

Testimony:
Health and Human Services Subcommittee of the
PA House Appropriations Committee

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Presented by:
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Thank you very much Madam Chairwoman. My name is Michael Blackwood and I am the President and CEO of Gateway Health Plan headquartered in Pittsburgh. On behalf of Gateway and its nearly 500 employees, I wish to thank you and the Health and Human Services Subcommittee of the House Appropriations Committee for providing us this forum to articulate our positions regarding a number of proposals presented in the Governor's FY 2007–2008 Budget by the Department of Public Welfare (the Department).

In the interest of respecting the subcommittee's request for brevity with our opening remarks, allow me to state for the record that Gateway concurs with the testimony provided by my colleagues and their respective organizations represented on this panel and I will not repeat their points.

Gateway is the eighth largest Medicaid Physical Health Managed Care Organization (PH-MCO) in the country, but the second largest Medicaid Physical Health-MCO in the Commonwealth with a total enrollment exceeding 243,000 Pennsylvanians within a service area covering 39 counties.

In 2000, Gateway became the first Medicaid PH-MCO in the nation to be fully accredited by the National Committee for Quality Assurance (NCQA) with the designation of '*Excellent*'. Since then, Gateway has been re-accredited with the same distinction in subsequent NCQA performance evaluations in 2003 and 2006.

Our health care model has helped build a medical delivery system which mobilizes the necessary resources to deploy a proactive, holistic, state-of-the-art approach to patient care. We emphasize collaborative efforts with the medical provider community, developing medical management protocols which optimize health outcomes, enhance quality of life, lower the overall cost of medical care and significantly lower the rate of annual medical cost. Gateway is heavily engaged with its members to assure their compliance with prescribed medical treatment plans.

We and the Commonwealth's other Medicaid PH-MCOs are collectively responsible for managing the medical care for 1.1 million Pennsylvanians, constituting 63% of the Commonwealth's Medicaid population. Needless to say, we are a critical component of Pennsylvania's overall Medicaid physical health strategy. A destabilization of this medical delivery system will be catastrophic for PH-MCO plan members, medical providers and Pennsylvania taxpayers.

In the Governor's FY 2007-2008 Budget, the Department is proposing to change contract payment terms pertaining to the monthly capitation payments to the PH-MCOs effective **1/1/08**. If this proposal is implemented, the PH-MCOs will not receive their January 2008 capitation revenue until February. The result is a permanent one-month loss of state-provided revenue for the PH-MCOs. Thus, the PH-MCOs will receive only 11 capitation payments in FY 2007-2008. In state funds alone, this is a loss of state-provided revenue **exceeding \$300 million** for the PH-MCO medical delivery system. To Gateway, this contractual change is a denial of \$60 million in state-provided revenue.

I emphasize state-provided revenue compared to a bank-provided loan in order for us to appropriately serve **your constituents**. The Department has informed the PH-MCOs they will pay 'lost interest' to the PH-MCOs relevant to this contractual change. Determination of the 'lost interest' will be at the Department's discretion. We will all need to identify and secure the necessary funding to fill this gap in State revenue streams.

The Department contends this proposal is an effort to "more closely align" its contract payment terms with the PH-MCOs to the contract payment terms the PH-MCOs have with their participating medical providers. ***How will retrospective payments to the PH-MCOs 'align payment terms', when the PH-MCOs are contractually required to pay 90% of their clean claims within 14 days of receipt?*** Gateway has always committed itself to this compliance standard. We pay our claims within 12 days and have never been sanctioned for late payment of a claim and Gateway's first member became effective on July 1, 1993.

The Department recently informed all the PH-MCOs that they will still be held accountable in meeting prompt payment requirements when paying medical providers for rendered services. The Department is using the Balanced Budget Act (BBA) to compel the PH-MCOs to continue prompt payments to medical providers.

Gateway and the Commonwealth's other PH-MCOs have:

- Saved Pennsylvania billions of dollars in medical costs as documented by the Lewin Group
- Developed far better accessibility to medical providers for Pennsylvania's most vulnerable citizens
- Collaboratively worked with the medical provider community to implement innovative protocols for patient care
- Served as a model for other states to programmatically integrate their own Medicaid initiatives

We continuously improve and move in the direction of greater efficiencies for the Commonwealth.

The State has put forth a damaging proposal to delay our payments. Paying bills "as you go" is the way we all expect to the State to run its business affairs. Asking MCOs to borrow money to pay the bills is anathema to State fiscal responsibility. Let's be honest: DPW is asking MCOs to spend money that DPW did not provide. As you agreed last year, we are asking that the Department's delayed payment proposal be rejected by the Appropriations Committee.

Thank you.