

Response to DPW's Proposal for HealthChoices Expansion

Background: The Department of Public Welfare (DPW) recently issued a draft discussion paper announcing its intent to expand HealthChoices, DPW's mandatory managed care program. The Pennsylvania Coalition of Medical Assistance MCOs (PAMCO) supports DPW's decision to expand full-risk managed care as a positive development for the Commonwealth's taxpayers, consumers, and the provider community. DPW's proposal, however, contains a fundamental flaw. Rather than replicate the success of the existing model, DPW is proposing to continue ACCESS Plus as a government-run MCO along with the traditional MCO model.

Discussion: The proposal to maintain the ACCESS Plus Program in the HealthChoices Expansion Zone is flawed for the following reasons:

- ✓ **Maintaining ACCESS Plus will reduce cost savings to the Commonwealth.** A report from the Lewin Group found that expanding HealthChoices statewide would yield state fund savings of \$375 million between CY2012 and CY2015, or over \$90 million annually during this four-year period. **By including ACCESS Plus, potential savings would likely be reduced by as much as 75%, resulting in initial savings of only \$21.5 million per year.**
- ✓ **Maintaining ACCESS Plus will jeopardize the success of the expansion effort.** Many providers may choose not to participate with MCOs with ACCESS Plus/Medicaid FFS as an alternative. This will drive up the cost of expansion.
- ✓ **Maintaining ACCESS Plus is not necessary in Pennsylvania.** States have implemented state-run enhanced primary care case management (EPCCM) programs such as ACCESS Plus in rural areas because of the immaturity of their managed care program, and due to concerns that they could not identify qualified MCOs to serve consumers. In Pennsylvania, these concerns do not exist. Several MCOs expect to bid in the two new zones, ensuring a competitive process. In fact, states that have EPCCM programs – such as Texas and Florida – have plans to replace these programs with risk-based MCO managed care.
- ✓ **Maintaining ACCESS Plus is inconsistent with the goal of the Commonwealth to implement innovative private sector solutions.** HealthChoices MCOs are privately run entities that have clinical, financial and administrative accountability over all aspects of the delivery and financing of services. Unlike ACCESS Plus, HealthChoices MCOs accept financial risk and provide budget predictability to the Commonwealth.
- ✓ **Maintaining ACCESS Plus will perpetuate a duplicative and unnecessary State employee and contractor program infrastructure.** By replicating HealthChoices through an expansion with only MCOs, DPW could reduce or realign its resources to best support a residual fee-for-service program. This change could save the Commonwealth millions of additional dollars.
- ✓ **Maintaining ACCESS Plus will perpetuate DPW's role as both a regulator and competitor.** Under the current approach, the Department would be acting as both a regulator and a competitor of the MCOs – a clear conflict of interest.

Recommendations:

- DPW should adopt the full-risk, Capitated, all-MCO HealthChoices Managed Care Model in the Expansion Zones.
- DPW should provide several MCO options in each Expansion Zone.
- DPW should expedite the HealthChoices Expansion to gain optimal cost savings.