

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 2, 2009

LATE
Testimony

MEMORANDUM

TO: Honorable John M. Mizuno, Chair
House Committee on Human Services

Honorable Ryan I. Yamane, Chair
House Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 1525 – RELATING TO MEDICAID**

Hearing: Thursday, February 5, 2009, 10:30 AM.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to require the department of human services to award Medicaid contracts to non-profit insurance entities only.

DEPARTMENT'S POSITION: The Department of Human Services strongly opposes limiting the choice of Med-QUEST program clients and limiting the State's ability to provide those clients with the best health care possible.

For-profit or non-profit status has not been shown to be associated with quality of care. Although half of the worst performing hospitals are for-profit, half of the best performing nursing homes are for-profit (Federal reviewers give 6 nursing homes in Hawaii poor scores, Honolulu Advertiser, December 18, 2008). In Hawaii, most physicians and pharmacies, many nursing homes, and some hospitals are for-profit.

These comments are in no way to imply that non-profits are in any way inferior to for-profits. But it should likewise not be assumed that a non-profit would always be superior to a for-profit. Through healthy competition, the best proposal should be selected.

This bill may be in the best interest of non-profit health plans, but it is not in the best interest of Med-QUEST program clients or the State. Limiting potential bidders decreases competition. That competition works to improve quality and decrease costs. This bill could have the impact of clients' receiving lower quality care while costing the State more. In addition, taxes paid by for-profits generate substantial additional revenue for the State to provide increased services to its residents.

Another impact on Med-QUEST program clients would be reducing their ability to receive optimal care coordination. This bill is discriminatory against the Medicaid population age 65 and older, blind and/or disabled who are also Medicare beneficiaries (i.e. dual eligible persons aka "duals"). The Federal government allows Medicare Advantage (MA) plans are offered by both for-profit and non-profit health insurers, and duals benefit most by having their Medicaid and Medicare insurance through the same insurer. If Med-QUEST could not contract with for-profit insurers, then the duals who choose a for-profit MA plan could not receive the benefit of care coordination.

Additionally, the Department of Human Services has numerous contracts including fiscal agent, prescription benefit manager, and many providers including case management agencies servicing our waiver clients who are not non-profit insurance companies. This bill would result in the loss of contracts to many small businesses; people would lose jobs and small businesses might go out of business.

The Department of Human Services believes in fair competition in order to provide the greatest value in terms of quality and cost to our clients and to the State. This bill benefits a few select large

businesses at the expense of small businesses, the vulnerable clients served by Med-QUEST programs, and Hawaii taxpayers.

Thank you for the opportunity to comment on this bill.



To: Representative John Mizuno, Chair, House Committee on Human Services

Representative Ryan Yamane, Chair, House Committee on Health

From: Lori Naylor, Sales Coordinator, Summerlin Life and Health

RE: HB 1525, "Relating To Medicaid."

Date: Thursday, February 05, 2009 10:30 AM

**LATE
Testimony**

Chair Mizuno, Chair Yamane and Members of the Committees:

Thank you for this opportunity to testify in opposition to HB1525, which proposes to require all future Medicaid procurement contracts to be awarded only to qualified nonprofit entities.

We understand that this bill was drafted based on reports that "several states have found a number of serious violations of laws and medical fraud in administering similar medicaid programs through for-profit insurance companies." The proposal also attempts to explain and justify this bill based on some laws and legislation that have surfaced in some states that permit only nonprofit and government-related entities to bid on Medicaid contracts.

As this bill is currently drafted, the department of human services can only solicit proposals and award medicaid contracts to nonprofit insurance entities. This legislative proposal will prevent for-profit health insurance companies in good standing, like Summerlin, from competing for medicaid contracts.

In addition, this bill will impact Summerlin's current QUEST contract with the state that has been in effect since July 1, 2007. Based on our outstanding performance to date, we have already been given a verbal indication that our contract may be extended. Will this bill impact that contract?

