

Testimony Prepared for Presentation to the
Health and Human Services Subcommittee of the
PA House Appropriations Committee

Presented by

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Tuesday, March 25, 2008

Thank you very much Madam Chairwoman. My name is Robert Mirsky, MD and I am Vice President and Chief Medical Officer of Gateway Health PlanSM 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 this forum to articulate our positions regarding some of the proposals presented in the Governor's FY 2008–2009 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 much of 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 and the second largest Medicaid Physical Health-MCO in the Commonwealth with total enrollment exceeding 243,000 Pennsylvanians within a service area covering 39 counties. Gateway along with the Commonwealth's other PH-MCOs is collectively responsible for managing the medical care for 1.1 million Pennsylvanians, constituting 62% 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 would be catastrophic for PH-MCO plan members, medical providers and Pennsylvania taxpayers.

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. *U.S. News & World Report* and the National Committee for Quality Assurance (NCQA) recently released its third report on health plans. **Gateway is ranked #12 among 196 Medicaid plans nationwide. It is the top-ranked Medicaid plan in Pennsylvania.**

Results like these require commitment and investment. They are achieved by engaging the individual, the family, the community and the physicians and providers. We use a holistic approach, called Prospective Care ManagementSM or PCMSM, that identifies the multifaceted needs of each member beyond the strictly medical to tailor an individualized treatment plan. We

emphasize collaboration with the physician and provider community using care management protocols to optimize health outcomes, enhance quality of life, and lower the overall cost and annual increase in cost of medical care. Our health care model has helped build a medical delivery system that mobilizes the necessary resources to deploy a proactive, holistic, state-of-the-art approach to patient care.

Additionally, we identify populations with one or more chronic conditions and assure they get needed care. The conditions on which we all focus have significant opportunity for improvement and reflect racial and ethnic disparities: diabetes, cardiovascular disease and asthma. What all of these conditions have in common is that prescription medications are integral to their identification and management. In fact, success in their management is frequently measured by patient use of these medications.

One cannot “tease out” medication management from the overall care of a patient. Imagine a health plan trying to coordinate care for a member without being able to integrate medication in the care plan. Imagine a physician caring for a patient having to discuss the patient with two separate organizations...one for the medications and another for all other aspects of care. Imagine the added complexity and barriers to effective care when there are so many other obstacles to overcome for this population. Imagine being a patient trying to navigate a fragmented health care system. Carving out pharmacy is clearly not consistent with the integration contemplated in the Governor’s Prescription for Pennsylvania.

Let us discuss some other aspects of the proposed budget. In the Governor’s FY 2008-2009 Budget, the Department is proposing to change contract payment terms pertaining to the monthly capitation payments to the PH-MCOs effective **1/1/09**. If this proposal is implemented, the PH-MCOs will not receive their January 2009 capitation revenue until February of that year. The result is a permanent one-month loss of state-provided revenue for the PH-MCOs with Gateway’s share being approximately \$35 million. Additionally, 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 \$70 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 that 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 and attempt to explain how we would ever pay it back.

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 of receipt and have never been sanctioned for late payment of a claim -- and Gateway’s first member became effective nearly 15 years ago, 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 us 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 and pharmacy carve out be rejected by the Appropriations Committee.

Thank you.