Testimony of Sherry Knowlton, Senior Vice President and General Manager AmeriHealth Mercy Health Plan, before the House Health and Human Services Committee

My name is Sherry Knowlton. I am Senior Vice President and General Manager of AmeriHealth Mercy Health Plan. AmeriHealth Mercy manages the delivery of health care services to over 86,000 Medicaid consumers in 15 counties in central and Northeast Pennsylvania.

Thank you for the opportunity to testify today. I applaud Chairman Kenney and the Committee for your interest in seeking input on Medicaid Managed Care and the important issues facing the State's Medicaid program. My testimony today will focus on two major topics, the value of Medicaid Managed Care in Pennsylvania, and the need to put issues relating to Medicaid in a broader context.

HealthChoices has been Pennsylvania's primary Medicaid Managed Care model for nearly a decade. The original intent of HealthChoices was to increase access, improve quality of care, and control the rate of growth of Medicaid expenditures. I believe the Commonwealth should take great pride in the fact that the program has achieved all three of its goals.

The HealthChoices Program and the State's commitment to managed care for Medicaid truly has been a bi-partisan effort. Medicaid Managed Care began in Pennsylvania in the early 70's – one of the nation's pioneering experiments. HealthChoices itself was designed during the Casey administration, then implemented and expanded by the Ridge and Schweiker administrations. HealthChoices has become a national model that other states look to when improving their Medicaid delivery systems.

The Lewin Group will testify in this hearing about their study that confirms the significant cost savings and quality and access improvements that the State has gained as a result of HealthChoices. There are two other recent studies that reach similar conclusions. The Rockefeller Commission study validated Pennsylvania's approach to managed care and complimented the Department of Public Welfare (DPW) for its comprehensive monitoring of Managed Care Organizations (MCOs). A study commissioned by Michigan's state legislature and conducted by the Center for Health Programs found nearly identical results to the Lewin Study in terms of cost effectiveness – that both Medicaid Fee for Service (FFS) and Primary Care Case Management (PCCM) are more expensive than capitated full risk managed care (the HealthChoices model).

It is important that State government revisit broad public policy issues on periodic basis. Assessing the effectiveness of HealthChoices is timely, especially in light of the growing pressures to fund Medicaid. One of the primary reasons for originally adopting HealthChoices was to save money. I believe that, a decade later, the fact that HealthChoices still achieves those savings is less visible because the continued lower cost trend of MCO managed care is now embedded in the Medicaid budget. However, lower visibility does not make those cost savings any less real.

A question for the Committee to consider is: What would happen if HealthChoices was dissolved and we went back to FFS or a PCCM model like AccessPlus? I believe the results would be extremely negative.

- **Costs would rise dramatically** as the Medicaid program returns to one that has little control over utilization. Before HealthChoices there were two extremes. On one hand, there were recipients who overused specialty care providers. Without the utilization management and case management interventions of the MCOs, Medicaid could easily return to the member and provider driven system that it was in the early 90's.

- On the other hand, there would be **many consumers with reduced access to care**. Prior to HealthChoices, many members had little access to primary or specialty care, so they used the Emergency Room for routine care or were hospitalized when untreated medical problems became serious. The HealthChoices plans must guarantee access to their members.

We have achieved this partly by enrolling providers who never participated in Medicaid FFS in our networks. These providers will not stay in a FFS/PCCM environment. So, the result will be higher costs as members use expensive Emergency Room or inpatient hospital care.

- Ending HealthChoices would also create **increased pressure from providers for higher Medicaid payment rates**. Today, a significant portion of the State's hospital, physician and other providers receive most of their payments for Medicaid services from managed care plans. And, the MCOs generally reimburse providers more than FFS. MCOs offset these higher payments by coordinating care, placing strong emphasis on preventive health care, providing disease management for chronically ill patients, and offering innovative programs to promote the health of our members. Without HealthChoices, providers would come directly to the Administration and the Legislature for higher Medicaid rates.