As a local, for-profit health insurance company, Summerlin not only pays our share of the general excise tax, we also bring health care competition into the Hawaii market. As a company, we understand government health care and the value of competition in the marketplace. Please note that Summerlin also submitted a proposal for the QUEST Expanded Access program and was unsuccessful in our bid.

Our sister company, HMA Inc., has also serviced the Navajo Nation Employee Benefit Plan for over 12 years.

This bill is not in the best interest of the state. It will prevent qualified for-profits from competing for medicaid contracts. Cost will increase for the state since only a few non-profits will be eligible to apply. If the intent is to stop current “violators”, then they should be audited and appropriate action taken against those companies. This would disqualify only those in violation instead of all for-profit vendors. The proposed solution definitely does not fit the problem that it is trying to solve. It creates other unintended consequences.

I urge you to not pass HB1525 with its current language that disqualifies all for-profits. Thank you very much for the opportunity to testify on this measure.



February 4, 2009

**LATE
Testimony**

Representative John Mizuno, Chair
House Committee on Human Services
Hawaii State Capitol, Room 315
415 South Beretania Street
Honolulu, HI 96813

Representative Ryan Yamane, Chair
House Committee on Health
Hawaii State Capitol, Room 315
415 South Beretania Street
Honolulu, HI 96813

Re: HB 1525- Requiring the Department of Human Services to Award Medicaid Contracts to Non-Profit Insurance Entities only.

Chair Mizuno and Chair Yamane and members of the House Committee on Human Services and House Committee on Health:

Thank you for the opportunity to provide testimony and comment with regard to HB 1525. I am Rick Jackson, Chief Operating Officer of MDX Hawai'i, a local for-profit third party administrator of health benefit plans. We have two (2) local clients that have been customers of our company for 20 years: The Queen's Health Systems and United Healthcare.

MDX Hawai'i has had a business relationship with United Healthcare and its predecessor companies in Hawai'i for the past 20 years, beginning with Travelers Insurance in 1989. Currently, we are contracted to support a number of United's Hawai'i insurance programs, including commercial insurance administration for local employers such as AT&T, Hawaiian Telcom, Home Depot and IBM. We also help administer United's Medicare plans offered under the AARP, SecureHorizons and Evercare brand names. Finally, we are part of the team that is supporting start-up of the Evercare QUEST Expanded Access (QExA) program which began operations on February 1, 2009.

MDX Hawai'i is opposed to HB 1525 which would require DHS to solicit proposals from and award Medicaid contracts only to non-profit insurance entities. We do not support HB 1525 for the following reasons:

1. If the legislation under discussion today had been in force in 2008, there would be no QUEST Expanded Access Program in place today.

Discussion

The RFP terms and conditions for the QExA program were discussed and debated in local community meetings for over 10 years prior to the award in February 2008 of two (2) contracts, one to Wellcare, the other to Evercare. Only one of the five (5) bidders for QExA



was not-for-profit; no other local not-for-profit companies submitted a bid. AlohaCare's bid was deemed not to have met the technical requirements of the RFP to understand and deliver a successful, medically integrated program for Hawai'i's aged, blind and disabled.

2. If the legislation under discussion today is in force in 2011, there may be no qualified non-profit QUEST Expanded Access Program bidders in place to take over from Wellcare and Evercare, and the QExA program will be disbanded at the end of its first three years.

Discussion

Under the terms of the CMS waiver, there need to be two (2) technically qualified plans offered so that QExA beneficiaries are offered a choice of health plans; otherwise, the waiver CMS waiver will be withdrawn. There were no such bids from local non-profits in 2007-8. Under the terms of the proposed legislation, neither Wellcare nor Evercare can compete for follow-on contracts. So, without at least two qualified, competent for-profit company's bids in 2011, QExA may not be able to continue delivering services.

3. The economic performance of the two for-profit companies delivering QExA services may permit significant gain sharing with local providers before the end of the initial QExA contract period. This is a good, local-style, win-win situation that happens regardless of profit status.

