government-run programs do not hinder HealthChoices MCOs.
- ***Health Care Reform:*** Under Health Care Reform, an additional 500,000 Pennsylvanians (perhaps many more) would be covered by Medicaid beginning in 2014. It is critical to ensure that HealthChoices is in place Statewide prior to this enormous expansion of the Medical Assistance population.