- Another fall-out from ending Health Choices would be **a reduction in quality of care**. There are few quality measures in Medicaid FFS. While there are some quality aspects built into AccessPlus, the standards are not as comprehensive as those for HealthChoices. AmeriHealth Mercy is committed to ensuring that our members have access to high quality, integrated, patient-centered health coverage. *US News and World Report* recently ranked AmeriHealth Mercy and all of the HealthChoices MCOs in the nation's Top 25 Medicaid Managed Care Plans based on quality of service.

- There would be **a negative impact on Pennsylvania's economy** if HealthChoices would end. The MCOs are an integral part of that economy. We employ Pennsylvania citizens. Most of our premium dollars go to hospitals and other providers, who in turn employ others in the community. We help maintain a robust safety net for many people returning to the workforce Healthcare is the fastest growing segment in Pennsylvania's economy. The MCOs are a significant part of the mix.

Can HealthChoices be improved? Certainly, we should all be looking for ways to further refine the program. AmeriHealth Mercy is willing to participate in those discussions and has specific ideas on ways to improve the program. But, the broad public policy question should not be – does HealthChoices save money or should HealthChoices continue? The question should be:

Since HealthChoices saves the Commonwealth significant dollars, how quickly can we expand it into the rest of the State?

Expanding HealthChoices would save real dollars as well as increase federal matching monies that the State receives from the MCO assessment. A few years ago, MCOs were poised to expand into the Northeast and the Northwest. Reviving those HealthChoices procurements could be done in the next fiscal year if DPW acted quickly.

Turning briefly to another subject. I ask this Committee to look at the broader picture as it considers both HealthChoices and the Medicaid program. Healthcare costs in all sectors continue to climb at a higher rate than inflation due, among other things, to advancements in medicine, especially in end of life care, neonatal care, and the rising cost of new pharmaceuticals. And, as you look at what is often referred to as the "problem with Medicaid", remember that Medicaid is the safety net that catches many of those people who otherwise would fall through the rapidly widening cracks in our nation's healthcare system.

The rising Medicaid caseloads in our State are being driven primarily by the growing number of elderly receiving long term care services as well as the large number of working poor who now qualify for coverage. Medicaid these days is not a program that just provides coverage to people on cash assistance. The old stereotype of the Medicaid recipient is an unemployed mother and her kids. Today, Medicaid casts a much wider safety net. Today, most of us don't have to look too far afield to the answer the question: Who do I know who is on Medicaid? For me, it is:

- Diane, one of my son's young friends who works at a day care center that provides health insurance. However, she doesn't make enough money to pay for her living expenses plus the insurance premium.

- Before he died an early death from his Down's syndrome, much of my brother-in-law Bobby's care was funded by Medicaid.

- My grandmother turned to Medicaid when she depleted all of her assets after three years in a nursing home.

I suspect that all of you could think of similar people in your life who rely on Medicaid for their health care coverage.

Pennsylvania has historically been in the forefront of programs that provide health care to low-income uninsured citizens. Expansions in Medicaid eligibility beyond the Federal minimum, state-funded General Assistance, and other programs such as PACE all demonstrate the Commonwealth's commitment to its most vulnerable. Perhaps, it is time for the State to reexamine not just HealthChoices and not just Medicaid, but all of its publicly funded healthcare programs to determine if there is a more effective way to structure the programs and draw down more Federal funds. In addition, Pennsylvania may want to look at what other states are doing to lessen the burden on State funded health coverage such as defined employer contributions,

purchasing pools and other ways to make it easier for small business to provide health insurance for their employees.

It is important that the Commonwealth preserve the broad safety net that Medicaid and its other low-income healthcare programs offer. However, rising costs of Medicaid cannot be addressed without considering the broader context of healthcare in the State.

As you consider the next steps for Medicaid in Pennsylvania, it should be clear that HealthChoices is a key component in the future of the program. HealthChoices, by itself, cannot solve all of the problems that we face today in Medicaid. But, continuing HealthChoices in the three zones in which it currently operates is critical to containing Medicaid costs. And, expanding HealthChoices to the other counties across the State should become a priority to obtain additional savings for the Medicaid program. HealthChoice's original goals of increased access, improved quality of care, and cost containment are just as relevant today as they were a decade ago.