Discussion

QExA profit is capped at three (3) percent and, by the way, there is no theoretical "maximum loss". Both Wellcare and Evercare are hopeful, but not certain, of reaching the profitability during the initial contract. If this happens, both companies have every reason and incentive to share a significant portion of any savings above the 3% cap with their contracted provider networks. Neither company can make an excess profit.

In summary, it is difficult for MDX Hawai'i to see any public benefit to limiting competition for DHS QUEST contracts to the non-profit sector, and we see significant downside risks for the community if this legislation is enacted.

Thank you for the opportunity to submit testimony.

Best regards,

A handwritten signature in black ink, appearing to read "Rick Jackson". The signature is written in a cursive, flowing style.

Rick Jackson
Chief Operating Officer

TO THE HAWAII STATE HOUSE OF REPRESENTATIVES COMMITTEES ON
HUMAN SERVICES AND HEALTH
THE TWENTY-FIFTH LEGISLATURE
2009

February 5, 2009 10:30 a.m.

H.B. No. 1525

**TESTIMONY OF ERHARDT. H. PREITAUER IN SUPPORT OF FOR-PROFIT
HEALTH PLANS SERVING MEDICAID MEMBERS**

TO THE HONORABLE JOHN MIZUNO, THE HONORABLE RYAN YAMANE AND
MEMBERS OF THE COMMITTEES ON HUMAN SERVICES AND HEALTH:

Thank you for the opportunity to testify today in support of for-profit health plans serving Medicaid members. My name is Erhardt H. Preitauer, and I am the Executive Director of 'Ohana Health Plan, a for-profit health plan serving the Quest Expanded Access program. The Quest Expanded Access program serves over 38,000 of Hawaii's most vulnerable residents; low income seniors and people with disabilities. Over 21,000 of these residents are a part of 'Ohana Health Plan, and I am happy to report that we went live on February 1, 2009 after one year of implementation and millions of dollars of investment in Hawaii. This is a critical program for our seniors and people with disabilities.

There are two points that I would like to focus on today. First, I would like to talk about the practical nature of this bill and how it would have affected this very important program had the bill been in effect over the last year. Next, and perhaps most importantly, I would like to talk about making healthcare better for Hawaii's seniors and people with disabilities.

As you know, there were five plans that submitted bids to serve the Quest Expanded Access program. Of these five plans, only three of them had enough demonstrated experience and success serving similar populations to qualify. All three of these qualifying plans were for-profit. Thus, if this bill had been in effect one year ago, there would not have been an opportunity to bring qualified, experienced organizations to serve this vulnerable population. I would venture that if the qualification and experience

standards were reduced to allow the lone non-profit bidder to have won the bid, Hawaii would have been left with only one, unqualified health plan serving the Quest Expanded Access population. This would not be good for our seniors or our people with disabilities.

Finally, I respectfully ask that we, as a collective group, focus our efforts on one thing: making healthcare better for Hawaii's seniors and people with disabilities. For me, the relevant question is, "who can provide the best care for the people of Hawaii?" To answer this, I believe we must ask *further* questions. For instance, "Who will provide the most transparency into how the state's money is spent? Who has the resources to assemble and train a highly qualified *local* team? Who has the proven capabilities in caring for similar members? Who has the experience to effectively bring together medical, behavioral, and social services?" I would argue that for-profit companies are highly transparent. We have hired over 120 *local* staff, many of which come directly from serving Hawaii's low income seniors or people with disabilities. Our parent company, WellCare, allows us to bring the power and capabilities of serving over 2 million members. We have invested tens of millions of dollars into state of the art systems and tools. I would argue that *we* have the capability to provide the best care for the people of Hawaii.

To summarize, this bill would have effectively destroyed this program had the bill been enacted a year ago – simply because there were not enough qualified non-profit health plans willing to bid. And finally, I would argue that we have the experience, resources, sensitivity, and the focus to make healthcare better for Hawaii's seniors and people with disabilities.

Thank you for the opportunity to testify in support of for-profit health plans today.