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HEALTH CARE AND HUMAN SERVICES POLICY, RESEARCH, AND CONSULTING - WITH REAL-WORLD PERSPECTIVE.

Testimony for Connecticut Human Services Committee's Public Hearing

Regarding Senate Bill #5056 - An Act Implementing the Milliman Report's Recommendations to Achieve Cost Savings in the HUSKY Program

March 2, 2010

Personal Background - Joel Menges

- Focus on Medicaid managed care projects during 16+ years at Lewin
  - 22 years of overall experience in Medicaid managed care arena
- At Lewin, have worked on Medicaid managed care engagements in more than 30 states, including extensive Connecticut project work
  - Assisted DSS in designing and developing its Medicaid managed care program during mid-1990s
  - Led prior assessment of HUSKY initiative on behalf of Connecticut Association of Health Plans
  - Assisted an MCO in preparing its application for participation in Connecticut's current capitation program
  - Reviewed Milliman capitation rate assessment and DSS response letter during mid-2009 (also on behalf of Connecticut Association of Health Plans)
- The Lewin Group is owned by Ingenix, which in turn is owned by United Health Group

Summary of Lewin's Comments on Milliman Report

- New capitation program appears to be off to a strong start
  - With regard to provider networks, as of July 2009 the three MCOs had contracted with 73%, 91% and 100% of the state's hospitals and with 43%, 51% and 60% of Connecticut's practicing physicians.
  - Member services activities included robust enrollee outreach efforts (e.g., one MCO placed an average of more than 3,000 outbound calls to members *per week* during the first half of CY2009).
- Once a capitated Medicaid program is implemented, it takes over a year to develop a sound estimate as to appropriate capitation rate modifications.
  - Claims lag times do not permit an immediate assessment to occur
  - Milliman's report did not consider the program's operational experience
  - DSS regularly obtains financial performance data from the three MCOs

DSS Response to Milliman's Report is Important for Legislature to Understand and Consider

- Excerpts from the DSS response are provided below:
  - "..... we take great exception to the conclusions reached by Milliman and again ask you to reconsider releasing a report that is misleading and inaccurate."
  - "The Milliman trend figures are completely unsupported and undocumented. While DSS has provided the background on its use of HUSKY-specific trend figures, Milliman provides no such documentation for its "observed" trend figures."

Specific Comments on Initial Rate-Setting Efforts and Milliman's Report

- Report seems to imply that payment rates at the floor of the rate range are inherently "viable" for the health plans.
  - If this were the case, there would be no value in creating a rate range, because any amount above the floor would by definition be unnecessarily high.
  - The floor depicts the level below which the actuarial contractor is highly confident that the health plans will not be able to operate viably. This should not be misconstrued to imply that rates at the floor will be viable.

- Meaningful operational data were not available to Milliman from the three MCOs under the new program.
  - However, CHN is the largest MCO and had provided its historical experience data to DSS for well over a decade.
  - This experience data was not obtained/used by Milliman in its review.

Specific Comments on Initial Rate-Setting Efforts and Milliman's Report (continued)

- Milliman reached a strong and specific conclusion on the basis of very little direct involvement with Connecticut's Medicaid managed care program.
- All involved parties -- DSS, its actuarial contractor (Mercer) and the three MCOs - had extensive expertise with capitation rate setting in the Medicaid arena.
  - these parties were all well aware of the State's dire fiscal situation at the time the initial rates were being set
- DSS' competitive bidding model coupled with subsequent negotiations exerted considerable downward pressure on initial capitation rates.
- Milliman suggests that rates should be lowered due to "efficiencies." However, baseline costs already reflected a capitated setting due to the longstanding MCO contracting programs that had been in place for the HUSKY population.

Lewin's Suggested Action Steps (from our July 2009 work but still applicable)

- We suggested following approaches to help address rate situation and state's fiscal situation
  - implement premium rate risk corridors to better promote a "win-win" partnership between State and the MCOs
    - retrospective rate adjustments can avoid/resolve poor rate setting outcomes -- eliminate potential for one party to gain at the other's expense
  - consider tailored benefits package reductions
  - coordinate care more aggressively for non-HUSKY Medicaid subgroups - particularly non-Medicare SSI beneficiaries
    - efforts appear to be underway to accomplish this